



CABINET

Monday, 16th March, 2020
at 6.00 pm

Council Chamber Hackney Town Hall, Mare Street, London E8 1EA

MAYOR AND CABINET (The Executive)

Councillors:

Mayor Philip Glanville (Chair)

Mayor of Hackney

Councillor Anntoinette Bramble (Vice-Chair)

Deputy Mayor of Hackney and Cabinet Member for Education, Young People and Children's Social care
Cabinet Member for Energy, Waste, Transport and Public Realm

Councillor Jon Burke

Cabinet Member for Health, Adult Social Care and Leisure

Councillor Christopher Kennedy

Cabinet Member for Housing Services

Councillor Clayeon McKenzie

Cabinet Member for Planning, Business and Investment

Councillor Guy Nicholson

Deputy Mayor of Hackney and Cabinet Member for Finance, Housing Needs, and Supply

Councillor Rebecca Rennison

Cabinet Member for Community Safety, Policy and the Voluntary Sector

Councillor Caroline Selman

Cabinet Member for Employment, Skills and Human Resources

Councillor Carole Williams

Cabinet Member for Families, Early Years and Play

Councillor Caroline Woodley

Mayoral Advisers:

Councillor Sem Moema

Private Renting and Housing Affordability

Councillor Yvonne Maxwell

Older People

Tim Shields

Contact: Clifford Hart, Governance Services Officer

Chief Executive

Tel: 020 8356 3597

Clifford.hart@hackney.gov.uk

6 March 2020

The press and public are welcome to attend this meeting

NOTICE OF INTENTION TO CONDUCT BUSINESS IN PRIVATE, ANY
REPRESENTATIONS RECEIVED AND THE RESPONSE TO ANY SUCH
REPRESENTATIONS

Whilst much of the business on the agenda for this meeting will be open to the public and media to attend, there will sometimes be business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is the formal 5 clear day notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to confirm that this Cabinet meeting will not be held partly in private.

The 28 clear day notice for this meeting was published last month in the Executive Meetings and Key Decisions Notice. This gave notice that there was no intention to meet in private after the public meeting to consider reports which contain exempt or confidential information.

ADDITIONAL MEETING INFORMATION

Meeting Dates

18 May 2020

Public Involvement

The public have the right to ask questions or submit petitions or deputations to Cabinet meetings.

Contact Governance Services (Tel: 020 8356 3597) for further information on how this can be arranged. Or email: Clifford.hart@hackney.gov.uk

Further information can also be found within Part 4 of the Council's Constitution (which can be seen on the website www.hackney.gov.uk at this link –

<http://mginternet.hackney.gov.uk/documents/s36746/4.4%20-%20Executive%20Procedure%20Rules.pdf>

Contact for Information

Clifford Hart
Tel: 020 8356 3597
Email: Clifford.hart@hackney.gov.uk

CABINET AGENDA

Monday, 16th March, 2020

ORDER OF BUSINESS

1 Apologies for Absence

Item No Urgent Business

2 The Chair will consider the admission of any late items of Urgent Business. (Late items of Urgent Business will be considered under the agenda item where they appear. New items of Urgent Business will be dealt with under Item 19 below. New items of exempt business will be dealt with at Item 22 below).

Wards Affected

Contact Officers

Clifford Hart
Governance Services Officer
Tel: 020 8356 3597

Item No Declarations of interest - Members to declare as appropriate

3 A Member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A Member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 8.1-15.2 of Section Two of Part 5 of the Constitution and Appendix A of the Members' Code of Conduct.

Wards Affected

Contact Officers

Clifford Hart
Governance Services Officer
Tel: 020 8356 3597

Item No Notice of intention to conduct business in private, any representations received and the response to any such representations

4

On occasions part of the Cabinet meeting will be held in private and will not be open to the public if an item is being considered that is likely to lead to the disclosure of exempt or confidential information. In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (the "Regulations"), members of the public can make representations about why that part of the meeting should be open to the public.

This agenda contains exempt items as set out at **Item 20 : Exclusion of the Press and Public**. No representations with regard to these have been received.

This is the formal 5 clear day notice under the Regulations to confirm that this Cabinet meeting will be partly held in private for the reasons set out in this Agenda.

Wards Affected

Contact Officers

Clifford Hart
Governance Services Officer
Tel: 020 8356 3597

5

Questions/Deputations/Petitions

Item No

Unrestricted minutes of the previous meeting of Cabinet held on 24 February 2020

6

To agree the unrestricted minutes of the previous meeting of Cabinet held on 24 February 2020.

(Pages 1 - 42)

Wards Affected

Contact Officers

Clifford Hart
Governance Services Officer
Tel: 020 8356 3597

Item No

Unrestricted minutes of Cabinet Procurement Committee held on 10 February 2020

7

To receive the unrestricted minutes of the Cabinet Procurement Committee (CPC) held on 10 February 2020 - for noting only.

(Pages 43 - 52)

Wards Affected

Contact Officers

Clifford Hart
Governance Services Officer
Tel: 020 8356 3597

Item No

Capital Update Report - Key Decision No. FCR Q7

8

This report updates Members on the current position of the Capital Programme and seeks spending and resource approval as required to enable officers to proceed with the delivery of those schemes as set out in section 9 of the report.

(Pages 53 - 60)

Wards Affected		Contact Officers	
All Wards		Michael Honeysett, Director of Financial Management Tel: 020 8356 3611	
Item No	2019/20 Overall Financial Position, Property Disposals and Acquisitions Report - Key Decision No. FCR Q8		
9	This is the eighth Overall Financial Position (OFP) report for 2019/20 and is based on detailed January 2020 provisional outturn monitoring data from directorates, with a forecasting overspend of £6,953k at year end - an increase of £522k since December 2019.		(Pages 61 - 84)
Wards Affected		Contact Officers	
All Wards		Russell Harvey, Senior Financial Control Officer Tel: 020 8356 3611	
Item No	Homeless Strategy - Key Decision No. FCR Q9		
10	This report seek's Cabinet's approval to the new Homeless Strategy 2019-22.		(Pages 85 - 132)
Wards Affected		Contact Officers	
All Wards		Jennifer Wynter, Head of Benefits and Housing Needs Tel: 0208 356 5924	
Item No	Corporate Debt Policy - Key Decision No. FCR Q20		
11	This report seeks Cabinet's approval to the Corporate Debt Collection Policy (and the Vulnerable Person's Debt Policy), which forms part of the Corporate Debt Collection Policy.		(Pages 133 - 210)
Wards Affected		Contact Officers	
All Wards		Wendy White, Operational/Project Manager Tel: 0208 356 3784	
Item No	Capital Letters - Key Decision No. FCR Q63		
12	This report seeks Cabinet's approval to allow the borough to become a member of Capital Letters (London) Ltd. Capital Letters (London) Ltd.		(Pages 211 - 306)
Wards Affected		Contact Officers	
All Wards		Jennifer Wynter, Head of Benefits and Housing Needs Tel: 0208 356 5924	

Item No	Hackney Housing Company - Business Plans and Annual Report of the Directors - Key Decision No. NH Q48	
13	This report seeks Cabinet's approval to the three Hackney Housing Companies' business plans as attached at Appendices 1 to 3, and to note the annual report of the Directors at Appendix 4, of the report.	(Pages 307 - 350)
	Wards Affected	Contact Officers
	All Wards	James Goddard, Director, Regeneration Tel: 020 8356 1569
Item No	Acquisition of properties to support the delivery of affordable housing - Key Decision No. NH Q40	
14	This report outlines to Cabinet how, by acquiring former Right-to-Buy properties and converting them back into use as affordable homes, additional affordable housing can be delivered to help meet outstanding housing need in Hackney.	(Pages 351 - 360)
	Wards Affected	Contact Officers
	All Wards	James Goddard, Director, Regeneration Tel: 020 8356 1569
Item No	Hackney Central station and town centre regeneration - Key Decision No. NH Q52	
15	This report sets out for Cabinet a solution, brought forward by the Council in partnership with Network Rail and Transport for London (TfL), to alleviate the current overcrowding and congestion issues at Hackney Central station by utilising Council owned land at 231-237 Graham Road to provide a temporary second entrance to the station.	(Pages 361 - 376)
	Wards Affected	Contact Officers
	Hackney Central	Suzanne Johnson, Head of Area Regeneration Tel: 0208 356 1554
Item No	Kings Crescent Phases 3 and 4 Discretionary Service Charge Reduction - Key Decision NH Q32	
16	This report advises Cabinet of the need to review the recharges applicable to Kings Crescent leaseholders, and provide clarity on the scope and application of the approach specifically to Kings Crescent Phase 3 and 4 regeneration plans.	(Pages 377 - 392)
	Wards Affected	Contact Officers
	Brownswood	Chris Trowell, Director - Regeneration Tel: 020 8356 1569
Item No	Schedule of Local Authority School Governor appointments	

17	To agree the School Governor appointments.
Wards Affected	
Contact Officers Clifford Hart Governance Services Officer Tel: 020 8356 3597	
Item No	Appointments to Outside Bodies
18	To approve any appointments to outside bodies.
Wards Affected	
Contact Officers Clifford Hart Governance Services Officer Tel: 020 8356 3597	
Item No	New items of unrestricted urgent business
19	To consider any items admitted at Item 2 above.
Wards Affected	
Contact Officers Clifford Hart Governance Services Officer Tel: 020 8356 3597	
Item No	Exclusion of the press and public
20	<p><u>Note from the Governance Services Manager</u></p> <p>Item 21 allows for the consideration of exempt information in relation to item 7.</p> <p>The following MOTION should be proposed:</p> <p>RESOLVED:</p> <p>That the press and public be excluded from the remainder of the meeting as the items below contain exempt information, as defined under paragraph, 3 & 5 of Part 1, schedule 12A of the Local Government Act 1972.</p>
Wards Affected	
Contact Officers Clifford Hart Governance Services Officer Tel: 020 8356 3597	

Item No	Exempt minutes of Cabinet Procurement Committee held on 10 February 2020	
21	To receive the exempt minutes of the Cabinet Procurement Committee (CPC) held on 10 February 2020 - for noting only.	(Pages 393 - 394)
Wards Affected		Contact Officers
		Clifford Hart Governance Services Officer Tel: 020 8356 3597
Item No	New items of exempt urgent business	
22	To consider any EXEMPT items admitted at Item 2 above.	
Wards Affected		Contact Officers
		Clifford Hart Governance Services Officer Tel: 020 8356 3597

Access and Information

Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane.

Trains - Hackney Central Station (London Overground) - Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

Buses 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in the Assembly Halls, Rooms 101, 102 and 103 and the Council Chamber.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: www.hackney.gov.uk

Paper copies are also from the Governance Services Officer whose contact details are shown on page 2 of the agenda.

Council & Elections Website – www.hackney.gov.uk

The Council & Elections section of the Hackney Council website contains details about the democratic process at Hackney, including:

- Mayor of Hackney
- Your Councillors
- Cabinet
- Speaker
- MPs, MEPs and GLA
- Committee Reports
- Council Meetings
- Executive Meetings and Key Decisions Notice
- Register to Vote
- Introduction to the Council
- Council Departments

DEMOCRATIC PROCESS

Representation

Contact details for all Councillors are available on the website or by calling 020 8356 3373.

Ward Councillors may be contacted at their surgeries or through the Members' Room at the Town Hall (020 8356 3373).

You may also write to any Councillor or a member of the Cabinet c/o Hackney Town Hall, Mare Street, London E8 1EA.

Scrutiny Procedures

Details are listed in Part 4 of the Council's constitution, see the website for more details or contact the Head of Overview and Scrutiny on 020 8356 3312

Executive Meetings and Key Decisions Notice

The procedure for taking Key Decisions is listed in Part 4 of the Council's Constitution, available on the website (www.hackney.gov.uk).

The Executive Meetings and Key Decisions Notice showing Key Decisions to be taken is available on the Council's website. If you would like to receive a paper copy please contact Governance Services (Tel: 020 8356 3597). Or email: Clifford.hart@hackney.gov.uk

Emergency Procedures

In case of fire or any other emergency the Head of Governance Services or his/her nominated officer will ensure orderly evacuation of all those present in the meeting room. All Members Officers and members of the public should proceed without delay to the assembly meeting point near the car park at the back of the Town Hall where the nominated officer will conduct a count of all who have been evacuated to ensure that all are safe.

Advice To Members And Officers On Handling Exempt Papers

- Do not photocopy
- Store securely for as long as you hold it
- All papers can be given to Governance Services Officers who will dispose of them appropriately and arrange for them to be recycled
- Note that copies of all exempt papers are held by Governance Services staff.

Rights of Press and Public to Report on Meetings

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to **all** Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Director of Legal & Governance;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

You will have a disclosable pecuniary interest in a matter if it:

- i. Is of a description specified in regulations made by the Secretary of State and either:
 - a) Is an interest of yours, or
 - b) Is an interest of
 - Your spouse or civil partner
 - A person with whom you are living as husband and wife, or
 - A person with whom you are living as if you were civil partners

And you are aware that that other person has that interest

2. If you have a disclosable pecuniary interest in an item on the agenda you must:

- i.
- ii. If you attend a meeting and are aware that you have a disclosable pecuniary interest in any matter to be considered, or being considered, at that meeting, you must subject to the sensitive interest rules, disclose that interest to the meeting and, unless you have obtained a dispensation, you cannot participate in any further discussion on the matter and must leave the meeting room whilst the matter is under discussion and takes place.
- ii. If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

3. Do you have any other interest on any matter on the agenda which is being considered at the meeting?

A Member will have 'other interests' in a matter if:

- i. A Member is a member of an external body, this must be disclosed on the interests form and declared at meetings.
- ii. When contractual, financial, consent, permission or licence matters are under consideration relating to an external body on which you sit as a Member, such an interest must be declared and you cannot participate in the meeting as a Member of the Committee and must leave the meeting whilst the matter is under discussion and takes place
- iii. When contractual, financial, consent, permission or licence matters are under consideration and you have actively engaged in supporting an individual or organisation on the matter, you cannot participate in the meeting as a member of the Committee and must leave the meeting whilst the matter is under discussion and takes place.
- iv. Where a Member has received a gift or hospitality with an estimated value of at least £25, this must be disclosed on the register of interests form and declared at meetings.

4. If you have other interests in an item on the agenda you must:

- i.
- ii. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- iii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iv. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- v. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Dawn Carter-McDonald, Interim Director of Legal and Governance on 020 8356 6234 or email dawn.carter-mcdonald@hackney.gov.uk



FS 566728



UNRESTRICTED MINUTES OF A MEETING OF THE CABINET

HELD ON MONDAY, 24TH FEBRUARY, 2020 AT
COUNCIL CHAMBER HACKNEY TOWN HALL, MARE STREET, LONDON E8 1EA

Present: Mayor Philip Glanville in the Chair

Councillors

Deputy Mayor Anntoinette Bramble (Vice-Chair)

Cllr Christopher Kennedy

Cllr Jon Burke

Cllr Clayeon McKenzie

Cllr Guy Nicholson

Deputy Mayor Rebecca Rennison

Cllr Caroline Selman

Cllr Carole Williams

Cllr Sem Moema

Also in Attendance:

Officers:

Tim Shields, Chief Executive

Ian Williams, Group Director of Finance & Corporate Resources

Anne Canning, Group Director of Children and Adults and
Community Health

Ajman Ali, Interim Group Director of Neighbourhoods &
Housing

Suki Binjal – Director of Legal & Governance

Dawn Carter-McDonald, Head of Legal and Governance

Clifford Hart, Governance Services

1.	Apologies for Absence
	There were no apologies for absence. NOTED
2.	Urgent Business
	There were no items of urgent business. NOTED
3.	Declarations of interest - Members to declare as appropriate

	<p>Mayor Glanville advised that under Item 13 – A Place For Everyone Hackney Voluntary And Community Sector Small Grants 2020/21 (First Round) - Key Decision No. CE Q28, he was declaring a personal but non prejudicial interest as he was known personally to a person whose employer was applying for a grant.</p> <p>Deputy Mayor Bramble advised that under Item 13 – A Place For Everyone Hackney Voluntary And Community Sector Small Grants 2020/21 (First Round) - Key Decision No. CE Q28, as an appointed member of Hackney Playbus Executive Board she a personal and prejudicial interest and would be withdrawing from the proceedings on consideration of the item.</p> <p>NOTED</p>

4.	Notice of intention to conduct business in private, any representations received and the response to any such representations
	<p>There were no representations received.</p> <p>NOTED</p>

5.	Questions/Deputations/Petitions
	<p>There were no questions, deputations, or petitions.</p> <p>NOTED</p>

6.	Unrestricted minutes of the previous meeting of Cabinet held on 20 January 2020
	<p>RESOLVED</p> <p>That the unrestricted minutes of Cabinet held on 20 January 2020 be confirmed as an accurate record of the proceedings.</p>

7.	Unrestricted minutes of Cabinet Procurement Committee held on 2 December 2019, and 13 January 2020
	<p>RESOLVED</p> <p>That the unrestricted minutes of Cabinet Procurement Committee held on 2 December 2019, and 13 January 2020 be received and noted.</p>

8.	Hackney scrutiny commission into serious violence
	<p>The Mayor, in asking Councillor Selman to give an introduction to the report, also sought clarification as to whether this matter would be reported to Council for discussion.</p> <p>Councillor Selman introduced the report welcoming the work of the Living in Hackney</p>

Scrutiny Commission, and their review recommendations aimed at supporting the ongoing work to reduce serious violence in Hackney whilst supporting people in Hackney to feel safer. Councillor Selman also acknowledged and supported the feedback provided by the Living in Hackney Scrutiny Commission in recognising the excellent contribution of the Integrated Gangs Unit (IGU) in making Hackney safer and she commented that she looked forward to supporting the implementation of the findings.

Councillor Selman further commented on the well established work of the Hackney IGU as a co-located team, which brought together experience and expertise from a wide range of stakeholders to reduce gang related violence in Hackney. The IGU had adopted a public health approach to reduce serious violence through the implementation of interventions aimed at preventing and diverting those at risk of gang exploitation whilst effectively reducing the recidivism associated with those affiliated to gangs in Hackney.

Councillor Selman highlighted that the IGU was not a "stand alone" team but was one that strove to act as an integrated service to better coordinate supporting activities across the wider community safety partners including engagement with those communities affected by gang violence. Councillor Selman also commented that she was pleased to report that many of the recommendations contained within the Living in Hackney report were already being implemented including the recruitment of a mental health professional within the IGU to provide support to young adults who may be at risk of gang exploitation.

With reference to the scrutiny recommendations Councillor Selman commented that these would be incorporated into a development plan for adoption and implementation to optimise the effectiveness of the IGU and wider partnership, noting that recommendations 7, 10, 15 and 16 from the review related to the Council's Scrutiny Commissions receiving updates on or carrying out investigations of various aspects; responses to these recommendations had therefore been provided by the relevant Scrutiny Commission Chairs, and were appended to the report for noting.

Councillor Selman concluded by thanking the Living in Hackney Scrutiny Commission for their oversight and resilience in undertaking a comprehensive series of meetings, with a wide range of stakeholders, to inform their recommendations which would no doubt play a significant part in developing Hackney's approach to reducing serious violence in the future. Councillor Selman also confirmed that the review would be considered by Council on 26 February 2020.

The Mayor, in echoing Councillor Selman's comments as regards the importance of the review and its findings, and in supporting the recommendations before Cabinet, welcomed the opportunity for a fuller debate at Council on 26 February, and asked that there be adequate time during that meeting for the review to be fully discussed by Members.

On a **MOTION** by the Mayor it was:

RESOLVED

That the Cabinet response to the Scrutiny Commission into serious violence be agreed.

9. 2020/21 Budget And Council Tax Report - Key Decision No. FCR Q44

The Mayor, in introducing the report, advised that he would, give a fuller comment on the recommendations to Council on 26 February, during that meeting.

The Mayor in highlighting the main aspects of the report to Cabinet and the challenges for Hackney given the continued austerity measures that had continued for the past 10 years, it was a fact the Council's core government funding had shrunk by £140 million – a cut of 45% of government grant income, and that cuts to local government meant councils across the country had lost 60p out of every £1 that the last government was spending a decade ago. In Hackney, per household there had been the biggest funding cut of any London borough at £1,459.

The Mayor further commented that the proposed budget recommended Council Tax increase by 3.99%, and that this was never an easy decision and that any rise would have an impact on those that were on fixed incomes. But as the Council entered the 11th year of austerity, it would raise £3.3 million to help cover the £30 million budget gap. For the average household in Hackney, the increase would add less than £1 a week to their bill. Despite this increase, it was expected that Hackney would still have one of the lowest Council Tax rates in London.

In further commenting on the report The Mayor stated that through a decade of cuts to budgets Labour councils like Hackney had protected their frontline services, invested in the workforce and protected the most vulnerable residents from the worst impacts of austerity, and the 2020/21 budget was no different. Hackney was still ambitious and working to make Hackney fairer, safer and more sustainable. The Council was investing in Hackney despite its budget challenge, and was seeking to help more of its residents with their own budget challenges.

The Mayor placed on record his thanks to Deputy Mayor Rennison, his Cabinet and councillor colleagues, the Group Director for Finance and Corporate Resource Ian Williams and his entire team for their work on the budget report, as well as the continued work to maintain the financial resilience of the Council.

The Mayor concluded that the proposed budget was an ambitious and Labour values driven Budget that protected universal services, invested in Hackney's priorities, created more opportunities and supported the most vulnerable and the Mayor stated that he was proud to commend his fourth Budget to Cabinet.

The Mayor advised that in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 which require Local Authorities to record in the minutes how each Councillor voted (including any abstentions) when determining the Council's Budget, and the level of Council Tax to be levied.

The Mayor MOVED the recommendations within the report.

On a roll call vote there being nine for – Mayor Glanville, Councillors Bramble, Burke, Kennedy, McKenzie, Nicholson, Rennison, Selman, and Williams, nil against and no abstentions it was:

RESOLVED

3.1 That Cabinet recommend to Council following consideration of the report the following recommendations for approval:

3.2 that Council be recommended:

3.2.1 To bring forward into 2020/21 the Council's projected General Fund balances of £15.0m and to note the Housing Revenue Account (HRA) balances of £15m

3.2.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 1, below.

3.2.3 To note that the budget is a financial exposition of the priorities set out within the Corporate Plan attached at Appendix 11.

3.2.4 To note that in line with the requirements of the Local Government Act 2003, the Group Director, Finance and Corporate Resources, is of the view that:

The General Fund balances of £15.0m and the level of reserves, particularly in relation to capital, are adequate to meet the Council's financial needs for 2020/21 and that considering the economic uncertainty they should not fall below this level. This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2019, the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA to maintain the balance at £15m by 31 March 2020 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA.

The General Fund estimates are sufficiently robust to set a balanced budget for 2020/21. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2019/20 budget with the projected spend identified in the December 2019 OFP. The overall level of the corporate contingency has been set at £2m.

3.2.5 To approve the proposed General Fund fees and charges as set out in Appendix 8 for implementation from 1st April 2020.

3.2.6 To continue the policy requiring the Group Director, Finance and Corporate Resources to seek to mitigate the impact of significant changes to either resources, such as Top Up Grant changes, or expenditure requirements.

3.2.7 To note the summary of the HRA Budget and Rent setting report agreed by Cabinet on 20th January 2020.

3.2.8 To authorise the Group Director, Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.

3.2.9 To approve:

The allocation of resources to the 2020/21 Non-Housing capital schemes referred to in Section 24 and Appendix 7.

The allocation of resources to the 2020/21 Housing indicative capital programme referred to in Section 24 and Appendix 7, including the HRA approvals previously agreed by Cabinet on January 20th 2020.

3.2.10 To note that the new capital expenditure proposals match uncommitted resources for the year 2020/21.

3.2.11 To agree the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability prudential indicators and the Treasury Management Prudential Indicators for 2020/21 as set out in paragraph 25, and Appendix 3.

3.2.12 To confirm that the authorised limit for external debt of £552m agreed above for 2020/21 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.

3.2.13 To continue to support the approach of using reserves to manage emerging risks and liabilities and to note the latest reserve position.

3.2.14 To note that at its meeting on 20 January 2020 the Council agreed its Council Tax Base for the 2020/21 financial year as 74,386 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D properties.

3.2.15(1) To agree that the following amounts be now calculated by the Council for the year 2020/21 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

(a) £1,157.900m being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) £nil being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

(f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

3.2.16(2) The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)

(a) £1,069.036m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £3.118m being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.

- (c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
- (d) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.

3.2.17 £87.746m being the amount by which the aggregate calculated under subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.

3.2.18 being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, £1,179.61 as the basic amount of its council tax for the year

3.2.19 That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2020/21 for each part of its area and for each of the categories of dwellings.

VALUATION BANDS - LONDON BOROUGH OF HACKNEY							
A	B	C	D	E	F	G	H
£786.40	£917.48	£1,048.54	£1,179.61	£1,441.74	£1,703.88	£1,966.01	£2,359.22

3.2.20 That it be noted that for 2020/21 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

VALUATION BANDS - GLA							
A	B	C	D	E	F	G	H
£221.38	£258.28	£295.17	£332.07	£405.86	£479.66	£553.45	£664.14

3.2.21 That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2020/21 for each of the categories of dwellings as shown below.

VALUATION BANDS - COMBINED HACKNEY AND GLA							
A	B	C	D	E	F	G	H
£1,007.78	£1,175.76	£1,343.71	£1,511.68	£1,847.60	£2,183.54	£2,519.46	£3,023.36

Note: Subject to GLA confirmation of precept on 24 February 2020

3.2.22 To agree, subject to the decision of Members on recommendations 3.2.16 to 3.2.18 that Hackney's Council Tax requirement for 2020/21 be £87.746m which results in a Band D Council Tax of £1,179.61 for Hackney purposes and a total Band D Council Tax of £1,511.68 including the Greater London Authority (GLA) precept. An analysis of the tax base total Band D Council Tax across Council Tax Bands is shown in 3.2.21 above and an exemplification of the taxbase and discounts by band, is shown in Appendix 5.

3.2.23 To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council's Council Tax requirement for 2020/21 as shown at Appendix 9 is not excessive (4% or above) and therefore does not require the Council to hold a referendum.

3.2.24 To agree the Treasury Management Strategy for 2020/21 to 2022/23, set out at Appendix 3.

3.2.25 To agree the criteria for lending and the financial limits set out at Appendix 3.

3.2.26 To approve the MRP statement setting out the method of calculation to be used, as set out in paragraphs 25.21-25.31 below.

REASONS FOR DECISION

The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2020/21 budget

Previous decisions in this context relate to:

- The Council Budget and Council Tax Report for 2019/20 agreed by Council on 27th February 2019
- Savings previously agreed and summarised in reports to Cabinet in 2016 to 2019.
- The Overall Financial Position reports presented monthly to Council during 2019/20
- The Calculation of the 2020-21 Council Taxbase & Local Business Rates report approved by Cabinet on 22nd January 2020

DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.

	<p>The detail of the budget, including savings have been the subject of many reports to Cabinet and consideration by the Hackney Management Team at meetings throughout 2018 and 2019.</p> <p>As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 26th February.</p>
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10.	Capital Update Report - Key Decision No. FCR Q5
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	<p>In a brief introduction of the report The Mayor advised that report before them gave an update on the capital programme for 2019/20 agreed in the 2019/20 budget. The report showed continued investment in the Council's maintained schools, ensuring they remain safe places for students, staff and other visitors. In addition, the report provided for 10 additional SEND places at a school for children with social, emotional and mental health needs at Gainsborough Primary School. This continued Hackney's sustained work to expand good quality SEND provision in the borough to help manage the pressures in the SEND budget and to provide more Hackney based services in the community. The Mayor further commented that this built upon the £250k investment in Queensbridge Primary School approved at Cabinet in January 2019, and £2,038k for The Garden School approved at October 2019 Cabinet.</p> <p>The Mayor further advised that the report also provided for further ongoing investment in the Council's ICT infrastructure, supporting the further integration of the Hackney Learning trust into the Council and ensuring it was further rationalised across all sites and departments, thereby ensuring the ICT provision was up to date and efficient. The report supported further investment in expanding the Housing Supply Programme to deliver more genuinely affordable housing in the borough.</p> <p>Following on from The Mayor's introduction, there being no points of clarification on a MOTION by the Mayor it was:</p> <p>RESOLVED</p> <p>i. That the schemes for Children, Adults and Community Health as set out in section 9.2 of the report be approved as follows: Gainsborough Primary School SEND: Resource and spend approval of £400k (£15k in 2019/20, £300k in 2020/21 and £85k in 2021/22) is requested to develop, in partnership with Gainsborough Primary School, additional resourced provision for 10 placements for children with Social, Emotional and Mental Health Needs (SEMH).</p> <p>Education Asbestos Remedial Works: Spend approval of £200k (£100k in 2020/21 and £100k in 2021/22) is requested to fund the rolling programme of asbestos surveys and the remedial works to a number of the Council's maintained schools and children's centres.</p>
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	<p>ii. That the schemes for Finance and Corporate Resources as set out in section 9.2 of the report be approved as follows:</p> <p>Hackney Town Hall Essential Works: Virement and spend approval of £500k (£350k in 2019/20 and £150k in 2020/21) is requested to fund the essential repairs and maintenance programme of works to Hackney Town Hall and the continual programme of asset maintenance required to ensure that the Grade II Listed building is maintained.</p> <p>Microsoft Client Access Licences (CALs): Virement and spend approval of £110k in 2019/20 is required to purchase one-off licences for Microsoft Client Access.</p> <p>Hackney Learning Trust (HLT) G Suite Roll Out: Virement and spend approval of £200k (£100k in 2019/20 and £100k in 2020/21) is required to fund the rollout of G Suite applications across HLT as we work to integrate all of HLT systems into the Council</p> <p>ICT Corporate Core Infrastructures: Virement and spend approval of £500k (£55k in 2019/20 and £445k in 2020/21) is required to fund the replacement of the Council's ICT Corporate Core Infrastructures.</p> <p>iii. That the schemes for Housing as set out in section 9.3 be given spend approval as follows:</p> <p>The Housing Development Board dated 22 August 2019 considered and recommended spend approval of £7,020k for the delivery of an additional site at Hertford Road on De Beauvoir Estate through the Housing Supply Programme (HSP) in accordance with the 29 February 2016 Cabinet approval and the Regeneration Programme Cabinet approval Cabinet report dated 29 April 2019.</p> <p>REASONS FOR DECISION</p> <p>The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered as set out in the report.</p> <p>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.</p> <p>DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</p> <p>None.</p>
<p>11.</p>	<p>2019/20 Overall Financial Position, Property Disposals And Acquisitions Report - Key Decision No. FCR Q6</p>
	<p>The Mayor asked for a brief introduction of the report.</p> <p>Deputy Mayor Rennison reported that the report before Cabinet was the seventh Overall Financial Position (OFP) report for 2019/20 and was based on detailed December 2019</p>

provisional outturn monitoring data from directorates. There was a forecast overspend of £6,436k at year end - an increase of £234k since November. Deputy Mayor Rennison advised that the overspend would be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. Deputy Mayor Rennison stressed that it must be noted that there was no guarantee that the surpluses would continue in future years and so they had to be regarded as one-off funding streams only.

Deputy Mayor Rennison further commented that the Sustainable Procurement Strategy committed to all staff, whether employed directly by the Council or indirectly through third party providers, to be paid, as a minimum, the London Living Wage (LLW). As part of achieving this for all staff delivering Hackney services, the Council had successfully renegotiated its existing Hackney Learning Trust PFI contract, ensuring all facilities management staff employed by the provider will be paid LLW. In addition, this renegotiation would save the Council an estimated £1.8m over the remainder of the contract period. Whilst Hackney's ultimate aim was to be in a position to withdraw from the contract, it would continue to work to seek improvements to the arrangement until that time.

Deputy Mayor Rennison advised that on a related matter, Kier, acting as the Local Education Partnership, announced in July 2019 that it intended to withdraw from the contract to deliver facilities management services to 10 Hackney schools on 17 January 2020. The services affected were caretaking and cleaning. After a period of consultation, it was decided that caretaking staff should be directly employed by schools going forward. With regards to cleaning, the services provided to 8 schools had now been insourced to the Council with Cardinal Pole and Urswick choosing to employ cleaners directly.

Deputy Mayor Rennison further advised that as with 2018/19, the projected overspend primarily reflected reductions in external funding over time and increasing cost pressures in services, including social care, homelessness and special educational needs (SEN). Deputy Mayor Rennison reported that despite the publication of the 2020 Provisional Local Government Finance Settlement, which confirmed what had previously been announced in the 2019 Spending Review, significant uncertainty still remained about Hackney's future funding and in particular, its sustainability. However Hackney did now though have some clarity about its funding position for 2020/21, and it was unlikely that it would know its funding level for 2021/22 until December 2020.

There being no points of clarification, on a **MOTION** by The Mayor it was:

RESOLVED

- i. **That the update on the overall financial position for December 2019, covering the General Fund, Capital and the HRA, and the earmarking by the Group Director of Finance and Corporate Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme, be noted; and**
- ii. **That it be agreed that the Council enter into the contract variation proposed as it would secure the payment of the London Living Wage to the FM employees at the HLT for the remainder of the contract period, at no cost to the Council, resulting in a significant reduction to the cost of the Soft FM Services;**

REASONS FOR DECISION

To facilitate financial management and control of the Council's finances and to approve the HLT PFI variation.

CHILDREN, ADULT SOCIAL CARE AND COMMUNITY HEALTH (CACH)

The CACH directorate is forecasting an overspend of £5,795k after the application of reserves and drawdown - an increase of £150k from the previous month.

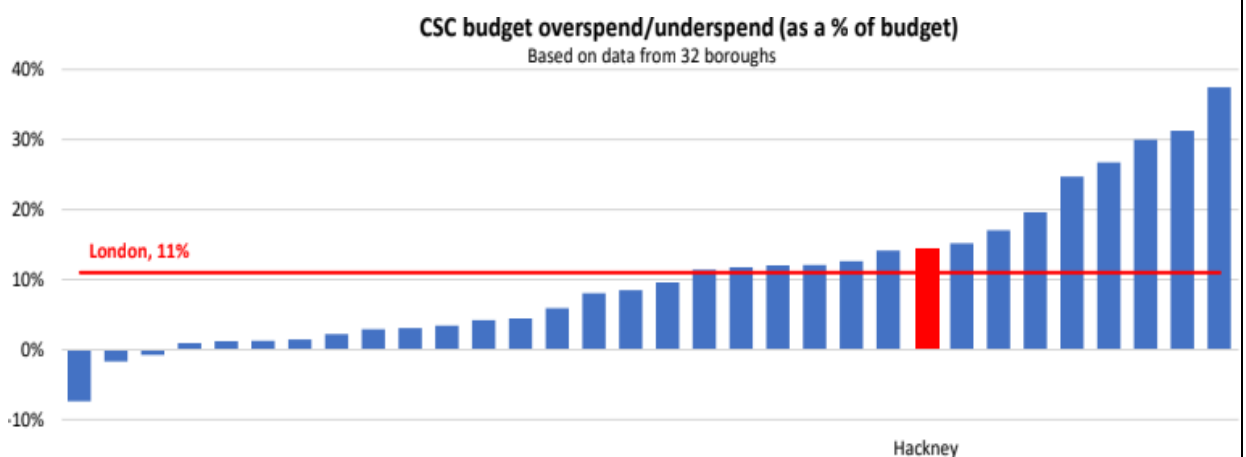
Children & Families Service

The Children & Families Service (CFS) is forecasting a £1,783k overspend against budget after the application of reserves and grants. The draw down from reserves includes:

- £2,300k from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1,300k for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.
- £300k is drawn down to offset pressures in relation to the increase in young people currently held on remand.

The Children and Families Service was inspected by Ofsted in November, and the service was rated as *requiring improvement*. A Children’s Leadership and Development Board has been set up, which is accountable to a Children Members Oversight Group, to ensure that all service areas within the department are delivering to a consistently high standard for all children and families and that the recommendations arising from the Ofsted inspection are addressed. A resourcing plan with the objective of responding to increased demand in the service and addressing these recommendations is currently being developed.

The sustained pressure on the CFS budget is a position that is not unique to Hackney, as shown by the results of a survey on Children’s Social Care spend carried out jointly by the Society of London Treasurers (SLT) and the Association of Directors of Children’s Services (ADCS). The graph below shows how Hackney’s year end position for 2018/19 (before the use of reserves) compared to other London boroughs for Children’s Social Care.



The main budget pressures in CFS are in relation to looked after children (LAC) placements within Corporate Parenting and staffing in several areas across the services. Further details are set out below.

Corporate Parenting is forecasting to overspend by £1,360k after the use of £2,300k of commissioning reserves and £300k one-off staffing reserves. This position also includes the use of £1,200k of Social Care funding that was announced in the October 2018 Budget. Spend on LAC and LC placements (as illustrated in the table below) is forecasted at £20.7m compared to last year's outturn of £18.3m – an increase of £2.4m.

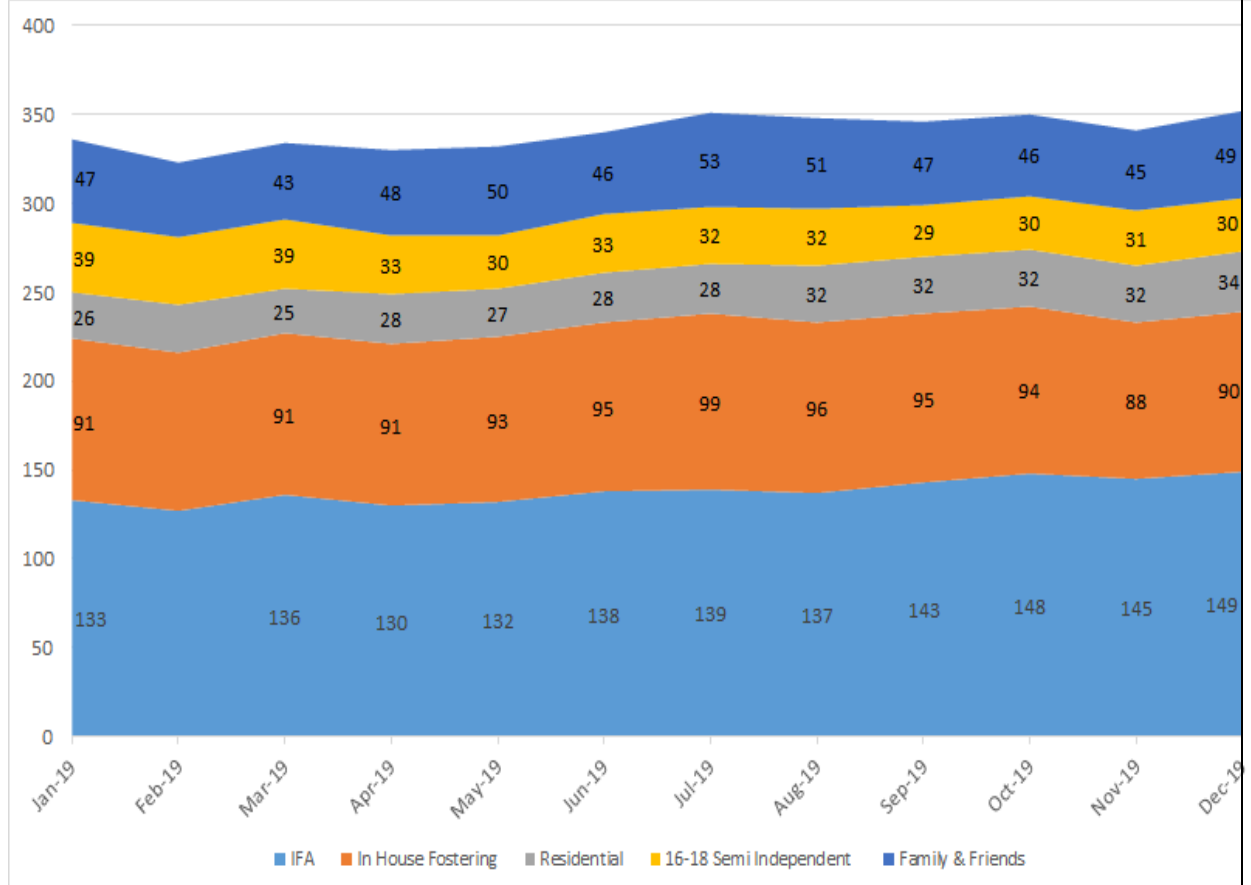
Table 2: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Budgeted Placements	Current Placements	Management Actions
Residential	4,331	5,336	1,005	22	33	<p>There are a number of initiatives in place to seek to contain these cost pressures, for example the Family Learning Intervention Project (FLIP), the Edge of Care workers, the Residential project and re-negotiation of high cost placements. The first two of these have been in train for some time and tracking of the financial impact is undertaken on a case by case basis. Evidence from this tracking suggests significant costs avoided suggesting the cost pressure would be significantly greater if these were not in place.</p> <p>We will continue to monitor residential placement moves and the resulting effect on other placement types across future periods. The impact of Mockingbird, the extended family model for delivering foster care with an emphasis on respite care and peer support, and new arrangements for implementing Supported Lodgings will also be reviewed going forwards.</p>
Secure Accommodation (Welfare)	-	140	140	-	1	
Semi-Independent (Under 18)	1,570	1,901	331	25	30	
Other Local Authorities	-	181	181	-	5	
In-House Fostering	1,800	2,154	354	77	90	
Independent Foster Agency Carers	6,488	7,074	586	139	149	
Residential Family Centre (M&Baby)	-	312	312	-	4	
Family & Friends	569	863	294	28	49	
Extended Fostering	-	30	30	-	1	
Staying Put	200	386	186	12	23	
Overstayers	290	495	205	16	23	
Semi-independent (18+)	1,370	1,848	478	113	112	
Total	16,618	20,719	4,101	431	520	

*based on average cost of placements. Residential budget also includes one-off social care funding of £1.2m)

The table on the following page shows the trend in LAC placements over the past 12 months.

Headcount Data for LAC



LAC and Leaving Care placements have increased by £164k and £13k respectively, since last month and these are primarily due to increases in Independent Fostering Agency (IFA), residential and semi-independent placements. As illustrated in Table 3 above, since this time last year there has been an adverse movement in the ratio between IFA and in-house placements. There was a brief improvement during the year, however this has declined in recent months. IFAs have increased by 16 placements since January 2019 which corresponds to an increase in the forecast of £800k, and this is the single most significant year-on-year increase in the service. This is despite in-house foster carer recruitment which has seen some success and the matching officer post which has been in the structure since 2018. At approximately £50k per annum the cost of a child placed in independent foster care is double that of a placement with one of our own foster carers. Residential care (including secure accommodation) placements have increased by one this month to 34, and this area as a whole faces a budget pressure of £1,000k. Management actions are being developed by the service to reduce placements, and given that the average cost is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we have seen significant pressures on staffing. This is mainly due to posts over and above the number of posts in the establishment recruited to meet increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit earlier in the year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the more recent inspection referred to above, alongside further increased demand in the system, it is likely that staffing costs will rise still further.

Children in Need is forecast to overspend by £495k. The overspend is mainly due to staffing, relating to supernumerary social worker posts to meet service pressures from high caseloads and response to the Ofsted focused visit, maternity cover and agency premiums associated with covering vacant posts. These items collectively total £480k. Other minor overspends in non-staffing expenditure total £15k. Reserves of £80k are being utilised to fund additional social work capacity in response to the recent Ofsted inspection.

The Disabled Children's Service is forecast to overspend by £611k. Staffing is projecting an overspend of £229k due to additional staff brought in to address increased demand in the service. The remaining overspend is attributed to care packages (£494k, including Home Care, Direct Payments and Residential respite) and £35k on other expenditure. This is partially offset by a £148k reserve drawdown.

The Adoption Service is forecast to overspend by £308k. Primarily the overspend relates to the Regional Adoption Agency with our neighbouring boroughs, which has incurred transitional costs in staffing, inter-agency services and IT. There is also a projected overspend of £46k from Adoption Support fund expenditure related to high cost cases that requires match funding contributions from the Council.

Parenting Support Services is forecast to overspend by £59k which relates to staff covering maternity leave, long term sick cover and one over-established family support practitioner within the service.

Overspends across the service are partly offset by an underspend in the Directorate Management Team, Access & Assessment and Youth Justice Service.

The Directorate Management Team is forecasted to underspend by £621k. This is due to the utilisation of additional reserves within the service to offset staffing pressures, including those in Children in Need and Parenting Support service referred to above. Reserves of £233k are being utilised to fund additional social work and management capacity in response to the recent Ofsted inspection.

Access and Assessment is forecast to underspend by £44k. This results primarily from lower forecast cost in Section 17 which is £58k less than the previous year's outturn. Reserves of £71k are being utilised to fund additional social work capacity in response to the recent Ofsted inspection.

Youth Justice Service is forecasted to underspend by £92k from delays in recruiting Youth Justice practitioner posts. £289k from a combination of remand reserves and grant funding is used to offset pressure in the service due to a major incident resulting in three young people held on remand earlier this year.

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the Children and Families position. As part of the delegated arrangements for HLT, any overspend or underspend at year end will result in a drawdown-from or contribution-to the HLT

reserve and expenditure is reported 'on budget'.

HLT are forecasting a significant drawdown on the HLT reserve (between £4.0m and £5.0m), mainly due to pressures in special educational needs. This forecast has been updated following the latest funding updates announced by the government in July 2019. The forecast will continue to be adjusted as data on any new demands on HLT services become known throughout the year.

Special educational needs activities cost £9.5m in excess of agreed budgets 2018/19; and expenditure is currently expected to increase by a further £2.0m in 2019/20. Within the HLT forecast, the SEND over-spend is mostly offset with savings made across other HLT departments. Costs associated with special educational needs have complex cost drivers and senior leadership across HLT and the wider Council continue to look into ways where the Council might be able to bring expenditure under control. Recent reports submitted to HLT SLT estimate that HLT reserves will be fully utilised in 2019/20.

The SEND cost pressure is attributable to the increase in the number of Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and there are growing demands on the system since the reforms introduced by the Children and Families Act 2014. The impact of these factors is that, in Hackney, the number of EHCP has increased by more than 50% since 2011. With the exception of SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant— however, despite the significant rise in numbers & costs there has not been an adequate increase to this funding source.

There is a risk of overspend in children's centres due to the uncertain impact on demand for childcare following the September 2019 childcare fee increases. The financial impact is currently being assessed in detail on the basis of an analysis of occupancy-level reports from the centres, although the full impact of the large rise in fees this year will not be measurable until autumn 2020. There is an estimated forecast overspend of £0.4m in this area incorporated into the overall HLT forecast.

Adult Social Care & Community Health

The December 2019 revenue forecast is an £4,001k overspend. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£1,989k), Social Care Support Grant (£1,200k), and Winter Pressures Grant (£1,400k).

Recent announcements on social care funding as part of the Spending Review 2019 have provided further clarity on funding levels for 2020/21, however, it is still unclear what recurrent funding will be available for Adult Social Care post 2020/21. The non-recurrent funding was only intended to be a 'stop-gap' pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council's financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £2,970k pressure (as shown in the table below). The forecast includes £1,400k of the Winter Pressures grant to fund additional costs resulting from hospital discharges. It was anticipated that the grant funding would be released through the year to offset additional pressures

from hospital discharges, however an analysis of information on discharge levels and care packages has identified that the full £1,400k has already been committed.

Service type	2019/20 Budget	December 2019 Forecast	Full Year Variance to budget	Variance from Nov 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,287	16,400	1,113	(120)	<ul style="list-style-type: none"> - ILDS transitions/demand management and move on strategy - Multi-disciplinary review of care packages (delivered £720k) - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	12,843	13,726	884	168	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,625	915	258	
Occupational Therapy Equipment	740	740	0	(288)	
Asylum Seekers Support	170	228	58	17	
Total	36,749	39,719	2,970	35	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,100k overspend, which reflects a small improvement of £120k on the November position. The downward movement results primarily from revised cost assumptions of clients that were previously separately receiving housing related support (this cost is now incorporated within their care package) and a revised forecast of partner contributions towards Transforming Care package costs. There continues to be increased pressures related to new clients and the cost of increasing complexity of care needs for Learning Disability clients. The pressure is still significantly less than last year due to the application of both budget growth and one-off funds in this service area.

Work is ongoing with Clinical Commissioning Group (CCG) colleagues to embed the joint funding model for high cost Learning Disability packages as business as usual. The CCG have committed to ringfence £1,900k to £2,700k within their financial planning for 2019/20 and a contribution of £1,900k has been factored into the forecast. Progress has been slow in embedding the joint funding model which has resulted in fewer than expected cases going through the panel process to date. Following the implementation of acceleration measures including dedicated support from the Performance Management Staff in Adult Services and enhanced quality assurance processes, throughput has picked up along with the number and value of joint funding packages agreed. Progress will continue to be closely monitored by all partners given its high priority and funding risk.

Physical & Sensory Support is forecasting an overspend of £884k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £915k. The cost pressures in both service areas have been driven by the significant growth in client numbers as a result of hospital discharges in 2018/19, which has been partially mitigated by one-off funding from the Winter Pressures grant of £1,400k. The increased cost pressure also relates to revised estimates of income from service users towards their care packages. Non-recurrent funding has been applied to mitigate the previously reported £288k overspend on the cost of Occupational Therapy equipment.

Discussions were held with the service in order to develop a set of management actions to mitigate the ongoing cost pressure as a result of increased clients being discharged from hospital with more complex needs. These actions included the creation of a multi-disciplinary team (MDT) to facilitate the review of care packages, and this has delivered savings to date of £755k (full year effect). The MDT project will end at the end of Jan 2020 with the aim of lessons learnt, particularly around double-handed care packages, being embedded into business as usual.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £731k. The overall position is made up of two main elements - a £872k overspend on externally commissioned care services and £141k underspend across staffing-related expenditure. The increased overspend is primarily a result of new care packages this period combined with the ongoing impact of the estimated number of home care hours being commissioned across the year

Provided Services is forecasting a £61k overspend against a budget which represents a reduction in the overspend of £31k since the last reporting period. This is largely attributed to:

- Housing with Care overspend of £184k. The forecast includes additional resources to respond to issues raised from the CQC inspection in December 2018. The service was re-inspected in July 2019, and the service has now been taken out of 'special measures' and our rating has changed to 'requires improvement'.
- Day Care Services are projected to underspend by £123k, primarily due to the current staff vacancies across the service.

The Preventative Service outturn reflects a revised underspend of £380k against a budget which mainly represents the underspend on 'Concessionary Fares' due to a reduction in demand of £150k plus an on-going underspend of £204k within Median Road Resource Centre budget which supports wider Care Management service expenditure. This underspend is partly offset by a £77k cost pressure in the Hospital Social Work Team which is due to additional staffing to ensure that hospital discharge targets are met. The adverse movement in-month of £219k results from a virement from Commissioning to establish the Carers Redesign budget.

The variance to budget for ASC Commissioning is forecast at a £635k overspend which is directly linked to the Housing Related Support (HRS) in-year savings gap. Delays in savings delivery from HRS service are still forecast at £634k. Other budget pressure of £18k results from the need for additional staff resource required within the brokerage service and this is contained from an underspend in voluntary sector services.

Public Health

Public Health is forecasting a breakeven position.

There are pressures in the service due to the delay with implementing the Public Health restructure and the review of physical activity for adults. However, this pressure is being managed within the overall budget and it is not anticipated to result in an overall overspend.

The Sexual Health forecast has been updated to reflect the agreed increase of tariffs which commenced from 1 October 2019 across London following the recent Integrated Sexual Health Tariff (ISHT) review. There has been a 5% increase in sexual health costs, this is associated with PrEP activity (PrEP is Pre-Exposure Prophylaxis, which is the use of anti-HIV medication that keeps HIV negative people from becoming infected) and a progressive uptake of e-services alongside clinical service provision. Both activities are subject to continuous review with commissioners to ensure sustainable future provision remains within allocated sexual health budget in future financial years.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at December 2019 is a £12k underspend, an increase of £137k in net expenditure from the November position. The forecast includes the use of £2.1m of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in the Planning Service of £386k which is due to a projected shortfall against the planning application fee income target of £2.3m. The total shortfall £423k against the income budget is partly mitigated by additional income from other parts of the service.

The Planning Service is currently re-modelling staff expenditure in the Major Applications Team, with an opportunity for Team Leaders to take on additional case load work for major applications whilst achieving cost savings. This will reduce staffing costs to mitigate the impact of reduced income. However, it must be noted that the construction cycle is very consistent and that planning and building control experience falls in income every 5 years as the construction industry periodically slows before recovering. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes.

The cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. It should also be noted that a new planning back office system is in the process of being launched and this will result in efficiencies especially within the planning application registration and validation process, these efficiencies will also help offset any underachievement of income.

The Building Control service is forecast to overspend by £60k, though It is important to note that Building Control income is significantly higher than in 2018/19. The service has proposed a new staffing and fee structure that will improve income generation and achieve full cost recovery without losing share of the Building Control market.

Streetscene is forecast to underspend by £425k which is an adverse movement of £119k from the previous month due to confirmation of additional expenditure. There is ongoing analysis of Streetscene income to determine potential improvements in the outturn position for 2019/20, as initial figures indicate that due to increasing numbers of developments across the borough Streetscene is likely to overachieve its income

budget for the year resulting in an increased underspend for the full year. This analysis will also consider the sustainability of the additional income received in-year.

Markets have seen an improvement of £42k from previous month due to review of non-essential expenditure. Further reviews are being carried out to identify additional reduction in expenditure and new income opportunities.

Parking, Leisure, Green Spaces and Libraries and Community Safety, Enforcement and Business Regulation are forecasting break-even positions, with Directorate Management continuing to forecast a marginal underspend.

Housing General Fund is forecast to be marginally favourable to budget, which is mainly due to underspends within staffing.

There are no material variances within Regeneration at this stage.

FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £257k.

Financial Management and Control are forecasting an underspend of £400k due to vacancies across all services, while the Directorate Finance Teams are projecting an underspend of £143k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£435k) is primarily due to increases in business rates costs on council owned buildings in the borough which are partially offset by reserves. The largest increases are in Hackney Town Hall, Hackney Service Centre and Florfield Road.

In Property services, the cost pressure primarily results from: providing additional staffing resources within the service to address essential works; and the re-classification of a significant revenue item as a capital receipt. The service is currently reviewing their operations to address the former and the allocation of overall budget, both capital and revenue, needs to be reviewed to address the latter.

Revenues and Benefits and Business Support, Registration and Audit and Anti-Fraud are forecast to come in at budget.

Housing Needs is forecast to come in at budget after the application of the Flexible Homeless Grant and Homelessness Reduction Act Grant. Whilst we will continue to receive the Flexible Homeless Grant, it is probable that this grant will reduce over time and there may be other calls on the Grant. Further, since April 2018 when the Homelessness Reduction Act was introduced there has been a 33.4% increase in approaches for housing advice, expected to result in significantly higher temporary accommodation costs over time.

CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £396k after forecast reserves usage, which is unchanged from November.

Communications, Culture & Engagement

The service is forecasting an overspend of £210k in total.

£150k of this relates to Hackney Today. Hackney Today was published fortnightly for the first quarter of the year but following a court order is now only published once every 3 months with a new information publication 'Hackney Life' published in the months in between. Due to this, advertising income has dropped significantly, from around £33k pcm to £6k pcm. Although distribution and print costs have halved, these only save £14k pcm. Staff costs are largely unaffected by the change in publication but have actually increased due to maternity leave. This projection does not include any legal costs which are not yet charged to the service (and will be funded from reserves). The remaining £60k is in relation to venues, primarily due to costs relating to Hackney House, which the council is no longer responsible for.

The Culture team have spent a higher amount on the carnival this year due to increasing numbers of attendees and the moving of the main stage to a new location due to this. It has been agreed for the funding for the event to come from Neighbourhood CIL.

The rest of Communications including Design & Film are forecast to break even.

The reserves usage is in relation to Hackney Young Futures Commission (£150k) which is a manifesto commitment and Dalston Engagement (£57k). The Dalston engagement reserve is made up of income received by the service last year and set aside for this purpose. There is also an increase in reserves usage to fund the core team in Culture (£147k). This is a change of funding as they were previously being funded by CIL.

Legal & Governance

The combined Legal & Governance Service are forecasting an overspend of £186k.

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £34k and £36k is for an unfunded Team Manager's post previously funded by HRA.

External recharges and Recharge to Capital are forecast to underachieve by £260k. The management team is also reviewing current and future income to establish sources of additional income for the 2020/21 financial year.

The overspends are partially offset by underspend in Legal salaries (£35k) and external legal advice (£60k) There is an additional income from Traded Services £19k and HLT £30k

All other services are forecast to come in at budget.

HRA

The projected outturn on the HRA is at budget.

Income

There is a surplus of £400k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. The other major variance is a surplus of £989k for Other charges for services and facilities which is mainly due to the extension of LBH collection of water rates on behalf of Thames Water. The commission earned on the Thames Water contract is to pay for the staff that collect the money. We

currently only need to collect rent from about 60% of tenants, as about 40% are on full HB; but as we collect Thames Water charges from all tenants and leaseholders, we need to have staff/process/systems to collect from the remaining 40% of tenants. This cost is paid for by the Thames Water commission. The surplus is due to the fact that the contract extension was negotiated after the HRA budget was set and so the income is not accounted for in the budget, but the income is accruing throughout the year.

Expenditure

Repairs and Maintenance is £1,216k over budget which is mainly due to reactive repair costs and an increase in legal disrepair expenditure. This is currently partly offset by vacant posts within the new R&M structure. The Special services overspend of £1,068k is due to agreed increased costs within estate cleaning, but this is expected to reduce in 2020/21 as the effects from restructuring of the service are realised.

There is an overspend on Supervision and Management which is due to an increase in recharges from housing needs.

There is an increased cost of capital due to the interest costs on the returned 1-4-1 funding from the pooling of capital receipts, but this is offset by a reduction in the Revenue Contribution to Capital (RCCO).

CAPITAL

This is the third OFP Capital Programme monitoring report for the financial year 2019-20. The actual year to date capital expenditure for the nine months April 2019 to December 2019 is £128.9m and the forecast is currently £244.8m, £42.3m below the revised budget of £287.1m. In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and therefore monitoring reflect the anticipated progress of schemes. The second phase of re-profiling for 2019-20 has been completed and January Cabinet will be asked to approve a total of £41.4m into future years. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 – London Borough of Hackney Capital Programme – Q3 2019-20	Revised Budget Position	Spend as at end of Q3	Forecast	Variance (Under/Over)	To be Re-profiled Phase 2
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	14,002	6,139	10,002	(4,000)	4,201
Finance & Corporate Resources	111,410	60,368	89,195	(22,214)	20,891
Neighbourhoods & Housing (Non)	33,193	7,381	19,197	(13,996)	14,198
Total Non-Housing	158,605	73,888	118,394	(40,211)	39,290
AMP Capital Schemes HRA	69,608	20,734	60,894	(8,714)	8,714
Council Capital Schemes GF	2,535	1,487	2,976	441	(441)
Private Sector Housing	1,695	860	1,454	(241)	241
Estate Renewal	34,668	19,306	38,856	4,188	(4,188)
Housing Supply Programme	8,289	1,103	6,594	(1,694)	1,694
Other Council Regeneration	11,665	11,509	15,591	3,927	(3,927)
Total Housing	128,459	55,000	126,365	(2,093)	2,093
Total Capital Expenditure	287,063	128,888	244,759	(42,304)	41,383

CHILDREN, ADULTS AND COMMUNITY HEALTH

The overall forecast outturn for Children, Adults and Community Health is £10m, £4m below the revised budget of £14m. More detailed commentary is set out below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	270	132	271	0
Education Asset Management Plan	4,477	2,720	3,310	(1,167)
Building Schools for the Future	161	(32)	66	(94)
Other Education & Children's Services	572	395	546	(26)
Primary School Programmes	6,016	1,329	3,424	(2,592)
Secondary School Programmes	2,505	1,595	2,385	(120)
TOTAL	14,002	6,139	10,002	(4,000)

Education Asset Management Plan

The overall scheme is reporting a forecast underspend of £1.2m against an in-year budget of £4.5m. The most significant variance relates to Shoreditch Park Primary School which is now reporting a forecast £0.7m underspend. The proposals for improving facilities at Shoreditch Park Primary School continue to be developed and, as such, the budget for funding these keeps on being revisited through the year as proposals are firmed up. This has required budgets to be increased and reprofiled to 2020-21 to support these works at the school as they are delivered. The refurbishment of an area of road into the playground includes additional expenditure factored into it which will reduce the level changes from existing playground into the new area created. The variance has been reprofiled to 2020-21 to resource the works as they roll into the new financial year.

Building Schools for the Future

The overall scheme is forecasting an underspend of £0.09m against the in-year respective budget of £0.2m. Final accounts for Mossbourne Victoria Park Academy have been re-profiled to 2020-21. The work to Ickburgh will continue into 2020-21 due to the delay in procurement and the budget has already been reprofiled to 2020-21 to reflect this.

Primary School Programmes

The overall scheme is reporting a forecast underspend of £2.6m against an in-year budget of £6m. The main scheme relates to Phase 3A of the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. There was a delay in agreeing the scope of work for a number of the schools. This led to the tranche of work slipping so at the last reprofiling exercise £4m was re-profiled. The budget has been reviewed again and a further £2m has been re-profiled to 2020-21 to reflect programme delay and continued delay in procuring consultants. The Gainsborough Facade variance has been reprofiled to support the final account in 2020/21. London Fields, Queensbridge and Randal Cremer Facade variance relates to retention forecast and has been reprofiled to support the anticipated payments. Final accounts for Shacklewell School are due in 2020-21 and the budget reprofiled to reflect this. Orchard School has some issues with the doors at the school and investigative works are being carried out. There may be possible payments this year and next financial year and the budgets have been reprofiled to reflect that.

FINANCE AND CORPORATE RESOURCES

The overall forecast outturn in Finance and Corporate Resources is £89.2m, £22.2m under the revised budget of £111.4m. More detailed commentary is set out below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Property Services	10,239	1,050	4,735	(5,504)
ICT	5,827	2,448	4,360	(1,467)
Financial Management	374	7	274	(100)
Other Schemes	341	14	231	(110)
Mixed Use Development	94,629	56,848	79,596	(15,034)
TOTAL	111,410	60,368	89,195	(22,214)

Strategic Property Services – Strategy & Projects

The overall scheme is reporting a forecast underspend of £5.5m against an in-year budget of £10.2m. The main variance relates to Christopher Addison House which is reporting a forecast underspend of £1.7m. This programme is part of the Corporate Estate Rationalisation (CER) Programme and the need to consolidate the Council's buildings to make better use of the space. The project has faced numerous delays particularly relating to stakeholder review, sign off and the time taken to procure and award the main contract. The main contractor is now appointed and the building is programmed to be reoccupied in the summer of 2020. The variance will be reprofiled into 2020-21 in line with the anticipated spend.

ICT Capital

The overall scheme is reporting a forecast underspend of £1.5m against an in-year budget of £5.8m. The main variance relates to a number of ICT projects where the spend will be in future years and have been reprofiled. The Network Refresh project is progressing well with the majority of the high value items to be ordered and received in the current year, including firewalls, switches and wireless access points. The remaining items will be ordered in 2020-21 and the variance has been re profiled to reflect this. Devices for Hackney Residents, which is the Council's plan to replace devices in libraries and other public facing devices, continues with user research. Once concluded this will inform the device choices. The variance has been reprofiled into 2020-21 in line with the anticipated spend.

End-user Mtg Rm Device Refresh is on target to spend the £2.2m budget with a minor underspend. This project is rolling-out provision of new ICT equipment for staff and members, and new ICT equipment for meeting rooms to enable on-screen display and video meetings across all Council buildings. The project is close to finishing although there are issues with rolling out devices to the legal team due to specific software currently used in their area. There is a project underway to change their software to a cloud hosted software but there have also been issues relating to testing and meeting expectations of the service. Any variance will fund overspends in other projects.

Mixed Use Developments

Tiger Way Development is forecasting an underspend of £1.1m against the in-year budget of £7.1m. Defects processes as defined in the governing body agreement liaison procedure have been initiated with the school by the project team and specific defect meetings have been held with the school. With the residential element, two new show flats are now being used as part of the promotional activities and sales remain strong with approximately 20 remaining unsold. The team attendance at Nightingale residents committee has now ceased. The works with Hackney Highways to discharge S278 street and pavement works on the school elevation are complete. The S278 works on the residential pavements are also complete. The variance relates to retention element which will be released after all defects have been rectified and sign off complete. The variance has been reprofiled to 2020/21.

Nile Street is forecasting an underspend of £3.9m against the in-year budget of £31.4m. Completion of the 2nd Phase Tower is due in February 2020. The School and Nile Street Block is complete and handed over. Development is in the 2-year contract defects period in the Design and Build contract. The remaining project works to phase 1 and 2 of the Residential were delayed on Nile Street Block and the Tower was delayed but is now progressing well. A revised completion programme has been issued following the resolution of various issues relating to missing cladding panels on the Tower and handover is now expected in February 2020 following completion of remaining works. The fit out of the Nile Street Show flat was completed in November 2019. The Nile Street block was behind programme due to a number of issues including the stick and glazing system and a subsequent leak to apartment 20.02. The damage and investigative work resulted in abortive work that delayed completion of the Nile Street block hence the variance. The variance has been reprofiled to 2020-21.

Britannia Site is forecasting an underspend of £10m against the in-year budget of £40.1m. Phase 1a (Leisure) is progressing well with completion on target for March 2021. Phase 1b (CoLASP) is also progressing well with completion on target for May 2021. Both Phase 1a and 1b have held start on site events and a successful jobs fair was held in November 2019. The project has also been shortlisted for Best Mixed-Use Scheme at Building London Planning Awards 2020. Client-side resourcing for the construction phase of the Phase 1 project is finalised for the Leisure Centre and the School. There has been a transfer of £2.4m to start Phase 2a. Phase 2b is currently under review. The variance has been reprofiled to 2020-21.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £19.2m, £14m under the revised budget of £33.2m. More detailed commentary is set out below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Museums and Libraries	528	154	350	(178)
Leisure Centres	750	0	375	(375)
Parks and Open Spaces	3,812	855	2,688	(1,124)
Infrastructure Programmes	14,061	3,818	10,016	(4,046)
EHPC Schemes	7,742	1,651	3,542	(4,200)
TFL	2,462	674	1,524	(938)
Parking and Market Schemes	373	106	196	(177)
Other Services	900	0	0	(900)
Regulatory Services	79	0	0	(79)
Safer Communities	1,363	0	189	(1,174)
Regeneration	1,123	123	317	(806)
Total	33,193	7,381	19,197	(13,996)

Parks and Open Spaces

The overall scheme is forecasting an underspend of £1.1m against the in-year budget of £3.8m. The main variance relates to Springfield Park Restoration which is forecasting an underspend of £0.7m. The budget for this financial year is made up of the main contractor cost and the design team fees. The main contractor, Borrás, started work on site at the beginning of October 2019. The soft strip out (non-structural) of Springfield House and Stables has been completed. The stable yard wall, and fences and walls surrounding the new community venue building site, have been taken down. The old extension on the House has been removed and enabling works have begun in preparation for the excavation of the foundations for the new extension. The foundations have been built and the slab for the new community events building has been poured. Scaffolding has gone up around the House and Stables. The internal structural strip out of the House and Stables has been completed. The agreed tree felling and shrub clearance has taken place. The variance has been reprofiled to 2020-21.

Infrastructure

The overall scheme is forecasting an underspend of £4m against the in-year budget of £14.1m. A number of Highways Schemes originally planned for 2019-20 will take place in 2020-21 and the variance has been reprofiled to 2020-21.

EHPC Schemes

The overall scheme is forecasting a £4.2m underspend against the in-year budget of

£7.7m. The vehicles have been ordered but will not be delivered until 2020-21 therefore the variance has been reprofiled to the anticipated spend.

Safer Communities

The main variance relates to Shoreditch CCTV Cameras which is reporting a forecast underspend of £1.3m. There have been delays in obtaining sign off to progress the scheme on the TfL routes. The majority of sites will be on red routes and will require significant coordination with TfL to meet their requirements. Without absolute TfL approval, the Council cannot order the works without risk of incurring abortive costs. The variance has therefore been reprofiled to 2020-21.

Regeneration (Non-Housing)

The overall scheme is forecasting a £0.8m underspend against the in-year budget of £1.2m. The Hackney Wick Regeneration plan to commission a public realm strategy this financial year, with public realm improvement works is being undertaken during 2020-21 and the budget reprofiled accordingly. Dalston Regeneration will now take place in 2020-21 and the budget reprofiled. 80-80a Eastway (GLA) 2 Pods and a CNC machine will be purchased this year with the remaining expenditure reprofiled to future years. The Trowbridge (GLA) budget this year will be mainly design work and remaining budget to be utilised in 2020-21. The variance has been reprofiled to 2020-21 to support the anticipated spend.

HOUSING

The overall forecast in Housing is £126.4m, £2.1m below the revised budget of £128.5.5m. More detailed commentary is set out below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
AMP Housing Schemes HRA	69,608	20,734	60,894	(8,714)
Council Schemes GF	2,535	1,487	2,976	441
Private Sector Housing	1,695	860	1,454	(241)
Estate Regeneration	34,668	19,306	38,856	4,188
Housing Supply Programme	8,289	1,103	6,594	(1,694)
Woodberry Down Regeneration	11,665	11,509	15,591	3,927
Total Housing	128,459	55,000	126,365	(2,093)

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £8.7m against the in-year budget of £69.6m. The largest variance relates to the Fire Risk Works SCA for £1.9m which were approved later than anticipated and installations are not now expected to start until mid to late February 2020. The programme of works for Lift Renewals and Housing Improvement Programme (HiPs) South West have also been pushed back to

2020-21. Therefore, the variance has been re-profiled to 2020-21.

Council Schemes GF

The overall scheme is forecasting an overspend of £0.4m against the in-year budget of £2.5m. The variance relates to Borough Wide Housing Under Occupation where the Regeneration voids continue to be used as Temporary Accommodation. Alongside this, there has been significant expenditure on 111 Clapton Common which required the budget from 2020-21 to be re-profiled back to the current year to cover this spend.

Private Sector Housing

The overall scheme is forecasting to come largely in line with the budget with only a minor underspend. Disabled Facilities Grant expenditure is progressing well and on target to spend £1.05m representing a minor underspend. The variance has been re-profiled. General repairs grants are on target to spend the full budget as a large payment relating to Hackney leaseholders is expected before the end of the year. Landlord Grants applications are now on hold and expenditure is unlikely this year. The variance has been re-profiled to 2020-21.

Estate Regeneration

The overall scheme is forecasting an overspend of £4.2m against the in-year budget of £34.7m. The main overspend relates to two sites. Construction at Tower Court has started and accelerated compared to previous expectations. Coville Phase 2 Site is now handed over with the final account and retention still to be paid. The budget from 2020-21 has been re-profiled back to the current year to cover this expenditure.

Housing Supply Programme

The overall scheme is forecasting an underspend of £1.7m against the in-year budget of £8.3m. Gooch House Site is now live again and options are currently being considered. The Whiston Road Site is now handed over with only retention still to be paid. The Shaftesbury Street Site is currently on hold and no costs are expected to be incurred this year. The Pedro Street Construction contract award is going to CPC this financial year and start on site is forecast for early 2020-21. Mandeville Street is progressing well. Tradescant House and Woolridge Way design works are ongoing and start on site is planned for 2021-22. The Daubeney Road Construction contract award is nearing completion after a slight delay and start on site is early 2020-21. Buckland Street, Downham Road 1 and 2, Balmes Road and 81 Downham Road have ongoing Design works and a planning application is expected to be submitted in 2020-

	<p>21. The EA and Architect procurement for Lincoln Court and Rose Lipman Projects are nearing completion. The variance has been re-profiled to 2020-21.</p> <p><u>Woodberry Down Regeneration</u></p> <p>The overall scheme is forecasting an overspend of £3.9m against the in-year budget of £11.7m. The main overspend relates to additional Buybacks expected compared to Q2 (another 6 more before the end of March 2020). Costs will be reimbursed from Berkeley Homes. The next claim is due either late 2019-20 or early 2020-21, depending on Planning approval. The budget from 2020-21 has been re-profiled back to the current year to cover this expenditure.</p> <p>5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</p> <p>This report is primarily an update on the Council’s financial position and there are no alternative options here. With regards to the HLT proposal, there were a number of options discussed with both the SPV, and internally within the Council, to improve the terms of the contract. These options included restructuring the debt repayment and changing the indexation rates applied. These options were worked through in detail, however they were either not acceptable to the SPV or to the Council.</p>
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<p>12.</p>	<p>Regeneration Sales & Marketing Strategy Update - Key Decision No. NH Q50</p>
	<p>In a brief introduction of the report The Mayor report Hackney was building through its ambitious direct delivery housing model, and that already it had directly built almost 1,000 desperately-needed new homes since 2010, and was well on its way to meeting a commitment to creating and starting on site 2,000 new homes between 2018-22 – more than half of them for Council social rent and shared ownership.</p> <p>The Mayor stressed that the Council’s priority was always to build genuinely affordable council homes for social rent. However with the cost of renting and buying privately in Hackney increasing dramatically over more than a decade, families who were unlikely to be prioritised for a council home, but were unable to buy outright were struggling to find a decent, affordable and secure place to live. Meanwhile, the continued lack of government funding for social housing meant that Hackney still needed to sell some homes outright to fund the council homes it built.</p> <p>The Mayor referred to the work of the award winning in-house team and the developments they lead providing a mix of housing that both met the range of different housing needs in Hackney and allowed the Council to self-finance genuinely affordable housing within a challenging financial climate. The mix included council homes at real social rents, on council tenancies and prioritised for families that needed them most. It included homes for shared ownership and Hackney Living Rent, giving families who would not have been be prioritised for a council home the chance to get a foot on the housing ladder or pay a rent that gives them more security or lets them save for a deposit. And it includes homes sold outright, helping to pay for it all.</p> <p>The Mayor further advised that across all the tenures mentioned, Hackney’s commitment remained for that local families to get priority on all the homes built. By selling and marketing all homes through Hackney Sales – the Council’s in-house</p>

sales and marketing team –priority was given for shared ownership homes to those living and working in Hackney, and ensuring outright sale homes were marketed at local families who wanted to live in Hackney rather than property investors or buy-to-let landlords. The Mayor reported that almost 100 families had secured a shared ownership home in the borough, with the overwhelming majority of sales being to those who lived and/or worked in Hackney. These offered significant savings compared with renting privately – the average monthly cost of a three-bedroom shared ownership home was £1,708 , compared with £2,197 in the private rented sector.

The Mayor concluded that 13 homes had been sold outright to owner occupiers directly through Hackney Sales, with over 87% of all of the buyers living and/or working in Hackney, which proved that it was possible to prioritise local buyers, lock in more of the sales value that would be lost using private agents and generate the long-term income through the in-house sales team needed to keep building council homes for social rent.

There being no points of clarification, on a **MOTION** by the Mayor it was:-

RESOLVED

- i. **That approval be given to the use of the Council’s Help to Buy Equity Loan Funding Agreement or any equivalent replacement scheme to market qualifying outright sale homes being delivered at Lyttelton House and all future projects where the Council’s Cabinet Procurement Committee gives authority to a direct disposal strategy as part of the procurement;**
- i. **That approval be given to the disposal of homes delivered by the Regeneration Programme to Hackney Housing Company and its subsidiaries; and**
- ii. **That approval be given to the updated Sales & Marketing Framework which supports the continued direct disposal of homes delivered by the Regeneration Programmes.**

REASONS FOR DECISION

The reasons for providing this report and the recommendations set out within it are:

- To extend the authority granted in relation to the direct disposal of outright sale homes at Lyttelton House and all future pipeline projects, to include the use of the Council’s Help to Buy Equity Loan Agreement.
- To provide Cabinet with an updated Sales & Marketing Strategy, which reflects the business growth since July 2016 and authorises disposals to Hackney Housing Company.
- To confirm continued support for the Hackney Sales brand for the direct disposal of homes delivered by the Regeneration Programmes, and confirm support for the additional use of the Hackney Sales brand for Assured Shorthold lettings on behalf of the Council’s Housing Company

DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The alternative options considered by Cabinet in July 2016, including the earlier practice of entering into a Service Level Agreement with an external supplier to market our new homes, would not support the delivery of the Strategy. The

	<p>Council has developed the required in-house sales and marketing expertise for the Strategy to be delivered; focusing on local residents and the wider aspirations of the Regeneration Programmes.</p> <p>The Council's innovative approach to regeneration and direct delivery of shared ownership and market disposals has proven to be a success in helping households purchase a home the borough. This update report seeks continued support for the Strategy and Framework approach and introduces new initiatives to further reinforce our commitment to delivering genuinely affordable housing.</p>
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<p>13.</p>	<p>A Place For Everyone Hackney Voluntary And Community Sector Small Grants 2020/21 (First Round) - Key Decision No. CE Q28</p>
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	<p>Councillor Selman introduced the report and outlined the recommendations for the first of two rounds of small grants awarded through the 2020/21 Voluntary and Community Sector (VCS) Grants Programme. Councillor Selman went on to explain that Hackney's VCS was part of the fabric of the borough and helped define what the borough was like today in activities like culture, sport, play and food growing animate spaces. Councillor Selman commented that as part of Hackney's community, the VCS was able to reach out and support those that needed it most, empower and promote personal resilience of people of all ages and helped build connections and bonds between people through community events and volunteering.</p> <p>Councillor Selman went on to advise that the Council recognised the contribution that the VCS made to community life and to the role it played in achieving the Council's priorities of a safer, fairer more sustainable Hackney. One of the ways this was demonstrated was through the VCS Grants Programme. Small Grants were introduced in 2013/14 as part of that grants programme with the aim of being more inclusive and accessible for newer, smaller or more community based groups. The grants provided funding of between £1,000 and £5,000 for projects contributing to the programme priorities of promoting social inclusion, encouraging independence, developing personal resilience and community cohesion and equalities objective of bridging the gap in outcomes within the community,</p> <p>Councillor Selman referred to the decision of Cabinet on 20 January 2020 to allocate £2,164,785 from the total VCS Grants Programme budget of £2,512,786 for Voluntary Sector Specialist, Advice and Main scheme grants to be delivered in 2020/21. Recommendations were also submitted to Cabinet and agreed for £170,000 being ring-fenced specifically for small grants, play schemes and community chest grants, and that this would be awarded via grant rounds during the year. The recommendations in the report covered the first round allocation of this small grants budget. Applications for the first round of community chest grants would open on 18th March 2020.</p> <p>In conclusion Councillor Selman took the opportunity to thank officers from across Hackney Council along with colleagues from the Voluntary and Community Sector for their volunteered contribution to the assessment process. They were required to assess a number of high quality applications to reach these recommendations, and their hard work was greatly appreciated.</p> <p>There being no further points of clarification, on a MOTION by the Mayor it was:</p> <p>RESOLVED</p> <p>i. That approval be given to the small grant awards recommended as listed in Appendix One of the report; and</p>
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- ii. **That the £9,543 contribution from London Housing Consortium (LHC) towards the Small Grant budget which enabling two additional projects to be funded, be noted.**

REASONS FOR DECISION

A Place for Everyone open grants programme

Small grants are one of the grant streams within the 2020/21 Voluntary and Community Sector grants programme, and recommendations are being made for activities that will be delivered during 2020/21.

Each application has been scored by an assessor from the Council or a partner organisation from the VCS. The application scores were then reviewed to ensure parity and consistency of scoring across assessors and objectives.

The applications were then considered by the same assessors at a panel meeting and recommendations agreed. The panel considered how the applications scored overall, how they met the grant programme priorities and identified local community needs.

This year LHC made a one-off contribution of £9,543 towards LB Hackney's Small Grants Round One budget 2020/21. The funding enabled us to award two additional small grants.

LHC is a not-for-profit procurement consortium of which London Borough of Hackney is a member. Any surplus from their activity is ploughed back into community projects through their Community Benefit Fund. LHC and LB Hackney have worked with Locality, the national network supporting community organisations to thrive, to make the funding recommendation.

All applications were automatically considered for the LHC funding after they were assessed through the standard assessment process. A representative from the organisation Locality attended the Grants Panel meeting and reviewed the assessed applications against LHC and Locality's additional criteria for projects which demonstrate innovation or specific added value, the potential to bring in match funding and investment in physical or organisational one-off improvements that will help make organisations more sustainable in the future.

The panel was also asked to consider the following for LHC grants in relation to the recommendations:

1. The uniqueness of the proposed project activity (one or small number of services of this nature in the borough).
2. Services for residents who have protected characteristics as defined by the Equalities Act; or meet the needs of a particular community.

The Small Grants awarded through the LHC funding will be managed and monitored by LB Hackney and will follow the standard Small Grant contract management process. Information about the grant will be shared with Locality such as the grantees' organisational policy documents and monitoring reports. The organisations funded through the LHC contribution will also receive an introductory 6 month Locality membership, a monitoring visit and social impact guidance from Locality.

	<p>Applicants were informed of LHC funding in the application form and the accompanying guidance notes. This included information on how the application would be assessed, LHC and Locality's additional criteria for projects and how the funding relationships would be managed.</p> <p>DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</p> <p>The process for reaching the recommendations is outlined above, and a full list of recommended and non- recommended applications is appended to this report.</p>
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<p>14.</p>	<p>Rough Sleeping Strategy - Key Decision No. FCR Q 58</p>
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	<p>The Mayor asked for an introduction.</p> <p>Deputy Mayor Rennison in reference to the report advised that it was a fact that rough sleeping was life-threatening, with the average life expectancy for rough sleepers just 45 for men and 43 for women. The Council was of the need to act quickly and effectively to ensure people were given the support they needed and a pathway into sustainable accommodation. Deputy Mayor Rennison referred to the the manifesto commitment to work to ensure that no one needed to sleep rough on the streets of Hackney and the proposed strategy set out the steps to implement this.</p> <p>Deputy Mayor Rennison commented that Hackney would work across the three strands of prevention, outreach and pathways to reduce the number of people who found themselves sleeping rough and to ensure those that do were supported off the streets as quickly as possible. The strategy would be delivered in partnership with the statutory and voluntary sector partners, in particular working closely with, and reporting into, the Homelessness Partnership Board. This brings together Council departments, public bodies and local charities to provide oversight and strategic direction to work addressing homelessness in the borough.</p> <p>Deputy Mayor Rennison further commented of the evident impact of the investment made in services, with the most recent annual count recording a significant drop in numbers, recording just 14 people sleeping rough in Hackney on that night. However, this was still too many and the job would not be done until no one was sleeping rough in the borough.</p> <p>Deputy Mayor Rennison referred to the tragic consequences of failing to support individuals off the streets. The Council's failure to successfully engage Musa Sevimli, who was a known rough sleeper in Hackney, and support him off the streets led to his death in 2019. There would be a full Safeguarding Adults Review into Musa's death to identify what could have been done differently, and any opportunities missed that could have saved him. This will look both at the existing rough sleeping services, and also more widely at other services and bodies that had a duty to help Musa. Once the review's findings and recommendations were known the strategy would be we will review and refresh this strategy to ensure these are implemented.</p> <p>Deputy Mayor Rennison stated that the Council owed it to Musa and to every person who founds themselves sleeping rough to make sure there was the services and support in place to help people off the streets and into secure accommodation, as they were the most vulnerable residents and the Council could not fail them.</p>
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The Mayor, in echoing Deputy Mayor Rennison's comments, asked if there were any comments. There being no comments on a MOTION by the Mayor it was :

RESOLVED

That approval be given to the draft Rough Sleeping Strategy 2020-22.

REASONS FOR DECISION

In August 2018 the Ministry of Housing, Communities & Local Government (MHCLG) published the Government's Rough Sleeping Strategy. Within the strategy is a requirement for local authorities to update their Homelessness Strategy to include an additional focus on responding to Rough Sleeping.

Hackney had already preempted this requirement by publishing its own Rough Sleeper Strategy in 2016. The Council had already identified that rough sleeping within the borough warranted a stand alone strategy to complement the strategic vision highlighted within the Council's Homelessness Strategy.

Our existing strategy runs until 2020 and it was therefore time to refresh and update our strategy, while also factoring in the national Rough Sleeping Strategy by MHCLG. This refresh also coincides with the review and refresh of the wider Homelessness Strategy and supports a consistent approach across both strategies.

The Council has made considerable progress in tackling rough sleeping despite the particularly challenging backdrop; a lack of suitable affordable housing stock, the significant cuts in central Government funding for health and support services and the ongoing reform of the welfare state that has seen housing support for low income households reduced considerably.

Hackney saw a 4.7% decrease in rough sleepers between 2017/18 and 18/19 from 171 to 163. This goes against the London wide trend which saw a significant increase in rough sleeping, with numbers up 18% from 7,484 to 8,855. Over the last year Hackney's decrease is out of synch with our surrounding boroughs, with Newham, Islington, Waltham Forest and The City of London seeing significant rises in rough sleeping, which are amongst the highest in London.

This refreshed strategy seeks to build on this successful work and meet the Council's ambitions of:

- stopping people from becoming homeless and sleeping rough through providing timely information and advice, appropriate accommodation and support options,

- delivering services which can engage with all local rough sleepers and assess their full range of needs; ensuring that street activities are responded to in an effective and proportionate way, and

- providing accommodation options which are sustainable and support rough sleepers to improve their health and wellbeing and employability while developing independence and resilience.

The Rough Sleeping Strategy has been fully reviewed to reflect the new priorities

	<p>outlined in the Government’s rough sleeping strategy, and to take stock of the progress towards our goal of ending rough sleeping in the borough. It allows the Council to highlight the enhanced provision of services for rough sleepers across the borough, especially around street outreach. And to provide a strategic framework to measure future performance and service delivery.</p> <p>The document forms part of Hackney’s new overarching approach to homelessness and rough sleeping as a combined Homelessness and Rough Sleeping Strategy. However given the particularly negative impact rough sleeping has on individuals it is felt that producing a distinct document is still appropriate to ensure the issue is given sufficient focus, priority and impact.</p> <p>DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</p> <p>The MHCLG national Rough Sleeping Strategy requires that the Council ensure that our homeless strategy pays due regard to rough sleeping and is rebadged as a homelessness and rough sleeping strategy.</p> <p>The Council did consider combining the Rough Sleeping Strategy into the Homelessness Strategy as a single homelessness document, but we believe having a separate document will help publicise the importance of preventing rough sleeping, and highlight the services that are available.</p> <p>While a combined strategic approach is important in ensuring constructive monitoring of the effectiveness of current service provision and the direction of future activities as appropriate, this distinct strategy document provides a framework for meaningful dialogue between Council departments and with those groups working in the borough to support people sleeping rough who are not currently connected to the support structures available.</p> <p>Without a more focused statement there is a potential for duplication, gaps in provision and miscommunication.</p>
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<p>15.</p>	<p>Gooch House, Clapton - Hackney Living Rent Proposal - Key Decision No. NH Q12</p>
	<p>The Mayor, in introducing the report commented that for sometime renters in Hackney had been on the frontline of Hackney’s housing crisis, facing high and unpredictable rents, insecure tenancies and a lack of regulation that prevents too many from having a good, stable and well-managed place to live. The #BetterRenting campaign was addressing this, fighting for changes in law to offer renters greater stability, affordability and protection; and directly intervening by taking tougher action against rogue landlords and demonstrating what a good landlord looked like by letting out the council’s own Hackney Living Rent homes. The Mayor reported that Hackney Living Rent offered a genuinely affordable option for middle earners priced out of home ownership but without priority for social housing, with rents set at a third of local incomes. In line with the #BetterRenting campaign, it provided the standards and protections that should be the norm in the sector, including longer tenancies, no unfair</p>

evictions and deposits of no more than three weeks' rent.

The Mayor expressed his delight that Hackney was aiming to deliver the next phase of Hackney Living Rent homes at Gooch House, with 16 much-needed homes aimed at local renters and offered at rates that would not compromise their living standards or prevent saving for a deposit. By repurposing outdated bedsits that no longer met today's standards, most was being made of Council assets to provide high-quality, well-designed new homes and creating a local housing option that was unavailable in Hackney at present. This contributed to the Council's ambitious house building plans as one of more than 20 sites delivering hundreds of genuinely affordable homes between 2018 and 2022.

Councillor Moema welcomed the report and the initiatives of the strategy and echoed the sentiments of the Mayor.

There being no points of clarification, on a MOTION by the Chair it was:

RESOLVED

- i. That the Director of Regeneration be authorised to dispose of the 16 void bedsits at Gooch House through the Housing Supply Programme as Hackney Living Rent accommodation;
- ii. That the Director of Regeneration be authorised to offer a long leasehold interest for the 16 refurbished bedsits at Gooch House to the Hackney HLR Housing Company Limited (11750958) for private renting at Hackney Living Rent levels at a premium equivalent to the value of the affordable property;
- iii. That the Director of Regeneration be authorised to seek Secretary of State consent as required to dispose of the 16 void bedsits at Gooch House;
- iv. That authority be delegated to the Group Director of Neighbourhoods and Housing, the Group Director of Finance and Corporate Resources and the Director of Legal and Governance Services to undertake such necessary steps to implement (i) and (ii) above and to enter into the agreed leasehold interests; and
- v. That the Director of Legal and Governance Services be authorised to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in the report and to enter into any other ancillary legal documentation as required.

REASONS FOR DECISION

The reasons for providing this report and the recommendations within it are:

To dispose of the 16 refurbished bedsits at Gooch House through the HSP as Hackney Living Rent accommodation;

To offer the leasehold interest of the 16 refurbished bedsits at Gooch House for sale to the Hackney HLR Housing Company Ltd (11750958);

To dispose of the 16 refurbished bedsits at Gooch House to the Hackney HLR Housing Company Limited (11750958) following agreement of the disposal value.

DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

There are 16 empty bedsits at Gooch House. The option of doing nothing with the empty bedsits has been rejected, as these properties are void and present a cost to the Council in terms of lost income from the 16 households that could potentially be housed there and Council Tax liability. Plans to knock the flats through and provide bigger homes were rejected as too costly, not meeting housing need and potentially impacted by the Bedroom Tax.

One of the options in the February 2016 Cabinet report, authorising delivery of the Housing Supply Programme, was to explore if the Gooch House bedsits could be converted into larger two storey homes as they are stacked vertically. This was rejected due to the extent of the structural alterations that would be required to the occupied block, in terms of the risks, costs and level of disruption to residents.

Disposal of the Gooch House bedsits for Shared Ownership was considered and rejected, as established lenders of Shared Ownership mortgages stated that they would not be willing to lend against the properties. Despite the Council offering to underwrite the resale risk, lenders still would not agree to lend. This reflects the current Shared Ownership mortgage market, which has a limited number of active lenders who are cautious with regard to perceived risk. As a result, Shared Ownership disposals could not be pursued.

The option to develop a bespoke Low Cost Home Ownership (LCHO) product was extensively considered. However, the terms of the LCHO product were not financially viable or attractive to the target cohort when tested, so this option was rejected.

Homerton Hospital faces significant staff recruitment and retention challenges, partly due to the cost of buying or renting a home privately in Hackney. The potential to lease the Gooch House bedsits to Homerton University Hospital NHS Foundation Trust was explored. However, the Trust was not in a position to enter into a lease with the Council, and therefore this option was rejected.

Finally, the option of selling the bedsits to buyers on the open market was also rejected. The existing units are not readily mortgageable and would therefore appeal mainly to cash-buyers and private investors; although the current economic climate, changes to Stamp Duty (SDLT) rules and uncertainty around Brexit has reduced the number of investors in the market. If the homes purchased by investors were then let privately, this is unlikely to contribute towards creating a sustainable community within Gooch House. Ultimately the Council wanted to ensure that these homes remained an affordable housing option for Hackney residents.

16. Review of Lea Bridge Conservation Area - Key Decision No. NH Q54

In an introduction to the report Councillor Nicholson advised that the Lea Bridge Conservation Area was first designated in 2005 to include a group of 19th century buildings associated with the historic industrial character of the River Lea. The boundary was tightly drawn and the 2005 appraisal identified potential future extensions to the east. The Council's 2017 borough wide Conservation Areas Review recommended expansion of the boundary to also include both the Middlesex Filter Beds and Millfields Recreation Grounds.

	<p>Councillor Nicholson further commented that following careful review, it was proposed to extend the conservation area to include the historic green, open spaces, which surrounded the core of the existing Lea Bridge Conservation Area. This extension would ensure that the area’s special character was protected. The proposed extension was accompanied by a revised conservation area appraisal, which replaced the 2005 document. Councillor Nicholson advised that a six week consultation on the proposed extension and Conservation Area appraisal had taken place and some amendments had been made to the conservation area appraisal in response to the comments of local stakeholders.</p> <p>There being no comments and points of clarification, on a MOTION by The Mayor it was:</p> <p>RESOLVED</p> <p>That approval be given to the designation of the extended Lea Bridge Conservation Area, including the revised Lea Bridge Conservation Area Appraisal & Management Plan (Appendix A) and Lea Bridge Conservation Area Boundary Map (Appendix B).</p> <p>REASONS FOR DECISION</p> <p>This decision is required in order to ensure that the area’s heritage is recognised and a full and up to date conservation area appraisal clearly sets out the area’s qualities and identifies threats and weaknesses.</p> <p>This decision is required in order to ensure that guidance is in place in the form of a management plan that provides ways to address weaknesses in the conservation area and add to its special interest and character.</p> <p>This decision is required in order to ensure that the conservation area boundary accurately reflects the special character and historic context of this area and ensures that appropriate protection is in place.</p> <p>DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</p> <p>Consideration was given to extending the Lea Bridge Conservation Area to only include the Middlesex Filter Beds to the east of the River Lea. However, this was rejected as the Millfields Recreation Grounds to the west of the existing conservation area considered to be equally important in terms of historic interest and contribution to the open setting of the historic core of 19th century buildings.</p> <p>The option of doing nothing was rejected as the 2017 Conservation Areas Review identifies a need to review existing conservation areas where the special architectural and historic interest justifies it, in line with national legislation.</p>
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<p>17.</p>	<p>Non - key Decision - Designation of Brownswood Conservation Area</p>
	<p>The Mayor in asking Councillor Nicholson to introduce the report as advised tht there was a supplementary Appendix B and C to that originally published with the Cabinet agenda.</p> <p>Councillor Nicholson advised the meeting that the proposed Brownswood Conservation Area was located to the north of the Borough. The area was a high quality late Victorian suburb with a clear hierarchy of housing types set out from the 1860s onwards enclosed</p>

by the established routes of Blackstock Road, Finsbury Park and Green Lanes. An Article 4 was proposed over the Conservation Area in order to preserve original features. The boundary was drawn around the area of Brownswood following identification in the 2006 and 2017 Conservation Area Review. The draft Brownswood Conservation Area Appraisal was prepared in 2019 and the research and assessment of the area's special interest undertaken for this appraisal has enabled careful consideration of the boundaries.

Councillor Nicholson concluded that a six week public consultation had taken place and minor amendments had been made to the conservation area appraisal and management plan in response to the comments of local stakeholders.

There being no points of clarification, on a **MOTION** by The Mayor it was:

RESOLVED

- i. **That approval be given to the designation of the Brownswood Conservation Area including the Brownswood Conservation Area Appraisal and boundary map; and**
- ii. **That approval be given to the making of a non-immediate Article 4 Direction over part of the conservation area (see Appendix B) to withdraw the permitted development rights granted by Schedule 2, Part 1, Class A, B, C, D, E, F, G, H. Part 2, Class A, B and C and Part 14, Class A and J of the GPDO.**

REASONS FOR DECISION

This decision is required in order to ensure that the area's heritage is recognised and a full and up to date conservation area appraisal clearly sets out the area's qualities and identifies threats and weaknesses.

This decision is required in order to ensure that a management plan is in place that provides ways to enhance the conservation area and its special historic and architectural interest.

This decision is required to ensure that the uniform character, appearance and original features of the area are preserved by Article 4 Direction.

DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

Consideration was given to including a wider area, including whether Gloucester Drive, Adolphus Road, Alexandra Grove, Portland Rise, Henry Road and Princess Crescent should be included with the proposed area. Conservation Areas require special architectural and historic interest to warrant designation. Whilst these streets date from a similar time period (1870s/80s) and are indeed similar, there has been a higher level of unsympathetic alterations which considerably impact the uniformity and group value of the buildings and spaces. In particular there are dormers of varying sizes and high levels of replacement windows. There has also been a considerable extent of infill development that is not prevalent within the proposed designated area.

Consideration was given to extending the Brownswood Conservation Area to include Blackstock Road. However, this was rejected as the buildings on Blackstock Road have undergone considerable alterations, particularly at ground level where there are no

surviving historic shopfronts. Moreover, the boundary of the London Borough of Hackney and London Borough of Islington runs through the centre of the road, with no proposals for Islington to designate.

The option of doing nothing was rejected as the 2006 and current 2017 Conservation Areas Review identifies a need to designate new conservation areas where the special architectural and historic interest justifies it, in line with national legislation.

The option of designating the Brownswood Conservation Area without an Article 4 Direction was considered. However, this was rejected as the Appraisal identifies a number of significant threats to the buildings and the overall conservation area which householders could undertake using permitted development rights. The use of an Article 4 Direction will therefore provide increased protection against the loss of historic architectural features.

18. Schedule of Local Authority School Governor appointments

Deputy Mayor Bramble advised the meeting of the proposed School Governor nominations as detailed.

There being no comments on a **MOTION** by the Mayor it was:

RESOLVED

That approval be given to the School Governor re-nomination, and new nomination as follows;

Governing Body	Name	Date Effective
St Paul's with St Michael's CE School	Mr Alex Doherty(LA Gov) re-nomination	24 FEBRUARY 2020
Jubilee Primary School	Mr Max Lawson (LA Gov) new nomination	24 FEBRUARY 2020

19. Appointments to Outside Bodies

There were no appointments to outside bodies.

NOTED

20. New items of unrestricted urgent business

There were no items of unrestricted urgent business.

NOTED

21. Exclusion of the press and public

RESOLVED:

That the press and public be excluded from the remainder of the meeting as items 22 and 23 below contain exempt information, as defined under paragraph 3 of Part 1, schedule 12A of the Local Government Act 1972.

22.	Exempt minutes of the previous meeting of Cabinet held on 20 January 2020
	<p>RESOLVED</p> <p>That the exempt minutes of Cabinet held on 20 January 2020 be confirmed as an accurate record of the proceedings.</p>
23.	Exempt minutes of Cabinet Procurement Committee held on 2 December 2019, and 13 January 2020
	<p>RESOLVED</p> <p>That the exempt minutes of Cabinet Procurement Committee held on 2 December 2019, and 13 January 2020 be received and noted.</p>
24.	New items of exempt urgent business
	<p>There were no items of exempt urgent business.</p> <p>NOTED</p>

Duration of the meeting: Times Not Specified

Mayor Philip Glanville
 Chair at the meeting on
 Monday, 24 February 2020

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UNRESTRICTED MINUTES OF A MEETING OF THE CABINET PROCUREMENT COMMITTEE

MONDAY, 10TH FEBRUARY, 2020

Chair	Councillor Rebecca Rennison in the Chair
Councillors Present:	Councillors Deputy Mayor Anntoinette Bramble, Cllr Jon Burke and Cllr Caroline Selman
Officers in Attendance	Mr Rotimi Ajilore – Head of Procurement Ms Zainab Jalal – Category Lead Social Care Mr Patrick Rodger – Senior Lawyer – Procurement - Legal & Governance Mr Chris Trowell - Acting Director of Regeneration Programme, Neighbourhoods and Housing Mr Ben Terry - Project Officer, Neighbourhoods and Housing Ms Jane Havemann - Project Manager, Neighbourhoods and Housing Ms Jade Mercieca - Contracts & Commissioning Officer, Children, Adults and Community Health Mr Mark Mulvenna - Contracts & Commissioning Officer, Children, Adults and Community Health Ms Amy Harmsworth – Public Health Strategist - Children, Adults and Community Health Mr Stephen Abraham - Category Manager (Construction and Environment) Finance & Corporate Resources Mr Matt Clack – Head of Service – Public Health - Children, Adults and Community Health Mr Clifford Hart – Governance Services Officer – Legal & Governance

1 APOLOGIES FOR ABSENCE

An apology for lateness was received on behalf of Councillor Selman.

NOTED

2 Urgent Business

There were no items of urgent business.

NOTED

3 DECLARATIONS OF INTEREST - Members to declare as appropriate

Councillor Rennison declared a personal and non prejudicial interest in agenda item 8 as a board member of Clapton Park TMO.

NOTED

- 4 NOTICE OF INTENTION TO CONDUCT BUSINESS IN PRIVATE, ANY REPRESENTATION RECEIVED AND THE RESPONSE TO ANY SUCH REPRESENTATIONS

There were no representations received.

NOTED

- 5 DEPUTATIONS/PETITIONS/QUESTIONS

There were no deputations. Petitions or questions.

NOTED

- 6 UNRESTRICTED MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 13 JANUARY 2020

RESOLVED

That the unrestricted minutes of the Cabinet Procurement Committee held on 13 January 2020 be confirmed as an accurate record of the proceedings.

- 7 SELECTION OF A CONTRACTOR FOR THE CONSTRUCTION OF MIXED TENURE HOUSING AT PEDRO STREET - KEY DECISION NO. NH Q38

The Chair asked for an introduction to the report.

The Project Manager – Mr Terry advised the Committee that by way of background that as part of the agreed Housing Supply Programme by Cabinet set out how the Council would make best use of its land by building new social rented and low-cost home ownership homes on a range of unused or under-occupied sites across the borough, subsidised by homes built for outright sale as a result of minimal Government funding to build council housing for social rent. The Programme proposed the delivery of more than 400 new homes, with a target tenure mix of 70% for social rent and shared ownership, with 30% outright sale. In accordance with the programme the 26 new affordable homes at Pedro Street would contribute to the Council's target to build over 3,000 new homes for social rent, shared ownership and outright sale. The cost of the affordable homes would be subsidised by homes for outright sale on other sites within the HSP, as agreed in the overarching Unilateral Undertaking agreed as part of the Programme.

Mr Terry went on to advise that the Pedro Street development would replace an old, now demolished boiler house that had become an eyesore on Clapton Park Estate. It was being replaced by 26 new, genuinely affordable homes for Council social rent and shared ownership. In addition, new landscaping and public realm improvements would provide a link between the development and Gilpin Square, and the shared surface would make the area more welcoming for pedestrians and cyclists.

Mr Terry also advised that the Council had worked closely with the Clapton Park Tenant Management Organisation (TMO) and Kings Park ward councillors throughout the development of the project and would continue to do so during the project's construction

phase. All properties would be managed by the Clapton Park TMO, following a handover period managed by the Council's New Build Team.

Mr Terry also commented that the Pedro Street project was mixed tenure development, and that given current market conditions the overall Programme had been forecast to be self-funding, but each individual scheme was subject to robust financial viability testing. The Committee were being asked to approve the appointment of a preferred contractor for the development of the mixed tenure housing scheme at Pedro Street. The preferred contractor had been selected via the South East Consortium (SEC) New Build and Refurbishment Framework, Lot 2: £3m-£8m. The recommendation was proposed for agreement had made on the basis of both cost and quality.

The Chair thanked Mr Terry for his introduction. In advising that she would have a point of clarification, the Chair asked if there were any questions from the Committee.

Councillor Burke, in welcoming the proposals referred to the overall energy strategy, noted that a communal gas boiler system was to be used at Pedro Street. Cllr Burke advised he would like to see future schemes adopting alternative energy strategies, and asked if consideration had been given to using hydrogen boilers or similar. In response the Head of Housing Supply Programme - Mr Trowell – Acting Director of Regeneration advised that the scheme proposals had been developed around two years previously, and there was a time lag with policy changes being implemented. The Head of Procurement – Mr Ajilore suggested that a briefing note would be put together on energy strategies.

Councillor Burke sought clarification as to whether the project team had been in contact with Housing Services as regards to the PV panels on the roof, and if these would form part of the Council's new Light and Power Company strategy. Mr Terry confirmed that Housing services had been consulted on the proposals, and officers would be making contact with the energy company team in this respect.

With reference to the Landscaping/management of the site Councillor Burke asked for details of the soft landscaping proposals. Mr Terry in response confirmed that there would be a communal garden area with rainwater butts, extensive planting and trees across the development. The Clapton Park Estate Tenant Management Organisation (TMO) would manage the development following the end of defects period.

Councillor Burke further referred to the provision for an Electric Car Club Bay and sought clarification as to its location. Mr Terry advised that this was a planning obligation for the Pedro Street scheme to jointly fund an electric car club bay close to the site with the nearby Mandeville Street development.

Councillor Burke further sought clarification as to whether Cross Laminated Timber (CLT) had been proposed for use on the site. Mr Trowell advised that, following a recent change to the building regulations, it was no longer permissible to use combustible materials including CLT in the external walls of buildings over 18m tall, such as at Pedro Street.

Councillor Bramble sought clarification as to flood protection on the site and what the flood risk assessment meant for the site. Mr Terry advised that this was a planning requirement, and the development was deemed as being in a flood risk zone 2, which meant that there was no specific measures required to mitigate the risk of flood risk. However it was the case that the design took advantage of the natural topography to be slightly raised at the Gilpin Square end.

The Chair, in reference to the procurement process undertaken for the development and the fact that only two bids had been received, asked officers if there was the need to review how the Council should be procuring developments such as this. Mr Trowell advised that, due to the size of the Pedro Street development, it was in effect , and too big for small contractors but too small for large contractors. As such it was therefore difficult to find an appropriate

contractor for the site. Mr Trowell added that it would be possible to look at other frameworks and possibly consider packaging up small sites to make them more attractive to the market.

There being no further points of clarification, on a **MOTION** by the Chair it was:

RESOLVED

- i. That approval be given to the appointment of Bidder A as the preferred contractor for the construction of mixed tenure housing at Pedro Street for the value set out in Exempt Appendix 1 of the report, plus a 5% client contingency to be held by the Council for scheme variations during the construction period;
- ii. That approval be given to entering into a JCT Design and Build contract and any other ancillary legal documentation relating thereto with Bidder A for the construction of mixed tenure housing at Pedro Street on such terms as shall be agreed by the Director of Legal; and
- iii. That the Director of Legal and Governance be authorised to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in the report and to enter into any other ancillary legal documentation as required.

RELATED DECISIONS

At its meeting of 29 February 2016 the Council's Cabinet agreed the Housing Supply Programme (HSP).

At its meeting on 18 July 2016 the Council's Cabinet approved the Sales and Marketing Strategy, authorising the Director of Regeneration to implement the Sales and Marketing Framework in relation to shared ownership and outright sale disposals generated via both the HSP and Estate Regeneration Programme (ERP). Cabinet also authorised the Director of Strategic Property and the Director of Regeneration to dispose of leasehold and freehold interests in the shared ownership and outright sale homes developed or to be developed as part of those Programmes.

The Council's Planning Sub-committee resolved to grant planning permission for the Pedro Street development on 7 February 2018, subject to the completion of a Unilateral Undertaking, which has since been authorised.

At its meeting of 14 May 2019 the Hackney Procurement Board (HPB) approved the business case for mixed tenure housing at Pedro Street.

REASONS FOR DECISION/OPTIONS APPRAISAL.

The report outlined the process that was followed in selecting a preferred bidder for the Pedro Street development.

It is proposed that the Council would enter into a JCT Design and Build contract with the preferred bidder. The Pedro Street contract did require the successful bidder to construct 26 new affordable homes, consisting 13 for social rent and 13 for shared ownership, with associated hard and soft landscaping.

The redevelopment of the Pedro Street site would contribute to delivering the Council's aspirations to make best use of Council land by building new social rented and low-cost home ownership homes on a range of unused or under-occupied sites across the borough. The shared ownership homes delivered on this site would generate cross subsidy to help support the delivery of the social rented housing.

The bids for the Pedro Street development were evaluated against the forecasts contained within the financial model for the scheme and were considered with reference to the viability of the overall HSP. These forecasts were prepared on the basis of independent cost and value information provided by the Council's professional advisors and subject to scrutiny and cross-checking against other comparable schemes within the Programme by the Council's Corporate Finance team.

The proposed contractor was selected via a Negotiated Process without Prior Publication procedure using the SEC New Build and Refurbishment Framework Lot 2: £3m-£8m. The route was the recommended method of procuring the proposed work, as the SEC Framework contained a suitable range of contractors, where best value could be obtained in terms of both price and quality. Tenderers were required to offer a fixed price for building out the whole of the works.

Two bids were received from build contractors via the Council's e-tendering portal, ProContract. Both bids received were in excess of the pre-tender estimate provided by the Council's professional advisors. In order to reduce bids down to an acceptable level, in accordance with Regulation 32(2) (a) of the Public Contracts Regulations 2015, the Council commenced a Negotiated Procedure with the two bidders.

ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

The option to 'do nothing' was considered and rejected. The HSP provides the opportunity to help alleviate the shortage of housing in the Borough. The Pedro Street site is a Council-owned brownfield site and, therefore, presents a significant opportunity to provide new affordable homes.

The Council owns and manages thousands of homes in the Borough, and as such has an in-depth understanding of and expertise in the affordable housing sector. In addition, the Council's Regeneration Division has already successfully delivered new build housing across a number of sites. Accordingly, the Council's recent approach to regeneration seeks to utilise its expertise, understanding and financial capacity to build and retain new affordable housing and outright sale homes directly through its in-house Sales & Marketing Team.

Consideration was given to procuring a build contractor using the restricted procedure route set out in the Public Contracts Regulations 2015. The estimated build costs exceed the EU threshold for works and this, therefore, was a viable option. However, it was recommended that the contractor was procured through the SEC Framework for the following reasons:

- Procurement process management costs will be higher for a stand-alone full EU-compliant process compared to a framework. This is principally in relation to internal resources and consultancy fees as a result of the need for a pre-qualification stage to be carried out;
- Such a pre-qualification stage would add 4 to 6 weeks to the procurement timetable; and
- Using a framework will provide a more streamlined procurement approach which in turn will generate time-saving benefits.

Procuring through several alternative frameworks was considered. The SEC Framework was considered to be the most appropriate for this project. Other frameworks in the market contained predominantly larger contractors and, therefore, interest and competition to bid for the work was considered less likely.

8 HACKNEY AND CITY INTEGRATED SUBSTANCE MISUSE SERVICE - KEY DECISION NO. CACH Q56

The Chair asked for an introduction of the report.

Ms Harmsworth - Public Health Strategist advised the Committee that the report before the Committee sought approval to the procurement of an integrated adult drug and alcohol treatment system across the London Borough of Hackney and the City of London Corporation. The procurement would support the two authorities to deliver on their shared vision to improve positive outcomes for some of the most vulnerable residents, as well as improving the life chances of many of the individuals who choose to live, work and visit here.

Ms Harmsworth went on to comment that the new integrated service would also effectively engage with other priority groups requiring excellent drug and alcohol treatment, and achieved via increased outreach, widened accessibility for the service, and a broader range of health and wellbeing interventions offered, including mental health support. There would also be an increased focus on communication and locally informed campaigns to increase the reach of the service, support partnership working and enhance the 'making every contact count' (MECC) approach. Ms Harmsworth advised that selected Provider being recommended for the contract award had given assurances that they would deliver on these aspects throughout the tender process, including the addition of an Access and Engagement Team, sub-contractual arrangements with a mental health charity and a dedicated Partnership Manager who would lead on training and communication across the two local authorities.

Ms Harmsworth advised that by combining the service across City of London and Hackney, both local authorities had maximised opportunity for efficiency savings, whilst also designing a service model that would effectively promote recovery, reduce harm and was accessible and attractive to all those who required support.

Ms Harmsworth further advised that in recent years there had been changes to local needs and treatment delivery, which would be addressed within the new service, including but not limited to an ageing treatment population who could present with multiple health and social care complexities, an increased number of individuals with both substance misuse and mental health needs, and a reduction of alcohol only service users engaging with treatment services, despite estimated need remaining unchanged.

Ms Harmsworth concluded that following approval from Cabinet Procurement Committee in September 2019, Public Health colleagues across Hackney and the City of London had completed a thorough and fair procurement of the new Integrated Substance Misuse Service. Therefore the recommendation before the Committee sought approval for the selected provider to commence the new contract from 1 October 2020.

In welcoming the report the Chair asked if there were any questions from the Committee. Councillor Selman, in reference to the new contract, and the transition arrangements to ensure a smooth hand over from the existing provider. In response Ms Harmsworth advised that the current provider was not the new contractor. There would be a planned transition period prior to the new contract with service users and staff being regularly updated. There would be a TUPE process for staff in the transition process.

There being no further questions or points of clarification, on a **MOTION** by the Chair it was:

RESOLVED

That approval be given to the award of a contract for the delivery of the Hackney and City Integrated Substance Misuse Service to Provider E as detailed in the exempt

appendix to the report for a maximum value of £24,000,000 for a period of 5 years commencing on the 1 October 2020, with a further option to extend for up to 4 years (2 +2).

RELATED DECISIONS

On 10 September 2019, the Cabinet Procurement Committee approved the Business Case for this procurement.

REASONS FOR DECISION/OPTIONS APPRAISAL.

The Service outlined in the report will replace the current arrangement whereby Hackney and The City of London have separate drug and alcohol services, and will create a single integrated system managed as a unified system by Hackney.

The new service model was created as a result of significant targeted consultation with key stakeholders (including current and potential service users), and a design group consisting of cross-department local authority officers, members of City and Hackney CCG and the Integrated Commissioning System. Local need was analysed via the completion of a Substance Misuse Joint Strategic Needs Assessment Chapter, available here.

The new Service has the following vision: 'To improve the quality of life for people affected by substance misuse by providing an excellent drug and alcohol treatment service that promotes recovery, reduces harm and is accessible and attractive to those who need support across the City of London and Hackney'.

As outlined in the Business Case, the new service will run for a minimum of 5 years (subject to good performance), to reduce the impact of instability that can be caused by recommissioning. Given the length of the contract, the successful bidder was required to demonstrate how they will respond proactively and appropriately to any changes to the allocated budget and local needs across Hackney and the City. The comprehensive procurement process ensured that the successful bidder demonstrated their knowledge and ability to deliver all aspects of the service specification, and how they will meet the targets specified in the Key Performance Indicators.

Procurement process: this is outlined in section 8 of the report.

Hackney and City's Public Health teams are recommending Provider E as the successful bidder following the procurement process. Provider E demonstrated comprehensive knowledge and experience regarding the delivery of drug and alcohol services in general, as well as illustrating an understanding of local needs across City of London and Hackney, along with innovative proposals for the service's delivery.

ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

The following five options were appraised for the future of the drug and alcohol service provision in Hackney:

- Hackney Council procure an integrated drug and alcohol treatment system which supports adults living in or with a local connection to Hackney and the City (Chosen Option)
- Allow the current contract in Hackney to expire, and not provide a specialist drug and alcohol service from October 2020
- Retain and extend current service model to remain as it is
- Insource adult specialist drug and alcohol treatment
- Jointly commission a specialist drug and alcohol service that supports all ages (including under 18 year olds)

CPC agreed the business case for the preferred option in September 2019 (see Section 4).

9 ANY OTHER UNRESTRICTED BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no items of unrestricted urgent business.

NOTED

10 DATE OF FUTURE MEETINGS

NOTED – the dates of Cabinet Procurement Committee for the remainder of the Municipal Year 2019/20 as follows:

Meetings will be held at 6.00pm on:

11 March 2020

11 May 2020 – additional meeting

11 EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

THAT the press and public be excluded from the proceedings of the Cabinet Procurement Committee during consideration of Exempt items 12-14 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended.

SUMMARY OF EXEMPT/CONFIDENTIAL PROCEEDINGS

12 EXEMPT MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 13 JANUARY 2020

AGREED the exempt minutes of the Cabinet Procurement Committee held on 13 January 2020 be confirmed as an accurate record of the proceedings.

13 SELECTION OF A CONTRACTOR FOR THE CONSTRUCTION OF MIXED TENURE HOUSING AT PEDRO STREET - KEY DECISION NO. NH Q38

AGREED the exempt Appendix1 in relation to agenda item 7 in the unrestricted part of the agenda.

14 HACKNEY AND CITY INTEGRATED SUBSTANCE MISUSE SERVICE - KEY DECISION NO. CACH Q56

AGREED the exempt Appendix A in relation to agenda item 8 in the unrestricted part of the agenda be agreed and noted.

15 ANY OTHER EXEMPT BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no items of exempt urgent business.

NOTED

Duration of the meeting: 18:00 – 18:30HRS

Contact:

Clifford Hart

Clifford.hart@hackney.gov.uk

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<p>Capital Update Report</p> <p>KEY DECISION NO. FCR Q7</p>	
<p>CABINET MEETING DATE</p> <p>16 March 2020</p>	<p>CLASSIFICATION:</p> <p>Open</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED</p> <p>All Wards</p>	
<p>CABINET MEMBER</p> <p>Philip Glanville, Mayor of Hackney</p>	
<p>KEY DECISION</p> <p>Yes</p> <p>REASON</p> <p>Spending or Savings</p>	
<p>GROUP DIRECTOR</p> <p>Ian Williams Finance and Corporate Resources</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report on the capital programme for 2019/20 updates members on the capital programme agreed in the 2019/20 budget.
- 1.2 The report provides significant further investment in the borough's schools, childrens' centres and the wider borough infrastructure supporting our ambitions for a more sustainable public realm and helping to ensure that residents and visitors alike enjoy a safe environment in which to travel and learn.
- 1.3 The report helps to continue our delivery of key manifesto commitments around school investment, sustainable transport and road safety across the borough.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 This report updates Members on the current position of the Capital Programme and seeks spending and resource approval as required to enable officers to proceed with the delivery of those schemes as set out in section 9 of this report.

3. RECOMMENDATION(S)

- 3.1 **That the schemes for Children, Adults and Community Health as set out in section 9.2 be given approval as follows:**

Schools Asset Management Programme (AMP) 2020/21: Virement and spend approval of **£3,500k in 2020/21** to is requested to fund the continuation of the annual maintenance programme across a number of primary school assets.

Children' Centres Asset Management Programme (AMP) 2020/21: Virement and spend approval of **£400k in 2020/21** is requested to fund the rolling programme of asbestos surveys and the remedial works to a number of the Council's maintained schools and children's centres.

- 3.2 **That the schemes for Neighbourhood and Housing (Non-housing) as set out in section 9.3 be given approval as follows:**

Developing Borough Infrastructure: Spend approval of **£300k (£150k in 2019/20 and £150k in 2020/21)** is requested to fund the Council's development infrastructure works.

Road Safety Programme: Spend approval of **£300k in 2020/21** is requested to fund the continuing road safety works on the borough's roads.

Local Implementation Plan (LiP) TfL Funded - Corridors, Central London Grid, Quietways cycle Route, Neighbourhoods of the Future, Liveable Neighbourhoods and Mayors Air Quality Fund: Resource and spend approval of **£940k in 2019/20**, spend approval of **£145k in 2019/20** and spend approval of **£1,034k in 2020/21** is requested in order to facilitate the delivery of the TfL funded schemes to implement measures to reduce road traffic accidents and fund projects to encourage sustainable transport within the borough.

4. REASONS FOR DECISION

4.1 The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered as set out in this report.

4.2 In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where however resources have not previously been allocated, resource approval is requested in this report.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

None.

6. BACKGROUND

6.1 Policy Context

The report to recommend the Council Budget and Council Tax for 2019/20 considered by Council on 25 February 2019 sets out the original Capital Plan for 2019/20. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

6.2 Equality Impact Assessment

Equality impact assessments are carried out on individual projects and included in the relevant reports to Cabinet or Procurement Committee, as required. Such details are not repeated in this report.

6.3 Sustainability

As above.

6.4 Consultations

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

6.5 Risk Assessment

The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the

Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

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

- 7.1 The gross approved Capital Spending Programme for 2019/20 currently totals **£245.619m (£119.254m non-housing and £126.365m housing)**. This is funded by discretionary resources (borrowing, government grant support, capital receipts, capital reserves (mainly Major Repairs Reserve and revenue contributions) and earmarked funding from external sources.
- 7.2 The financial implications arising from the individual recommendations in this report are contained within the main report.
- 7.3 If the recommendations in this report are approved, the revised gross capital spending programme for 2019/20 will total **£246.559m (£120.194m non-housing and £126.365m housing)**.

Directorate	Revised Budget Position	March 2020 Cabinet Update	Updated Budget Position
	£'000	£'000	£'000
Children, Adults & Community Health	9,816	0	9,816
Finance & Corporate Resources	90,184	0	90,184
Neighbourhoods & Housing	19,254	940	20,193
Total Non-Housing	119,254	940	120,194
Housing	126,365	0	126,365
Total	245,619	940	246,559

8. COMMENTS OF THE DIRECTOR OF LEGAL

- 8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.
- 8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:
- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
 - (ii) Determine the accounting records to be kept by the Council.
 - (iii) Ensure there is an appropriate framework of budgetary management and control.
 - (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's Constitution, although full Council set the overall Budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Councils' decisions. The Cabinet has to take decisions in line with the Council's overall policies and budget.

8.4 The recommendations include requests for spending approvals. The Council's Financial Procedure Rules (FPR) paragraphs 2.7 and 2.8 cover the capital programme with 2.8 dealing with monitoring and budgetary control arrangement.

8.5 Paragraph 2.8.1 provides that Cabinet shall exercise control over capital spending and resources and may authorise variations to the Council's Capital Programme provided such variations: (a) are within the available resources (b) are consistent with Council policy.

9. CAPITAL PROGRAMME 2019/20 AND FUTURE YEARS

9.1 This report seeks spending approval for schemes where resources have previously been allocated as part of the budget setting process, as well as additional resource and spending approvals for new schemes where required.

9.2 Children, Adults and Community Health

9.2.1 **Schools Asset Management Programme (AMP) 2020/21:** Virement and spend approval of **£3,500k in 2020/21** is requested to fund the continuation of the annual maintenance of primary school assets and children's centres estate. The asset maintenance programme is the borough's cyclical and periodic yearly maintenance programme. The works are prioritised on the basis of the existing condition survey data, supported by rolling site inspections which takes place over a 3 year period. This year's programme will include the schools and children centres listed in the table below. The broad overview of the works required are essential health and safety works, boiler replacement, lighting upgrade, toilet refurbishment and flooring replacement, lighting upgrade, playground resurfacing, art block construction works, reconfiguration of reception class, ventilation works, drainage, fire alarm upgrade, heating works and works to front entrance. This capital project links in with 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' and Priority 2 'A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life'. This approval will have no net impact as the resources already form part of the capital programme.

No.	Name of School
1	Jubilee
2	Benthal
3	Shoreditch Park
4	Colvestone
5	Betty Layward
6	Holmleigh
7	Queensbridge
8	Berger

9	Lauriston
10	Randal Cremer

9.2.2 **Children' Centres Asset Management Programme (AMP) 2020/21:** Virement and spend approval of **£400k in 2020/21** is requested to fund the rolling programme of maintenance as set out in the Council's Capital Programme works to a number of the Council's maintained children's centres. The works which form the basis for this application became apparent after a survey of all education sites, including children's centres, completed in 2016. This data identified the statutory, health and safety works which needed to be carried out in children centres. The works covered by this request are boiler replacement and heating distribution infrastructure at Fernbank Children's Centre and toilet refurbishment and reconfiguration at Woodberry Down Children's Centre. This is the Council's commitment to investing in our buildings in order to improve the quality of life for our community and helps to ensure that we are meeting our statutory health and safety responsibilities. This capital project links in with 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' and Priority 2 'A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life'. This approval will have no net impact as the resources already form part of the capital programme.

9.3 Neighbourhoods and Housing (Non-Housing)

9.3.1 **Developing Borough Infrastructure:** Spend approval of **£300k (£150k in 2019/20 and £150k in 2020/21)** is requested to fund the Council's development infrastructure works in the locations included in the table below. The broad overview of the works required are to improve safety conditions and public realm; implement a point of no entry, implement proposals to improve the environment around schools to encourage sustainable modes of travel to school; address specific concerns that have been identified by the school; address concerns over the number of collisions at specific junctions; and minimise the street furniture such as bollards in the area. This demonstrates the Council's commitment towards improving the quality of life for our residents. The aspiration is for Hackney's transport system to be exemplary for sustainable urban living in London and to transform Hackney's places and streets into the most attractive and liveable neighbourhoods in London. High motor traffic flows and congestion also contribute to an unsafe environment and poor air quality, with its negative health impacts on residents. Creating a better balance between pedestrians, cyclists and motor vehicles is therefore critical if we are to make our neighbourhoods more attractive and liveable for everyone. These projects will improve the environment to support walking and cycling around the borough. This capital project supports Priorities 3 in the Hackney's Sustainable Community Strategy 2018-2028 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on resources as they already form part of the capital programme.

No.	Location
1	Lordship Road

2	Olinda Road
3	Schools
4	Brooke Road/Evering Road
5	Wordsworth Road j/w Bennett Road

9.3.2 **Road Safety Programme:** Spend approval of **£300k in 2020/21** is requested to fund the continuing road safety works on the borough's roads. The Council prioritises a proportion of its annual TfL LiP settlement towards schemes and projects that aim to reduce accidents and casualties within the borough. The schemes prioritised using TfL LiP funding are generally focused on the principal road network ("A" and "B" roads) where the highest concentrations of accidents occur. There are however a large number of accidents that occur on the "local" road network within the borough and so the Council has historically earmarked some Capital funding towards casualty reduction measures on these roads. As part of the identification and prioritisation process the Council will generate a long list of the top 100 accident links and nodes (roads and junctions) and from this will identify prospective schemes to take forward using the Council's capital road safety funding. The broad overview of the works required are urban public realm improvements, review of junction timings and consideration of kerb realignments, preliminary design for proposals for a cycle route, removal of a pelican crossing and installation of a zebra crossing. This capital project supports Priorities 3 in the Hackney's Sustainable Community Strategy 2018-2028 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on resources as they already form part of the capital programme.

No.	Location
1	Mare Street from Well St to Victoria Park Rd
2	Goldsmith's Row/ Pritchard's Rd/ Whiston Rd
3	Victoria Park Road
4	Eastway to Chapman Rd
5	Stoke Newington Church Street

9.3.3 **Local Implementation Plan (LiP) TfL Funded - Corridors, Central London Grid, Quietways cycle Route, Neighbourhoods of the Future, Liveable Neighbourhoods and Mayors Air Quality Fund:** Resource and spend approval of **£940k in 2019/20**, spend approval of **£145k in 2019/20** and spend approval of **£1,034k in 2020/21** is requested in order to facilitate the delivery of the TfL funded schemes to implement measures to reduce road traffic accidents and fund projects to encourage sustainable transport within the borough. The council has statutory responsibilities to implement measures with the intention of reducing road traffic accidents. There are targets to reduce road user casualties. In response to the duties and accident reduction targets the Council priorities a proportion of its annual TfL LiP settlement towards schemes and projects that aim to reduce accidents and casualties within the borough. The scheme's priorities using TfL LiP funding are generally focused on the principal road network ("A" and "B" roads) where the highest concentrations of accidents occur. The LiP also includes programmes and projects to encourage sustainable transport such as cycle parking, cycle training, behaviour change programmes, traffic management measures to increase cycle permeability and care club expansion. In addition the Council are expecting to commence delivery of the Hackney Central Liveable Neighbourhood which will transform central Hackney, supporting better cycle access, reducing road user casualties and supporting better bus services. This capital project supports Priority 3 in the Hackney's Sustainable Community Strategy 2018-2028 'A greener and environmentally sustainable community which is prepared for the future', Priority 4 'An open, cohesive, safer and supportive community', and Priority 5 'A borough with healthy, active and independent residents'. This approval will have no net impact on the capital programme as this resource is funded by grant.

APPENDICES

None.

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

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Comments of the Director of Legal	Dawn Carter-McDonald, 020 8356 4817 dawn.carter-mcdonald@hackney.gov.uk



**2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS
AND ACQUISITIONS REPORT (JANUARY 2020)
KEY DECISION NO. FCR Q8**

<p>CABINET MEETING DATE 2019/20</p> <p>16TH MARCH 2020</p>	<p>CLASSIFICATION:</p> <p>OPEN</p>
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<p>WARD(S) AFFECTED: ALL WARDS</p>
<p>CABINET MEMBER</p> <p>Deputy Mayor Rebecca Rennison</p> <p>Cabinet Member for Finance and Housing Needs</p>
<p>KEY DECISION</p> <p>Yes</p> <p>REASON</p> <p>Spending or Savings</p>
<p>GROUP DIRECTOR</p> <p>Ian Williams: Finance and Corporate Resources</p>

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This is the eighth Overall Financial Position (OFP) report for 2019/20 and is based on detailed January 2020 provisional outturn monitoring data from directorates. We are forecasting an overspend of £6,953k at year end - an increase of £522k since December. The reasons for this increase are detailed in the directorate commentaries below
- 1.2 This overspend will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. It must be noted that there is no guarantee that these surpluses will continue in future years and so they must be regarded as one-off funding streams only.
- 1.3 As with 2018/19, our projected overspend primarily reflects reductions in external funding over time and increasing cost pressures in services, including social care, homelessness and special educational needs (SEN). Despite the publication of the 2020/21 Final Local Government Finance Settlement, which confirmed what had previously been announced in the 2019 Spending Review and the 2020/21 Provisional Finance Settlement, significant uncertainty still remains about our future funding and in particular, its sustainability. But we do now though, have some clarity about our funding position for 2020/21, but it is unlikely that we will know our funding level for 2021/22 until December of this year.
- 1.4 Work is progressing on the Fair Funding Review and whilst the LGA and other organisations have provided some estimates of the possible impact of some of the proposals, we still await official estimates of the potential impact.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

- 2.1 The OFP shows that the Council is forecast to have a £6,953k overspend which is equivalent to 0.7% of the total gross budget and 2.17% of the net budget. At year end, this overspend will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. As there is no certainty that these surpluses will continue in future years they must be regarded as one-off funding streams that can only be used in 2019/20.
- 2.2 Where there are service overspends of a recurrent nature, and/or funding shortfalls, we have dealt with this in the growth assumptions in our medium-term financial plan and will manage down the overspends by a phased application of additional resources to the relevant services. It is necessary to do this in a phased way to smooth out the impact on the rest of the budget and council tax.

2.3 Principal Place is a mixed-use development in Shoreditch. It is being developed by Brookfield Properties (freehold retained by the Council). The development is made up of five buildings that front Norton Folgate, Worship Street, Bowl Park, Plough Yard, Hearn Street and Curtain Road and include the Amazon HQ. The overall development comprises 79,000 sqm of commercial space, 30,486 sqm of private residential, and 5,324sqm of affordable residential space. Building 5 is a single-storey commercial (130sqm) building which faces onto Plough Yard. As part of the scheme S106 contribution, the commercial space in Building 5 will be leased to the Council at a peppercorn rent for a term of 25 years. An obligation under the s.106 agreement is to ensure this space is available as affordable workspace, and this obligation will pass to the Council with acquisition of the leasehold interest. For this reason, the Council will not be seeking full market rent, but will be seeking to ensure that any future tenant will fulfil the s106 obligations by;

- ensuring provision of business support services
- making the event space available to local businesses
- making the space available to the Council for the hosting of business engagement events

The S106 agreement also sets out a capital contribution of £100,000 to LBH towards the fit-out costs of the unit. Although there will be no capital costs incurred by the Council, the lease term being in excess of 7 years, constitutes an acquisition for which Cabinet approval is required. Construction of the unit is now complete and Brookfield will be ready to hand over keys once the Council's formal approval has been given and the lease has been agreed and completed, along with transfer of the £100,000 contribution towards the fit-out. The Developers had intended to obtain practical completion in November 2019, but this was delayed, we are now in a position to complete a lease, the terms of which have been substantially agreed. Area Regeneration has engaged with Affordable Workspace providers. The smaller scale of the floor plate (130 sqm) and the unit's location has attracted the interest of some providers for use as specific innovation and project development space, hosting meeting space and small seminars. The space will accommodate only minimal hot desking space in addition to business support service, with the event space being offered to local businesses and to the Council.

Cabinet is asked therefore to authorise the acquisition of a new 25-year lease for Building 5 Plough Yard, at a peppercorn rent.

- 2.4 The latest position in relation to **GENERAL FUND REVENUE EXPENDITURE** is summarised in table 1 below.

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JANUARY 2019

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
		£k	£k
86,623	Children's Services	2,056	273
91,094	ASC & Commissioning	4,092	79
32,764	Community Health	-	-
210,481	Total CACH	6,148	352
36,338	Neighbourhood & Housing	151	162
14,957	Finance & Corporate Resources	258	8
8,938	Chief Executive	396	0
49,338	General Finance Account	0	0
320,052	GENERAL FUND TOTAL	6,953	522
	Application of One-Off Funding		522
	Forecast End Year Position	0	n/a

3.0 RECOMMENDATIONS

- 3.1 To update the overall financial position for January, covering the General Fund and the HRA; and the earmarking by the Group Director of Finance and Corporate Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme.
- 3.2 Authorise the acquisition of a new 25-year lease at a peppercorn rent for Building 5, Plough Yard in the area at Principal Place as described in 2.3 above.
- 3.3 Delegate authority to the Group Director of Finance and Corporate Resources to acquire a lease of 25 years in respect of Building 5, Plough Yard and to agree all other terms of the lease provided that the requirements of S120 Local Government Act 1972 are met.
- 3.4 Authorise the Director of Legal Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposed acquisition and to enter into any other ancillary legal documentation required to complete the proposed transaction.

4. REASONS FOR DECISION

- 4.1 To facilitate financial management and control of the Council's finances and to approve the property acquisition

4.2 CHILDREN, ADULT SOCIAL CARE AND COMMUNITY HEALTH (CACH)

The CACH directorate is forecasting an overspend of £6,148k after the application of reserves and drawdown - an increase of £350k from the previous month.

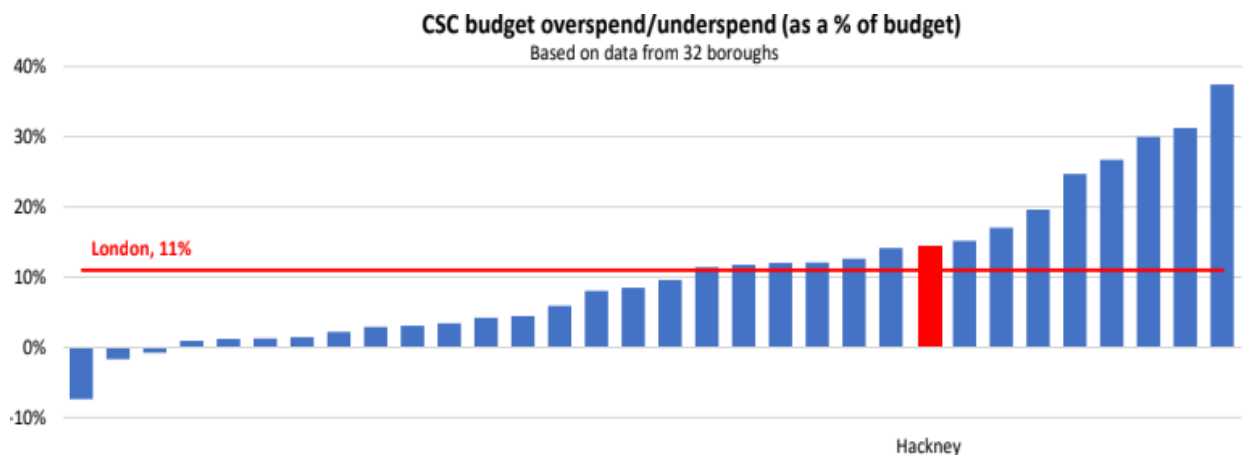
Children & Families Service

The Children & Families Service (CFS) is forecasting a £2,056k overspend against budget after the application of reserves and grants. The draw down from reserves includes:

- £2,300k from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1,300k for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.
- £300k is drawn down to offset pressures in relation to the increase in young people currently held on remand.

The Children and Families Service was inspected by Ofsted in November, and the service was rated as requiring improvement. A Children's Leadership and Development Board has been set up, which is accountable to a Children Members Oversight Board, to ensure that all service areas within the department are delivering to a consistently high standard for all children and families and that the recommendations arising from the Ofsted inspection are addressed. A resourcing plan with the objective of responding to increased demand in the service and addressing these recommendations is currently being developed.

The sustained pressure on CFS budgets is a position that is not unique to Hackney, as shown by the results of a survey on Children's Social Care spend carried out jointly by the Society of London Treasurers (SLT) and the Association of Directors of Children's Services (ADCS). The graph below shows how Hackney's year-end position for 2018/19 (before the use of reserves) compared to other London boroughs for Children's Social Care.



The main budget pressures in CFS are in relation to looked after children (LAC) placements within Corporate Parenting and staffing in several areas across the services. Further details are set out below.

Corporate Parenting is forecast to overspend by £1,680k after the use of £2,300k of commissioning reserves and £300k one-off staffing reserves. This position also includes the use of £1,200k of Social Care funding that was announced in the October 2018 Budget.

Spend on LAC and Leaving Care (LC) placements (as illustrated in the table below) is forecasted at £21m - £4.1m over budget and an increase of £2.7m over last year's outturn of £18.3m

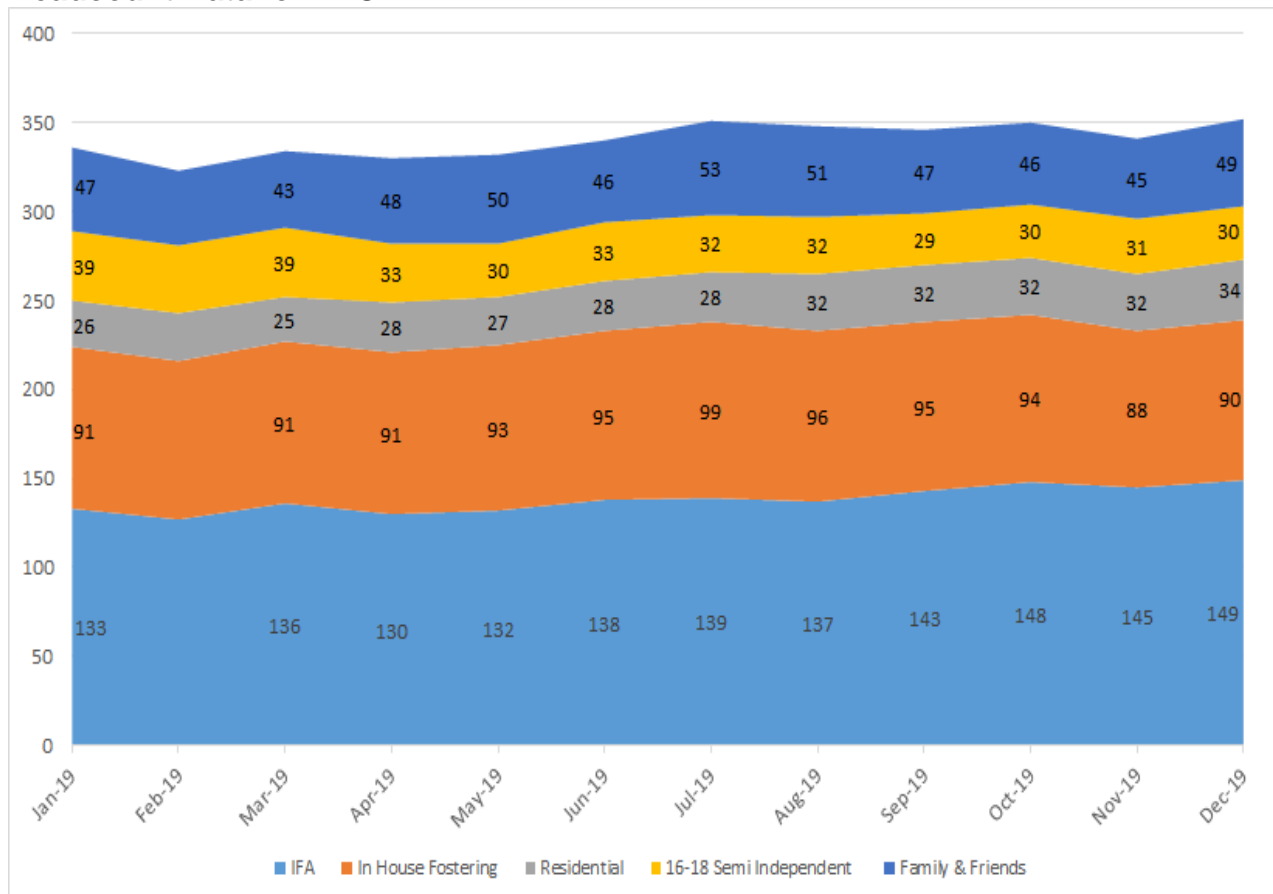
Table 1 : Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Budgeted Placements	Current Placements	Management Actions
Residential	4,331	5,336	1,005	22	33	<p>There are a number of initiatives in place to seek to contain these cost pressures, for example the Family Learning Intervention Project (FLIP), the Edge of Care workers, the Residential project and re-negotiation of high cost placements. The first two of these have been in train for some time and tracking of the financial impact is undertaken on a case by case basis. Evidence from this tracking suggests significant costs avoided suggesting the cost pressure would be significantly greater if these were not in place.</p> <p>We will continue to monitor residential placement moves and the resulting effect on other placement types across future periods. The impact of Mockingbird, the extended family model for delivering foster care with an emphasis on respite care and peer support, and new arrangements for implementing Supported Lodgings will also be reviewed going forwards.</p>
Secure Accommodation (Welfare)	-	140	140	-	1	
Semi-Independent (Under 18)	1,570	1,901	331	25	30	
Other Local Authorities	-	181	181	-	5	
In-House Fostering	1,800	2,154	354	77	90	
Independent Foster Agency Carers	6,488	7,074	586	139	149	
Residential Family Centre (M&Baby)	-	312	312	-	4	
Family & Friends	569	863	294	28	49	
Extended Fostering	-	30	30	-	1	
Staying Put	200	386	186	12	23	
Overstayers	290	495	205	16	23	
Semi-independent (18+)	1,370	1,848	478	113	112	
Total	16,618	20,719	4,101	431	520	

*based on average cost of placements. Residential budget also includes one-off social care funding of £1.2m)

The table on the following page shows the trend in LAC placements over the past 12 months.

Headcount Data for LAC



The forecasts for LAC and Leaving Care placements have increased by £150k and £125k respectively from the previous month. These are primarily due to cost increases in residential care placements and increased numbers for semi-independent and Parent & Child Assessment Centre placements. As illustrated in the table above, since this time last year there has been an adverse movement in the ratio between IFA and in-house placements. IFA placements have increased by 21 since February 2019, which corresponds to an increase in the forecast of £800k, and this is the single most significant year-on-year increase in the service. This is despite in-house foster carer recruitment which has seen some success and the matching officer post which has been in the structure since 2018. At approximately £50k per annum the cost of a child placed in independent foster care is double that of a placement with one of our own foster carers. Residential care (including secure accommodation) placements are reflecting a budget pressure of £1.2m and have reduced by one this month to 33. Management actions are both in place and being further developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we have seen significant pressures on staffing. This is mainly due to posts over and above the number of established posts recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit earlier in the year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the more recent inspection referred to above, alongside further increased demand in the system, it is likely that staffing costs will continue to be above the number of established posts and this is being built into future financial plans.

Children in Need is forecast to overspend by £495k. The overspend is mainly due to staffing, relating to supernumerary social worker posts to meet service pressures from high caseloads and response to the Ofsted focused visit earlier last year, maternity cover and agency premiums associated with covering vacant posts. These items collectively total £480k. Other minor overspends in non-staffing expenditure total £15k. Reserves of £105k are being utilised to fund additional social work capacity.

Disabled Children's Service is forecast to overspend by £605k. Staffing is projecting an overspend of £219k due to additional staff brought in to address increased demand in the service. The remaining overspend is attributed to care packages (£509k, including Home Care, Direct Payments and Residential respite) and £25k on other expenditure. This is offset by a £148k reserve drawdown.

The Safeguarding and Learning Service is forecast to underspend by £77k. This is due to an underspend in the training and staffing budgets.

The Adoption Service is forecast to overspend by £299k. Primarily the overspend relates to the Regional Adoption Agency with our neighbouring boroughs, which has incurred transitional costs in staffing, inter-agency services and on IT. A projected overspend of £65k from Adoption Support fund expenditure relates to high cost cases that require match funding contributions from the Council.

Parenting Support Services is forecast to overspend by £37k which relates to staff covering maternity leave, long term sick cover and one over-established family support practitioner within the service.

Overspends across the service are partly offset by an underspend in the Directorate Management Team, Access & Assessment and Youth Justice Service.

Directorate Management Team is forecast to underspend by £463k after a drawdown of £638k reserves to offset staffing pressures mentioned above and to fund additional social work and management capacity in response to the recent Ofsted inspection. The underspend in this area has gone down this month due primarily to an insurance recharge of £196k against a budget of £86k.

Access and Assessment is forecast to underspend by £106k. This is primarily from a lower forecast cost in Section 17 which is £39k less than the previous year's outturn. Reserves of £92k are being utilised to fund additional social work capacity in response to the recent increase in demand in this service area.

Youth Justice Service is forecast to underspend by £97k from delays in recruiting to Youth Justice practitioner posts. £293k from remand reserves is used to offset pressure in the service due to a spike in the number of young people held on remand earlier in this financial year. .

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the Children and Families position. As part of the delegated arrangements for HLT, any overspend or underspend at year end will result in a drawdown-from or contribution-to the HLT reserve and expenditure is reported 'on budget'.

HLT are forecasting a significant drawdown on the HLT reserve (between £4.0m and £5.0m), mainly due to pressures in special educational needs. This will fully utilise the remaining HLT reserve. The forecast has been updated following the latest funding updates announced by the government in July 2019 and will continue to be adjusted as data on any new demands on HLT services become known throughout the year.

Special educational needs activities cost £9.5m in excess of agreed budgets 2018/19; and expenditure is currently expected to increase by a further £2.0m in 2019/20. Within the HLT forecast, the SEND over-spend is mostly offset with savings made across other HLT departments. Costs associated with special educational needs have complex cost drivers and senior leadership across HLT and the wider Council continue to look into ways where the Council might be able to bring expenditure under control.

The SEND cost pressure is attributable to the increase in the number of Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and there are growing demands on the system since the reforms introduced by the Children and Families Act 2014. The impact of these factors is that, in Hackney, the number of EHCP has increased by more than 50% since 2011. With the exception of SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant– however, despite the significant rise in numbers & costs there has not been an adequate increase to this funding source.

There is a risk of overspend in children's centres due to the uncertain impact on demand for childcare following the September 2019 childcare fee increases. The financial impact is currently being assessed in detail on the basis of an analysis of occupancy-level reports from the centres, although the full impact of the large rise in fees this year will not be measurable until autumn 2020. There is an estimated forecast overspend of £0.6m in this area incorporated into the overall HLT forecast.

Adult Social Care & Community Health

The forecast is a £4,092k overspend. The forecast includes significant levels of non-recurrent funding including iBCF (£1,989k), Social Care Support Grant (£1,200k), and Winter Pressures Grant (£1,400k).

Recent announcements on social care funding as part of the Spending Review 2019 has provided further clarity on funding levels for 2020/21, however, it is still unclear what recurrent funding will be available for Adult Social Care post 2020/21. The non-recurrent funding was only intended to be a 'stop-gap' pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council's financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £3,430k pressure. The forecast includes £1,400k of the Winter Pressures grant to fund additional costs resulting from hospital discharges. It was anticipated that the grant funding would be released through the year to offset additional pressures from hospital discharges, however an analysis of information on discharge levels and care packages identified that the full £1,400k had already been committed at the beginning of the financial year.

Service type	2019/20 Budget	January 2020 Forecast	Full Year Variance to budget	Variance from Dec 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,287	16,617	1,330	217	<ul style="list-style-type: none"> - ILDS transitions/demand management and move on strategy - Multi-disciplinary review of care packages (delivered £720k) - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	12,843	13,878	1,035	151	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,713	1,003	88	
Occupational Therapy Equipment	740	740	(0)	(0)	
Asylum Seekers Support	170	237	68	9	
Total	36,749	40,184	3,435	465	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,330k overspend, which reflects an additional pressure of £217k (1.4%) on the December position. There continues to be increased pressures related to new clients and the cost of increasing complexity of care needs for Learning Disability clients. Revised assumptions around the cost of day care services have added to the pressure this month. The pressure is still significantly less than last year due to the application of both budget growth and one-off funds in this service area.

Work is ongoing with Clinical Commissioning Group (CCG) colleagues to embed the joint funding model for high cost Learning Disability packages as business as usual. The CCG have committed to ringfence £1,900k-£2,700k within their financial planning for 2019/20 and a contribution of £1,900k has been factored into the forecast. Progress has been slow in embedding the joint funding model which has resulted in fewer than expected cases going through the panel process to date. Following the implementation of acceleration measures including dedicated support from the Performance Management Team in Adult Services and enhanced quality assurance processes, throughput has picked up along with the number and value of joint funding packages agreed. Progress will continue to be closely monitored by all partners given its high priority and funding risk.

Physical & Sensory Support is forecasting an overspend of £1,035k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £1,003k. The combined position has moved adversely by £248k since the last reported period. The adverse movement is primarily driven by further client growth in long term care placements, and revised estimates of care charges income which has been offset by the clawback of unused direct payment monies from service users accounts. The cost pressures in both service areas has been driven by the significant growth in client numbers as a result of hospital discharges in 2018/19 and 2019/20, which has been partially mitigated by one-off funding from the Winter Pressures grant of £1,400k, and other one-off funding.

Discussions were held with the service in order to develop a set of management actions to mitigate the ongoing cost pressure as a result of increased clients being discharged from hospital with more complex needs. These actions included the creation of a multi-disciplinary team (MDT) to facilitate the review of care packages, and this delivered savings of £791k (full year effect). The MDT project ended at the end of Jan 2020; lessons learnt, particularly around double-handed care packages, are being embedded into business as usual.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £688k. The overall position is made up of two main elements - a £839k overspend on externally commissioned care services and £151k underspend across staffing-related expenditure. The small reduction in overspend is primarily a result of care package revisions this period within supported living.

Provided Services is forecasting a £24k underspend which represents a reduction in the forecast spend of £85k since the last reporting period. This is largely attributed to:

- Housing with Care overspend of £152k. The forecast includes additional resources to respond to issues raised from the CQC inspection in December 2018. The service was re-inspected in July 2019, and the service has now been taken out of 'special measures' and our rating has changed to 'requires improvement'.
- Day Care Services are projected to underspend by £176k, primarily due to the current staff vacancies across the service.

The Preventative service outturn reflects an underspend of £477k, which represents an improvement of £97k on the December position primarily driven by a reduction in Health recharges of £82k for the Integrated Independence team as a result of billing anomalies being corrected. In addition, further savings of £14k have been achieved across Preventative services due to a reduction in staffing expenditure as a result of delays in recruitment. The underspends of £150k on Concessionary Fares' budget and £203k within Median Road Resource Centre budget are directly used in supporting wider Care Management service expenditure.

ASC Commissioning is forecasting a £492k budget overspend, which reflects an improvement of £143k on the December position. The improvement this month is primarily due to additional one-off funding drawdown to mitigate the Telecare contract budget pressure. The overall budget variance of £492k is driven by the Housing Related Support (HRS) in-year savings gap of £487k.

Public Health

Public Health is forecasting a breakeven position.

There are pressures in the service due to the delay with implementing the Public Health restructure and the review of physical activity for adults. However, this pressure is being managed within the overall budget and it is not anticipated to result in an overall overspend.

The Sexual Health forecast has been updated to reflect the agreed increase of tariffs which commenced from 1 October 2019 across London following the recent Integrated Sexual Health Tariff (ISHT) review. There has been a 5% increase in sexual health costs, this is associated with PrEP activity (PrEP is Pre-Exposure Prophylaxis, which is the use of anti-HIV medication that keeps HIV negative people from becoming infected) and a progressive uptake of e-services alongside clinical service provision. Both activities are subject to continuous review with commissioners to ensure sustainable future provision remains within allocated sexual health budget in future financial years.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at January 2020 is a £151k overspend. Since the previous month, there has been an increase of £162k in net spending. The forecast includes the use of £2,100k of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in the Planning Service of £529k which is due to a projected shortfall against the planning application fee income target of £2.3m. The total shortfall £572k against the income budget is partly mitigated by additional income from other parts of the service.

The shortfall in planning application fee income is linked to a decline in the number of very large Major applications being received rather than a fall in overall planning application numbers. Notwithstanding this there are a number of large schemes at the pre-application stage which are due to be submitted in early 2020/21. It must be noted that the construction cycle is very consistent and the planning and building control experiencing falls in income every 5 years as the construction industry periodically slows before recovering. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes. The cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. It should also be noted that a new planning back office system is in the process of being launched and this will result in efficiencies especially within the planning application registration and validation process, these efficiencies will also help offset any underachievement of income.

The Building Control service is forecast to overspend by £48k, though It is important to note that Building Control income is significantly higher than in 2018/19. The service has proposed a new staffing structure and a 13% fee increase that will improve income generation further in 2020/21 and achieve full cost recovery without losing share of the Building Control market.

Streetscene is forecast to under spend by £404k which is an adverse movement of £21k from the previous month which is due to confirmation of additional expenditure on external contractors. There is ongoing analysis of Street scene income to determine potential improvements in the outturn position for 2019/20, as initial figures indicate that due to increasing numbers of developments across the borough Street scene is likely to over achieve its income budget for the year resulting in an increased underspend for the full year. This analysis will also consider the sustainability of the additional income received in-year.

Markets is showing an overspend of £60k which is largely due to external contractors' cost for putting up and taking down market stalls. Procurement for this service is due to finish in June 2020 which will significantly reduce costs. Further reviews are being carried out to identify additional reduction in expenditure and new income opportunities.

Parking, Leisure, Green Spaces and Libraries and Community Safety, Enforcement and Business Regulation are forecasting break-even positions, with Directorate Management continuing to forecast a marginal underspend.

The Housing General Fund is forecast to be underspent which is mainly due to underspends within staffing.

There is no variance within Regeneration at this stage.

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £258k.

Financial Management and Control are forecasting an underspend of £422k due to vacancies across all services, while the Directorate Finance Teams are projecting an underspend of £140k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£525k) is primarily due to increases in business rates costs on council owned buildings in the borough which are partially offset by reserves. The largest increases are in Hackney Town Hall, Hackney Service Centre and Florfield Road.

In Property services, the cost pressure primarily results from: providing additional staffing resources within the service to address essential works; and the re-classification of a significant revenue item as a capital receipt. The service is currently reviewing their operations to address the former and the allocation of overall budget, both capital and revenue, needs to be reviewed to address the latter.

Revenues and Benefits and Business Support, Registration and Audit and Anti-Fraud are forecast to come in at budget.

Housing Needs is forecast to come in at budget after the application of the Flexible Homeless Grant and Homelessness Reduction Act Grant. Whilst we will continue to receive the Flexible Homeless Grant, it is probable that this grant will reduce over time and there may be other calls on the Grant. Further, since April 2018 when the Homelessness Reduction Act was introduced there has been a 33.4% increase in approaches for housing advice, expected to result in significantly higher temporary accommodation costs over time.

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £396k after forecast reserves usage, which is unchanged from November.

Communications, Culture & Engagement

£150k of this overspend relates to Hackney Today. Hackney Today was published fortnightly for the first quarter of the year but following a court order is now only published once every 3 months with a new information publication 'Hackney Life' published in the months in between. Due to this, advertising income has dropped significantly, from around £33k pcm to £6k pcm. Although distribution and print costs have halved, these only save £14k pcm. Staff costs are largely unaffected by the change in publication but have actually increased due to maternity leave. The Service plan to present a paper shortly, following consultation, to inform the decision that is required on the future of the publication.

The remaining £60k is in relation to venues and is primarily due to costs relating to Hackney House (£45k), which the council is no longer responsible for.

The Culture team have spent a higher amount on the carnival this year due to increasing numbers of attendees and the moving of the main stage to a new location due to this. It has been agreed for the funding for the event to come from Neighbourhood CIL.

The rest of Communications including Design & Film are forecast to break even.

The reserves usage is in relation to Hackney Young Futures Commission (£150k) which is a manifesto commitment and Dalston Engagement (£57k). The Dalston engagement reserve is made up of income received by the service last year and set aside for this purpose. There is also an increase in reserves usage to fund the core team in Culture (£147k). This is a change of funding as they were previously being funded by CIL.

Legal & Governance

The combined Legal & Governance Service are forecasting an overspend of £186k on their budget.

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £34k and £36k is for an unfunded Team Manager's post previously funded by HRA. The funding of this post has been rectified for the 2020/21 financial year.

External recharges and Recharge to Capital are forecast to be £260k less than budget. The management team is reviewing current and future income to establish sources of additional income for the 2020/21 financial year.

The overspends are partially offset by underspend in Legal salaries (£35k) and external legal advice (£60k) and there is an additional income from Traded Services of £19k and HLT of £30k.

All other services are forecast to come in at budget.

4.6 HRA

The projected outturn on the HRA is at budget.

Income

There is a surplus of £388k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. A further major variance is a surplus of £919k for Other charges for services and facilities which is mainly due to the extension of LBH collection of water rates on behalf of Thames Water. The commission earned on the Thames Water contract is to pay for the staff that collect the money. We currently only need to collect rent from about 60% of tenants, as about 40% are on full HB; but as we collect Thames Water charges from all tenants and leaseholders, we need to have staff/process/systems to collect from the remaining 40% of tenants. This cost is paid for by the Thames Water commission. The surplus is due to the fact that the contract extension was negotiated after the HRA budget was set and so the income is not accounted for in the budget, but the income is accruing throughout the year

Expenditure

Repairs and Maintenance is £1,096k over budget which is mainly due to reactive repair costs and an increase in legal disrepair expenditure. This is currently partly offset by vacant posts within the new R&M structure. The Special services overspend of £1,084k is due to agreed increased costs within estate cleaning, but this is expected to reduce in 2020/21 as the effects from restructuring of the service are realised.

There is an overspend on Supervision and Management which is due to an increase in recharges from housing needs.

There is an increased cost of capital due to the interest costs on the returned 1-4-1 funding from the pooling of capital receipts, but this is offset by a reduction in the Revenue Contribution to Capital (RCCO).

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position and there are no alternative options here. The property proposal is effectively tied into the Section 106 agreement negotiated and agreed with the developer of Plough Yard and there are effectively no alternative options available for consideration with just the more intricate points of the lease agreement to be finalised.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of January 2020. Full Council agreed the 2019/20 budget on 21st February 2019.

6.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving, the Mayor, the Deputy Mayor and Member for Finance and Housing Needs, HMT, Heads of Finance and Directors of Finance.

6.5 Risk Assessment

The risks associated with the schemes Council's financial position are detailed in this report.

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

7.1 The Group Director, Finance and Corporate Resources' financial considerations are included throughout the report.

8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

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

- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.
 - (ii) Determine the accounting records to be kept by the Council.
 - (iii) Ensure there is an appropriate framework of budgetary management and control.
 - (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.
- 8.3 Under the Council's constitution although full Council set the overall budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.
- 8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.
- 8.5 With regards to the property proposal Section 1 of the Localism Act 2011 (the 'general power of competence') grants local authorities the ability to do anything that a private individual is empowered to do, subject to any restrictions which bound local authorities before the coming into force of that Section or any later provisions expressed to apply to it .Section 120 of the Local Government Act 1972 enables the Council to acquire any land for any purpose which they are authorised by that Act or any other enactment to acquire land. The purposes authorised by Section 120 of the Local Government Act 1972 are (a) any of the Council's statutory functions or (b) the benefit of improvement or development of the Council's area.
- 8.6 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.
- 8.7 All other legal implications have been incorporated within the body of this report.

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY

- 9.1 The new lease acquisition will contribute towards the Council's targets of helping to deliver affordable workspace and social enterprise within the borough. As the lease will be granted at a peppercorn rent with an additional £100k capital contribution, there is very little risk to the Council. Whilst there is the obligation to pay for the remaining outgoings of the demise, such as service charges, insurance and business rates, the Council's intention is to effectively sublet the space to a business space operator or utilise the space for event space, which will provide more than sufficient revenue to cover the ongoing base liabilities outlined above. The £100,000 fit out contribution detailed in the s106 Agreement will be used as a tenant incentive.

10.0 COMMENTS FROM AREA REGENERATION

10.1 The proposed marketing approach is to advertise the building to find a suitable occupier to take a sub-lease of the unit from LBH. The operator will need to meet the criteria set out below and fulfil regeneration objectives as set out in the Inclusive Economy Strategy:

- Support local neighbourhoods and town centres to thrive and to be inclusive, resilient places
- Champion and support local business and social enterprise in Hackney and protect and maximise the delivery of affordable workspace in the borough
- Connect residents to high quality support and opportunities to learn new skills, get good quality work and to make progress in work over their career.

The marketing brief will be aimed at business support providers and workspace providers that deliver associated business support programmes. Business support activities can include networking events, business forums, business seminars and one-to-one advice sessions for the local business community including pre-start entrepreneurs.

The Council also has a requirement to use part of the space for Council business engagement events, both in the evenings and during day-time business hours.

The unit will be marketed directly by the Council. Due to the requirements of the space and the potentially high business rates (dependent on the business structure of the applicant), the Council will invite offers rather than set a target rent.

The operator will be required to fit out the unit to a high standard and to a quality in keeping with the wider Principal Place development and to incorporate LBH branding as required.

The £100k fit out contribution has no procurement implications if handed over as part of the property deal, however we will set conditions to make sure the contribution is spent appropriately.

It is intended that the occupiers sub lease will be granted for a term of less than seven years.

Appendices: Appendix 1 Map of Plough Yard

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Cabinet

16 MARCH 2020

**2019/20 Overall Financial Position,
Property Disposals and
Acquisitions Report**

Key Decision No. FCR Q8

Appendix 1

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<p>TITLE OF REPORT - The Hackney Homeless Strategy 2020-22</p> <p>Key Decision No - FCR Q 59</p>	
<p>CABINET MEETING DATE (2019/20)</p> <p>16 March 2020</p>	<p>CLASSIFICATION:</p> <p>Open</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED</p> <p>All Wards Affected</p>	
<p>CABINET MEMBER</p> <p>Councillor Rebecca Rennison Deputy Mayor and Cabinet Member for Finance, Housing Needs, and Supply</p>	
<p>KEY DECISION</p> <p>Yes</p> <p>REASON Affects two or more wards</p>	
<p>GROUP DIRECTOR</p> <p>Ian Williams - Group Director of Finance and Resources.</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Work to implement the previous Homelessness Strategy included initiatives like embedding No First Night Out, launching the No Second Night Out Hub, expanding our rough sleeper outreach team, the discharge project with Homerton Hospital, Housing First, and investment in temporary accommodation for homeless households.
- 1.2. This new strategy looks at how we can further build on this, in particular increasing our partnership working and focusing on certain key groups where need is greatest and our impact can be most felt.
- 1.3. The housing crisis is showing no sign of easing and Hackney households are left struggling with ever increasing rents. At the same time the Government has shown no sign of reviewing levels of Local Housing Allowance (LHA); a benefit intended to help people renting in the private sector but in reality of little or no benefit to households in Hackney.
- 1.4. We now have over 13,000 households on the housing waiting list in Hackney and over 3,000 households who are homeless and living in temporary accommodation. With fewer options for people to move on to, we are seeing the number of social lets each year decline rapidly.
- 1.5. We continue to build new social housing for Hackney residents, but we cannot hope to keep up with the scale of demand as the number of households presenting to the Council as homeless continues to rise. Therefore, while we will remain ambitious in our plans to build, we will also continue to campaign against and challenge the injustice of LHA cuts.
- 1.6. This strategy brings together our work to provide support, guidance and advice to residents facing homelessness. While the drivers of the housing crisis are out of our control, we will continue to do all we can to support Hackney residents.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1. Hackney Council remains committed to preventing and reducing homelessness, tackling the causes of homelessness and supporting those in need.
- 2.2. Homelessness in the borough is rising, and this Strategy is a response to a period of unprecedented change, including rapidly rising property values and rents, managing an increased demand for social housing across the board, and supporting residents through significant welfare reform. It builds on the achievements of the previous Homelessness Strategy, whilst responding and adapting to the changing environment in which homelessness and support services are delivered.
- 2.3. The primary strategic focus remains on finding sustainable housing solutions for homeless households and those threatened with homelessness; offering high quality and innovative services to those

seeking advice and support; and working with homeless households to explore the full range of housing options available to them.

3. RECOMMENDATION(S)

- 3.1. That Cabinet approves the new Homeless Strategy 2019-22.

4. REASONS FOR DECISION

- 4.1. The Homelessness Act 2002 places an overriding statutory duty on all housing authorities to review homelessness trends in their area on a 5 yearly basis, and produce an overriding strategic homelessness strategy which reflects the results of that review.
- 4.2. Statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) requires Housing Authorities to ensure that strategies are compliant with and take into account the duties introduced by Homelessness Reduction Act in 2018.
- 4.3. Additionally, In 2018 Central Government published it's Rough Sleeping Strategy, which requires Councils to update their Homelessness and Rough Sleeping strategies to include a focus on Rough Sleeping.
- 4.4. The Council's current homelessness strategy is now out of date. Given significant changes in the local housing market, and the introduction of new legislation and duties under the Homelessness Reduction Act it is necessary for the Council to produce a new Homelessness Strategy. This strategy reflects the latest trends in homelessness, follows best practice and is compliant with current legislation.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1. The publication of a homelessness strategy is a statutory requirement as set out by the Homelessness Act 2002 which has been subsequently reinforced by government guidance. All Housing authorities are required under Section 1(4) of the Homelessness Act to publish a new homelessness strategy, based on the results of a further homelessness review, within the period of 5 years beginning with the day on which their last homelessness strategy was published.
- 5.2. Not having an up to date strategy will make the Council non-compliant with legislation and would place the authority at risk of government action, which will have an adverse impact on any future funding.
- 5.3. Given the current pressures placed on Council services as a consequence of the level of homelessness in the borough, an up to date homelessness strategy that includes a strategic framework that reflects

the current market and operating climate is essential if the Council is to respond effectively.

- 5.4. A basic refresh of the existing strategy was considered, but given the significant changes in the housing landscape and extra duties introduced by the Homelessness Reduction Act a new strategy is more appropriate.
- 5.5. By not introducing a new Homelessness Strategy the Council is in danger of being less effective in both tackling the current levels of homelessness and rough sleeping and in preventing homelessness in the future.

6. BACKGROUND

- 6.1. Hackney Council's corporate plan states that *"Keeping Hackney as a place for everyone is our shared vision for the Council. Over the next 4 years we will be approaching this work with a renewed energy and focus. We will tackle inequality and poverty, maintain and celebrate the borough's rich diversity and maximise affordable homes"*. But this is only possible if all residents are able to retain suitable housing. A safe secure home should be an essential requirement for all Hackney residents.
- 6.2. Unfortunately, Hackney is in the midst of a severe housing crisis and for some residents this is not the case. They are living in insecure, unaffordable and/or overcrowded housing. Living in unsuitable accommodation has a detrimental effect on a household's health and wellbeing as well as impacting negatively on future life chances leading to poverty, inequality and hardship.
- 6.3. Since the previous Homelessness Strategy was published, Hackney and London have seen a continued growth in homelessness. This has been a consequence of both a rising property market and ongoing cuts in welfare support.
- 6.4. Hackney's attractiveness as a place to live is driving up house prices and rents in an already overheated housing market. Property values in Hackney are rising faster than anywhere else in the UK.
- 6.5. At the same time continued welfare reform, especially the freezing of Local Housing Allowance rates, has reduced the number of affordable housing options for those on a low income. For many residents it has become extremely difficult to find suitable accommodation in the local area.
- 6.6. As a result there has been a continued and sustained rise in demand for emergency and temporary accommodation. The total number of households in temporary accommodation now substantially exceeds 3000, and acceptances continue to rise. The sparsity of affordable housing options across London has caused a log jam, leaving households stuck in temporary accommodation for an extended period at an increasing cost to the Council.

- 6.7. At the same time the introduction of the Homelessness Reduction Act in April 2018 has created new statutory duties and responsibilities, fundamentally transforming how housing advice and homelessness services operate.
- 6.8. The overriding aims of the Act have been welcomed, with additional focus on homelessness prevention, higher quality housing advice and the joining up of services. But it has created significant additional demands on the service.
- 6.9. This new strategy therefore focuses on embedding our work around early intervention and on delivering services that are joined up, holistic, high quality and person centric. The strategy is aimed at ensuring that all residents have access to high quality advice and support, and that the service can identify and act to resolve issues before they lead to homelessness.
- 6.10. Following engagement with service users, third sector partners and community and voluntary organisations, the Strategy has identified four general themes as the key work streams:
- 6.10.1. **Single People - assisting vulnerable individuals and tackling rough sleeping.** We will aim to help some of the most vulnerable and isolated individuals in our community to access, retain and secure housing, including one stop shop access to collocated multi agency services.
 - 6.10.2. **Customer Care – delivering the best possible service.** We will publicise our housing advice services widely, ensuring individuals have an easy single point of access to high quality person centric advice. The service will increase provision and capacity of phone advice, encouraging early engagement from individuals in difficulty, and ensure that our front line staff are highly trained in homelessness awareness, individual vulnerabilities, and trauma informed care.
 - 6.10.3. **Early Intervention and Prevention – reducing the risk of people becoming homeless.** We will develop a service with prevention at its heart, by identifying individuals at risk of homelessness, and intervening early to resolve the root causes of the problems before they become critical. We will engage with people early and help them to navigate to the services and support they need.
 - 6.10.4. **Access for All – removing barriers and reducing disadvantage.** We will ensure that our services are inclusive and available to everyone – treating all individuals as valued members of the Hackney community. We will ensure that services are accessible, personalised, flexible, and focused on individual circumstances.

- 6.11. Each of these themes are accompanied by a number of associated action points and priorities. Above all of the themes is an accompanying and overarching priority of partnership working and an understanding that homelessness cannot be solved by the Council or the Housing Needs Service alone.
- 6.12. The strategy makes clear that preventing homelessness is everyone's priority and therefore efficient and effective partnership working is important across the Council, housing providers, public bodies and third sector and voluntary agencies.

7. Financial Implications

- 7.1. The actions priorities and activities set out in the strategy are designed to be delivered within existing budgets across the Benefits and Housing Needs Service.
- 7.2. However this strategy is based on known funding streams, which could reduce, change or cease over time. Much of the key work is underpinned by our Flexible Support Grant which has been confirmed as £3,636,756 for 2020/21 and Homelessness Reduction Act Funding of £1,251,960 for 20/21. At the moment there is no confirmation of these funding sources for the duration of the strategy.
- 7.3. In the event of a reduction in funding the strategy would have to be reviewed and updated accordingly.
- 7.4. It is hoped that the actions in the strategy will reduce the number of homeless presentations. It is anticipated that the early intervention and preventive approach to homelessness will be a spend to save mechanism with a reduction in costs associated with Temporary Accommodation. However the number of homeless approaches is driven by external factors outside the Council's control.
- 7.5. If the Council fails to prevent homelessness there is a risk of further costs to Temporary Accommodation budgets.

8. Equality Impact Assessment

- 8.1. The Benefits and Housing Needs service continues to have a strong commitment to improving the quality of life for all residents. It is recognised that homeless households can become trapped in a cycle of related problems such as unemployment, low work skills, low incomes, poverty, poor housing, high crime, bad health and family breakdown. The Strategy seeks to promote positive outcomes amongst our homeless population, and sets out how the Council will work with partners from the statutory and voluntary services to support vulnerable homeless households and those at risk of homelessness.

- 8.2. The Strategy includes within its key themes ensuring access for all. This seeks to improve communication for all providers and residents. The strategy in particular acknowledges the increased incidence of mental health issues and those with higher support needs within the homeless cohort and commits the council to taking a more psychologically informed approach to service delivery.
- 8.3. An Equalities Impact Assessment has been completed and the Benefits and Housing Needs Service will regularly assess the ongoing impact of the actions associated with the implementation of the strategy to ensure they do not impact adversely on any particular sectors of the community.

9. Sustainability

- 9.1. The priorities and actions set out in this report have a limited impact on the physical and social environment.

10. Consultations

- 10.1. In developing this Strategy, the service worked in partnership with Homeless Link, a national membership charity for organisations working directly with people who become homeless in England.
- 10.2. Homeless Link were commissioned to undertake an independent refresh and review of the previous strategy. Their input and feedback has been incorporated into the updated strategy. As part of this process, Homeless Link directly engaged with a range of internal and external partners to reflect their views.

11. Risk Assessment

- 11.1. There is a reputation risk to the Council if it is unable to adequately meet the increased service demand following the Homelessness Reduction Act, including increased risk of litigation, and increased complaints including those escalated to the Local Government Ombudsman.
- 11.2. The increasing levels of homelessness, and need to provide Temporary Accommodation is a financial risk to the Council. Although this strategy seeks to reduce homelessness through prevention, and therefore mitigates these risks, as a result of Welfare Reform it has become increasingly difficult to sustain accommodation.
- 11.3. There is a risk that some elements of the document will become out of date as national legislation and policy continues to change. Where this happens the Council will include a note on the Council's website explaining any updates.

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

- 12.1. The Homelessness strategy does not have any direct financial implications, however, with the increasing demand for affordable housing in the borough and an increasing number of families finding themselves homeless, the Council has to manage the statutory responsibility to house homeless households.
- 12.2. Equally a failure to have a strategic approach to tackling homelessness will see the Borough viewed as ineffective in understanding the scale of the problem and its ability to resolve it.

13. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES

- 13.1. Under the Homelessness Act 2002, all housing authorities must have in place a homelessness strategy based on a review of all forms of homelessness within their district. Failure to produce an up-to-date strategy will be open to legal challenge
- 13.2. As a public authority, the council must take account of the provisions of the Human Rights Act 1998 and not act in a way which is incompatible with a Convention right
- 13.3. Under Article 8, any interference with the right to respect for a person's private and family life and home must be proportionate and Article 14 requires that there must be no unjustified discrimination within the scope of human rights on any grounds, such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth, or other status.
- 13.4. In discharging its functions to homeless persons, the council must also have due regard to the Public Sector Equality Duty in s149 Equality Act 2010. S149(1) provides that, in exercising its functions, a public authority must have due regard to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the 2010 Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 13.5. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 13.6. S149(3) provides that having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to

meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

13.7. S149(4) provides that the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

13.8. Section 149(6) provides that compliance with the duties in section 149 may involve treating some persons more favourably than others.

APPENDICES

Homelessness Strategy Equality Impact Assessment

EXEMPT

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

None

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Cabinet

16 MARCH 2020

Homeless Strategy

Key Decision No. FCR Q9

Appendix 1

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LONDON BOROUGH OF HACKNEY - HOMELESSNESS STRATEGY 2020-2022

The sad reality of the housing crisis is that more and more Hackney residents are finding themselves homeless or at risk of homelessness. Not having a place to call home impacts on residents' mental wellbeing, it affects children's development and places households under huge pressures.

While Hackney has an ambitious building programme, and almost half the properties in the borough are social housing, we are still unable to match the scale of the demand we are facing. The inadequacy of Local Housing Allowance, the benefit designed to help households on a low income rent in the private sector means that just a handful of properties are affordable to families living in the borough and for more and more households the impact of spiralling rents or living in increasingly overcrowded accommodation is the loss of their home and the need to seek help from the Council.

While the cost to the individual is the most significant, homelessness also carries a financial cost. We now have over three thousand households living in Temporary Accommodation with an annual net cost to the Council of £13 million, up from just £1 million in 2010.

This homelessness strategy recognises the impact of homelessness on residents and sets out the action we will take to offer support and assistance in the first place to prevent homelessness and then if needed, to help find a settled home. This isn't easy, without concrete action from central government there is little prospect of an end to the current housing **crisis**. However, the actions we have set are underpinned by a commitment to be honest with residents about their options and to give them the tools and support to identify their way forward.

This commitment needs to extend across the Council, we all have a responsibility to those residents facing homelessness and we all have a role to play in supporting them.

The reality of the housing crisis is that it is not possible for us to end homelessness on our own, but this strategy commits us to putting in place the advice, support and tools for residents who are at risk of homelessness or who lose their home to ensure everyone has the support they need and that no one in Hackney is left facing homelessness alone.

Contents		
Chapter		Page No.
1	Foreword	1
2	Introduction	3
3	New priorities 2020 and beyond	4
	Theme 1 - Single People - assisting vulnerable individuals and tackling rough sleeping	4
	Theme 2 - Customer Care – delivering the best possible service	5
	Theme 3 - Early Intervention and Prevention – reducing the risk of people becoming homeless	6
	Theme 4 - Access for All – removing barriers and reducing disadvantage	7
4	Partnership working - an overarching priority.	8
5	Continuing priorities	10
6	Performance against the 2015 - 2018 strategy	11
7	New Challenges - The operating and policy context.	12
	Homelessness in Hackney	12
	The impact of Welfare Reform	13
	Impact of the Benefit Cap	13
	The impact of Universal Credit (UC)	14
	Impact of the lack of an affordable housing supply	15
	What is the impact on Homelessness?	16
	Changes to Homeless Legislation - The Homelessness Reduction Act (HRA) and its impact on services	17
	Presentations from singles	17
	Rough Sleeping in Hackney	20
8	The Hackney Policy Context	21

INTRODUCTION

This refresh of our existing Homelessness Strategy covers the period 2020 to 2022. It builds on our last strategy publication, which focused on 2015 to 2018. The main objectives for our strategy will continue to be:

- to offer a high quality and innovative service to homeless households
- to assist households in crisis to explore all the options available to them and
- to find long term housing solutions for people threatened with homelessness.

We have made considerable progress in meeting these objectives over the last few years. However, there have been significant changes in the local, regional and national operating environment during this period that have worsened the operating climate, and driven up homelessness. Increased demand for affordable housing continues to be driven by welfare reform, an increasingly unaffordable private rented sector, social housing shortages. In addition, issues persist around the short term nature of the central government funding available for some initiatives.

While rough sleeping is often the most visible and concerning form of homelessness, the definition of homelessness extends much wider than this. It also includes anyone who is at risk of eviction or does not have access to suitable and secure accommodation and may be staying with friends or family (sofa surfing), living in squats or in temporary accommodation provided by the council.

Furthermore, there have been important legislative changes, in particular the Homelessness Reduction Act (HRA) 2017, which came into force in 2018. It is in this context that this refresh focuses on the following work streams:

- **Single People** - assisting vulnerable individuals and tackling rough sleeping
- **Customer Care** - delivering the best possible service
- **Early Intervention and Prevention** – reducing the risk of people becoming homeless
- **Access for All** - removing barriers and reducing disadvantage

Working in partnership continues to be central to the success of this strategy. We know that the Council cannot tackle homelessness in isolation. Joined up effort will be required across the housing, social care, health, criminal justice, employment and welfare benefits sectors. Both the users and providers of services will have a key role to play.

NEW PRIORITIES - 2020 AND BEYOND

In conducting this refresh of our strategy, the following was undertaken:

- a review of the national, regional and local policy context
- a review of good practice in three key areas – work with the public, local businesses and Registered Providers
- an analysis of statistics gathered to support implementation of Homelessness Reduction Act
- consultation with a wide range of stakeholders, across the housing, social care, health and criminal, employment, welfare and criminal justice sectors
- engagement with service users and service providers.

As a result of engagement from service users, third sector partners, and community and voluntary organisations the following priorities have been developed.

Theme 1 - Single People - assisting vulnerable individuals and tackling rough sleeping

Over the next three years, we aim to help some of the most vulnerable and isolated members of our community to access stable and secure housing. To this end we will:

- Continue to intervene early where single young people under 25 are at risk of homelessness, by providing support to take up education, training or employment, life skills development, mediation and other support
- Put in place effective housing options protocols for care leavers, ensuring they receive the right support and advice appropriate for their circumstances and are made aware of the appropriate housing options available to them
- Maintain “one stop shop” access to co-located, multi-agency services. This includes the dual diagnosis treatment pilot as outlined within the City and Hackney Mental Health Strategy 2019-23. This is a substance misuse contract that better integrates substance misuse and mental health services including psychiatric liaison; a seamless pathway between MH and substance misuse services and ensuring that people with substance misuse problems have access to support for their mental health. The pilot will inform recommissioning of integrated adult substance misuse services
- Increase the supply of appropriate supported housing and temporary accommodation for single young people, to ensure they are not placed in inappropriate accommodation
- Liaise with colleagues at Jobcentre Plus to ensure that Universal Credit (UC) is claimed in full, and, where there is a risk of homelessness that the housing element is paid direct to landlords to prevent arrears and that sanctions are avoided wherever possible
- Link up single homeless people (and those at risk) with mental health services, working in partnership with NHS colleagues to ensure that low to medium (as well as high) level needs are met
- Support the development of additional provision of palliative care for single homeless people, who tend to be younger and more isolated than other users of “end of life” health services
- Analyse our data on homeless people’s support needs, to understand the relationship between specific vulnerabilities, the risk of homelessness and how best to mitigate it.

As regards Rough Sleepers, we will:

- Develop multi-agency information-sharing arrangements around offenders which support the HRA Duty to refer (Integrated Offender Management, MAPPA)
- Develop multi-agency information-sharing arrangement around residents experiencing domestic abuse which support the HRA Duty to Refer (DAIS and MARAC)
- Work with the London Mayor to secure resources for Hackney within the proposed expansion of the London Street Rescue (LSR) and Safe Connections (outreach) services, seeking long term funding for our dedicated mental health outreach worker
- Improve multi-agency working around substance misuse and coordination with street outreach in neighbouring boroughs, to enable safe reconnection and effective work with transient rough sleepers
- Continue to engage with **EASL (Enabling Assessment Service London)**. EASL is a pan-London mental health team which supports homeless people and organisations that work with them. The team carries out multi-disciplinary mental health assessments and also delivers training and support to its partner agencies, so our partners can do more to address the mental health issues of their service users. In Hackney, this includes work with LSR
- Build public and local businesses' response to rough sleeping and street population issues via: publicity campaigns, developing online resources, promoting volunteering within local voluntary and community organisations and exploring alternative giving models which use contactless technology, rather than cash
- Explore how to involve community and faith-based organisations in developing long-term solutions to rough sleeping in Hackney.

Theme 2 - Customer Care – delivering the best possible service

The HRA necessitates a change in how councils work with homeless people, local services and other organisations to prevent homelessness and rough sleeping. In implementing the Act, over the next three years, we will:

- Further publicise our housing need services to the Hackney public, to raise awareness of the services and information available, encourage people to seek advice as soon as they are in housing difficulty and ensure customers are signposted to the right place
- Ensure single points of access to homelessness services, so that customers are not pulled from pillar to post
- Improve the quality of initial advice by gathering more information about people's needs during triage
- Upskill more frontline staff by providing training on homelessness awareness, welfare benefits, substance misuse, domestic abuse support and trauma informed care
- Provide staff in partner organisations with clear and comprehensive information about our services
- Hold open days at key hubs like the Greenhouse
- Promote a person-centred approach for all people using our homelessness services and ensure this is reflected in Personal Housing Plans
- Review the effectiveness of our information and advice services from the point of view of customers, using peer volunteers in initiatives such as mystery shopping

- Support Hackney temporary accommodation residents to move onto more settled accommodation. Our officers will work with residents to ensure they receive assistance around all their housing and support needs identified in their Personal Housing Plan until they access sustainable accommodation. We will work to empower residents, enabling them to engage more actively with the process of finding and moving into sustainable accommodation. This will reduce time spent in temporary housing, as well as helping to build people's resilience and ability to maintain a tenancy
- Review Hackney's Lettings Policy to clarify lettings priorities and ensure that social housing is targeted at those most in need, including people with significant social (eg risk of violence) and medical needs.
- Explore how we can make temporary accommodation more 'psychologically informed', including by finding new ways to engage with residents.

Theme 3 - Early Intervention and Prevention – reducing the risk of people becoming homeless

As well as addressing the needs of homeless people, it is important that we identify and assist those who are at risk of becoming homeless. To this end, over the next three years, we will:

- Utilise data to identify households at risk of homelessness and offer positive interventions.
- Focus on preventing and managing family evictions
- Work with criminal justice agencies to ensure there is sufficient support for people leaving prison
- Liaise with Jobcentre Plus to ensure that they are aware of any risks of a claimant becoming homeless
- Carry out a review of our current homelessness prevention approaches, to ensure we engage with people early, through triage and online access to advice
- Seek to prevent repeat homelessness through enhancing floating support, as well as volunteering and befriending
- Mitigate the impact of welfare reform via budgeting and debt advice, for example by working with Jobcentre Plus, Citizens Advice and appropriate advice agencies to ensure vulnerable residents are supported to make their Universal Credit claim
- Provide housing advice in hospital, to help ensure people are not discharged onto the streets or into unsustainable housing
- Help people to navigate through pathways to the services they need, to ensure that lack of support does not heighten the risk of homelessness
- Promote trauma informed approaches, which focus on the triggers that can cause homelessness for vulnerable people
- Be proactive in identifying people who are not managing their tenancies and ensuring they get the support they need
- Use Personal Housing Plans to prevent homelessness by providing support around people's full range of needs and through promoting ownership of the actions contained within the plan, which increase customers' feelings of well-being, personal success, self-care and resilience
- Ensure floating support services focus on preventing homelessness in an accountable and outcomes focussed fashion, for example helping to maintain temporary accommodation tenancies and transition into settled accommodation.

- Support victims of domestic violence to remain safely in their homes, or in a new home where necessary and appropriate. This includes using the Pan London Reciprocal Scheme and encouraging registered providers to re-house residents within their own housing
- Continue to support our employment and training initiatives - to increase residents' income/choice of housing and improve wellbeing
- Continue to engage with the **Shelter Hackney Family Service (HFS)** which supports families who are at risk of homelessness and dealing with other issues.

Theme 4 - Access for All – removing barriers and reducing disadvantage

Homeless people and those at risk of homelessness often experience difficulties when trying to access the services they need. To address this, over the next three years we will:

- Reduce the stigma experienced by homeless households, by ensuring that homeless people and those at risk are treated as valued members of the Hackney community
- Ensure that services are inclusive and meet the needs all those requiring assistance so that no clients are disadvantaged
- Increase accessibility for people who are disabled or unwell by delivering more housing advice services in people's homes or other appropriate locations
- Promote services which are personalised, flexible and focused on individual circumstances and goals and which are psychologically-informed
- Work with partner agencies to understand the particular homelessness risks and challenges faced by migrants
- Continue with co-location of services, to maximise the benefits for service users in terms of access, especially those with multiple/complex needs
- Identify those who need social housing early in their journey through homelessness services
- Ensure that Social Housing providers are not operating exclusionary lettings policies
- Help more customers to access the Private Rented Sector, for example through considered and effective use of Discretionary Housing Payments
- Subject to funding being available, provide a range of supported housing that meets the diverse needs of people who are homeless or at risk of homelessness and provide options other than Temporary Accommodation for vulnerable people who need care and support
- Co-design Temporary Accommodation options with Adult Social Care and Public Health to ensure placements meet all individuals' needs
- Work with **Enable by Riverside**. They are a specialist support provider who have recently been commissioned to provide borough-wide floating support service for people at risk of homelessness, including those with mental health needs and learning disabilities and are in Temporary Accommodation.

PARTNERSHIP WORKING – AN OVERARCHING PRIORITY

Homelessness cannot be solved by the Council alone. That is why efficient and effective partnership working is so important. In Hackney, our intention is to take a “whole systems” approach. In this context, our partners have helped us to develop some specific aims and objectives.

Housing - Working with Registered Providers

Over the next three years we will work with Registered Providers to:

- maximise social housing allocations/lettings for homeless households from registered providers' stock – using the East London Sub-regional Agreement and the new East London Housing Partnership (ELHP) homelessness forum for Local Authorities and Registered Providers as a basis for this
- provide support to tenants which helps them develop skills and find employment
- promote health initiatives to maintain independent living
- encourage more affordable house building in Hackney via the Mayor of Hackney's Housing Challenge fund.
- support and encourage Domestic Abuse Housing Alliance (DAHA) accreditation across Housing Providers. DAHA accreditation is the UK benchmark for how housing providers should respond to domestic abuse in the UK, and will ensure providers follow established set of standards and best practice to better identify, recognise, and prevent domestic abuse and its associated homelessness.
- work with registered housing providers to promote homeless prevention, and inspire them to place it at the heart of their organisations and culture. We will encourage registered providers to have clear operating procedures in place on homeless prevention, and to ensure that industry best practice is followed. We will monitor cases where tenants are evicted, and highlight where more could have been done to prevent their homelessness
- promote the Homes for Cathy Group which is dedicated to raising awareness and sharing best practice in addressing homelessness across housing providers. Urging all local registered housing providers to join Homes for Cathy and pledge to meeting its nine aspirational commitments around preventing and addressing homelessness.

Housing - Working with the Private Rented Sector (PRS)

To promote access to affordable and good quality accommodation in the PRS, there needs to be effective partnership working, involving landlords, lettings and management agents. Therefore, over the next three years we will:

- Continue to hold a regular landlord forum and ensure that we continue to educate our landlords to become good practice landlords in conjunction with the National Landlords Association
- Continue work with lettings and management agents, developing formal partnership arrangements where necessary
- Promote good practice, for example by working with landlords and agents to end “no DSS” policies
- Include Private Sector Housing environmental and housing enforcement staff in strategic discussions about improving access to the PRS for homeless people and those at risk
- Continue to work with the **Hackney Private Sector Housing Team**. This service provides a range of interventions aimed at improving housing conditions and preventing homelessness. Support provided includes negotiation with private landlords, including enforcement action where necessary. The team also administers the statutory Mandatory Licensing Scheme for larger HMOs (which ensures fire safety, housing management and housing conditions in the PRS meet prescribed standards) and the selective licensing schemes.

Homelessness and Health

Over the next three years we will work with NHS, Public Health and Social Care colleagues to:

- Ensure housing, health and social care professionals can support homeless people's well-being through understanding each other's roles, policies and practices
- Upskill frontline staff to recognise symptoms of physical and mental health conditions, so clients can be referred to health care services
- Ensure tackling homelessness is a priority for integrated commissioning, across the Prevention, Planned Care and Unplanned Care workstreams. Develop a shared vision of intended outcomes and monitor progress against these
- Continue with joint commissioning of specific projects such as Housing First, which address the links between homelessness and ill health (mental and physical) recognising that both can be causes and consequences of each other
- Work with GPs and other primary care staff to promote understanding of housing and homelessness issues and to provide housing/employment/financial information to their patients which will help prevent homelessness
- Promote the City and Hackney Wellbeing Network, Well Family and post-natal support.

Complex Needs and Multiple Deprivation

Homeless people and those at risk often have additional vulnerabilities associated with mental health, substance mis-use and offending. Many have also experienced violence and abuse. In light of this, over the next three years we will:

- Maintain close working relationships with services such as PAUSE and STEPS, updating service level agreements in light of the HRA. PAUSE works with women who have experienced, or are at risk of, repeated pregnancies that result in children needing to be removed from their care. Supporting Transition & Empowering People Service (STEPS) support clients with the most difficult life circumstances presenting with a range of multiple and complex needs. This small group of individuals may have needs around drugs or alcohol, mental health, dealing with offending, anti-social behaviours or homelessness.
- Build on the multi-agency links that are already in place regarding complex needs, to develop a shared vision, values and working protocols around the most vulnerable homeless people
- Continue to fast track complex needs clients into accommodation where appropriate
- Deliver our Housing First pilot - this will provide wraparound support for up to 20 entrenched rough sleepers, including those with dual diagnosis/complex needs
- Implement complementary/alternative supported housing solutions for the cohort of complex needs clients whose needs differ from Housing First.

Maintaining Strategic Links

In order to ensure that different council departments, other statutory agencies and the voluntary sector all pull together to tackle homelessness, strategic coordination is needed. Therefore, over the next three years we will:

- Continue to involve the Council's Public Health team in the delivery of our strategy, utilising relevant funding streams where possible
- Work closely with City and Hackney Integrated Commissioning Board, to ensure a whole systems approach to tackling homelessness, its causes and consequences
- Engage with voluntary sector partners on funding, design and delivery of services
- Ensure structured oversight of the delivery of this strategy

- Develop data sharing protocols and potentially shared digital platforms, in order to facilitate frictionless, inter agency data sharing, for example around the content of Personal Housing Plans
- Review the administrative processes around Duty to Refer, widening the scope where appropriate and ensuring consistency of approach

CONTINUING PRIORITIES

As well as focusing on the themes set out above, we will be continuing to deliver on our existing commitments, rolling the priorities set out below forward into 2020 to 2022:

- **Youth Homelessness** – to tackle the level of youth homelessness within the borough which is increasing. Being homeless as a young person has a devastating effect on an individual's life opportunities. Homeless young people are much less likely to be in education, employment or training, are more likely to turn to crime and to become victims of crime, and have comparably worse health than their peers. We will also work closely with Young Hackney and CYPS to ensure that looked after children receive support, advice and guidance when transitioning into independence.
- **LGBTQ+ Homelessness** - LGTBQ+ members are at higher risk of homelessness than the heterosexual population. The service will work to understand and recognise the extent of homelessness within the LGBTQ+ community locally, ensuring wider recognition of the specific issues that LGBTQ+ individuals face. We will ensure individuals have the opportunity to disclose their sexuality, and make sure our policies, service provision and operating practices do not inadvertently put members of the LGBTQ+ community at risk of abuse or discrimination
- **Homelessness among BME Households** – to address why black and minority ethnic households are disproportionately represented within homeless households both nationally and within Hackney.
- **Long Term Housing Options** - to encourage households to look for other solutions – downsizing to reduce costs, moving into the private sector and/or taking advantage of the developing intermediate market in Hackney of low-cost home ownership/shared ownership schemes, Hackney Living Rent and Self Build schemes.
- **Care Leavers** - Put in place effective housing options protocols for care leavers, ensuring they receive the right support and advice appropriate for their circumstances and are made aware of the appropriate housing options available to them

PERFORMANCE AGAINST THE 2015-2018 STRATEGY

Since publication of the last strategy we have:

- Reviewed the Hackney Greenhouse service to ensure rough sleepers and other single homeless people can receive full assessment of their housing and support needs on the same day that they approach the service and access emergency accommodation
- Embedded the No First Night Out approach into our services - building successful partnerships with Jobcentre Plus, Shelter, Citizens Advice, hospitals and prisons to encourage referrals which prevent rough sleeping and homelessness
- With the CCG, jointly commissioned a Hospital Discharge project to provide aftercare to people under Section 117 of the Mental Health Act and other patients. This reduces their risk of homelessness and significantly reduces bed blocking on wards

- With the CCG, jointly commissioned 20 units of Housing First accommodation. This service will support people with health issues, who have not thrived in traditional hostel accommodation, to live independently
- Launched our permanent No Second Night Out hub in 2018, ensuring we provide a rapid response for all new rough sleepers in Hackney. Emergency sit-up bedspaces created at Mare Street hostel mean no one has to spend a second night on the streets. Multi-agency panel meetings are helping us to move on Pathway residents more quickly and to more suitable/sustainable accommodation
- Reviewed and re-commissioned our accommodation pathways for people with mental ill health and single homeless people. This enables us to provide support to people with all levels of need, including via step-down and additional floating (tenancy) support
- Developed the Multiple Needs Service (MNS), renamed STEPS, an innovative project which supports some of Hackney's most excluded and disadvantaged people
- Supported PRS tenants in Hackney by expanding our property licensing scheme, to increase the supply of decent quality and well managed housing, running our Better Renting campaign against no-fault evictions and pushing for secure tenancies and caps on rent rises, and working with local landlords and lettings agencies to ensure they understand their responsibilities around 'Right to Rent' legislation
- Carried out a comprehensive review of our Temporary Accommodation provision and estate
- Set up the Settled Homes Team to support Hackney Temporary Accommodation residents to find settled homes in the private or social sectors and provide tenancy sustainment support after they move. As of July 2018, the team had supported 179 households to move on from temporary accommodation- and embedded its operating principles across the service
- Supported delivery of the HRA through upskilling staff and partners and introducing a new case management system.
- For those residents presenting as homeless either through the Greenhouse or Hackney Service Centre we have promoted a number of employment and training initiatives including - Hackney Works' award-winning Apprenticeship Programme for people aged 16 – 60, Hackney Apprenticeship Network – which works with major employers, including Homerton Hospital and Amazon and local SMEs, Part-time apprenticeships at the Council for Single Parents and disabled young people and young people with Special Educational Needs, Employment pathways, which include paid work experience opportunities and a supported employment service and a pre-employment scheme pilot.
- Employed 10 local apprentices with lived experience of homelessness or rough sleeping, with 5 securing permanent jobs within the Benefits and Housing Needs Service to date.

NEW CHALLENGES - THE OPERATING AND POLICY CONTEXT

Homelessness in Hackney

Hackney's good schools, open spaces and transport links have meant the borough has become an increasingly attractive place to live. Life expectancy is increasing for men and women and more residents are in work than five years ago.

At the same time, Hackney continues to be an area of high deprivation, with all local authority wards in the top 10% most deprived in the country. Hackney has lower than London average weekly pay, and high numbers of people receiving out of work benefits and housing support. 48 per cent of Hackney children are estimated to be living in poverty after housing costs. An estimated 53,000 working age people in Hackney are affected by a common mental health condition. Around a third

of households in Hackney are considered overcrowded. In 2018, approximately 10% of the working age population (19,700 people) were claiming out of work benefits.

The increasing desirability of Hackney as a place to work and live has significantly impacted on the cost of and demand for housing in Hackney. Over the past 20 years Hackney has witnessed the largest increase in property values anywhere in the UK. Property prices in the borough have risen by 472% (compared to a 331% increase in property prices across London, and 272% nationally). This growth in property price inflation has in turn driven up rental values, with market rents in Hackney increasing by 47% since 2011.

Although Hackney is building more new social housing than any other council in London, there are currently more than 13,200 people on Hackney's social housing waiting list, as need far outstrips supply. Currently 3,300 households are living in temporary accommodation, many of them outside the borough. The number of available social lets continues to decline as fewer tenants relinquish social tenancies, and properties are lost to right to buy. Hackney Council has an excellent track record of delivering new schemes to boost social renting and shared ownership but this cannot match the escalating scale of demand.

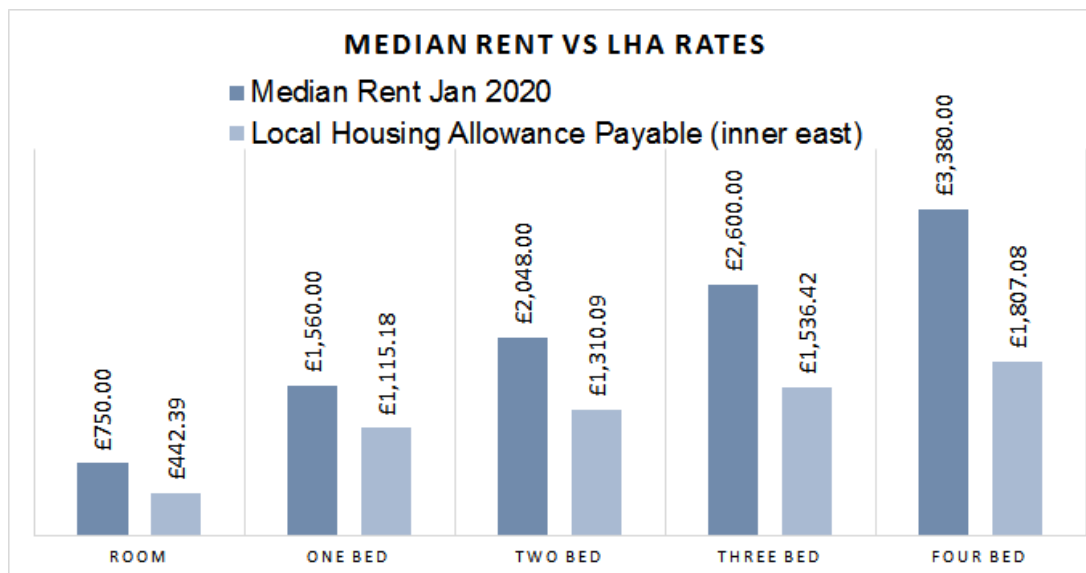
Around a third of Hackney residents are private renters. Capitalising on rising rental values, many private landlords are not renewing tenancies and/or are excluding low-income households, including those who receive welfare benefits, leading to homelessness. The situation has been made worse by welfare changes including cuts to Local Housing Allowance, Universal Credit and the overall Benefits Cap that are impacting on our most vulnerable residents. As these welfare and housing reforms take full effect, an increasing number of Hackney households are experiencing financial difficulty, and finding themselves priced out of the local housing market and presenting to the Council as homeless.

The impact of Welfare Reform

The Welfare Reform programme began in 2009 with **changes to Local Housing Allowance (LHA)**, which restricted the amount of housing support payable to people living in private rented sector (PRS) accommodation. Traditionally LHA rates were set at the mid-point of market rents, meaning out of every 100 properties in a locality half would be affordable for someone requiring help with housing costs. This was reduced initially in 2011 to the 30th percentile, meaning only 30% of properties in an area would be affordable and then completely disaggregated from the rental market and frozen for four-years freeze in 2016/17.

On average less than **5%** of properties in Hackney are now affordable to rent for those who need help with housing costs. Whilst, Hackney has recently received assistance from central Government via the Targeted Affordability Fund to address LHA gaps, this has had only a modest impact on PRS affordability in the borough. For those already in PRS accommodation, the progressively widening gap between LHA and market rents creates shortfalls that tenants cannot afford to meet. This makes arrears more likely and increases people's risk of homelessness.

The situation is especially challenging for singles, as the extension of the Shared Accommodation Rate (SAR) in 2012 means that most single people under 35 are not entitled to housing support for self-contained accommodation, and can only receive the LHA rate for a room. Given the competition from young working professionals, and the limited income available to singles it has become increasingly challenging to find accommodation for this group in London.



Impact of the Benefit Cap

The Benefits Cap was introduced in 2013. In November 2016 the Cap in London for out of work claimants was lowered to £15,410 per annum/£442 per week for single people and £23,000 per annum/£296 per week for other households. This change has significantly increased the numbers of households who are not entitled to maximum housing support. Nationally, between October 2016 and August 2017, this more than tripled – up to 61,051 households.

In Hackney, the Benefits Cap was fully implemented in 2017. As of January 2020, 597 households in Hackney were still subject to the Benefit Cap, despite the significant work undertaken to help those affected into employment or more affordable accommodation. Of these: 258 were households without children, 328 were single parent households, and 72 were couples with children. The average reduction resulting from the benefit cap is £62.18 per week in Hackney.

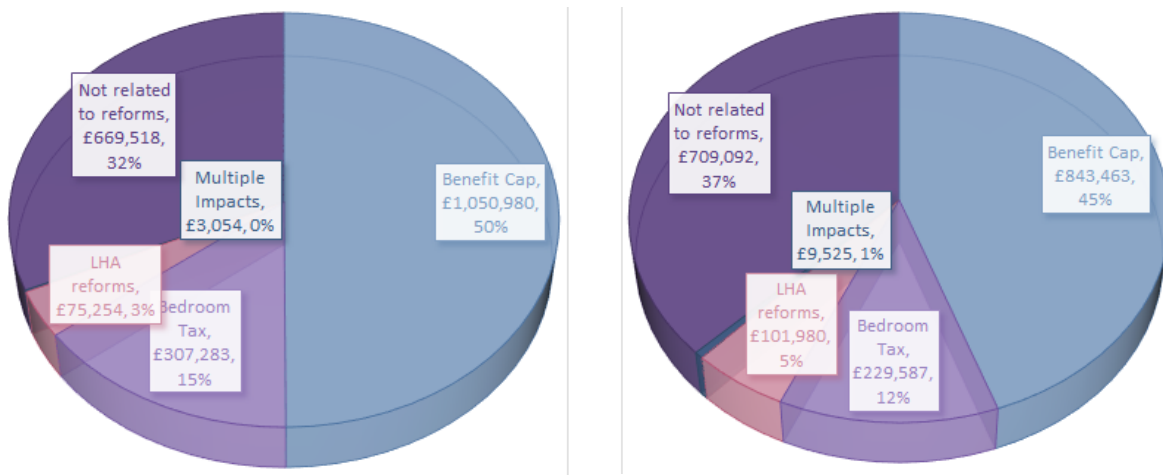
This, alongside other welfare reform cuts, has contributed to increased homelessness and has increased the pressure on local authority and other local support services; in addition PRS landlords are often less willing to accept capped claimants. Housing costs have become widely unaffordable across London, making it increasingly difficult for homeless households to avoid the cap by moving to lower value areas.

Hackney utilises **Discretionary Housing Payment (DHP)** to support households to meet rent shortfalls and to meet the cost of moving between temporary accommodation placements and also into PRS tenancies. The cap significantly increases pressure on DHP awards.

DHP Spend Year on Year Comparison

2017-18

2018-19



The amount of DHP spent on the Benefit Cap in Hackney has decreased between 17/18 and 18/19 but the Benefit Cap, still accounts for the biggest percentage of a DHP budget which is under increasing pressure. In total Hackney spent over £1.18m DHP funding to try to offset the adverse impact of the government cuts in welfare support; 63% of the funding available.

In 2019/20 the DHP budget has decreased further to £1.77m following further austerity savings by Central government. After 5 months by the end of August 2019 £885 thousand or 50% of the budget had already been spent. The largest spend of £367,394 remains supporting those impacted by the Benefit Cap. Given current rates of spend it is likely that the Council's DHP budget will be exhausted before the end of the year, as it is not sufficient to meet demand.

The impact of Universal Credit (UC)

UC combines several existing benefits covering living and housing costs. From October 2018 all new claimants or people whose circumstances have changed must claim UC. Existing claimants on other benefits will be transferred to UC by the September of 2024 (This date has been extended several times by the DWP and may still be subject to change). Currently migration of existing claimants is being piloted in Harrogate in North Yorkshire. There is no timetable for when Hackney claimants on legacy benefits will be migrated to Universal Credit.

The Government has made some changes to UC since implementation, including reducing the initial waiting period for payment from six to five weeks and paying an additional two weeks of housing costs when people move from Housing Benefit to UC. Since May 2019 disabled claimants receiving a Severe Disability Premium, who were the most severely financially disadvantaged by the change, have been temporarily exempted and can still claim Housing Benefit. From April 2019 individuals who are homeless and placed by local authorities in Temporary Accommodation, now also continue to have their housing costs covered by Housing Benefit. And from October 2019 the maximum rate at which overpayments and deductions can be recovered from Universal Credit has decreased from 40% to 30% of a person's standard allowance.

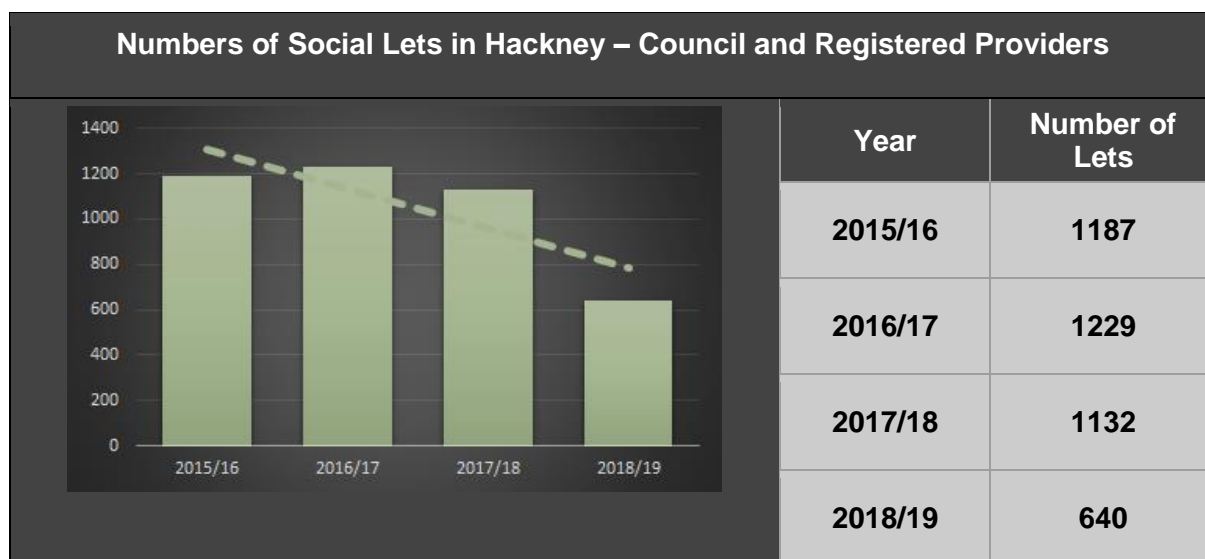
However, there remain significant concerns around its implementation. For those not used to budgeting or who may lack appropriate skills, combining living and housing expenses in one payment increases the potential for falling into debt, particularly given the low level of benefit payments and tight budgets households are living on. The initial five-week wait to receive benefit typically leads to immediate rent arrears for tenants and some landlords in Hackney are reluctant to issue tenancies to UC claimants without rent guarantees. At its most extreme, these factors potentially place more vulnerable households at risk of rough sleeping. Hackney Council has set up a Cross Cutting Universal Credit Steering Group pulling in key council services, registered social landlords, and the advice sector to identify key risks to residents and to help prepare residents for UC migration

Impact of the lack of an affordable housing supply

One driver of homelessness is a severe shortage of affordable secure housing, at a time when high private sector rent has increased demand. Hackney has a large social housing stock and a good record on housing supply – delivering 7,165 new homes between 2013 – 17 (and with an annual objective to deliver 1,330 homes per year up to 2033) and has made a commitment to double the number of homes built by the council from 2018. However, despite having one of the largest council house building programmes in London, as in many other London boroughs, supply has not kept pace with demand. In addition, the number of available lettings per year have been reduced due to the extension of Right to Buy, lack of alternative housing options for households to move on to and greater life expectancy. Hackney has over 13,000 households on the Social Housing waiting list but fewer than 640 social lets (both Council and Registered Provider (Housing Association) became available in 2018/19.

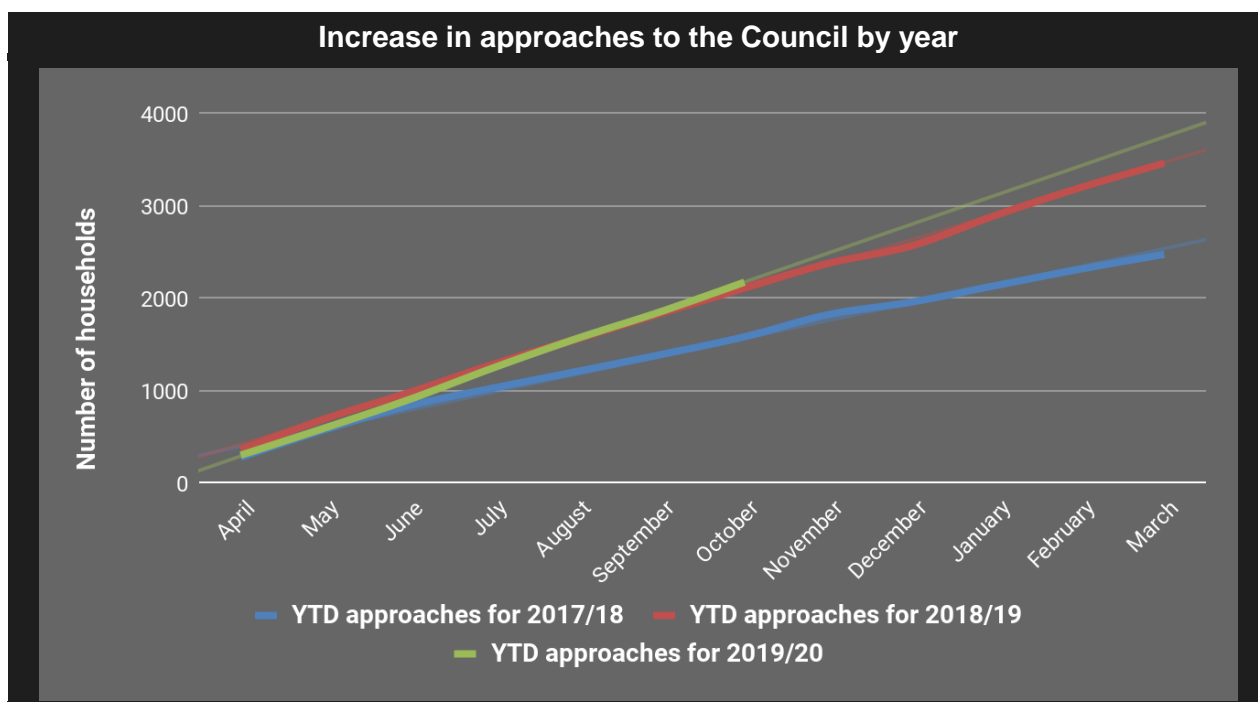
Pressures in the rental market have also driven up the percentage of succession and discretionary succession applications, as the housing crisis means that a high percentage of adult sons and daughters are remaining in the family home, into their 30's and 40's. With only around 640 lettings available each year for 13,000 people on Hackney's housing waiting list, people are waiting longer (in TA) for permanent accommodation. This in turn reduces availability for newly homeless households.

The lack of social housing means that for many young people there are no affordable housing options if relations at home with family become unsustainable and they are asked to move out. For more vulnerable individuals they can easily end up homeless in Temporary accommodation due to few other housing options:

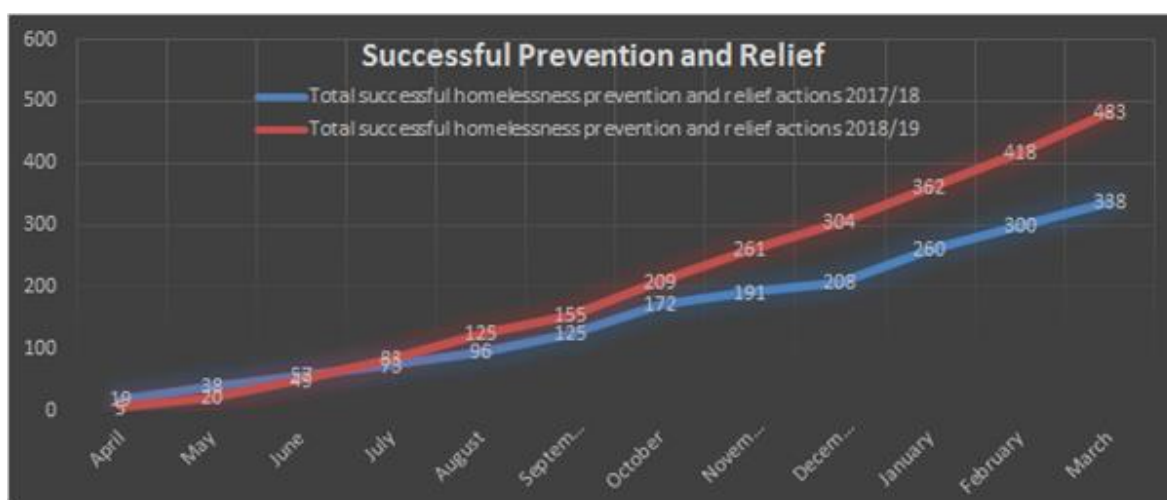


What is the impact on Homelessness?

The combined result of rising rents and house prices, welfare reform, changes to LHA rates, and a lack of affordable housing is increasing homelessness, and pressure on council services. More residents are falling into financial difficulty and are unable to sustain their accommodation, or becoming overcrowded due to lack of affordable housing options. This is resulting in increased numbers seeking housing advice and housing assistance from the Council.



Since the introduction of the Homelessness Reduction Act, homeless services have refocused around better quality advice especially for singles, earlier intervention and an increased focus on prevention. With the added focus provided by the HRA and, more specifically, by the Personal Housing Plan, the Council have had increased success in either preventing homelessness or in providing homelessness relief with homeless preventions significantly higher than previously.



However due to the challenging housing market the increased number of preventions has not kept pace with the increased number of homeless approaches, and the number of households in Temporary Accommodation continues to increase. The London Borough of Hackney now has over 3,300 households in Temporary Accommodation, and the number of Temporary Accommodation placements due to homelessness steadily increases every month. Net expenditure on temporary accommodation is increasing significantly, from £7.2m in 2017/18 to £9.35m in 2018/19, as numbers in Temporary Accommodation go up month by month.

The single biggest cause of homelessness in Hackney continues to be family/friends being no longer to accommodate primarily due to overcrowding. A significant number of people become homeless as a result of domestic abuse, and we see a large number of residents made homeless due to the end of tenancy in the private rented sector. The proportion of households who rent privately has more than doubled in Hackney over the past ten years, to almost a third of the total (around 29,500 households) – higher than the proportion of owner occupiers. As welfare reform has restricted the amount of help available with Housing costs for those on a low income, and rents have risen significantly this group are increasingly at risk of eviction.

Changes to Homeless Legislation - The Homelessness Reduction Act (HRA) and its impact on services

The HRA came into force in April 2018. It represents a significant change in how councils in England work with single homeless people, other local services and organisations to prevent homelessness and rough sleeping.

The HRA places new legal duties on councils around homelessness which extend existing protection under Part VII of the Housing Act 1996, as amended by Homelessness Act 2002. The main changes include:

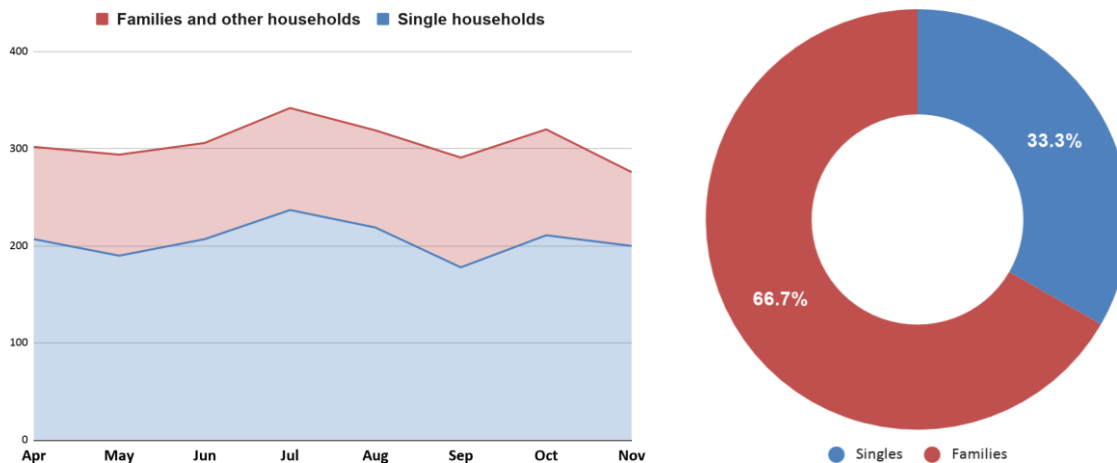
- Improving advice and information about homelessness and homelessness prevention to local people. This includes meeting the specialist needs of groups, such as: care leavers, people leaving hospital/prison, ex-armed forces personnel, victims of domestic abuse and people with mental health problems.
- Extension of the period 'threatened with homelessness' to 56 days. This increases the time councils have to carry out homelessness prevention work – including with PRS tenants who have been served s.21 notices.
- Extension of prevention and relief of homelessness assistance to all eligible applicants, including those not in priority need, are intentionally homeless and/or who may lack a local connection to the area. Councils are expected to take 'reasonable steps' to help people secure accommodation for at least six months – which can be in a hostel or supported housing.
- Assessing cases and agreeing a 'personal housing plan' which reflects applicants' full range of housing and support needs and sets out actions for them and the council which will prevent or relieve their homelessness
- The duty to refer. From October 2018, certain public authorities, including: prisons, hospital A&E departments and Jobcentre Plus have a legal duty to refer individuals who have given their consent who they think may be homeless or threatened with homelessness within 56 days.

Presentations from singles

The Homeless Reduction Act significantly increased the Council's obligation towards non priority singles with a requirement to provide detailed housing advice to everyone. As a result since its introduction there has been a significant increase in the number of single individuals presenting at the Greenhouse seeking assistance, housing advice, and emergency accommodation. The Greenhouse was set up to ensure these clients have access to the support they need, and additional staffing capacity has been put in place. However such has been the increase in demand from singles seeking advice, this additional provision is now being stretched to breaking point. The number of approaches from singles is routinely beyond the capacity of the Greenhouse building, with the overflow having to be seen at the Hackney Service Centre.

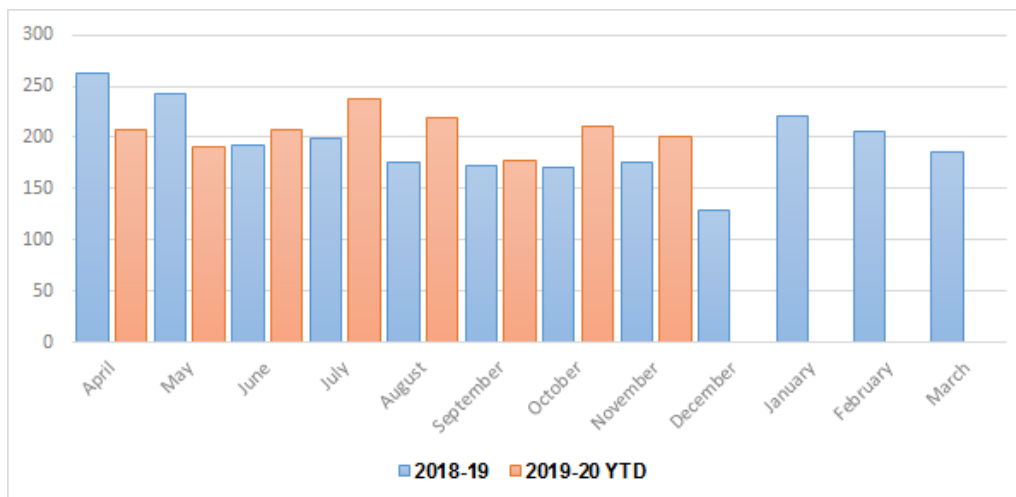
After the roll out of the Homelessness Reduction Act singles now comprise the vast majority of homeless approaches to Hackney Council. As of October 2019 67% of all approaches to the Council were from singles - reflecting the difficulties in the local housing market for this demographic. The situation is particularly bad for young people, with 16.6% of homeless approaches from single young people aged 16-25 (they make up 12% of the Hackney population):

Homelessness approaches in 2019/20 to date



In 2018/19 just over 2,300 singles approached the Greenhouse for help with homelessness. Whilst demand was slightly lower at the start of 19/20 it has recently picked up and is expected to exceed the 18/19 figures by the end of the year. This increase has seen additional demand on the services provided through the Greenhouse (which caters for single people without a tenancy). This has had other impacts; the higher throughput of clients with complex needs has resulted in an increased number of incidents of a physical or verbal nature.

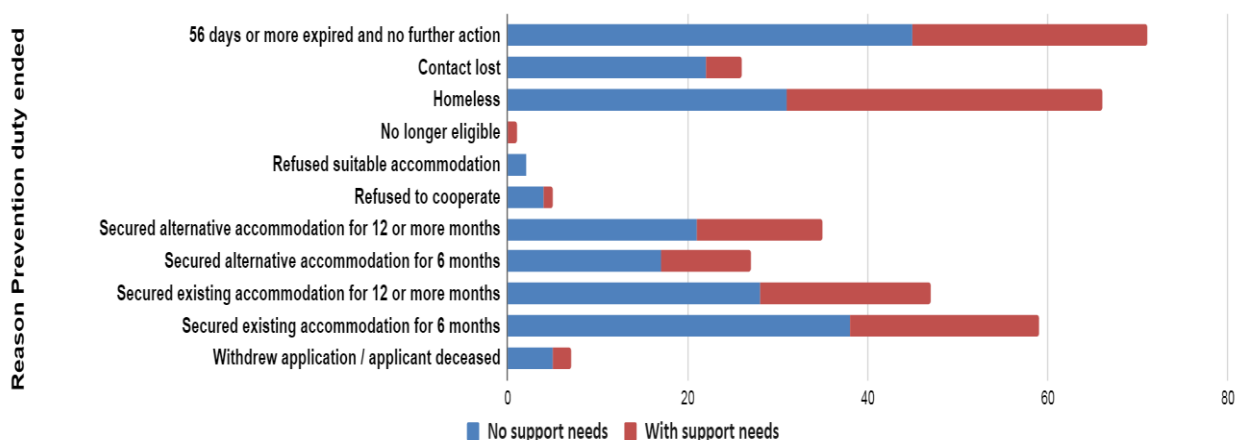
Comparison in the number of approaches from single people



Data indicates there has not only been a significant growth in approaches by single people, but from individuals with one or multiple support needs, particularly around mental health, substance misuse, debt and/or gambling. Of these singles who approached in 18/19 1,341 went on to have a full homelessness assessment, of which it was identified that virtually half of them had support needs most commonly around significant physical or mental ill health. Of these, a third had multiple/complex needs.

Evidence shows that when considering how those with support needs are moving through the HRA process, single applicants with support needs are proportionately less likely to achieve a successful

homelessness prevention outcome. This is a consequence of a number of factors, including the lack of suitable accommodation that can provide a long term solution, that sourcing and sustaining accommodation and tenancies is more difficult for this cohort, and the reluctance of some landlords to work with this client group. As a result since the introduction of the HRA, more of these vulnerable singles are ending up in temporary accommodation – due to a lack of any other sustainable housing option.



In addition to the difficulties of finding placements for the numbers of people approaching for assistance, there are also concerns as to the suitability of the accommodation provided, given the often complex needs and vulnerabilities of these residents. Temporary accommodation provision is general needs and may not be suitable for placing individuals with additional support requirements, despite the recent introduction of enhanced floating support. Some of these individuals are very difficult to place, particularly those considered to pose a danger to themselves or others or are highly chaotic due to mental health or offending issues.

Many of the most challenging singles are 'difficult to place' for a variety of reasons and often a combination of the following:

- Offending history, including gang affiliation
- Sex offenders
- Risks to children
- Risks to adults
- Mental health issues
- Drug and/or alcohol misuse
- Anti-social behaviour
- Physical disability

It is a priority of the service in cooperation with Adult Social Care to increase the stock of Supported Accommodation that would be suitable for the vulnerable and chaotic singles that are failing to cope in general needs Temporary Accommodation.

The HRA requires local authorities to collect additional data on the work they carry out with single homeless people. In time, this will provide a wealth of useful information about single homeless people's accommodation and support needs and how these have been addressed. This in turn will be invaluable in informing service design and delivery. However it has not resolved the fundamental challenge in the housing market in London, which are high rent levels, and the chronic lack of affordable housing for individuals who need state help with their housing costs. The act does nothing to increase housing supply, or enable additional support to help vulnerable individuals maintain

accommodation – at a time when due to pressures on social care budgets, such support services are being cut. Due to central government cuts in funding the council have been required to rationalise housing-related support services, which only serves to undermine the aims of the Homelessness Reduction Act.

Rough Sleeping in Hackney

CHAIN data indicates that rough sleeping numbers in Hackney have been relatively stable since 2015/16: in 2018/19 the total number of rough sleepers (163) was slightly lower than the previous year (171 people) and only slightly higher than the 2015/16 total of 148 people.

Rough sleeping in Hackney in recent years has been characterised by high numbers of new people coming onto the streets. However, Hackney has fewer long-term rough sleepers and people returning to the streets than similar London boroughs.

In 2018/19, a very high proportion of rough sleepers whose needs were assessed had at least one support need around alcohol, drugs or mental health. The most common 'last settled base' in each year since 2015/16 has been a PRS tenancy.

The Hackney Policy Context

Hackney Housing Strategy 2017– 22

This strategy explains how Hackney will seek to make best use of its existing housing stock and assets and work closely with the Mayor of London around supply, planning guidance and investment, including his Affordable Housing Programme.

In 2018 the Mayor of Hackney committed to increasing the amount of homes built in the borough – 3,000 new homes between 2018 and 2022 of which more than half would be genuinely affordable.

Hackney will increase housing supply by promoting like for like replacement of Right to Buy sales, reviewing the Council grant regime to offer incentives to owners of private sector empty properties and enforcement options to bring homes back into use and using all empty Council homes on regeneration estates which are suitable for occupation for temporary accommodation. Hackney will also look at new ways of boosting housing supply including the potential for purchasing ex-Right to Buy properties, and the consideration of modular housing.

Rough Sleeper Strategy 2020-22

This strategy updates the previous strategy giving an opportunity to:

- Take stock of the progress Hackney has made on reducing rough sleeping in the borough
- Assess the impact of recent policy and legislative changes around rough sleeping
- Reflect on the significant investment in services to prevent and resolve rough sleeping that were introduced during 2019 and that will progress through 2020.
- Update the action plan

The overall aim of Hackney's Rough Sleeping strategy is to end rough sleeping in the borough. The priorities for achieving this vision focus on three areas:

1. Prevention - stopping people from becoming homeless and sleeping rough through providing timely information and advice, appropriate accommodation and support options
2. Outreach - delivering services which can engage with all local rough sleepers and assess their full range of needs; ensuring that street activities are responded to in an effective and proportionate way
3. Pathways – providing accommodation options which are sustainable and support rough sleepers to improve their health and wellbeing and employability, develop independence and resilience.

City & Hackney Mental Health Strategy 2019-2023

This prioritises actions in the following areas:

- Preventing people from developing mental health problems and providing help as soon as possible to those that do
- Improving access to mental health support and services for the whole community, the most vulnerable and those whose mental health problems are masked by other needs
- Working at 'neighbourhood' level with schools, GPs and voluntary and community services

- Giving service users more control of their own care and recovery through personalisation and co-production approaches
- Championing the social inclusion of people affected by serious mental health problems, focusing on their strengths and assets, housing, jobs and friendship networks.

Further Policy Context

Several other relevant documents are referenced in the Horizon Scan and Policy Review which accompanies the Homelessness Strategy. These include:

- Strategic Housing Market Assessment (November 2018)
- Temporary Accommodation Strategy (2015 – 18)
- Lettings Policy (2016)
- Joint Health and Wellbeing Strategy (2015 – 18)
- Community Safety Partnership Plan (2016 – 18)
- The Joint Strategic Needs Assessment (JSNA)
- Hackney Local Account of Adult Social Care Services (2017/18)
- Re-tendering of housing-related support contracts (Sept 2018)

The content of these documents has been taken into account in developing priorities for this Homelessness Strategy.

The Regional and Sub-Regional Policy Context

London Housing Strategy (2018)

The Greater London Authority's housing strategy sets out the following priorities:

Priority 1: Building homes for Londoners: This includes significantly increasing the building of genuinely affordable housing via changing land use, creating housebuilding targets, Affordable Homes Programme and Housing Infrastructure Fund investment and supporting the Build to Rent sector.

Priority 2: Delivering Genuinely affordable homes: This includes: creating clear definitions of affordable housing, investing in homes based on social rent levels, London Living Rent, and shared ownership schemes; replacing Right to Buy sales on like for like basis.

Priority 3: High quality homes and inclusive neighbourhoods: This includes implementing new design and quality standards; investment in specialist and supported housing and addressing the impacts of estate regeneration and overseas buyers.

Priority 4: A fairer deal for private renters and leaseholders: This includes: property licensing and landlord registration; improving the quality of advice and support on offer to leaseholders.

Priority 5: Tackling homelessness and helping rough sleepers: This includes: working with councils to prevent homelessness and rough sleeping and to help homeless Londoners into sustainable accommodation.

These priorities are compatible with our aims around improving the supply of (and fair access to) good quality affordable housing.

London Rough Sleeping Plan of Action 2017

The Mayor of London's Rough Sleeping Commissioning Framework (December 2017) sets out plans to work with boroughs and other partners to prevent rough sleeping, people living on and returning to the streets within a number of cross-cutting priorities: non-UK nationals, physical and mental health needs, emergency accommodation and partnership working around enforcement. The Framework also seeks to increase work with faith and community-based organisations and improve rough sleeping data collection and use.

The Mayor's Rough Sleeping Plan of Action (June 2018) contains further commitments, to be coordinated by the No Nights Sleeping Rough Taskforce – a group of senior partners from Government, local authorities and homelessness organisations. These include:

- Doubling London Street Rescue workers and expanding the remit of the Safe Connections outreach service
- Setting up two floating assessment hubs to respond to rapid increases in rough sleeping or specific local rough sleeping issues
- A London Cross-Borough Accommodation Network to support reciprocal moves between hostels, supported accommodation, social housing and PRS accommodation
- A specialist service to coordinate and carry out mental health assessments with rough sleepers and help them access treatment.

These commitments are echoed in Hackney's refreshed Rough Sleeping Strategy.

East London Housing Partnership (ELHP)

Hackney is a member of ELHP, a sub-regional group of eight East London boroughs and registered providers. ELHP provides opportunities for East London boroughs to pool resources, share tasks and access specialist provision which would not be feasible at single borough level.

A key aim of ELHP is to prevent homelessness and rough sleeping for non-priority homelessness through accommodation, advice and support. Current projects include:

- New Leaf – this works with PRS tenants and landlords to prevent homelessness, including via mediation and brokering repayment plans
- New Routes – this is a rent deposit and procurement fund for offering a psychologically-informed approach and pre-tenancy training to people where other homelessness prevention attempts have failed.

We intend to continue with our involvement in this partnership during the life of our Homelessness Strategy and beyond.

NHS - East London Health & Care Partnership

In 2016, NHS organisations and local councils joined forces to develop proposals for improved health and care. Under this initiative, the East London Health & Care Partnership has drawn up plans which include the following key priorities:

- Promoting the health and independence of local people, particularly good mental wellbeing, and tackling inequalities
- Providing more care outside of hospital
- Building partnerships; encouraging productivity and value for money, and bringing providers and commissioners together in new ways of working

- These priorities are compatible with our aims around improvement of health outcomes for homeless people and those at risk, including, mitigation of the adverse effects of homelessness on mental and physical health.
-

The National Policy Context

The Homelessness Reduction Act (HRA)

The HRA represents a significant change in how councils in England work with single homeless people, other local services and organisations to prevent homelessness and rough sleeping.

The HRA places new legal duties on councils which extend existing homelessness protection under Part VII of the Housing Act 1996, as amended by Homelessness Act 2002. The main changes include:

- **Improving advice and information about homelessness and homelessness prevention to local people.** This includes meeting the special needs of groups, such as: care leavers, people leaving hospital/prison, ex-armed forces personnel, victims of domestic abuse and people with mental health problems.
- **Extension of the period ‘threatened with homelessness’ to 56 days.** This increases the time councils have to carry out homelessness prevention work – including PRS tenants who have been served s. 21 notices.
- **Extension of prevention and relief of homelessness** assistance to all eligible applicants, including those not in priority need, are intentionally homeless and/or who may lack a local connection to the area. Councils are expected to take ‘reasonable steps’ to help people secure accommodation for at least six months – which can be in a hostel or supported housing.
- **Assessing cases and agreeing a ‘personal housing plan’** which reflects applicants’ full range of housing and support needs and sets out actions for them and the council which will prevent or relieve their homelessness.
- **The duty to refer.** Since October 2018, certain public authorities, including prisons, hospital A&E departments and Jobcentre Plus have had a legal duty to refer individuals who have given their consent who they think may be homeless or threatened with homelessness within 56 days.

Our response to the HRA is set out in this Homelessness Strategy, above.

National Rough Sleeping Strategy

Government has set a target to halve the number of rough sleepers in England by 2022 and to end rough sleeping by 2027. In March 2018, the Government launched a new Rough Sleeping Initiative, led by the MHCLG (Ministry of Housing, Communities & Local Government). This includes a Rough Sleeping Team made up of experts from Government departments and homelessness organisations and a pot of targeted funding for local authority areas experiencing high levels of rough sleeping.

In August 2018, MHCLG published its Rough Sleeping Strategy, setting out a programme of funding and interventions around the themes of Prevention, Intervention and Recovery. This includes:

- a commitment to providing homelessness specialists in every Jobcentre Plus
- A new Move-On Fund to deliver homes outside of London for rough sleepers and hostel/refuge residents who need additional support
- Floating support for former rough sleepers to promote tenancy sustainment

- Housing First pilots in Greater Manchester, West Midlands and Liverpool to support people with multiple and complex needs into permanent independent housing and to maintain these tenancies.
- *Young Futures Fund*, a new Social Impact Bond (SIB) to support young people not in education, employment or training (NEET), to run alongside the previously announced SIB for entrenched rough sleepers
- Expanding StreetLink, the online system through which the public can alert local authorities and street outreach teams about rough sleepers.

These commitments are echoed in Hackney's refreshed Rough Sleeping Strategy.

Universal Credit

Universal Credit is an on-going reform of the benefits system, which rolls together six "legacy" benefits (including Housing Benefit) into a single monthly payment to claimants. Implementation of UC has not been straightforward and challenges have included:

- Many claimants being worse off under UC than they would have been under legacy benefits, including many in-work claimants
- Built-in waiting times for claimant's first payment of UC, which can cause financial difficulties at the point of handover to the new system
- Delays in payment, due to design flaws and administrative glitches
- Difficulties associated with vulnerable people who have problems engaging with and understanding the new UC system
- Problems with sanctions, which disproportionately affect vulnerable people and young people
- Problems for claimants with no access to, or ability to use, IT
- Lack of confidence in the system on the part of landlords.

The above factors arguably put poorer claimants at heightened risk of homelessness, in particular due to rent arrears, other debt and restricted access to the PRS. However, some changes have been made during the implementation phase:

- the built-in 42-day wait for a first payment has been reduced to 35 days
- advance loans have been made more readily available to claimants
- the Universal Credit telephone helpline has been made free.

Several further changes were announced by the Chancellor in the October 2018 Budget. These include:

- the work allowance for households with children and people with disabilities has been increased by £1,000 per annum from April 2019
- from October 2019, the maximum rate at which deductions can be made from an award has been reduced from 40% to 30% of the standard allowance
- from October 2021, the period over which advances will be recovered will be increased from 12 to 16 months

- From July 2020, Income Support, Jobseeker's Allowance (Income-Based), and Employment and Support Allowance (Income-Related) claimants will continue to receive support for a fortnight during their transition to UC
- The minimum income floor will apply to all self-employed UC claimants after a 12 month grace period. This measure will be effective from July 2019 for those who are 'managed migrated' to UC by DWP and from September 2020 for claimants joining UC as a result of a change of circumstance.

Furthermore, the schedule for managed migration (the process by which the DWP will move people to UC from legacy benefits) has been updated. The Government announced that the managed migration exercise will run from 2019, with completion by September 2024.

Funding Supported Housing

Following several years of study and debate following the demise of the Supporting People programme, 2017 and early 2018 saw the government consulting on a “flexible funding model” which would pay for housing costs in Supported Housing. In summary, the Government intended that all long term supported housing would remain within the welfare system, but a separate system would operate in respect of short-term supported housing.

Following this consultation exercise, the government withdrew the proposal and announced, in August 2018, that a decision had been made to keep Housing Benefit in place to fund all Supported Housing.

In addition to this confirmation of the status quo, the government announced its intention to carry out work with providers, local authorities, membership bodies and resident representatives “to develop a robust oversight regime” aimed at ensuring quality and value for money. This will cover short-term, long-term and sheltered and extra care accommodation. There will also be a review of how housing related support is funded.

At the time of writing, no progress had yet been made on developing the oversight regime or reviewing how housing related support should be funded. However, some funding for housing related support, remains in place as part of the legacy of the old Supporting People programme.

The Social Housing Green Paper

This was published in August 2018, with consultation closing in November. The proposals aim to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and support social mobility.

The green paper sets out 5 core themes:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent.

It is to be hoped that, as government policy develops, both availability and access to social housing will increase for homeless people and those at risk.

Reforming the Private Rented Sector

The PRS has a major role to play in helping local authorities identify housing for people who are homeless or at risk of homelessness. Since publication of the Housing White Paper “*Fixing our*

broken housing market”, there have indeed been several policy initiatives in England, affecting the PRS, that have bearing on the role of the sector in working with homeless, vulnerable or low income groups. These include:

- Consultation on overcoming the barriers to longer tenancies and the ending of Section 21 “no fault” evictions
- Extension of mandatory licensing of Houses in Multiple Occupation (HMOs)
- Development (and proposed extension) of a register of rogue landlords
- Measures enabling local authorities to levy civil penalties against rogue landlords
- A ban preventing lettings agents from charging tenants for their services

Taken together, these and several other key initiatives, such as the local licencing scheme in Brownswood, Cazenove or Stoke Newington wards, imply an emerging consensus that better standards and practice in the PRS need to be promoted by central and local government, in partnership with the sector itself. If these measures are implemented in a successful fashion, they should help to ensure that the PRS gradually becomes a more desirable option for tenants, including those who have been homeless or at risk.

Care Act 2014

From 1 April 2015, Part 1 of the Care Act 2014 consolidated the existing law relating to adults with care and support needs and sets out the legal framework for the provision of social care to adults. It is relevant to homelessness prevention in that an assessment under the Care Act can form part of:

- establishing whether a person is in priority need
- determining whether accommodation is reasonable to continue to occupy
- developing measures to prevent homelessness through the provision of services that enable an adult to remain in accommodation
- determining priority on an allocations scheme
- establishing any need for supported housing or a place in a care home.

The Care Act 2014 came into force three years before the Homelessness Reduction Act 2017. However, it remains relevant to strategies aimed at preventing homelessness among vulnerable people, including those who might have benefitted from the Supporting People programme.

A number of people who present as homeless fall within the criteria to receive a social care assessment and a subsequent package of care/support. The presumption that the root or sole cause of their situation is lack of accommodation is often flawed. This is increasingly recognised with rough sleepers and those experiencing multiple incidences of homelessness/threatened homelessness. Increasingly, these individuals are being recognised as having multiple and complex needs.

Children and Social Work Act 2017

This Act came into force in April 2018. It requires English local authorities to publish a ‘Local Offer’ for care leavers up to age 25, informing them about the services they provide under the Children Act 1989, plus anything else they or others offer that ‘may assist care leavers in, or in preparing for, adulthood and independent living’ including services related to:

- *health and well-being*
- *relationships*
- *education and training*

- *employment*
- *accommodation*
- *participation in society*

It will be important for all Local Government departments to listen to care leavers and produce standardised information and services based on what they want. Given the established correlations between having been in care and homelessness, this will have to include a range of social and private housing options, with floating support if necessary, as well as supported housing.

Criminal Justice - Transforming Rehabilitation

In its “Transforming rehabilitation: progress review” (2019) the House of Commons Committee of Public Accounts describes how, in its haste to rush through its reforms, the Ministry of Justice not only failed to deliver its ‘rehabilitation revolution’, but left probation services underfunded, fragile, and lacking the confidence of the courts.

Many aspects of the reforms have not worked, services have suffered as a result and there has been no noticeable improvement in the support offered to offenders. For example, the new Through the Gate (TTG) services fail to address needs like stable and suitable accommodation. In some cases, offenders have been provided with tents and left with no fixed address on release from prison.

At the time of writing, few if any measures have been put in place to address the committee’s concerns and the limitations of TTG continue to put pressure on homelessness services in Hackney.

Drug Strategy 2017

This government strategy recognises that stable and appropriate housing is crucial to enabling sustained recovery from drug misuse - and that sustained recovery is essential to an individual’s ability to maintain stable accommodation. It promotes joint working across the homelessness sector, treatment providers and housing support services to identify and share best practice. It urges local authorities to identify routes into appropriate accommodation for those recovering from a drug dependency. It also promotes work across the supported housing sector.

The strategy highlights how homelessness can be both a cause and consequence of drug misuse and that homelessness is often compounded by substance misuse, as well as poor physical and mental health. The most disadvantaged and vulnerable people in society, including those who are homeless, may be at the greatest risk. In this context, it recognises the importance of innovative approaches such as the Housing First model.

Ending Violence against Women and Girls (VAWG) Strategy 2016 – 2020

This government strategy highlights how VAWG may contribute to multiple disadvantage, characterised by homelessness, a chaotic lifestyle, substance misuse, offending behaviour, gang involvement, prostitution or mental health problems. In this context, it promotes partnership working between homelessness services, drug and alcohol services and children’s services, to ensure wrap-around support for victims and their families.

The strategy recognises that needs may be complex and may require, for example, housing provision, assistance with debt or support for mental health problems. Provision should meet the needs of the diverse range of victims, whether long term residents or victims who have moved in more recently. This can be key to ensuring that VAWG does not cause homelessness.

Cabinet

16 MARCH 2020

Homeless Strategy

Key Decision No. FCR Q9

Appendix 2

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LONDON BOROUGH OF HACKNEY
Rough Sleeping Strategy 2020-2023
Equality Impact Assessment

STEP 1: DEFINING THE ISSUE

1. Why are we putting in place a Rough Sleeping Strategy?

1.1. The issue of people sleeping rough has become more acute with a notable increase in the number of people sleeping on the borough's streets. Rough sleeping severely impacts on an individual's life chances, with a significant risk of falling into crime and addiction, and vulnerability to mental illness and severe health problems.

1.2. Rough sleepers in Hackney are among the most vulnerable groups in the borough. People present with mental and physical health needs, often exacerbated by dependencies on alcohol or drugs. In many cases, people will have experienced severe and multiple disadvantages throughout their lives. While they make up only a small percentage of homeless households within the borough, the resources and expertise required to provide protection, care and support are considerable.

1.3. It is therefore a key priority for the Council to seek to end rough sleeping in the borough. To do this not only requires co-ordinated action to assist those already on the street to find and sustain accommodation in the long term, but also to ensure that effective support networks are in place to prevent new rough sleepers moving onto the streets.

1.4. Tackling rough sleeping is an implicit part of our overriding Homelessness Strategy. However, such is the extent of the negative impact it has on the individuals affected and the community as a whole, it is felt necessary to produce a separate but complementary strategy document giving the issue focus, priority and impact.

1.5. This strategy recognises and builds on the considerable work that the Council, voluntary and statutory sector are already doing to prevent and tackle rough sleeping. We recognise that there are still too many people living on the streets of Hackney and that there is a continuous flow of people finding themselves homeless. With early intervention, holistic support to those who need it most, and clear pathways back to secure housing, we can prevent rough sleeping and move towards our overall objective that no one will have the need to sleep rough in Hackney.

1.6. It is a statutory requirement that we have a homelessness strategy that includes rough sleeping but we have chosen to go beyond this and produce a stand alone Rough Sleeper Strategy.

2. Who are the main people that will be affected?

2.1. The standard definition of rough sleeping by the Ministry for Housing, Communities and Local Government (MHCLG) is “People sleeping, about to bed down (sitting on/in or standing next to their bedding) or actually bedded down, in the open air (such as on the streets, in tents, doorways, parks, bus shelters or encampments). People in buildings or other places not designed for habitation.”¹

2.2. However, the Rough Sleeper Strategy covers a wider definition including not just those living and sleeping on the borough’s streets, but also those who are at high risk of sleeping rough, or are using insecure, unsustainable or unsafe accommodation, for example:

- Those sleeping rough within Hackney (the legal definition).
- Squatters who were previously or are at risk of sleeping rough.
- Sofa surfers who were previously or are at risk of sleeping rough.
- Those living in motor vehicles (not including Travellers).
- Those living in tents (not including campers, protesters or Travellers).
- Those currently supported in hostels who were previously sleeping rough.

2.3. There are two main ways to monitor the extent of rough sleeping in Hackney; the CHAIN (Combined Homelessness and Information Network) data, which tracks the cumulative number of individuals sleeping rough across the year, and the annual rough sleeper count, which is a snapshot of the numbers on one night in November nationwide.

2.4. The CHAIN figures show fluctuations in the total number of individuals found rough sleeping in the borough between 2015/16 (148) and 2018/19 (163). In November 2019 the borough’s annual count identified 14 persons sleeping rough on that night.

2.5. Most rough sleepers are single individuals who often face barriers to obtaining housing support due to being classed as non-priority under current legislation. This means they are not owed a housing duty by local authorities. Many have issues with mental and physical health, as well as substance misuse. The introduction of the Homelessness Reduction Act in April 2018 increased the level of support available to single persons but the housing duty itself remained unchanged.

STEP 2: ANALYSING THE ISSUES

3. What information and consultation have you used to inform your decision making?

3.1. There are two main ways to monitor the extent of rough sleeping in Hackney; the CHAIN (Combined Homelessness and Information Network) data and the annual rough sleeper count:

¹ Department for Communities and Local Government (DCLG): <https://www.gov.uk/guidance/homelessness-data-notes-and-definitions>

3.2. CHAIN (Combined Homelessness and Information Network) - The CHAIN database is a GLA commissioned system managed by St Mungo’s, a third sector organisation that works with the single homeless. It monitors rough sleeping across London and counts the total number of verified individual rough sleepers across the year (those that have been seen sleeping rough by outreach teams).²

3.3. The Annual Rough Sleeper Count - Conducted by the Council every November, this provides a very important snap shot of how many individuals are sleeping rough on one night in Hackney. Intelligence is taken beforehand to identify where rough sleepers may be bedding down. Annual counts are conducted using methodology set out by the government in 2010: “Evaluating the Extent of Rough Sleeping: A new approach.”³

3.4. From the outset, we have sought to ensure that those with experience of rough sleeping and those engaged in providing support to rough sleepers had a say in the development of this strategy. Part of this process was to seek their understanding of why and how it occurs, the experiences of those who live on the streets and what support is available to them to relieve their situation

3.5. During 2019, Homeless Link were commissioned to review the Rough Sleeper Strategy and engaged with service users, our key partners and the members of the Single Homelessness Forum who were invited to give their views on our approach to help us achieve our objectives, and the responses received form part of the basis for this Strategy. Included within the consultation process were Crisis, Homeless Link, St Mungo's Broadway, Thames Reach, Hackney Winter Night Shelter, plus representatives from public health services, housing providers, the probation service, housing charities as well as Hackney Council's Housing and Social services.

4. Equality Impacts

4.1. What positive impact could there be overall, on different equality groups, and on cohesion and good relations?

4.2. Work on tackling rough sleeping in Hackney will require that a number of borough wide partnerships, initiatives and strategies already in place are utilised to provide a holistic approach that meets the objective to ensure no one has the need to sleep rough in Hackney.

The priorities for achieving our objective will focus on:

- Prevention - averting people becoming homeless and ending up rough sleeping through the provision of timely advice options and alternative accommodation;
- Outreach - Delivering services to assess the needs of those sleeping rough, and ensuring a robust and proportionate approach to managing the street population;
- Pathways - Delivering sustainable housing outcomes including reconnection, pathways to independence, options for training and employment and better health outcomes

<http://data.london.gov.uk/dataset/chain-reports>

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6009/1713784.pdf

4.3. The Rough Sleeping Strategy will facilitate constructive and meaningful dialogue between Council departments and with those groups working in the borough to support people sleeping rough who are not currently connected to the support structures available. The impact on the protected groups has been identified as follows:

4.3.1. Age –two thirds of rough sleepers are under 45, with around one in ten under 25. There is some evidence that the age profile for rough sleeping is getting younger. The strategy seeks to join up provision for rough sleepers to ensure they are directed to the most appropriate solution.

4.3.2. Disability – Although there is little data on disability levels among rough sleepers, it is generally acknowledged that individuals sleeping rough are more likely to suffer from mental health issues and there is also an increased likelihood of alcohol and drug dependence. The strategy co-ordinates the support services available to ensure rough sleepers can access both medical care and mental health services.

4.3.3. Ethnicity – Around 52% of rough sleepers in Hackney are White, 26% were identified as Black, 10% as Asian and 7% of mixed race. The remaining 5% were of Chinese, Arab or other origin. Two thirds of the rough sleepers identified on CHAIN are UK Nationals. The number of persons sleeping rough that originate from Central and Eastern Europe (CEE) countries at 11% is below the London wide figure of 21%.

4.3.4. Gender - Rough sleepers are overwhelmingly male, however, at 19% Hackney has a marginally higher proportion of female rough sleepers than the London average of 18%. Female rough sleepers are particularly vulnerable and warrant specific attention to prevent abuse and this has been recognised within the strategy through support for Hackney Winter Night Shelter's dedicated women only shelter, the Pause and Open Doors projects and Hackney Council's Domestic Abuse Intervention Service (DAIS). The Action Plans to support the Homelessness and Rough Sleeping Strategies will provide specific action points to help prevent women becoming homeless, to provide access to provision of safe and secure emergency accommodation and minimise the risk whilst on the streets.

4.3.5. Sexual orientation – The sexual orientation of rough sleepers was not recorded on the CHAIN but we know from working with partners like Stonewall Housing, many young people will have been thrown out of home, or otherwise excluded from housing because of their sexuality. Anecdotal evidence suggests that LGBTQI+ individuals represent a small but significant proportion of rough sleepers. The Rough Sleeping Strategy identifies the benefit of early intervention on preventing rough sleeping. The Action Plan will identify how the specific risks for LGBTQI+ residents can be addressed to prevent rough sleeping in the first instance and mitigate the dangers for those sleeping on the street. We do not consider that the Rough Sleeping strategy will have an adverse impact on the grounds of sexual orientation.

4.3.6. Religion or belief - We do not envisage that there will be any adverse impact on the grounds of religion or belief because of the introduction of the Rough Sleeping Strategy.

4.3.7. Pregnancy and maternity - We do not envisage that there will be any adverse impact on the grounds of pregnancy or maternity because of the introduction of the Rough Sleeping Strategy.

4.3.8. Gender reassignment - We do not envisage that there will be any adverse impact on the grounds of gender reassignment because of the introduction of the Rough Sleeping Strategy.

4.3.9. Marriage and civil partnership - We do not envisage any adverse impact on the grounds of marriage and civil partnership because of the introduction of the Rough Sleeping Strategy.

4.4. What negative impact could there be overall, on different equality groups, and on cohesion and good relations?

4.5. As previously stated, the Rough Sleeping Strategy seeks to bring together the various strands of support provided for rough sleepers. Currently there are a range of different projects and services that both directly and indirectly help to prevent homelessness and help rough sleepers off the street and into suitable accommodation. Responsibility for delivering these programmes falls to a number of different departments across the Council, as well as statutory and voluntary organisations that work in partnership with the Council. The Strategy seeks to draw this provision into a more cohesive and responsive offer.

4.6. The Strategy does not directly advocate the redirection of services or funding. Consequently, we do not envisage that there will be any adverse impact to any of the identified protected groups.

STEP 3: REACHING OUR DECISION

5. The recommended decision

5.1. It is recommended that Cabinet approve the adoption of the Rough Sleeping Strategy. In developing this strategy, we sought the views of our internal and external partners that are engaged in providing support to rough sleepers. The strategy will be monitored by the Hackney Homelessness Partnership Board to ensure it remains relevant and continues to meet the needs of homeless households in Hackney.

STEP 4 DELIVERY – MAXIMISING BENEFITS AND MANAGING RISKS

Equality and Cohesion Action Planning

Please list specific actions which set out how you will address equality and cohesion issues identified by this assessment. For

example,

- Steps/ actions you will take to enhance positive impacts identified in section 4 (a)
- Steps/ actions you will take to mitigate against the negative impacts identified in section 4 (b)
- Steps/ actions you will take to improve information and evidence about a specific client group, e.g. at a service level and/or at a Council level by informing the policy team (equality.diversity@hackney.gov.uk)

All actions should have been identified already and should be included in any action plan connected to the supporting documentation, such as the delegate powers report, saving template or business case.]

No	Objective	Actions	Outcomes highlighting how these will be monitored	Timescale s/ Milestones	Lead Officer
1	Understand and monitor the profile of single homeless and identify how this client group can be supported at the earliest opportunity	Utilise CHAIN data and reporting tools in Jigsaw to profile existing caseload and new approaches. Report on outcomes and trends. Develop action plan to deliver early interventions.	Monthly reporting and statutory government returns.	Ongoing monthly reporting	Head of Benefits and Housing Needs
2	Mitigate the impact of Brexit on EU Nationals	Monitor nationality data through CHAIN and street counts. Develop appropriate pathway, support and advice to assist EU Nationals to attain legal residency, employment and accommodation or to reconnect to their country of origin.	Quarterly reports to the Head of Benefits and Housing Needs Service. Annual Report to Hackney Homelessness Partnership Board.	Ongoing Quarterly reporting	Head of Benefits and Housing Needs
3	Evaluate the level and causes of both female and LGBTQI+ residents rough sleeping to develop an understanding of the underlying causes.	Record and monitor incidents of female and LGBTQI+ residents rough sleeping and reasons for homelessness. Report on outcomes and trends. Engage with community and voluntary sector partners to develop and deliver tailored solutions.	Quarterly reports to the Head of Benefits and Housing Needs Service. Annual Report to Hackney Homelessness Partnership Board.	Ongoing Quarterly reporting	Head of Benefits and Housing Needs
4	Ensure that rough sleepers with mental health and or dependency issues are identified and engaged compassionately and effectively	Record and evaluate mental health and dependency issues. Report on outcomes and trends. Engage with community and voluntary sector partners to develop and deliver tailored solutions.	Quarterly reports to the Head of Benefits and Housing Needs Service. Annual Report to Hackney Homelessness Partnership Board.	Ongoing Quarterly reporting	Head of Benefits and Housing Needs



<p>TITLE OF REPORT - Corporate Debt Policy</p> <p>Key Decision No - FCR Q20</p>	
<p>CABINET MEETING DATE (2019/20)</p> <p>16 March 2020</p>	<p>CLASSIFICATION:</p> <p>Open</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED</p> <p>All wards</p>	
<p>CABINET MEMBER</p> <p>Councillor Rebecca Rennison, Deputy Mayor and Cabinet Member for Finance, Housing Needs, and Supply</p>	
<p>KEY DECISION</p> <p>Yes</p> <p>REASON</p> <p>Affects two or more wards</p>	
<p>GROUP DIRECTOR</p> <p>Ian Williams, Group Director, Finance and Corporate Resources</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Hackney is a borough with high levels of deprivation and relatively low average incomes, with 48% of children in Hackney living in poverty. The impact of ongoing welfare cuts means that some of our residents live with debt problems every day and research tells us that household debt is on the increase. Therefore, it is essential that we ensure that the right support is in place to help those residents who are struggling financially so that they can reach a sustainable financial position.
- 1.2. Supporting residents in need will always be our top priority, and we want to ensure that any resident unable to pay their Council Tax or other debt to the Council is supported to address and manage their debt. But, as our frontline services come under ever increasing pressure, it is important we do everything we can to maximise income, ensuring that those who are able to pay do.
- 1.3. In our 2018 manifesto we committed to reviewing our approach to collecting debt owed by residents to Hackney Council. This piece of work has sought to establish the balance between support for residents struggling to pay and sanctions for those who simply choose not to. It establishes a consistent approach across the Council and puts in place practices and mechanisms that ensure the appropriate support is there for residents that need it.
- 1.4. Our new approach will allow services to reach out and give support to some of the most disadvantaged and vulnerable residents in the borough. It offers a more consistent and effective way of collecting debt and enables early intervention with the aim of preventing debt from escalating.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 Hackney has a strong financial track record delivering savings in response to continued Government grant reductions. The scale of the financial challenge facing Hackney continues with a need to save a further £40m across all services over the next 3 years. We need to ensure that the Council maintains its overall financial position as this has been the bedrock of the Council's success over the past decade
- 2.2 The collection, recovery and management of income is a key element in the success of maintaining a sustainable financial position. The Corporate Debt Collection Policy recommended in this report balances the Council's need to maximise the income collected from all services with the need to support families in financial hardship and struggling with debt.

2.3 The Corporate Debt Collection Policy sets out a One Council approach for the collection and recovery of debt and seeks to improve income collection in the long term, support households having difficulty paying their debts, and help Hackney achieve its vision where all residents have a chance to lead healthy and successful lives.

3. RECOMMENDATION(S)

3.1 To approve the Corporate Debt Collection Policy (and the Vulnerable Person's Debt Policy, which forms part of the Corporate Debt Collection Policy). This will enable Hackney to have effective strategies in place to support customers who are experiencing financial difficulty. It will also allow Hackney to achieve fairer customer outcomes, better customer engagement and sustainable payments.

3.2 The Mayor and Cabinet to approve delegation to the Group Director of Finance and Corporate Resources in order to make minor amendments to the Corporate Debt Collection Policy and associated policies.

4. REASONS FOR DECISION

4.1 Significant progress has been made to maintain Hackney as a high performing borough but as outlined in Hackney's corporate plan 2018-2022 there is still more to do. "After eight years of austerity, the financial challenge to local government remains acute. Hackney will have lost £140 million from our annual Government grant by 2019/20, around 45%, and we must find further savings. Inequality is widening in the borough, and welfare reform is increasing that challenge and driving demand on our services. As a Council, maintaining strong, cohesive, healthy communities in the face of that inequality, is one of our greatest and most difficult tasks."

4.2 The introduction of Universal Credit to Hackney in October 2018 is the biggest change in welfare reform in the last 30 years; it replaces six different benefits with a single monthly payment. There are challenges caused by a single monthly payment and the way it is paid, with some aspects of Universal Credit causing or exacerbating personal debt problems. There is a minimum five week wait before receiving the first payment, some customers now have to meet the shortfall in rent payments and many more are worse off financially. Consequently, the number of people reporting debt problems is on the increase. Universal Credit will not be fully rolled out in Hackney until 2024 and, while the Council is investing in helping people prepare, it is likely that the number of people affected by debt issues will increase as this happens.

4.3 Research from the Money Advice Service and Californian Analysis Centre Inc. has indicated that just over a fifth of adult residents in Hackney are living with problem debt i.e. those likely to find monthly payments a 'heavy burden' and/or those missing more than three bill payments within a six-month period. Also the English Indices of Deprivation 2019 shows Hackney to be the 7th in the most deprived local authorities based on rank (the average level of deprivation across the borough based on the population weighted ranks of all neighbourhoods). Hackney's Community Strategy aims to address poverty and income inequality and looks to support people to resolve problems before they become unmanageable.

4.4 Hackney has invested in advice and support services for residents who are struggling financially or are in debt, but there needs to be a change in the approach to how income is collected, so that advice and support are offered in the early stages of the debt recovery processes. We also want to reduce our reliance on enforcement agents.

4.5 There is a not only a need to maximise the income collected from services such as housing rent, council tax, business rates, housing benefit overpayments, adult social care, parking and sundry debt to deliver and invest in services, but also to ensure that households do not lose their homes because of the level of outstanding debt they have. This aspiration contributes to one of the aims of the community strategy and Mayor's priorities to be "A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth."

4.6 Debt advice organisations, such as the Money Advice Service (MAS) are pushing for more to be done to support those living with problem debt. MAS want creditors, like Hackney, to adopt good collection practices that:

- Reduces the impact of unmanageable debt on people's lives.
- Encourages early and ongoing engagement.
- Gives people the best ways to deal with their financial difficulties.
- Improves people's financial health and helps them to become less vulnerable to problem debt.

4.7 The Government is planning to introduce 'breathing space' legislation in early 2021 that will temporarily suspend recovery action and prevent further costs and interest being charged whilst people with debt problems actively work with debt advice organisations to reach a debt solution. The Government also plans to reform Council Tax collection, which the Citizens Advice Bureau says is the most common debt problem they help people with, so that people are

treated with care while Councils collect the income they need. As a result of this, Councils will have to change their debt collection approach. Hackney needs to ensure that they have a corporate collection policy which takes into account personal circumstances and which does not potentially push households further into debt from added charges as a result of recovery action. Debt problems can affect mental health and therefore, the Council needs to support the delivery of a new approach that will help address the issues of household debt and in the long term maximises the income households need.

4.8 The rules and regulations that govern how each service collect debts are different, but a corporate approach to personal debt will ensure that services are fair, consistent and supportive in the stages prior to starting court action. There is greater emphasis on early and ongoing engagement with customers in a variety of ways to try to resolve problems and address wider issues so that they can pay their debts. Research from the Citizens Advice Bureau has shown that customers who are in debt tend to be on low incomes or in receipt of benefits and often are unable to cope with the pressures of demands of payments. Other research studies indicate that they also tend to have higher levels of health and social problems, including mental health issues.

4.9 In adopting a corporate debt collection policy, services across the Council will use appropriate communication methods and proportionate collection methods that will take into account vulnerabilities. Currently each service has their own Vulnerable Person's Policy and these will sit alongside a corporate one, which services have been consulted on and had input into. The policy will also:

- Aim to stop the escalation of recovery action and prevent debts from increasing.
- Reduce the number of cases that are referred to enforcement agents and lead to evictions as greater effort will be made to engage with customers in the earlier stages.
- Improve collection levels in the long term as customers will enter into payment arrangements that they can sustain having taken into account household affordability.
- Enable debts to be paid in order of priority.
- Encourage joined-up working between Council services and ensure debts owed to different services are not considered in isolation of one another.
- Promote partnership working with debt advice organisations so that customers are given time to get the help they need.
- Help Hackney achieve its vision where all residents have a chance to lead healthy and successful lives.

4.10 Not all customers will choose to engage and it will be necessary to continue with court action in some situations if debt remains unpaid. However, this policy aims to significantly reduce the number of cases where this happens, particularly for customers on low incomes or on benefits. Joined-up working with services will also ensure all relevant information is available to make an informed decision and if appropriate, make a referral to Adult Social Care, where there is concern about a customer's wellbeing.

4.11 Services were consulted about their existing collection practices and their capacity for better engagement. Not all services use the latest technology in communication or have resources to offer the support needed to engage with customers beyond sending letters. There is a consensus of opinion that services will need to work towards this and that more needs to be done to help customers in debt.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 The changes in welfare reform and the increase in the number of households that are in debt demonstrates a need for the Council to have a single approach to how services collect income and the support offered to people in debt. Consideration was given to continuing with the current model of all services working independently of each other and to their own policy and procedures. However, the impact to customers who owe multiple debts to the Council is likely to lead to stress and anxiety and result in broken payment arrangements with services chasing the same limited amount of money.

5.2 Transferring responsibility to a centralised team who would deal with customers who owe multiple debts was also considered as an option. This would allow customers to have one point of contact and enable them to come to a single payment arrangement to clear all debts. The idea was explored with several companies to develop a system that could merge data from the different systems used by Hackney services to create a unique reference that would enable a single payment to be distributed back to the host systems. These companies were all confident that they either already had the technology to do this or could develop a system to deliver on a specification. However, none were able to evidence that this could be achieved following a series of presentations to showcase their products and in the case of one company the costs were too high to test whether their system could in fact meet the requirements. The concept of one team is sound but the software needs to be developed to fully support this method of collection. In the short term any centralised team would have to continue to operate within its current system and perimeters until a suitable system is found.

5.3 Further investigations are being carried out with Civica Pay, the payment system replacing Paris (the Council's cash collection system), to determine if it is possible to develop a system to collect multiple debts with one payment. There is no specification available yet and this won't be considered until after Civica Pay, which has gone live and is bedding down. So discussions will commence as soon as possible.

6. BACKGROUND

A project was set up to review existing income collection methods across the Council, explore options that would offer support to customers and test possible solutions that would bring about change to the way services work with residents experiencing financial difficulties. The Revenues Service, which collects council tax from every household in the borough, participated in a number of pilots to help the project team gather evidence to develop a working policy. The scope of the project included

- Signing the Citizens Advice Bureau's (CAB) Council Tax Protocol
- Setting up pilots
 - Working in partnership with debt advice agencies and operating a direct referral scheme. This will help customers who find it difficult to navigate the landscape of the debt advice industry and encourage customers who have not considered seeking advice themselves.
 - Using the MAS standard financial statement to assess household affordability and to set up realistic payment plans for customers in debt.
 - Creating a team specifically to engage with customers to avoid the use of enforcement agents.
- Exploring alternative communication methods in addition to letters to promote engagement and payment.
- Exploring a single payment option for customers who owe multiple debts to the Council.
- Working with other services to review their procedures for collecting debt and discussing the scope for a corporate debt collection approach.
- Developing a Corporate Vulnerable Person's Policy that sets out the Council's standards for services to adopt when dealing with customers who are at risk of or vulnerable to falling into high levels of debt.
- Developing a Corporate Debt Collection Policy based on research and findings.

The findings are outlined later in this report.

6.1 Policy context

6.1.1 The corporate debt collection policy allows services to reach out and give support to some of the most disadvantaged and vulnerable residents in the borough. It offers a more consistent and effective way of collecting debt and enables early intervention with the aim of preventing more serious recovery action.

6.1.2 Independent debt advice organisations have for many years campaigned for more consistent creditor practices when people fall into financial difficulty and this changed approach means that the Council's new focus is on ensuring that debt recovery practices have affordable and sustainable repayments at the heart; prioritising supporting residents to financial recovery.

6.1.3 Hackney's Community Strategy wants everyone to be able to secure a decent standard of living and recognises that poverty has a major impact on people's health and wellbeing. By giving residents a breathing space, so that they have time to get debt advice and explore options for managing/improving their financial health, will alleviate stress, pressure and mental health issues that people in debt can experience.

6.1.4 The End Child Poverty Campaign 2019 which uses a measure for estimating child poverty based on income after housing costs, estimates that 48% of children in Hackney were living in poverty. A quarter of the 13,000 households on the Council's waiting list are homeless (April 2019). Almost two-thirds of the 3,000 people who accessed Adult Social Care services are aged 65 and over. With rising costs and demands for services the Council's priority is to protect frontline services and to make sure that the most vulnerable residents are looked after. The proposed collection approach sets out how we will maximise the income needed to support this aim.

6.1.5 The policy is designed to encapsulate debt collection across all services. It introduces a standard corporate vulnerable person's policy to stand alongside any service policies that already exist relating to vulnerable people. More importantly, it aims to prevent a recurrence of people getting into debt again

6.2 Developing the Policy

6.2.1 The CAB Council Tax Protocol

6.2.2 The CAB identified from their casework that poor collection practices can often worsen a council taxpayer's debt problem. This contributes to stress, anxiety or mental health issues, which impacts on employment prospects and can lead to taxpayers seeking help from the Council and its partners.

6.2.3 The CAB believe that if Council's work more closely with debt advice agencies, the collection processes can be improved. They produced the Council Tax Protocol (the Protocol) which looks at good practices for collecting council tax arrears. The Protocol has been produced for Councils, enforcement agents debt advice organisations and focuses on three principles-

1. To foster more effective partnership working.
2. To improve the information supplied to council tax payers about the billing process, how to get support and debt advice and to promote engagement.
3. Recovery – to make greater effort to make contact with a debtor at or before the Tribunals Courts and Enforcement Act's compliance stage, including debt and money advice referrals to assess whether vulnerability or hardship applies so as to avoid escalating a debt.

6.2.4 The protocol was reviewed and compared to existing practices adopted by the Revenues Service. The review identified that the Revenues Service were already working in the way suggested by the CAB and therefore, only minor amendments were needed to reflect capacity and resources. Examples of some of the things the Revenues Service are doing-

Partnership

- Hold regular meetings with the enforcement agents and debt advice agencies to discuss practical and policy issues.
- Promote mutual understanding by providing training for staff, inviting debt advice agencies to talk about the work they do and sharing good practices.

Information

- Reviewed and amended letters and notices so that the language is clear, following advice received from the Money Advice Trust.
- Included information on how bills can be reduced through reliefs, exemptions, council tax support schemes and where to get debt advice.

Recovery

- Charges associated with recovery are regularly reviewed and haven't been increased for the past 10 years.
- Customer's personal circumstances are being considered to determine if their case should be passed to enforcement agents.

6.2.5 Following a meeting between Hackney and the CAB, the Protocol was finalised and signed by Mayor Glanville and Yasmin Alam, Chief Executive for East End CAB, in March 2018 and went live.

6.3 The pilots

6.3.1 The Revenues Service has a statutory obligation to collect council tax and customers are often pursued through the courts to collect council tax arrears. This can result in customers incurring additional costs, some quite substantial, if enforcement agents are used, or if action progresses to committal or charging order stages. However, the Council wants to be able to identify customers who can't pay (as opposed to those who won't pay but have the means to) before legal action is taken so that they can get help. Three pilots are being carried out that look to offer customers in financial difficulty additional support to get help, reduce the risk of the extra charges, and enter into realistic sustainable payment arrangements.

6.4 Referrals for debt advice

6.4.1 Customers are signposted to various debt advice organisations through notices and the Council's website. The aim of the referral scheme is to refer customers directly to PayPlan, Hackney CAB and Fair Money Advice, where they can get help to manage and overcome their debt problems.

6.4.2 PayPlan provide a secure web form for staff to complete to request a call back or email communication to the customer. Hackney CAB and Fair Money Advice accept referrals by e-mail and will contact customers for an initial assessment within 24 hours. They will then book an appointment for a face to face meeting within 10 working days; customers at risk of losing their homes or enforcement action will be seen sooner.

6.4.3 Staff were required to identify customers who may need debt advice when they contacted the Council Tax Team, by reviewing information held on their accounts and asking questions to build a picture of their circumstances. Customers who were in financial difficulty were asked for their consent to be referred to get debt advice. It was anticipated that customers who seek debt advice, which includes looking at options to help boost their income and reduce their debts, will be in a better position to manage their finances and start repaying what they owe.

6.4.4 Once a customer was referred to a debt advice organisation

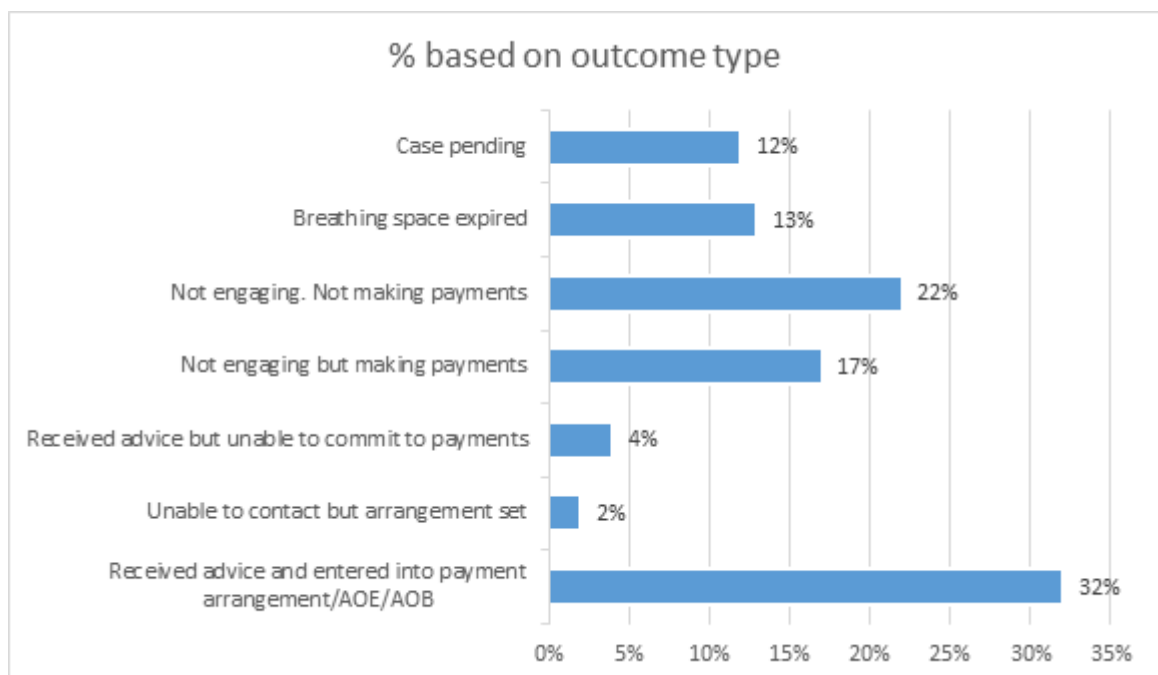
- Their account was coded to indicate that they had been referred.
- Recovery action was initially suspended for 28 days. The period of suspended recovery has been extended to 60 days as it was found that the debt advice organisation needed more time to work with the customer to resolve their issues and this is now in keeping with the government's proposed breathing space.
- The customer's details were added to a shared spreadsheet so that progress on their cases could be monitored.

6.4.5 Once the customer had received advice the Council Tax Team was sent a completed Standard Financial Statement setting out income, expenditure and what available money was left to clear arrears.

Financial year	Number of customers referred
2018-19	109
2019-20 (to end of Sept)	116

6.4.6 The number of customers that are referred for debt advice is increasing as staff get to grips with the new approach. The chart below shows that not all customers (39%) were willing to engage with the debt advice organisation once they were referred, however, more than half of those who didn't engage were still willing to make payment arrangements. Excluding customers who are waiting an outcome to their referral, 72% of those cases that have been resolved have entered into payment arrangements. However, there is concern that 12% of customers aren't able to commit to any payments and 13% weren't able to reach a resolution within the 60 day period.

6.4.7 Additional financial assistance was considered for some of these customers and alternative options pursued, such as a debt relief order .



6.5 Money Advice Service Standard Financial Statement

6.5.1 The Money Advice Service launched the Standard Financial Statement (SFS) in 2017 as a way of bringing greater consistency to assessing household affordability across debt advice organisations and creditors. It is a universal financial statement which includes common fixed and flexible expenditure categories, one set of spending guidelines and a saving category to build financial tolerance. It allows for a detailed financial statement setting out the customer's income and expenditure.

6.5.2 The Council Tax Service switched to using the SFS to enable customers who are in financial difficulty and have multiple debts to work out affordable payment plans. The SFS is being completed by Hackney CAB and Fair Money Advice who during an appointment will ask customers to provide details of their income and expenditure and appropriate evidence.

6.5.3 The Council Tax Service is committed to accepting proposals for payment based on the SFS, provided the information contained within it is accurate. As part of the process the Council Tax Service checked internal records for information they hold about income, benefits and rent. If there is any disparity the SFS is returned to the debt advice organisation for the figures to be amended and the proposal for payment revised.

6.5.4 The SFS can be completed at any stage of recovery but during the pilot the majority of cases related to customers who had been subject to recovery action. So far 53 out of 97 customers whose cases have been dealt with have entered into payment arrangements and 85% are keeping to arrangements, including those where arrangements have been subsequently revised.

6.5.5 The Adult Social Care Service will move to using this model once they have put in place a more formal structure for debt collection.

6.6 'Stop the knock'

6.6.1 Stop the knock is a campaign run by the Money Advice Trust to increase levels of engagement by local authorities, improve debt collection practices and reduce the use of enforcement agents long term; the approach is being adopted by the Council Tax Service. Cases are normally sent to enforcement agents because of no engagement from the customer throughout the recovery process. When this happens the customer can incur substantial costs if they do not engage with the enforcement agent at the compliance stage.

6.6.2 The Stop the Knock pilot focused on trying to engage with customers in receipt of Council Tax Reduction (CTR) or who have children to avoid passing their cases to enforcement agents. In January 2018, as part of a four month pilot, 483 cases were passed to an external company who attempted to engage with customers in a variety of ways, such as by letter, email and telephone, to secure payment arrangements.

6.6.3 Initial feedback demonstrated that real progress can be made on the cases actioned where resources can be targeted. However, the external company withdrew from this type of work and as a result, a business case was put forward to create an in-house team of four officers and a team leader to continue with this work. The team, which is named the Stop the Knock Team, has been in place since January 2019 and the annual staff cost is approximately £236k (based on using agency staff for the pilot).

6.6.4 As at the end of October 2019 13,079 customer accounts had been reviewed and following further engagements just over £669k has been received in payments. Where customers have set up payment arrangements £75k has been collected on completed arrangements.

6.6.5 The Table below shows a summary of the work completed during October 2019.

No. of reviews	No. requiring action	Contact made	Contact success rate	Arrangement set up	Arrangement set up rate of those contacted
3635	2598	869	33%	511	59%

6.6.6 Each month the Stop the Knock team review accounts where the customer is in receipt of CTRS, but has a debt at the final notice stage that may progress to a summons being issued. Since April 2019, a total of 2,391 accounts meeting this criteria have been reviewed. Subsequently, 1,827 did not receive a summons. However, where households still choose not to engage or respond to any form of communication from the Council regarding their debt, then the case does progress to summons stage.

6.6.7 Overall Overall cash collection for council tax as at December 2019 had risen to £82.2m when compared to the same period in 2018. Boding well that the final outturn at the end of March 20 will compare favourably to last year's performance.

6.6.8 Despite the intensive engagement window now offered by the Stop the Knock Team some residents still choose not to respond. It is essential that we get residents to engage, so that we can put a repayment plan in place, help them access support and signpost them to advice services. If they don't engage their debt will continue to rise with all the implications that carries.

6.6.9 We therefore continue to use Enforcement Agents as a final engagement tool. The majority of contact is made at the compliance stage, which is before the enforcement agents visit properties. If a visit is necessary because the customer still hasn't engaged and neither Council Tax nor the enforcement agents are aware of any children living in the household then visits will be carried out between Monday to Friday. If Council Tax or the enforcement agents are aware that children are living in the household we will make every effort to contact the debtor by alternative methods. If however at the time of the visit there are no adults present the enforcement agent always withdraws.

6.6.10 Enforcement agents are trained to identify and support vulnerable people and anyone referred to our Enforcement Agents found to have a vulnerability is referred back into the Council. The three enforcement agencies used by the Revenues Service also have their own welfare support teams to offer debt advice to customers in addition to that offered by the Council and partners. It should be noted that our policy is never to allow removal of personal property without seeking explicit permission from senior Revenues staff and this permission has not been given for many years. In the vast majority of cases using enforcement agents is a final step in getting residents to engage in addressing their debt and we have no intention to remove personal property.

6.6.11 The approach is under constant review as we develop other tools to encourage further engagement. However, the in-house team continues in their efforts to focus on residents who receive CTRS and are likely to incur costs through non-payment/inability to pay and are doing whatever they reasonably can to assist them.

6.7 Sustainable improvement

6.7.1 The Customer Service Division is responsible for debt recovery as well as preventing homelessness. However, a review of how the services worked together highlighted a need for change, particularly in regards to joined up working, reducing debt, minimising duplication and better engagement. A project was created that focused on engaging with customers in the early stage and offering housing and money management appointments.

6.7.2 Customers who had received a council tax reminder notice were contacted. The aim was to identify customers who were struggling to keep up with their payments, had multiple debts and were willing to participate in an interview.

6.7.3 From a list of 44 customers who had received a reminder notice, 50% were in receipt of council tax reduction and seven identified as having difficulties with debt were willing to engage. All seven had recovery action suspended on their accounts for an initial two weeks.

6.7.4 These customers were invited to a face to face appointment where they were asked questions about their personal circumstances including expenditure and what a good life would be for them. They were then given a task e.g to produce a list of their debts, make a claim for benefits (council tax reduction, universal credit etc). After completing their tasks they were offered a second appointment to help come to payment arrangements.

6.7.5 Five customers (including one with mental health issues) have made sustainable payment arrangements.

6.7.6 The project learned that those customers who engaged from the outset and attended the debt support appointment were positive about the support being offered. During the interview they had the opportunity to discuss their financial situation in a safe environment. There was no expectation to agree to a payment arrangement at the first interview. Customers who engaged at an early stage were in a stronger position to come to a realistic payment arrangement and if engagement happens at crisis point the customer may not be in the right frame of mind nor in the financial position to make payment.

6.7.7 This was a successful pilot because all customers identified as having financial difficulties found the interview very useful and said their confidence in making an arrangement increased from 'not confident at all' to 'confident'.

6.7.8 The Adult Service Care Team worked with the Revenues Service to review their documentation leading to a more structured approach to debt collection. The Adult Social Care Team does not have any figures that outline any improvement in collection but they have updated all their procedures. It is hoped that in the future they will move to using the standard financial statement, where applicable.

6.7.9 The learnings from these pilots have been incorporated into the policy. To ensure consistency of the approach across the Council standard monitoring of outcomes will continue in each of the service areas with key information such as:

- The number of households referred to advice agencies
- The number of arrangements agreed and maintained
- The number of arrangements terminated
- Collection performance
- Customer satisfaction

It is then intended to provide regular updates to the lead member for Finance and an annual report to the Mayor and Cabinet.

6.8 Equality Impact Assessment

6.8.1 The primary group of people affected are residents who are responsible for paying rent, council tax and/or other charges (e.g. service charges, adult social care packages). Other people that are affected are staff and those working in debt advice organisations, who can help customers to reach a debt solution. EIA analysis identified the impact across the equality groups is largely positive.

6.8.2 The policy supports the equality objective to increase prosperity for all and tackle poverty and socio-economic disadvantage. Specifically, it encourages services to identify residents who are in financial difficulty and get them the help they need to enable them to improve their financial situation.

6.9 Consultations

6.9.1 The Council consulted with debt advice organisations such as the Money Advice Service and Hackney Citizens Advice Bureau, who have both carried out extensive research into the issues facing people in debt and the effective strategies that creditors need to have in place to offer support to customers. This includes better partnership working with advice organisations.

6.9.2 The approach to delivering advice was explored and clarification was sought from the Policy and Partnership Team on the advice framework agreed for advice organisations that received funding, in particular, those that specialise in debt advice.

6.9.3 Feedback was sought from customers who participated in the pilots which included a bespoke referral process where they received advice and had their household affordability assessed. The feedback was very positive with customers feeling that they are more inclined to contact the Council for help in the future and pressures felt removed once help was given.

6.9.4 Services were asked for their opinions on their existing collection practices and the new approach to working.

6.9.5 Hackney Councillors were invited to workshops where they were given an overview of the proposed new collection approach and the work of the Revenues Service who participated in the pilots. They were consulted on the policy to ensure that it supports the Community Strategy of protecting and supporting vulnerable people and offering better help to people earlier.

6.10 Risk assessment

6.10.1 The debt advice organisations' capacity to cope with the volume of people seeking advice may result in a delay in customers receiving advice and achieving a swift debt solution. This could impact cash collection. To minimise this Hackney aims to extend partnership working with as many debt advice organisations as possible, including those that offer telephone advice.

6.10.2 Income collection may fall, at least in the short term, whilst sustainable arrangement plans are put in place. Consequently, we will need to rebalance the forecast for arrears collection long term to allow for a slower rate of collection.

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

7.1 There are no specific financial implications arising from the recommendations in this report. This Policy is an important component in the Council's objective to collect as much council tax, rent and other monies owed to us as we can, whilst recognising and supporting those customers who can't pay.

7.2 The Corporate Debt Collection Policy brings together and consolidates standards to be adopted across the Council for the collection and recovery of debt, introduces best practice for the recovery of debt and provides a corporate approach for the support to customers who are having difficulty paying debts owed to the Council. The Policy also reflects the Council's aspirations as set out in the Corporate Plan to take a One Council approach and deploy the right delivery approach to ensure we truly understand residents needs whilst recognising resource constraints which includes our duty to collect debt owed to the Council.

7.3 The focus of the policy on early intervention, "breathing space" and other support to families in financial difficulties should enable the Council to maximise income collection and also prevent families falling into deeper debt and then, potentially, needing to access more costly Council services.

7.4 Any costs arising from the implementation of the policy will be met from within existing cash limits.

8. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE

8.1 In 2018, the House of Commons treasury select committee made calls for changes to the ‘uncompromising’ way debt is pursued by local and central government. There have been calls for reforms and guidance for a fairer, more efficient collection system.

8.2 The financial challenges facing Local Authorities have been highlighted in the body of this report, as have the impact that these debts and their consequences can have on the Borough’s residents. The need to collect outstanding debt should be balanced with any statutory duties that the Council may owe residents.

8.3 Currently the Mayor’s scheme of delegation reserves to the mayor and Cabinet, approval of all corporate policies and strategies and the Corporate Debt Strategy and Write Off Strategies (but excluding decisions on individual write offs unless required by this scheme or the Constitution). In order for the Group Director to approve the Corporate Debt Policy (and any associated policies) going forward, and any minor amendments to them, the recommendation in paragraph 3.2 needs to be approved.

8.4 There are no further specific legal implications that arise from this report, save that in line with the Corporate Debt Collection Policy, when considering any action, the Council should always bear in mind any statutory or legislative duties/protocols that may be relevant.

APPENDICES

- Appendix 1 Corporate debt collection policy - full version including vulnerable person’s debt policy.
- Appendix 2 Plain English version of corporate debt collection policy
- Appendix 3 Hackney principles in debt collection

EXEMPT

N/A

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

None

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Cabinet

16 MARCH 2020

Corporate Debt Policy

Key Decision No. FCR Q20

Appendix 1

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London Borough of Hackney
Corporate Debt Collection Policy
2020 -23

London Borough of Hackney - Corporate Debt Collection Policy

Table of contents

1. Introduction
 2. The purpose of this policy
 3. Different stages of debt
 - 3.1 Initial bill
 - 3.2 Reminder
 - 3.3 Text
 - 3.4 Telephone
 - 3.5 Financial support evening
 - 3.6 Multiple debt arrangements
 - 3.7 Exclusions
 4. Advice and support
 - 4.1 How we can help
 - 4.2 Breathing space
 - 4.3 Hackney support teams
 5. The standard financial statement
 6. Debt recovery
 - 6.1 Legal requirements
 - 6.2 Council tax
 - 6.3 Business rates
 - 6.4 Housing
 - 6.5 Housing benefit overpayments
 - 6.6 Adult social care
 - 6.7 Sundry debts
 7. Use of enforcement agents
 8. Hardship funds
 - 8.1 Additional financial support
 - 8.2 Discretionary housing payments
 - 8.3 Council tax reduction discretionary hardship scheme
 - 8.4 Council tax reduction – Section13a, LGFA 1992
 9. Irrecoverable debts
 10. Costs
 11. Sharing information
- Appendix A – Vulnerable person’s policy
Appendix B – Methods of payment
Appendix C – Priority debts and non-priority debts
Appendix D - Contact details

1. Introduction

The financial environment that the Council operates in is extremely challenging. We are faced with rapidly diminishing income from the Government with Hackney, seeing funding cut by £140m since 2010 with another £30m to be cut by 2022.

Hackney is ranked as the 19th local authority district with the highest proportion of income deprivation in England, with 25% of children and 40.7% of older people in the borough living in income deprived households (Indices of Deprivation 2019). The End Child Poverty Campaign 2019 which uses a measure for estimating child poverty based on income after housing costs, estimates that 48% of children in Hackney were living in poverty. A quarter of the 13,000 households on our housing waiting list are homeless (April 2019). Almost two-thirds of the 3000 people who accessed Adult Social Care services are aged 65 and over.

With rising costs and demands for services, our priority is to protect frontline services and to make sure that we can look after our most vulnerable residents. To achieve this we need to maximise the money we collect across all services, which includes; Housing Rent, Council Tax, Non-Domestic Rates, Housing Benefit Overpayments, Adult Social Care, Parking and Sundry Debts.

Much effort has gone into improving collection levels over the past 10 years and this has also included reviewing key areas of the recovery process, such as the use of Enforcement Agents, and the approach to the identification and treatment of vulnerable people.

It is essential that we maximise income collection to deliver and invest in services. But with household debt in the UK growing, the task of collection is made more difficult. Changes to the welfare system are now being felt by people who have less income as a result. Research from the Money Advice Service and Californian Analysis Centre Inc. has indicated that 20.9% of adults in Hackney are living in problem debt i.e. those likely to find monthly bills a 'heavy burden' and/or those missing more than three bill payments within a six-month period. As at March 2019 the overall debt owed to the Council totalled £127 million.

In order to help address the issue of household debt and the long term implications, the Council has implemented a good debt management strategy and adopted a collaborative collection approach across all services that supports people experiencing financial difficulty to get help so that they can pay their debts. The aim is to help people seek financial advice via signposting or referrals

to independent debt advice agencies at the earliest opportunity, to minimise the risk of eviction or enforcement action.

The approach encompasses best practices based on the Money Advice Service's toolkit for creditors and will also:

- Encourage residents to pay promptly and regularly.
- Attempt to remove barriers so that residents can contact the Council as soon as problems arise.
- Help to prevent increasing debts.
- Have regard for the resident's ability to pay.
- Ensure that services work closely together to maximise collection and minimise duplication.

2. The purpose of this policy

This policy sets out the best practices that Council services have adopted in debt collection including best practice measures recommended by the Money Advice Service and which are used across local authorities as well as banks and building societies.

It looks at what we can do to help prevent debt increasing and how we can effectively help the most vulnerable and those experiencing financial difficulties learn to manage their affairs in the short and long term.

It ensures a consistent framework in how households who owe money to the Council are treated across all services throughout the income collection process. This includes how they are contacted and repayment terms offered. The policy does not prejudice the legal action that the Council can take, as services are required to adhere to certain legislation and regulations specific to their area and will follow their policies to ensure income is collected.

It sets out the support offered to ensure households can both understand and meet their obligations to pay their bills. We work in partnership with independent debt advice agencies who will help residents to manage their debts, claim financial assistance and work out affordable payment plans.

The Council wants to encourage early and ongoing engagement so that people are confident in contacting services as soon as they realise that they have entered a period of financial difficulty. We aim to remove any barriers that may deter contact by being open and transparent at all times, so that people know what to expect if they do not pay and how they can get help.

It is also recognised that sometimes households are overcome by the number of letters issued and do not seek help. Our approach looks to utilise non-threatening communication methods such as texting and e-mails to provide information on what help is available and how to access it. Where people prefer to speak to someone independent of the Council then we will ensure they have access to the contact details of organisations that can help or refer them ourselves with their consent.

With so many households in problem debt, the Council can offer extra support by allowing a 'breathing space' for those who need it, which entails the suspension of recovery action for a limited period. The policy sets out the terms and conditions for receiving extra support and the protections offered.

This policy also looks at how information may be shared and how services will work together with residents to identify those struggling with payments and moving further into debt. Residents who owe multiple debts across the Council but have not made payment arrangements, could be assisted to agree one affordable repayment plan to maximise collection levels and minimise duplication.

3. Different stages of debt

The Council's has a duty to ensure that amounts that are properly due to the Council are collected in a timely and efficient manner. The Council has statutory obligations to notify households of their liabilities and will send bills, invoices and reminders which set out the amounts and dates to be paid.

Households will be contacted in a variety of ways to encourage payment to avoid a build-up of arrears, rather than just sending letters on multiple occasions. We will also ensure that there are clear recovery processes which are understood and implemented impartially by services, which should minimise referrals to enforcement agencies or evictions.

3.1 Initial bill

This will be the first notification of the debt. This could be a bill, invoice or letter setting out what is owed and when payment is required. It will be issued as soon as is practicable. This will vary in each service and could be before the start of a financial year, quarterly or once a resident has been identified as liable to pay for a service or charge.

The bill will be written in plain English and be clearly itemised, setting out the charge, what it relates to, the different methods of payment available, and the service's contact details.

Where appropriate we will include other information relating to getting money off your bill (e.g. benefits, discounts, exemptions and reliefs) and where to get support and advice.

We offer direct debit as the preferred payment option as it is convenient and hassle free; removing the need to call or go online to make payments. Services such as Council Tax and Housing provide a choice of more than one payment date in a month.

3.2 Reminder

If payment is not made as set out in the initial bill, a reminder will be sent asking for the overdue amount(s) to be paid. We will also advise residents what will happen if the overdue amounts are not paid.

We will signpost to help available for those who have difficulty in paying by providing contact details or web links for more information. Households will be able to contact services directly or independent debt advice agencies.

3.3 Text

If we hold a mobile contact number we can send a text message as a reminder that payment is due. This may be sent before or after a reminder notice. Some services include links to the Council's payment pages to make the process simpler^[KB1] and contact details where residents may get help.^[WW2]

Residents can opt out of receiving texts if they do not want to be contacted in this way by contacting the relevant service(s).

3.4 Telephone

We can make calls during and out of office hours to engage with residents who have not responded to previous communications to encourage payment. If a resident is experiencing financial difficulty and is unable to clear their arrears immediately, we will try to offer a solution that suits both the individual and the Council. This could, for example, include agreeing an alternative payment arrangement or making deductions from benefits (if applicable).

If additional help/support is needed to help residents cope better with their situation and give them the confidence to decide what help they require, we will

signpost them to an independent debt advice agency and explain what will happen whilst they get advice.

3.5 Financial support evening

The Council Tax Team already invite residents who have been sent a summons for non-payment to attend evening surgeries at the Hackney Service Centre and help them come to payment arrangements so that further recovery action can be avoided. These surgeries are held a week before each court hearing.

We therefore aim to hold evening surgeries and invite residents, who may be at risk of more serious recovery action such as eviction, to come along and discuss their situation. Partner services like Citizens Advice Bureau East End and Fair Money Advice, will be on hand to offer advice to residents who are experiencing financial difficulties for a variety of debt.

3.6 Multiple debt arrangements

Residents with multiple debts and who are not making payments will be contacted and invited in for an interview. Debts could relate to any of the following services-

- Council tax
- Housing rent
- Housing service charges
- Temporary accommodation rent arrears
- Housing benefit overpayments
- Adult social care charges
- Sundry debts

Following advice and support we will offer an arrangement that will allow the resident to make a single payment which can be distributed to the different services where debt is owed. This is to enable them to manage their debts more effectively and removes the stress of deciding which debt should take priority.

Payment will be distributed in such a way that all debts will receive a proportion of the payment with priority debts (see Appendix C) such as rent and council tax receiving higher proportions.

We appreciate that a resident's circumstances may change in the future, therefore, we will review payment arrangements annually to find out about any recent changes. However, residents can ask for a review sooner if the change in

their circumstance is significant and will impact on their ability to keep up with payments. Where there has been a change that will affect the monthly payments we will work out a revised payment plan. This may include referring the resident back for independent debt advice.

3.7 Exclusions.

It is important to note that the different stages of debt will not apply to some services, like Parking for penalty charge notices (PCN). This is because Parking operates within strict statutory timescales for payment and there is a legal process for challenging or appealing the PCN if the person issued with the PCN thinks they shouldn't have to pay.

For more information on PCNs visit <https://www.hackney.gov.uk/parking-fines>

4. Advice and support

4.1 How we can help

The Council recognises that people in financial difficulty need to be treated fairly. We aim to help relieve the stress and anxiety that residents in problem debt may experience by working to the principles of good debt management and having effective strategies in place to support them, promote engagement and have regard for what they can afford to pay.

Residents who are in problem debt, be it a temporary or long term problem, or who show signs of being at risk of financial difficulty will be directed to get advice. This will enable them to take better control of their finances and come to payment agreements that they are able to sustain.

The Council works in partnership with organisations who offer specialist debt advice. Some of these include-

- CAB East End
- Fair Money Advice
- StepChange
- Money Advice Trust
- PayPlan

These organisations will look at options that could help residents to improve their financial health, including ways to increase their income, reduce outgoings, adjust their spending and protect them from losing their homes.

Residents will be signposted to independent debt advice agencies at various stages in the collection process and by different methods. Details of where to

get advice are included in our letters, notices and on our website. Staff will also advise residents where to get help if during a telephone conversation or face to face meeting it becomes apparent that a resident is in or at risk of being in financial difficulty.

Some services may ask the debt advice agency to contact the resident where they have agreements in place to work in this way.

4.2 Breathing space

We recognise that residents in debt may not always be able to resolve their problems easily or quickly. Therefore, we will allow residents time to get independent help without fear of their debts increasing further which can happen when recovery action is taken.

When we know that residents are working with a debt advice agency to reach a sustainable solution to their debts, they will be protected from further recovery action and most types of recovery action will be suspended for up to 60 days. However, residents in mental health crisis will be given more time if an Approved Mental Health Professional, such as a social worker, provides evidence that the resident is receiving mental health crisis care. The protections will not be limited to 60 days but will continue for however long the resident's crisis care lasts. The government plans to introduce a breathing space scheme in early 2021 that offers protections to individuals and this policy will be updated once details are confirmed.

4.3 Hackney support teams

Residents will let us know about their financial difficulties in different ways. It could be during a telephone conversation, face-to-face, an email or letter. We will refer residents to sources of regulated debt advice. However, we recognise that some residents may find it difficult to access these services or are unwilling to seek independent debt advice. There are several support teams within the Council that can help residents that have missed payments to take positive action to clear their debts. We want to promote a consistent approach across the Council.

Our support teams will alert other services about a resident's circumstances where they owe multiple debts to the Council. Residents will be given consistent advice irrespective of the team they access first.

The Financial Inclusion Team (Housing) works with tenants to ensure that they have claimed all the benefits that they are entitled to and will refer tenants to independent debt advice agencies if specialist advice is needed.

The Tenancy Sustainability Team (Housing) intervenes when Council tenants get into rent arrears. They will attempt to get tenants to engage at the earliest opportunity and encourage prompt and regular payments to avoid an accrual of rent arrears and possible eviction.

The Housing Advice Teams (Housing needs - Customer Service) gives housing advice and takes action to prevent tenants from becoming homeless.

The One Support Team (Temporary Accommodation) have been commissioned to help residents in temporary accommodation. They provide support to tenants including help in completing forms and making telephone calls.

The Stop the Knock Team (Council Tax) contact residents who are on low incomes and in receipt of council tax reduction. They will look to engage and agree a payment plan before legal action is taken and costs are added to the taxpayer's debt. If a taxpayer is struggling financially they will be referred to one of the independent debt advice agencies.

The Care Charging Team (Adult Social Care Team) will provide advice and support to older people and vulnerable service users to ensure they have sufficient understanding of care charging and the various ways for them to make payments.

5. The standard financial statement

The Council is moving towards using a national income and expenditure form (the Standard Financial Statement) to help residents in problem debt work out how much they can pay each month.

The standard financial statement (SFS) was launched in 2017 by the Money Advice Service as a way of bringing greater consistency to assessing household affordability across debt advice agencies and creditors. It is a universal financial statement which includes common fixed and flexible expenditure categories, one set of spending guidelines and a saving category to build financial tolerance.

The Council is committed to using the SFS to ensure that residents who are experiencing financial difficulties are able to negotiate affordable payment

arrangements to clear arrears that take into account their financial circumstances. In using the SFS the Council no longer has to make decisions on what is reasonable household expenditure.

We will accept separate payment arrangements on arrears that have accrued and residents are expected to keep up to date with their ongoing liabilities such as mortgage/rent/council tax/utility bills to ensure that they do not fall further into arrears.

There are financial implications to accepting payments on affordability rather than what is due and the Council may well see a dip in collection performance in the short term. However, this approach should reduce the amounts owed to the Council in the long term, reduce the number of payment arrangements that fail and avoid residents getting further into debt. It will also reduce the number of cases sent to Enforcement Agents for collection.

In situations where the SFS shows the resident to be in financial hardship the Council may consider additional financial assistance that is available (section 8) to reduce debt in the short term.

6. Debt recovery

6.1 Legal requirements

Once a bill has been issued it is the resident's responsibility to make sure that they pay the amounts that are due.

The Council has statutory obligations to collect monies it is owed but at every point we will try to do this without it leading to residents incurring additional costs. We will advise residents what will happen if debts are not paid and provide information where they can get help and advice.

In certain situations the Council may have to initiate legal proceedings through the courts to recover arrears. This may be through a Magistrates' Court or County Court and will depend on the legislation and regulations each service is required to follow.

6.2 Council tax

Taxpayers are given statutory monthly instalments to pay their council tax each financial year and if these are not kept to the right to pay by instalments may be lost. When this happens the full outstanding balance due to the end of the financial year becomes payable. Residents who contact the Council Tax team and who are unable to pay in full will be offered a discretionary payment

arrangement that ensures the council tax is cleared by the end of the financial year. However, we accept that some residents will not be in a position to do this.

If taxpayers do not enter into a payment arrangement or pay the full outstanding balance as requested we will, in accordance with legislation, apply to the Magistrates' Court for a summons to be issued to the taxpayer. The cost of the summons is £67.00 which is added to the resident's bill. At the court hearing the Council will apply for a liability order and an additional £8.50 will be charged to residents if the Magistrate is satisfied that the summons was correctly issued and the debt has not been paid.

Taxpayers can still be offered a payment arrangement after the issue of a summons but the liability order allows the Council to use other collection methods. These include-

- Deductions from Income Support/Jobseeker's Allowance/Universal Credit
- Attachment of earnings/Pension Credit
- Using enforcement agents
- Charging order
- Insolvency

The resident's circumstances will determine the most appropriate course of action.

6.3 Business rates

Business rates payers are given statutory monthly instalments to pay their business rates each financial year and if these are not kept to their right to pay by instalments may be lost. When this happens the full outstanding balance due to the end of the financial year becomes payable.

The Business rates team will endeavour to help rate payers who are unable to pay the full amount in one go. These are more likely to be sole traders who operate small businesses.

If the full balance is not paid, legal proceedings will commence. A summons will be issued and we will apply for a liability order against the rate payer. The cost of the summons is £92.00 and if the Magistrate grants the liability order, a further £8.50 will be charged to the rate payer.

The liability order allows the Council to-

- Use enforcement agents
- Start insolvency proceedings

- Make an application for the rate payer's committal to prison (max. 3 months)

Action will stop if the rate payer pays what is owed including any enforcement fees that have been incurred.

6.4 Housing

Rent is charged every Monday and tenants must pay in advance. Once the weekly cycle has closed and the tenant has not paid they are deemed to be in arrears. Housing will work with tenants to resolve housing benefit problems. They will also work with tenants who have made a Universal Credit claim to ensure help, advice and support is provided. Housing will not commence possession proceedings if the arrears are due to an outstanding benefits or Universal Credit claim but may still proceed with legal action if arrears that have accrued on the account are unrelated to a housing benefit or Universal Credit claim.

Firstly a letter is issued to secure tenants advising that they are in arrears and the Income Team will make three attempts to contact tenants by telephone, home visit or sending an alternative letter. If contact is made, an investigation will be carried out and the tenant will be referred to the Financial Inclusion Team (see 4.3). If there is no successful contact or a resolution is not reached, another letter is sent.

An assessment will be made whether to issue a notice of seeking possession, taking into consideration the tenant's circumstances and the level of rent arrears. If a notice of seeking possession is issued the tenant will be given a deadline to clear the arrears and Housing will make at least three further attempts to contact them.

If the notice of seeking possession expires and the arrears are not cleared, Housing will advise the tenant of the Council's intention to commence legal proceedings. Housing will always consider if the tenant has support needs or extenuating circumstances before deciding to take action and will take reasonable steps to ensure that information has been appropriately communicated in ways that a tenant can understand.

At the court hearing the Judge may decide on one of the following outcomes-

- To grant an Outright Possession Order with costs.
- To grant a Suspended Possession Order with costs.
- To adjourn the hearing on the terms that the tenant pay the rent and a certain amount towards the arrears.
- To withdraw the hearing if the arrears are cleared.

6.5 Housing benefit overpayments

A housing benefit overpayment is any amount of housing benefit that has been paid to a claimant that they were not entitled to and should have been aware it was being paid. We have a duty to recover any amount outstanding as quickly as possible by the most appropriate method.

Where a claimant is still entitled to housing benefit, the overpayment can be recovered from their on-going benefit entitlement. The Government sets the weekly rate that the Council can recover; however, this amount can be increased with the consent of the claimant. In cases where the claimant cannot afford the standard deduction we will assess their household affordability in order to consider reducing the weekly reduction amount.

If there is no on-going benefit entitlement we will recover the overpayment by sending the claimant an invoice after a four week period has lapsed. This period allows for a revision, appeal or a new claim. If the claimant cannot afford to pay the invoice in full we will consider making a payment arrangement taking into account their personal circumstances.

We can take further recovery action if payments are not made in accordance with an arrangement or no payment has been made. This can include-

- Deductions from certain prescribed benefits (e.g. Income Support, Jobseeker's Allowance or State Retirement Pension)
- Court Order
- Referral to Enforcement Agent or debt collection agent

All housing benefit overpayments are recoverable unless they are caused by an 'official error' and the claimant could not have reasonably have known that they were being overpaid when they were being paid or told about their benefit.

6.6 Adult Social Care

Residents who receive care packages include older people who are often in receipt of benefits. They may have to pay a contribution towards the cost of their care which is assessed on their financial circumstances.

The Care Act 2014 does allow the Council to recover and charge interest on debts but given that residents receiving care are from a vulnerable group we will always try to engage with residents to encourage payment.

We understand that these residents are likely to be more focused on their health and may not see paying their bills as a priority. Therefore, we will try to obtain contact details of someone who has the authority to act on the resident's behalf and contact them if we do not get a response to our invoices or letters.

The Council will consider deferred payment agreements for residents who meet the requirements of the scheme.

6.7 Parking

Parking residents enter into a legal process once the contravention has occurred. We will send a statutory notice seeking payment of a penalty charge notice (PCN) to the address where the vehicle is registered. A 50% discount rate is applied if the resident pays within 14 days for a CCTV moving traffic, bus lane or civil enforcement officer (CEO) PCN, or 21 days for a CCTV parking PCN.

Residents can review evidence of their PCN before they dispute or pay it. If they do not challenge or pay within the first 28 days then we will send a 'notice to owner' if the PCN was issued by a CEO or an enforcement notice if it is for a CCTV bus lane PCN. The PCN will then increase by 50%.

If the PCN remains unpaid we will register it as a debt and a court fee is added to the PCN. If payment is still not made after a fixed period we can use enforcement agents to recover the debt.

6.8 Sundry debts

Sundry debts relate to services provided (for example waste management) and will vary from service to service.

We will issue an invoice once the service has been provided seeking payment within the terms offered to the resident. We will also send monthly statements until the debt is paid, as well as make telephone calls and send emails.

If after all reasonable attempts of collection and there are no outstanding queries then the case will be referred for legal action.

7. Use of enforcement agents

The Council will always consider alternative available methods of recovering arrears before using enforcement agents due to the high level of costs that residents can incur. Therefore, where legislation permits it, we will make deductions from Income Support, Jobseeker's Allowance, Universal Credit, Pension Credit or earnings.

Where the law allows us to use enforcement agents for collecting debts we will only pass cases to enforcement agents once we have notified the resident that

enforcement action is pending and if following a variety of communication methods to advise of arrears they do not

- Engage
- Pay in full or
- Make a payment arrangement.

We work in partnership with enforcement agencies and debt advice agencies to ensure that the rights and responsibilities of all parties, particularly those of the resident are clearly set out.

We will not send cases to enforcement agencies if we are aware that the resident is vulnerable. Enforcement agents are trained to identify and support vulnerable people. Some enforcement agencies have their own welfare support teams to offer debt advice to residents; they would also immediately withdraw action if the debtor was identified as vulnerable. These cases are referred back to the Council to give us another opportunity to provide help.

We will monitor the performance of enforcement agencies who are collecting on behalf of the Council to ensure that they are working within the Ministry of Justice National Standards and in accordance with our contract specifications.

8. Hardship funds

8.1 Additional financial support

The Council understands that there will be situations where some residents go through a period of extreme financial hardship and fall into arrears with their payments. Whilst everything will be done to offer support to ensure residents receive financial advice and claim benefits that they are entitled to, the Council can provide additional financial support as a short term measure for residents who meet certain criteria and/or can prove their hardship.

The type of additional financial support will depend upon the type of debt that is owed.

8.2 Discretionary housing payments

If a tenant's rent is not met in full by housing benefit or universal credit and they are temporarily finding it difficult to pay their rent they can apply for extra help to cover shortfalls.

The Council has a limited amount of money each year to help residents so we will need to ensure that discretionary housing payments are awarded to people who need them the most.

Tenants need to apply online and provide reasons why they should receive a payment. We will look at each case on its own merits and consider things like

- The size of the shortfall
- Health or disability
- How long the help will last
- What the tenant is doing to improve their situation

Discretionary housing payments can also cover deposits, removal costs and rent in advance where tenants have to move address and have no other means of meeting these costs.

8.3 Council tax reduction discretionary hardship scheme

The Council's council tax reduction scheme is a means tested award that supports working aged adults on low incomes to pay their council tax, covering up to 85% of the cost.

Taxpayers that are receiving council tax reduction but are still struggling to pay may qualify for help (up to 15% of their council tax liability) through the council tax reduction discretionary hardship scheme.

This fund provides short term help to people in financial hardship who cannot afford to pay the shortfalls on their council tax.

Each application is considered on its own merits, but some things we consider are:

- The taxpayer's financial and medical circumstances and those of their partner and other people living with them
- The taxpayer's income and outgoings and those of their partner and other people living with them
- Any savings that they might have
- Whether the taxpayer is claiming all the benefits that they are entitled to.

8.4 Council tax reduction under Section 13A of the LGFA 1992

The Council has the power to reduce the amount of council tax payable under Section 13A of the Local Government Finance Act 1992.

We will consider reducing the council tax liability for taxpayers in exceptional circumstances only and reductions will be intended only as short term assistance.

Each application is considered on its own merits, but will be subject to the following criteria

- There must be evidence of exceptional financial hardship or exceptional personal circumstances that justify a reduction in council tax liability.
- All other legitimate means of resolving the situation have been investigated and exhausted by the applicant.
- All other eligible discounts/reliefs have been awarded.
- The taxpayer has applied for council tax reduction.
- The taxpayer does not have access to other assets that could be used to pay council tax.
- The situation and reason for the application must be outside of the taxpayer's control.
- The amount outstanding must not be the result of wilful refusal to pay or culpable neglect.
- The Council's finances allow for a reduction to be made.

Relief, which is payable up to a maximum of 100% of the council tax liability, will only be granted to the end of the tax period in which the relief is requested or such shorter period as the Council thinks fit.

9. Irrecoverable debts

The Council recognises that not all debts are collectable and therefore, in certain circumstances it will be appropriate to categorise debts as irrecoverable.

Services will make provision for bad debts that they are unable to collect and where these debts are identified as irrecoverable they will be written off. Each service will have its own policy with details of the action to be taken prior to writing off a debt.

Where a debtor leaves an address without paying their debts all attempts will be made to trace them. Only after all avenues have been exhausted will the debt be recommended for write off. However, even after a debt has been written off and the Council later obtains new information that leads to a current address for a debtor whose whereabouts was previously unknown, the debt will be reinstated and action taken to recover the debt.

Where accounts are closed and small amounts owed, the Council has to consider whether it is economical to pursue the debt. The Council will not recover the debt through the courts where the debt is less than the cost of the action taken by the

Council. However, we will still issue bills/invoices and call the debtor in an attempt to secure payment.

When a person dies we will contact the Executors to arrange for any outstanding debts to be paid from the deceased's estate and this will be done in a sensitive and sympathetic manner. However, occasionally the deceased has no estate and in effect no means to pay what they owe.

Where we are satisfied after making enquiries and have written confirmation that there are no funds available to clear outstanding debts, we will write off the amount outstanding.

Where a person has been made bankrupt, debts included in the bankruptcy order up to the date of bankruptcy are irrecoverable through the normal legal processes and the Council will have to submit a claim to the Official Receiver. The amount we receive will depend on the amount of money to be distributed and if full payment of the claim is not possible then we will be paid a dividend in proportion to the value of each claim.

Where a housing benefit overpayment was caused by an 'official error' and the claimant could not reasonably have known that they were being overpaid, the overpayment will be written off. An 'official error' is a mistake that the Council or another government agency such as the DWP or Jobcentre Plus make.

Directors of services will approve debts recommended for write off before they are written off against the budgeted bad debt provision.

10. Costs and fees

Whenever possible the Council will try to secure payments for debts owed without the resident incurring costs or fees. However, in the event that we have to take legal action to recover debts, the cost of this action will be charged to the resident.

The amount of costs or fees incurred will depend on the debt type, legislation and the courts.

The Council will also seek costs if it requires the services of a legal team to act on its behalf.

Each service will provide information on the costs and fees a resident is likely to incur if they are in arrears and do not make payments.

11. Sharing information

Under the Data Protection Act, the Council has a legal duty to protect any information that they collect from residents. We collect and handle lots of personal data so that we can deliver services to people and businesses.

We have a privacy notice that applies to any personal data collected by us or on our behalf, by any format – phone, letter, email, online, or face-to-face.

We collect and handle data to:

- Provide the service residents ask for – e.g. if a resident applies for a parking permit we will use their data to process this application.
- Confirm a resident's identity and eligibility when they apply for services.
- Stay in contact with residents e.g. if they sign up to one of our newsletters to get information about services.
- Fulfil legal obligations such as licensing, trading standards and planning enforcement.
- Provide information to government, when the law says we need to.
- Assess our performance, ensure value for money, and to set targets for departments.
- To detect and prevent fraud and crime.

We share data internally across services. In some cases, two or more services are jointly responsible for delivering a service, so they all need to access data. In these cases we will make sure that the sharing is reasonable, in line with data protection law, and respects the resident's rights.

We hold a central basic contact record for residents in our Citizen's Index, so that we can provide a better service for residents, use public funds as efficiently as possible, and have the most up to date contact details for residents across services to support their right to accurate data.

We want to avoid taking the same data from residents many times, as storing it once is more secure and accurate.

Citizen's Index is also used to share a resident's data across services to prove their identity.

Full details of the privacy notices for each Council service can be found at <https://hackney.gov.uk/privacy>

**London Borough of Hackney
Vulnerable Person's Policy 2020**

Table of contents

- 1. Introduction**
- 2. Definition of a vulnerable adult**
- 3. Identification and recording**
- 4. Communication**
- 5. Home visits**
- 6. Collection of debt**
- 7. Use of enforcement agents**
- 8. Referral to Adult Social Care**

1. Introduction

Hackney Council is committed to providing quality and accessible services for its residents and service users (its customers). It is responsible for collecting income from council tax, business rates, housing and temporary accommodation rents, housing benefit overpayments, care charges, parking charges and sundry debts to maintain services.

Whilst it is vital to collect this income, many of Hackney residents live with debt problems and find it a struggle to meet their bills. There are different situations that fuel debt problems, such as a change in benefit, income or moving home. To deal with debt residents must be comfortable in approaching the Council for assistance as a valuable avenue to resolve their financial issues.

The make-up of Hackney residents is diverse but this policy seeks to focus on those individuals deemed as being vulnerable. Recognizing that those residents who are vulnerable people need to be assisted in a positive and supportive manner and ensure measures are in place that do not exacerbate the situation. Therefore, this policy provides guidance about residents who could be considered to be vulnerable, whether on a temporary or permanent basis, and the practices Hackney aims to adopt to ensure that their vulnerabilities are protected when offering services and collecting debt. However, the guidance and practices are not to be taken as either definitive or exclusive. Officers should take reasonable steps to ensure that vulnerable residents are fully assisted.

2. Definition of a vulnerable adult

There isn't a single, comprehensive legal definition of a vulnerable adult but according to the former Lord Chancellor's department it is defined as a person aged 18 or over:

“who is or may be in need of community services by reason of disability, age or illness; and is or may be unable to take care of him or herself, or unable to protect him or herself against significant harm or exploitation”.

The Care Act 2014 has superseded this definition by using the term 'adults at risk', which applies when a person;

- a) Has needs for care and support
- b) Is experiencing, or is at risk of, abuse or neglect and
- c) As a result of those needs is unable to protect himself or herself against the abuse or neglect or the risk of it.

Abuse includes financial abuse which is further clarified as

- a) Having money or property stolen
- b) Being defrauded
- c) Being put under pressure in relation to money or other property and
- d) Having money or other property misused.

These are relatively narrow definitions where the Lord Chancellor's department looks at characteristics of

an individual and the Care Act 2014 has an emphasis on circumstances. Whilst the Council will consider both, it will also use discretion in determining if an adult is vulnerable.

3. Types of vulnerability and how we record them

When deciding if a person is vulnerable we will consider a person's physical and mental health as well as their personal circumstances. A person's vulnerability could be temporary or permanent. The following list describes some of the vulnerable adults living in Hackney.

- Older people
- People with
 - mental health issues
 - disabilities
 - learning difficulties
 - language difficulties
 - hearing loss or who are deaf
 - sight loss or who are blind
 - serious/terminal illnesses
- People who misuse substances i.e. addicted to drugs or alcohol
- Victims of domestic violence, abuse or hate crime
- The recently bereaved
- Single parent families
- Pregnant women
- Unemployed people
- Those who have obvious difficulty in understanding, speaking or reading English

Not all vulnerable adults will fall into one of these categories so it is important that each case is assessed on its merits. Consideration should be

given to whether a person has a carer/support worker, is known to Adult Social Care or Children and Young People Services, is under the care of their GP/hospital or have expressed that he/she is feeling suicidal.

In line with the Council's commitment to ensuring no one is left adversely affected by the Windrush scandal, we will seek to identify where the impact of the Windrush scandal has led to an individual finding themselves in debt to the Council and ensure they are referred to the appropriate support services at the earliest opportunity.

We should gather information about a person's personal circumstances that may be relevant to their case. For example, a person with learning difficulties may need help to understand letters we send and this may result in a delay in them responding to our requests for information or a person admitted to hospital switches their priorities from paying bills to getting better. Having relevant information will allow us to respond appropriately.

Once a person is identified as vulnerable and supporting documents obtained where appropriate, records must be updated and alerts added, so that anyone who has the right to access that record is aware of the vulnerability and can take it into consideration when dealing with the resident. Alerts will be reviewed annually to ensure that we have up to date information relating to the residents vulnerability.

Under the Data Protection Act and the General Data Protection Regulations services can only hold and share information relevant to managing an account or case. Therefore, it is important that the information recorded is relevant and limited to what is necessary in relation to providing a service or taking action to recover debts.

Where the vulnerable adult is known to another service area, for example, a council tax payer who is also a Council tenant, the other service should be contacted and made aware of the vulnerability in order to ensure that it is taken into consideration when communicating and deciding on the most appropriate course of action.

It is also essential to liaise with social care services to ensure or check whether the resident is in receipt of care and support services. A referral may be appropriate. (Section 8).

4. Communication

Some residents may find it difficult to communicate in English, read and write letters or communicate verbally.

We should offer telephone or face to face interpreters in other community languages or ensure residents are supported by a family member or friend who can interpret on their behalf. All translation and interpreting services are provided by The Language Shop.

Documents can be translated into Braille, large print or audio on request for residents with sight loss or who are blind.

Arrangements can be made for a British Sign Language (BSL) interpreter or signer for people who are deaf.

Letters and notices should be written in plain English. Where a resident is known to have a learning disability or low literacy, it is good practice to support any written communication with a face-to-face interview. In the case of someone with learning disabilities preferably with a support worker or carer present during the interview.

Where a resident is unable to manage their affairs, for example, due to mental health issues or misuse of substances, we should communicate with a family member/friend/support worker/caseworker/adviser who has the authority to act on their behalf. If the resident has no one to act on their behalf we should make a referral to Adult Social Care Services.

5. Home visits

Where resources permit we should offer a home visit to residents who are unable to visit our offices due to physical disabilities or serious illnesses. It may be appropriate to offer a home visit in other circumstances, for example, a pregnant woman who has young children.

We should arrange convenient times for home visits, taking into account if anyone else may need to be present, for example, a carer. We should check our records for notes and/or warning flags before visiting the property.

6. Collection of debt

The introduction of Universal Credit in Hackney means residents on welfare benefits will now have full responsibility for managing their finances, including paying their rent. This could potentially push residents into debt and seriously impact residents who are vulnerable.

However, we will do all that we can to prevent debt from occurring by identifying vulnerable people at the earliest opportunity, ensuring communications are clear and making referrals to debt advice agencies for anyone who needs additional support.

Being vulnerable does not mean that the Council will not take action to recover debt. However, we will use appropriate methods that take their vulnerability into consideration.

In the event that a vulnerable resident falls into arrears it is important to provide support and engage with them in a way that will encourage payment. Service areas responsible for collecting income are bound by different legislation, which means the legal processes for collecting debt will vary. Whilst the Council has to follow the legal processes for collecting unpaid income, its focus is not only on compliance but also on the outcomes. Every effort should be made to engage

with vulnerable residents or their representatives at the earliest opportunity to help them and avoid legal proceedings.

This may not be possible in services such as Parking, as they do not hold contact numbers for residents who enter into a legal process once the contravention has occurred.

Some vulnerable people may not receive all the benefits they are entitled to, which can have a major impact on their health and quality of life. There are many sources of help to assist them including getting advice from debt advice agencies. Hackney actively promotes such services and has its own welfare and financial inclusion teams which helps residents to apply for benefits to boost incomes and/or reduce debts.

If a resident is a Council tenant and his/her vulnerability is affecting their ability to manage their tenancy we should make a referral for Tenancy Support.

Where possible if residents have provided a contact telephone number we should send text messages and emails to remind them about late payments or call outside of office hours.

If the resident has the mental capacity to make an informed decision and manage their affairs, encourage them to set up direct debit instructions to pay their bills. If they lack the mental

capacity we should contact their representative to discuss setting up direct debits.

If the resident is experiencing financial difficulties and is getting advice from an independent debt advice agency we should allow them a 'breathing space' and suspend recovery action for a fixed period. The length of the breathing space will allow sufficient time for the resident to seek and receive advice but not exceed 60 days. However, if we have confirmation from an Approved Mental Health Professional that a resident is receiving mental health crisis care then the breathing space will be for the period the resident receives the care.

7. Use of enforcement agents

The Council wants to minimise the use of enforcement agents but accepts that there may be occasions when it is appropriate to use them. Once a resident in arrears is identified as vulnerable we should use other methods for collecting the debt. This will vary from service to service but could be as straightforward as getting the resident to agree to an affordable payment arrangement. The Council may have to protect some payment arrangements with a court order or collect as deductions from benefits or earnings; the process of doing this should be explained to the resident or their representative.

If a resident is identified as vulnerable after their case has been passed to an enforcement agency we will ask for the case to be returned to the Council.

8. Referrals to Adult Social Care Services and Family Services

If there is concern about the welfare of a resident, they are in hardship or there is a risk of harm, a referral should be made to Adult Social Care. For advice about making a referral call the Access Team on 020 8356 6262.

If the resident is a young person formerly receiving care in Hackney, referrals should be made to the First Access & Screening Team (FAST) on 020 8356 5500.

If the resident is pregnant or has young children and presents with substance or a mental impairment a referral should be made to Childrens/Adults safeguarding.

Methods of payments

The Council offers a range of accessible payment methods to encourage prompt payment.

Direct debit

This is the Council's preferred method of payment. Direct debit is the safe, easy and convenient way to your bills.

residents are protected by a guarantee from their bank and allows them to budget without the worry about paying late. Once set up payments will automatically be collected on the agreed dates. The payment dates may vary depending on the service.

Some services like Council Tax and Housing offer more than one payment date in the month.

Debit/credit card

Phone 020 8356 5050 anytime. You can also make payments by logging onto www.hackney.gov.uk/f-online-payments

Hackney self-service payment centre

Pay by debit/credit card or cash at 2 Hillman Street, London E8 1FB using one of our self-service machines. Opening times: Monday to Friday 9am to 5pm.

By post

Send cheques to London Borough of Hackney, 2 Hillman Street, London E8 1FB. Cheques are payable to LB

Hackney. Please quote the appropriate service reference or invoice number on the back of the cheque.

PayPoint and Post Office

Use your bank giro slip or rent card at any PayPoint outlet or Post Office.

Bank giro credit

Fill in the details on the slip and take it to any bank. You may have to pay for this service. However, this is an expensive and time consuming method and can lead to delays of up to six days before payment shows on your account.

PayM

PayM is a simple, secure way to send and receive payments using your mobile banking app and Hackney's dedicated PayM mobile phone number.

To pay by PayM, just follow these three easy steps:

- Enable PayM on your mobile banking app. Visit [PayM](#) for more detailed instructions for your own bank and to check that they offer PayM
- Save the London Borough of Hackney's mobile payment number, **07535 844 354**, to your mobile phone contacts
- Using your mobile banking app set up a PayM payment

Priority debts and non-priority debts

The type of priority debt that a resident owes affects what action a creditor can take to get them to pay. Creditors of priority debts have extra powers and therefore, it is important to try and get a payment arrangement agreed with these creditors before dealing with non-priority debts.

These are debts that are listed in the National Debtline guidance 'How to deal with debt'.

Common priority debts	Common non-priority debts
Rent*	Credit cards
Mortgage	Store cards
Secured loan or second mortgage	Overdrafts
Council tax*	Unsecured loans
Energy (gas/electricity/coal/oil)	Catalogue debts
TV licence	Doorstep – collected loans
Magistrates court fines	Payday loans
Child maintenance	Personal debts to family and friends
Tax debts (income tax/national insurance/VAT)	Water and sewerage debts
Tax credit overpayments	Private parking tickets
Benefit overpayments*	Mortgage shortfalls
Penalty charge notice for parking*	Business supplier debts
Hire purchase	
Bill of sale (logbook loan)	

*Types of debts that are owed to Hackney Council

Contact details

Service/Team	Types of enquiries	
Adult Social Care	Care charges	020 8356 4738
Benefits	Benefit applications Discretionary hardship scheme Benefit overpayments	020 8356 3399 CTRDHS@hackney.gov.uk benefits@hackney.gov.uk
Business Rates	Billing Summons Enforcement agent	020 8356 3466 business.rates@hackney.gov.uk
Council Tax	Billing and collection Section 13A reduction	020 8356 3154 council.tax@hackney.gov.uk
Council Tax Enforcement	Summons Deductions from benefits and income Enforcement agent	020 8356 3990 council.tax.recovery@hackney.gov.uk
Leasehold and right to buy	Service charges	020 8356 2299
Housing	Rent	020 8356 3100
Debt Management	Sundry debts	sdmt@hackney.gov.uk

Cabinet

16 MARCH 2020

Corporate Debt Policy

Key Decision No. FCR Q20

Appendix 2

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Corporate debt collection policy 2020-23

Introduction

Hackney is responsible for collecting income across all Council services which include Housing rent, Council Tax, Business Rates, Housing Benefit Overpayments, Adult Social Care, Parking and Sundry Debts. We use this income to provide and maintain services.

We want to deliver services that are effective, efficient and sustainable. Therefore, it is important that we maximise income collection. We also want to support households who are feeling the effects of the welfare reform changes and are finding their bills a heavy burden. Consequently this policy sets out our approach to debt collection and the support we offer residents to help them succeed financially.

Our principles

- Make paying easy
- Encourage early and ongoing engagement
- Provide advice and support
- Fair and robust collection practices
- Reduce resident risk of being in debt
- Support residents at risk or vulnerable
- Best for our residents

Purpose of policy

We have set out the best practices adopted in debt collection and what we can do to help prevent debt increasing.

We explain how we can help residents at risk or vulnerable and those experiencing financial difficulties access support and learn to manage their affairs in the short and longer term.

It ensures that we are fair and consistent in how we treat our residents, this includes how we contact them and decide on repayment plans.

We want to encourage early and ongoing engagement and aim to remove barriers that may deter contact by being open and transparent at all times. However, we want residents to know what to expect if they do not pay or won't engage with us, where they can get help and what we can do to support them whilst they are sorting out their problems.

Different stages of debt

Our priority is to collect income in a timely and efficient manner and by following the laws that govern how we collect income in each service area. We will contact residents in a variety of ways to encourage payment. We will also ensure that there are clear recovery processes that are implemented fairly by services to reduce the risk of referrals to enforcement agents or evictions.

Initial bill

We will send a bill, invoice or letter setting out what is owed and when payment is required. We will issue it as soon as practicable and this will depend on rules followed by services, but it could be at the start of the financial year, quarterly or once we are aware that a resident is responsible for paying a service or charge.

The bill will be written in plain English and be clearly itemised, setting out the charge, what it relates to, the different methods of payment available, and the service's contact details.

Where appropriate we will include other information relating to getting money off the bill (e.g. benefits, discounts, exemptions and reliefs) and where to get support and advice.

Direct debit is our preferred payment option as it is convenient and hassle free; removing the need to call or go online to make payments.

Services such as Council Tax and Housing offer residents a choice of payment dates in the month.

Reminder

If residents do not pay the amount(s) requested we will send a reminder asking for payment. We will also advise residents what will happen if they do not pay the overdue amount(s).

We will include links to our webpages or contact details for information on help available for residents who have difficulty in paying.

Text

If we hold a mobile contact number we can send a text message as a reminder that payment is due. This may be sent before or after a reminder notice. Some services include links to the Council's payment pages to make the process more simple and contact details where residents may get help.

residents can opt out of receiving texts if they do not want to be contacted in this way by contacting the relevant service(s).

Telephone

We can make calls during and out of office hours to engage with residents who have not responded to previous communications. If a resident is experiencing financial difficulty and is unable to clear their arrears immediately, we will try to offer a solution that suits both the individual and the Council. This could, for example, include agreeing an alternative payment arrangement or making deductions from benefits (if applicable).

If additional help/support is needed to help residents cope better with their situation and give them the confidence to decide what help they require, we

will signpost them to independent debt advice agencies and explain what will happen whilst they get advice.

Financial support evening

We aim to hold evening surgeries and invite residents, who may be at risk to more serious recovery action such as eviction, to come along and discuss their situation. Partner services like Citizens Advice Bureau East End and Fair Money Advice, will be on hand to offer advice to residents who are experiencing financial difficulties for a variety of debt.

Council Tax invites residents who have been sent a summons for non-payment to attend evening surgeries at the Hackney Service Centre and help them to come to payment arrangements so that further recovery action can be avoided.

These surgeries are held a week before each court hearing.

Multiple debt arrangements

Following advice and support we will offer residents with multiple debts an arrangement that will allow them to make a single payment, which can then be distributed to the different services. The aim is to help them manage their debts more effectively and remove the stress of deciding which debt should take priority.

We will distribute payments fairly so that all debts receive a proportion of the payment with priority debts such as rent and council tax receiving higher proportions.

We will review payment arrangements every year but residents can ask for a review sooner if their circumstances change significantly and will impact on their ability to keep up with their payments.

Exclusions

It is important to note that some of the approaches we use will not apply to all services. For example, Parking who issue penalty charge notices (PCN) do not call, send text messages or emails as they only hold contact addresses for registered vehicles.

There is a process for challenging or appealing a PCN if the person issued with a PCN thinks they shouldn't have to pay. For more information on PCNs visit

<https://www.hackney.gov.uk/parking-fines>

Advice and support

How we can help

We recognise that people in financial difficulty need to be treated fairly. We aim to help relieve the stress and anxiety that residents in problem debt may experience by having effective strategies in place to support them, promote engagement and have regard for what they can afford to pay.

Residents who are identified as being in problem debt, be it a temporary or long term problem, or who show signs of being at risk of financial difficulty will be signposted to independent debt advice agencies at various stages in the collection process and by different methods. This will enable them to take better control of their finances and come to payment agreements that they are able to sustain.

Details of where to get advice are included in our letters, notices and on our website. Staff will also advise residents where to get help if during a telephone conversation or face to face meeting it becomes apparent that a resident is in or at risk of being in financial difficulty.

Parking - When a resident tells us that they are having financial difficulty or have health issues, we will consider our guidelines and if appropriate we put their case on hold and allow them more time to pay their PCNs. If they do not pay by the deadline we have agreed then we will continue to recover the debt.

Some services may ask the debt advice agency to contact the resident

where they have agreements in place to work in this way.

Partnership working with:

CAB East End
Fair Money Advice
StepChange
Money Advice Trust
PayPlan

Help to improve their financial health, including ways to increase income, reduce outgoings, adjust spending and work out what residents can afford to pay. Protect residents from losing their homes.

Breathing space

We recognise that residents in problem debt may not always be able to resolve their debt problems easily or quickly. Therefore, we will allow residents time to get independent help without fear of their debts increasing further which can happen when recovery action is taken.

When we know that a resident is working with a debt advice agency to reach a sustainable solution to their debts, recovery action will be suspended for a maximum of 60 days. However, if we have confirmation from an Approved Mental Health Professional that a resident is receiving mental health crisis care then we will suspend recovery action for the period that the resident receives the crisis care.

Hackney Support Teams

Residents can let us know about their financial difficulties in different ways. It could be during a telephone conversation, face-to-face, an email or letter. We will refer residents to independent debt advice organisations however, we recognise that some residents may find it difficult to access these services or are unwilling to seek independent debt advice. There are several support teams within the Council that can help residents that have missed payments to take positive action to clear their debts.

Financial Inclusion Team
Help with claiming benefits and will refer Council tenants to independent debt advice if needed.

Tenancy Sustainability Team
Intervenes when Council tenants get into arrears to stop rent accrual and possible evictions.

Housing Advice Teams
Offer housing advice and take action to prevent tenants becoming homeless.

The One Support Team
Help residents in temporary accommodation.

Stop the Knock Team
Help council tax payers on low incomes to agree payment plans before legal action is taken.

Care Charging Team
Provide advice and support to older and vulnerable residents to ensure sufficient understanding of care charging and the various ways to pay.

The Standard Financial Statement

The Council is moving towards using a national income and expenditure form (the Standard Financial Statement) to help residents with debt work out how much they can pay each month.

Standard Financial Statement (SFS)

Launched in 2017 by the Money Advice Service. Includes common fixed and flexible expenditure, a set of spending categories to build financial tolerance. Bringing greater consistency to assessing household affordability across debt advice agencies and creditors.

The Council is committed to using the SFS to ensure residents who are experiencing financial difficulties are able to negotiate affordable payment arrangements to clear arrears that take into account their financial circumstances. In using the SFS the Council no longer has to make decisions on what is reasonable household expenditure.

We will accept separate payment arrangements for arrears and residents are expected to keep up to date with their ongoing liabilities such as mortgage/rent/council tax/utility bills to ensure that they do not fall further into debt.

If the SFS shows a resident to be in financial hardship we do have additional financial assistance that is available to help reduce certain debt types in the short term, and residents can apply for these, if they meet the criteria.

Debt recovery

Legal requirements

The Council has statutory obligations to collect monies it is owed but at every point we will try to do this without it leading to residents incurring additional costs. We will advise residents what will happen if debts are not paid and provide information where they can get help and advice.

If debts are not paid the Council may have to start legal proceedings through the courts to recover them. This may be through a Magistrate Court or County Court and will depend on the legislation and regulations each service is required to follow.

If we take legal action we can use different methods to recover debt.

Council tax

Taxpayers are given statutory monthly instalments to pay their council tax each financial year but this will be lost if they fall behind and do not bring the account up to date when asked. We will then ask for full payment to the end of the financial year. Taxpayers who contact the Council Tax team and who are unable to pay in full will be offered a discretionary payment arrangement that ensures the council tax is cleared by the end of the financial year. There is advice and help available for taxpayers who are not in a position to do this.

If taxpayers do not pay the full amount or make a payment arrangement we will, in accordance with legislation, apply to the Magistrate Court for a summons to be issued to the taxpayer.

At the court hearing the Council will apply for a liability order if the debt still has not been paid.

Taxpayers can still be offered a payment arrangement after the issue of a summons but the liability order allows the Council to use other collection methods.

Action we can take

- Deductions from Income Support/Job Seekers Allowance/Universal Credit
- Attachment to earnings/Pensions Credit
- Use of enforcement agents
- Charging Order
- Insolvency

The taxpayer's circumstances will determine the most appropriate course of action.

Business rates

Business rates payers are given statutory monthly instalments to pay their business rates each financial year and if these are not kept to their right to pay in instalments may be lost. When this happens the full outstanding balance due to the end of the financial year becomes payable.

The Business rates team will endeavour to help rate payers who are unable to pay the full amount in one sum. These are more likely to be sole traders or those who operate small businesses.

If the full balance is not paid, legal proceedings will commence. A summons will be issued and we will

apply for a liability order against the rate payer.

Action we can take

- Use enforcement agents
- Insolvency
- Make an application for the rate payers committal to prison

Action will stop if the rate payer pays what is owed including any enforcement fees that have been incurred.

residents who are on low incomes or who receive benefits can apply for council tax reduction for help with paying their Council Tax.

Apply online at www.hackney.gov.uk/benefit-claim

Housing

Rent is charged every Monday and tenants must pay in advance. Once the weekly cycle has closed and the tenant has not paid they are deemed to be in arrears.

Housing will work with tenants to resolve housing benefit problems. They will also work with tenants who have made a Universal Credit claim to ensure help, advice and support is provided. Housing will not commence legal proceedings if the arrears are due to an outstanding benefits or Universal Credit claim.

We will send a letter advising the tenant that they are in arrears. We will make attempts to contact tenants by telephone, home visit or sending an

alternative letter. If contact is made an investigation will be carried out and the tenant will be referred to the Financial Inclusion Team if appropriate. If there is no successful contact or a resolution is not reached, another letter is sent.

If a notice of seeking possession is issued the tenant will be given a deadline to clear the arrears and Housing will make attempts to contact the tenant.

If the notice of seeking possession expires and the arrears are not cleared we will advise the tenant of the Council's intention to commence legal proceedings. We will always consider if the tenant has support needs or extenuating circumstances before deciding to take action and will take reasonable steps to ensure that information has been appropriately communicated in ways that a tenant can understand.

At the court hearing the judge may decide to grant an Outright Possession Order, a Suspended Possession Order or adjourn the case on terms.

Housing benefit overpayments

When a claimant has been paid an amount of housing benefit that they are not entitled to, we have a duty to recover any amount outstanding as quickly as possible by the most appropriate method.

Where a claimant is still entitled to housing benefit, we will collect the overpayment from their on-going benefit entitlement. The Government sets the weekly rate that the Council can recover; however, this amount can be increased if the claimant agrees. If the claimant cannot afford the

standard deduction we will assess their household affordability to see if we can reduce the weekly reduction amount.

If there is no on-going housing benefit entitlement we will send the claimant an invoice after a four week period has lapsed. This period allows for a revision, appeal or a new claim. If the claimant cannot afford to pay the invoice in full we will consider making a payment arrangement taking into account their personal circumstances.

If the claimant receives Universal Credit (UC) we can ask for a deduction from UC but this may not be possible if there are other deductions in force.

We can take further recovery action if payments are not made in accordance with an arrangement or no payment has been made. This can include-

- Deductions from some benefits (e.g. Income Support, Job Seekers Allowance or State Retirement Pension)
- Court Order
- Use enforcement agents

Residents will not have to repay a housing benefit overpayment if it was caused by an 'official error' and they could not have reasonably have known that they were being overpaid when they were being paid or told about their benefit.

Adult Social Care

Residents who receive care packages are mainly older people and often in

receipt of benefits. They may have to pay some money towards the cost of their care which is assessed on their financial circumstances.

The Care Act 2014 does allow the Council to recover and charge interest on debts but given that residents receiving care are vulnerable we will always try to engage with them to encourage payment.

We will try to obtain contact details of someone who has the authority to act on the resident's behalf and contact them if we do not get a response to our invoices or letters.

We will consider deferred payment agreements for residents who have adequate security.

Parking

Parking residents enter into a legal process once the contravention has occurred. We will send a statutory notice seeking payment of the penalty charge notice (PCN) to the address where the vehicle is registered. A 50% discount is given if the PCN is paid early.

Residents can review and dispute the PCN before making payment. If they do not challenge or pay within the first 28 days then we will send a 'notice to owner' if the PCN was issued by a civil enforcement officer or an enforcement notice if it is for a CCTV bus lane PCN. The PCN will then increase by 50%.

If the PCN remains unpaid we will register it as a debt and a court fee is added to the PCN.

We can then use enforcement agents to recover the debt.

Sundry debts

Sundry debts relate to services provided (for example waste management) and will vary from service to service.

We will issue an invoice once the service has been provided seeking payment within the terms offered to the resident. We will also send monthly statements until the debt is paid, as well as make telephone calls and send emails.

If after all reasonable attempts of collection and there are no outstanding queries then the debt will be passed to Hackney's Legal Team for collection.

Extra financial support

We will do our best to offer support to residents who are going through periods of extreme financial hardship. We can provide additional financial support for rent and council tax as a short term measure for residents who meet certain criteria and/or can prove their hardship.

Residents will have to contact us to discuss their situation and we may ask for evidence.

Residents who receive council tax reduction can find out if they qualify for extra help through the council tax reduction discretionary hardship scheme.

Email CTRDHS@hackney.gov.uk

Use of enforcement agents

We will always consider alternative available methods of recovering

arrears before using enforcement agents due to the high level of costs that residents can incur. Therefore, we will make deductions from income support, job seekers allowance, universal credit, pension's credit or earnings.

We will only pass cases to enforcement agents once we have informed the resident that enforcement action is pending and if following a variety of communication methods to advise of arrears they do not engage, make a payment arrangement or pay in full.

We work in partnership with enforcement agencies and debt advice agencies to ensure that the rights and responsibilities of all parties, particularly those of the resident are clearly set out.

We will not send cases to enforcement agencies if we are aware that the resident is at risk or vulnerable.

We will monitor the performance of enforcement agencies who are collecting on behalf of the Council to ensure that they are working within the Ministry of Justice National Standards and in accordance with our contract specifications.

Sharing Information

We share data internally across services. In some cases, two or more services are jointly responsible for delivering a service, so they all need to access data. In these cases we will make sure that the sharing is reasonable, in line with data protection law, and respects the residents' rights.

Full details of the privacy notices for each Council service can be found at <https://hackney.gov.uk/privacy>

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Cabinet

16 MARCH 2020

Corporate Debt Policy

Key Decision No. FCR Q20

Appendix 3

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Our debt collection principles 2020-23

A message from Councillor Rennison, Cabinet Member for Finance and Housing Needs

The financial environment that the Council operates in is extremely challenging. We are faced with rapidly diminishing income from the Government with Hackney seeing funding reduced by £140 million since 2010. At the same time costs and demands for services are rising. It is therefore vital that we continue to generate the income that enables us to keep delivering services to the high standard Hackney residents deserve.

We must also never lose sight of putting our residents first and helping them succeed financially. Therefore, while we will do all we can to ensure that we collect the income we need to maintain vital Council services, we will also work to ensure that support is there for all residents experiencing debt or financial hardship.

We have put in a lot of effort over the past 10 years to improve collection levels while staying true to our values. This includes reviewing key areas of the recovery process, such as the use of Enforcement Agents, and how we determine who might be in need of support and how they are treated.

However, with household debt in the UK growing the task of collection is more difficult. Research from the Money Advice Service and Californian Analysis Centre Inc. has indicated that 20.9% of adults in Hackney are living in problem debt i.e. those likely to find monthly bills a 'heavy burden' and/or those missing more than three bill payments within a six-month period.

We are committed to addressing the issue of household debt and the long term implications. Accordingly, the Council has implemented a fair debt management strategy and adopted a collaborative collection approach across all services that will allow us to support residents in financial difficulty, protect residents who are at risk or vulnerable while also ensuring we are collecting payment from those that are able to pay. Our principles for fair debt management are-

- Make paying easy
- Encourage early and ongoing engagement
- Provide advice and support
- Have collection practices that are fair and robust
- Help residents reduce the risk of being in debt
- Support residents who are at risk or vulnerable
- Doing our best for our residents

In short, we need to take an approach that separates out those residents who can't pay, for whom the priority is support and signposting to additional services, from those that won't pay. We have taken on board advice and best practice from the the Money Advice Service and we hope the approach set out below will enable us to continue to collect the resources needed to fund Council services, while ensuring the appropriate support is in place for those residents struggling financially.

1. Make paying easy

The Council wants to encourage prompt payment and offers a range of accessible payment methods to make the process easy for our residents. This will enable us to maximise collection.

Our standard

We will advertise the different ways of paying on our notices and website.

We encourage automated payments, such as direct debit, which is safe, easy and comes with a guarantee to protect payments.

We will make paying convenient by offering access to online or automated telephone payment methods around the clock.

We have invested in new methods of payments such as PayM which allows residents to use their mobile banking app to pay.

We are committed to helping our residents have access to basic banking facilities.

Ways to pay

Direct debit

Once set up payments will automatically be collected on agreed dates. The payment dates may vary depending on the service.

Debit/credit card

Residents can visit

www.hackney.gov.uk/f-online-payments or phone 020 8356 5050 anytime.

Hackney self-service payment centre

Residents can use debit/credit cards or pay in cash at 2 Hillman Street, London E8 1FB. Opening times: Monday to Friday 9am to 5pm.

Paypoint and Post Office

Use your bank giro slip or rent card at any PayPoint outlet or Post Office.

Bank giro credit

Fill in the details on the slip and take it to any bank. You may be charged for this service and there can be delays of up to six days before payment shows on your account.

By post

Send cheques to London Borough of Hackney, 2 Hillman Street, London E8 1FB. Cheques are payable to LB Hackney.

PICTURE

Services like Council Tax and Housing offer more than one payment date in the month for residents who opt to pay by direct debit. This enables residents to budget better and select dates which are nearer to when they get paid.

2. Encourage early and ongoing engagement

The Council's overriding priority is to ensure that amounts that are due to the Council are collected in a timely and efficient manner. The Council has statutory obligations to notify households of their liabilities and will send bills, invoices and reminders which set out the amounts and dates to be paid.

Households will be contacted in a variety of ways to encourage payment to avoid a build-up of arrears, rather than just sending letters on many occasions. We will also ensure that there are clear recovery processes which are understood and implemented impartially by services, which should minimise referrals to enforcement agencies or evictions.

Our standard

We will ensure our notices are written in plain English and are clear.

We will include information about how residents can get money off their bills (e.g. benefits, discounts, exemptions and reliefs).

We will try to remove barriers that may deter contact by being open and transparent at all times so that residents know where to get help and what to expect if they do not pay.

We will send text messages or emails to remind residents about late payments.

We will, where we can, make calls during and out of hours to engage with residents who have not responded to previous communications.

We will encourage residents to contact services and include contact details so that they can get help when they fall behind with payments.

We will signpost to help available for residents who have financial difficulties by providing contact details on our notices or web links for more information on free professional debt advice.

We will use different communication methods that cater for residents with language barriers, disabilities or learning difficulties.

The Council Tax Team hold an evening surgery at the Hackney Service Centre and invite residents who have been sent a summons for non-payment to attend. The aim is to help residents come to a payment arrangement so that further recovery action can be avoided.

These surgeries have been expanded to include partner services like Citizens Advice Bureau East End and Fair Money Advice, who are on hand to offer advice to residents who are experiencing financial difficulties and have multiple debts.

3. Provide advice and support

Around a fifth of all adults in Hackney have debt problems. We want to help prevent debt increasing and are looking to adopt the good debt management principles outlined by the Money Advice Service across the Council.

Debt problems can be the result of job loss, mental health issues, bereavement and low income. We want to help residents access support so that they can avoid, manage and overcome periods of financial difficulty.

Our standard

We will signpost residents who are in problem debt or at risk of financial difficulty to get free independent debt advice, to enable them to manage and overcome the problems associated with debt.

We will work in partnership with organisations who offer free specialist debt advice.

Hackney Council has signed up to the Citizens Advice Bureau's Council Tax Protocol, which will result in more effective partnership working, improvement in the information supplied to council tax payers and better engagement before using enforcement agents.

We will encourage residents to get help at various stages in the collection process and by different methods.

We will use our data to identify residents who have multiple debts and are working towards offering them an arrangement that will allow them to make a single payment.

We will allow residents time to get help from debt advice agencies without fear of their debts increasing further.

We will review income and expenditure using the Money Advice Service Standard Financial Statement and accept payment arrangements which allows for a resident's ability to pay and sustain payments.

We will regularly review payment arrangements to ensure that they are still affordable and which take account of changes to circumstances.

We have our own internal support teams and will contact residents who have fallen behind with payments to try and prevent their debt increasing.

We will consider offering additional financial support as a short term measure for residents who are experiencing extreme financial hardship; this will depend on the type of debt that is owed.

Case study:

Mr M forgot to inform the Benefits Service that there was a change in his circumstances. Consequently he was overpaid housing benefit and had to pay it back. Mr M couldn't afford to pay it in one go nor could he afford the initial monthly amounts that the Overpayment Team were suggesting. He was referred to CAB East End for help because he also had other debts. They worked out what available money he had after essential expenses using the standard financial statement and he was able to agree affordable monthly payments towards his housing benefit overpayment.

4. Have collection practices that are fair and robust

The Council has statutory obligations to collect monies they are owed to deliver services but at every point we will try to do this without it leading to residents incurring additional costs. We will advise residents what will happen if debts are not paid and provide information where they can get help and advice.

In certain situations the Council may have to initiate legal proceedings through the courts to recover arrears. However, we will ensure vulnerable residents are supported through the process and use the most appropriate collection method.

PICTURE

Housing will always take tenants' circumstances into account, including the level of rent arrears, before deciding whether to take further action and may hold action if the arrears are due to an outstanding benefits claim.

Our standard

We will adopt a consistent framework for how households who owe money are treated across all services including how they are contacted.

We will utilise non-threatening communication methods such as texting to prompt payment. We will let residents know what to expect if they do not pay.

We will follow legislation to enable the Council to collect debt but will try to avoid residents incurring costs by extending the amount of opportunities, to engage before starting legal proceedings.

We will take into consideration residents who are vulnerable and provide support and engage with them in a way that will encourage payment, if appropriate, including identifying any additional financial support available.

We will always consider alternative available methods of recovering debt before using enforcement agents due to the high level of costs that residents can incur. Where legislation permits it, we will ask for deductions from income support, job seekers allowance, universal credit, pension's credit or earnings.

We will work in partnership with enforcement agencies and debt advice agencies to ensure the rights and responsibilities of all parties, particularly those of the resident are clearly set out.

We will regularly review our corporate debt collection policy to ensure that we are working to best practices.

We will work hard to collect debt that is due but will be proactive and consistent in writing off bad debt in accordance with Council financial regulations.

5. Help residents reduce the risk of being in debt

We know that it is not an easy task to deal with debts, therefore, people in financial difficulty need to be treated fairly.

We want to help relieve the stress and anxiety that some residents may experience and our strategies aim to support residents, promote engagement and have regard for what they can afford to pay. This will allow residents to cope better, tackle their debt problems and improve their financial health.

The Council offers grants to voluntary and community sector organisations to provide an advice service that helps people to solve their problems.

Our standard

We will publicise and promote how residents can get money off their bills such as council tax support, housing benefit, discounts, exemptions and reliefs so that they get financial help that they are entitled to.

We will refer residents to sources of regulated debt advice by signposting to our website for contact details. We will also include information on where to get help in our notices and whenever we are in contact with residents.

We will examine each resident's case on its merits and will accept payment arrangements for arrears that take into account household affordability.

We will regularly review payment arrangements to ensure that they are

sustainable and reflect changes to circumstances.

We will aim to offer a single payment arrangement to residents with multiple debts, which can be distributed to the different debts.

We will offer additional financial help as a short term solution for certain debt types in extreme financial hardship cases.

We will share information internally so that all services are consistent in the treatment of residents who are in problem debt or vulnerable.

Our council tax reduction scheme is a means tested award that supports working aged adults on low income to pay their council tax covering up to 83% of the cost. Residents who are still struggling may qualify for extra help through the council tax discretionary hardship fund.

The fund provides short term assistance to help people in financial hardship who cannot afford to pay the shortfalls on their council tax.

PICTURE

6. Support residents at risk or vulnerable

The Council recognises that residents who are at risk or vulnerable need to be assisted in a positive and supportive manner.

We aim to protect these residents, whether their circumstances are temporary or permanent, and have measures in place to determine who might be in need of support so that they are comfortable in approaching us to help resolve their financial problems.

Our standard

We will gather information about the resident's personal circumstances to allow us to respond quickly and appropriately when collecting debt.

We will share information internally so that all services are consistent in the treatment of vulnerable residents who are in problem debt.

We will refer residents to sources of regulated debt advice by signposting to our website for contact details. We will also include information on where to get help in our notices and whenever we are in contact with residents.

We will communicate in different ways so that residents who have difficulty communicating in English, have a visual impairment, have a hearing impairment or have a hidden disability e.g. dyslexia have access to information and understand how to pay their bills.

We will encourage residents to set up a direct debit if appropriate.

We will set up formal arrangements to communicate with family/friends/support workers where residents are unable to manage their affairs.

We will not use enforcement agents to collect debt if we know that the resident is vulnerable or at risk.

We will make referrals to Adult Social Care if we are concerned about the welfare of a resident, they are in hardship or there is a risk of harm.

Residents who access debt advice and receive mental health crisis care will be protected from recovery action for as long as they receive crisis care (as confirmed by an Approved Mental Health Professional).

PICTURE

Residents who receive care packages are mainly older people and often in receipt of benefits but they may still have to pay a contribution towards the cost of their care.

We understand that these residents are likely to be more focused on their health and may not see paying their bills as a priority. Therefore, we will try to obtain contact details from someone who has authority to act on the resident's behalf and contact them if we do not get a response to our invoices or letters.

7. Doing our best for our residents

relating to the resident's debt and contact details.

We want to put our residents first and adopt the best practices in debt collection. We will be honest and fair in our dealings and communications with our residents, as well as third party service providers. We are committed to offering the best service and working in a responsible manner. This means treating residents with respect and being positive in the way we approach their problems.

Our standard

We will ensure that all staff that have responsibility for collecting debt, receive the appropriate training for providing support to our residents, particularly on vulnerability and hardship.

We will have policies and procedures so that staff know and understand the laws and regulations that apply to their jobs and ensures consistency and fairness in how they work.

We will regularly review policies and procedures so that we incorporate any changes to legislation and to ensure the continuation of best practices in fair debt management.

We will share data internally across services to ensure that services work closely together so that we maximise collection and minimise duplication. We will make sure that sharing is reasonable, in line with data protection law, and respects the resident's rights.

We will regularly review all charges associated with recovery to ensure that they are reasonable and as clear as possible and reflect actual costs incurred.

We will ensure that, in the event that we use enforcement agents that they are given accurate and up to date information

PICTURE

EXCLUSIONS

It is important to note that some of the approaches we use will not apply to all services. For example, Parking who issue penalty charge notices (PCN) do not call, send text messages or emails as they only hold contact addresses for registered vehicles.

There is a process for challenging or appealing a PCN if the person issued with a PCN thinks they shouldn't have to pay.

BACK PAGE

Things we want to promote



TITLE OF REPORT - CAPITAL LETTERS	
Key Decision No – FCR Q.63	
CABINET MEETING DATE (2019/20) 16 March 2020	CLASSIFICATION: Open If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED	
all wards	
CABINET MEMBER	
Cllr Rebecca Rennison Deputy Mayor and Cabinet Member for Finance, Housing Needs, and Supply	
KEY DECISION	
Yes	
REASON	
Spending/or saving	
GROUP DIRECTOR	
Ian Williams, Finance and Corporate Resources	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. The housing crisis means that in Hackney we now have over 3,000 homeless households living in temporary accommodation, all of whom are looking for a settled home.
- 1.2. Traditionally this need has been met via the provision of social housing. However with 13,000 people on the Housing Register and only 660 social lets taking place in 2018/2019 this is an option for fewer and fewer of our homeless residents.
- 1.3. The alternative solution is to support residents into private rented sector accommodation. However, we need to ensure any accommodation we find is affordable to residents and this is increasingly challenging due to property and rental prices in Hackney and across London.
- 1.4. Capital Letters is a pan-London initiative supported by Ministry of Housing, Communities and Local Government (MHCLG) funding, designed to collaboratively procure new properties on behalf of London boroughs.
- 1.5. The company utilises MHCLG funding and the collective procurement power of its member boroughs to alleviate competition and dampen the costs associated with procurement. This in turn will result in more properties being secured for homeless Hackney families at a reduced cost.
- 1.6. This report asks the Cabinet to approve the decision to allow the borough to become a member of Capital Letters (London) Ltd. Capital Letters (London) Ltd. is a not-for-profit Company Limited by Guarantee. Boroughs will become members of the company in order to participate in and benefit from its activities and access the MHCLG funding.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1. Capital Letters is a joint endeavour between boroughs to reduce costs on temporary accommodation and create improved outcomes for families. This is done via jointly procured supply of accommodation, and outsourcing management.
- 2.2. The housing pressures on low income households in London have perhaps never been higher, and a more coordinated effort is required from Councils across London to source an improved supply of suitable accommodation to meet demand. During 2018, London Housing Directors and London Councils worked on a model which would enable better outcomes for homeless / at risk households and for councils. The result of which was the establishment of Capital Letters, which this report outlines, making a recommendation that Hackney should join.
- 2.3. The establishment of Capital Letters is being supported by MHCLG using top sliced Flexible Homelessness Support Grant, to alleviate the costs to boroughs of providing accommodation and to encourage greater efficiency, and provide extra staffing, IT and other resources to increase supply and improve the service offered to both tenants and landlords.

- 2.4. By removing unhelpful competition and duplication of effort, and by providing an organisation to represent all the London boroughs, it is intended to offer a simpler and more straightforward interface for landlords, managing agents and developers anywhere in London who are able to provide properties for those families and other households most in need of accommodation.
- 2.5. Capital Letters collaboratively procures new properties on behalf of London boroughs supported by the MHCLG top-sliced grant contribution to incentive payments and on a pan-London basis. In addition to the top-slice the pan-London procurement will have a deflationary effect on procurement and allow a more rational allocation of supply across London, allowing households to be moved for shorter distances.
- 2.6. Member boroughs will also be able to transfer existing properties into Capital Letters, which as a private landlord will be eligible for 100% Local Housing Allowance (LHA) from the Department of Work and Pensions, which on average across London is £35p.w. higher than the current rate for borough let TA, which is currently 90% of 2011 LHA levels. Boroughs will also be able to convert often expensive nightly paid accommodation where appropriate.
- 2.7. Capital Letters will grow in phases, with the initial 13 boroughs joining in 2019, followed by phase two one year later, and eventually including, if not all, then the clear majority of London boroughs. As the number of members increases Capital Letters' ability to control the market and dampen costs associated with homeless accommodation will increase exponentially.
- 2.8. Properties procured by Capital Letters are a mixture of Private Rented Sector properties let by the property owner to households nominated by the boroughs, and properties leased directly from landlords or from managing agents.
- 2.9. The majority of accommodation will be settled accommodation to prevent homelessness or end a homelessness duty, and the intention is to achieve a significant reduction in the use of Temporary Accommodation by the London Boroughs, who may also transfer properties currently leased as temporary accommodation to Capital Letters to let as settled private rented sector accommodation.
- 2.10. Capital Letters was established as a Company Limited by Guarantee, wholly owned by the member boroughs in December 2018. The CEO and Director of Finance & Resources commenced in post in June 2019, with the Director of Operations completing the Executive Team at the beginning of December. Since August 2019, current member Boroughs have been seconding their procurement staff to Capital Letters on a phased basis. At the same time, Capital Letters has been actively recruiting its directly employed team, which includes Housing Negotiators, "head office" support staff, tenancy sustainment team and a PR & Communications Manager (starting in post in December).
- 2.11. The Borough Representative Body (BRB) approved the appointment of Directors to the Board in March and May 2019, and approved Directors Appointment Policy. Capital Letters' Articles of Association has provision for up to 12 Directors. Currently, the BRB has set the number of Non-Executive Directors at 10, with provision to review this as more boroughs join the company. The Board membership currently comprises 7 Non-Executive

Directors who are officers of member boroughs and three independent Non-Executive Directors.

- 2.12. It was planned that the company would be operational from July 2019. Delays with the appointment of the Executive Team, secondment of staff and recruitment of directly employed staff resulted in agreement with MHCLG to amend the first year targets; this does not affect the year three targets which remain the same. The company is now fully operational.
- 2.13. By the end of the third year of operation it is envisaged that Capital Letters will have a staff complement of around 240 officers and an annual income of £120m. By this stage it will have secured some 20,000 additional properties to help prevent and tackle homelessness, and will have an estimated 11,000 properties either fully or partially under its management.
- 2.14. This report asks the Cabinet to approve the decision to allow the borough to become a **member** of Capital Letters (London) Ltd. Capital Letters (London) Ltd. is a not-for-profit Company Limited by Guarantee. Boroughs will become members of the company in order to participate in and benefit from its activities and access the MHCLG funding.

3. RECOMMENDATION(S)

- 3.1. Note the £38 million over three years committed by MHCLG specifically for pan-London collaboration on the procurement of accommodation for homeless households
- 3.2. Approve the decision to join Capital Letters (London) Ltd, a Company Limited by Guarantee established by the London boroughs, as a **member**. This will procure or lease accommodation for the benefit of those London boroughs that become members of the company
- 3.3. Note Capital Letters' governance structures including the Borough Representative Body on which all boroughs are represented and the Board of Directors whose appointment is made in accordance with the Directors Appointment Policy.

4. REASONS FOR DECISION

- 4.1. The decisions recommended are required to join the company and participate in the collaborative procurement approach and to access the MHCLG funding.
- 4.2. The estimated aggregate financial benefit of the proposals to London Boroughs are significant plus potential savings on changing how placements are made and reduced repeat homelessness through tenancy sustainment. It will also build on the effective work through the Inter Borough Accommodation Agreement (IBAA) which has led to reduced spending through rate sharing and the application of a cap on rates paid for certain accommodation. Capital Letters is required to work within this system, and provides further opportunities to rationalise and secure efficiencies in the procurement of accommodation for homeless households.
- 4.3. Benefits to Hackney of joining Capital Letters now that it is operational:

- 4.3.1. Capital Letters has been set up in a number of phases, meaning that not all boroughs were required to join first. There are a number of reasons why it would be advantageous for Hackney to be part of the second wave of boroughs which are anticipated to start operations in April 2020 or shortly thereafter.
 - 4.3.2. Capital Letters is no longer a leap of faith but a proof of concept. The first phase boroughs have worked closely with the Capital Letters team to obtain agreement on key documents such as the Secondment Agreement, Service Level Agreement and incentive packages, and to develop working processes and procedures. As a result, Capital Letters is fully operational, with all processes and procedures in place and a functioning IT system which means the second phase boroughs will benefit from the opportunity immediately on joining.
 - 4.3.3. Although the grant for incentive payments reduces in year two, because the operational arrangements are all in place, the second wave boroughs are likely to achieve similar levels of grant to top slice these payments due to the higher numbers of properties that will be procured during the year.
 - 4.3.4. Boroughs who do not join Capital Letters will still have properties procured by Capital Letters in their area. Although Capital Letters will abide by the agreed IBAA rates, there is nevertheless a significant risk that landlords and agents will prefer to work with Capital Letters than within individual boroughs because of the profile it is developing, and because of the more streamlined ability to let properties across London with one organisation than with a number of different boroughs, all with slightly different terms and conditions and different personnel.
- 4.4. The creation of Capital Letters means Hackney will be able to secure more PRS and leased properties in London within or close to Hackney thus reducing the need to place families in B&B and hotel annexes, in distant areas of London or outside London altogether. It would be better to secure these benefits sooner rather than later.

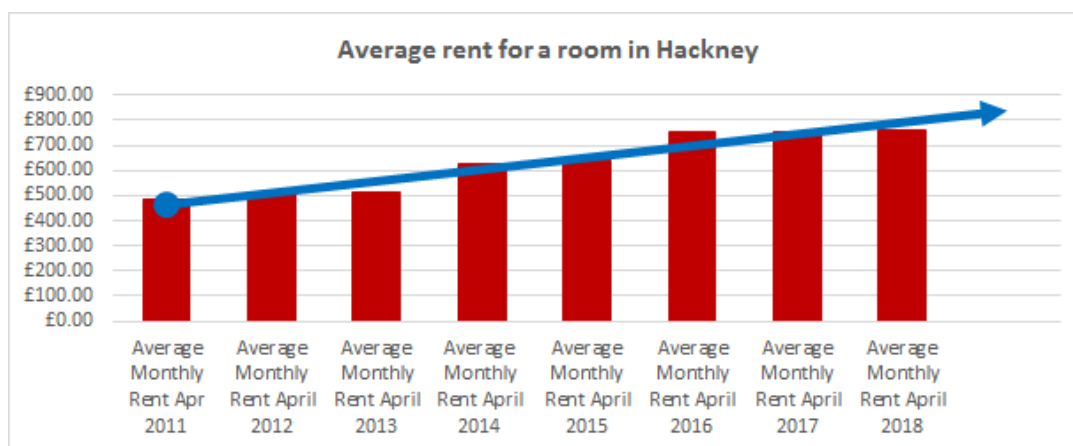
5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1. There is the option not to join the company in the second phase. This would result in a lost opportunity to access MHCLG grant funding, alleviate the costs to boroughs of providing accommodation, to increase the procurement of leased temporary accommodation and move away from expensive nightly paid temporary accommodation and to enable the placement of households closer to home.
- 5.2. Membership of Capital Letters would mean that at least 50% of the Council's procurement activity for accommodation for homeless households would have to be undertaken by Capital Letters (excluding nightly paid and out of London properties). Members will also receive MHCLG subsidy for newly procured

properties. Membership would give the Council influence over the strategic direction of the company.

6. BACKGROUND

- 6.1. Over the past 20 years Hackney has witnessed the largest increase in property values anywhere in the UK, driven by significant local regeneration and a thriving local economy. Property prices in the borough have risen by 753% (compared to a 402% increase in property prices across London, and 236% nationally).



- 6.2. This is being similarly reflected within the Hackney rental market; new households attracted to the area have led to an increase in demand. Consequently this has driven up rents in the locality by an average of 47% since 2011, with landlords increasing rental charges to take advantage of the new level demand or cashing in on their portfolio by selling to property developers, who are in turn breaking larger units into smaller dwellings.
- 6.3. With the private sector becoming increasingly unaffordable and the social sector unable to cope with demand, homelessness in Hackney is increasing rapidly. The number of households in temporary accommodation (TA) in Hackney has more than doubled in 6 years with over 3,000 households living in TA provided by Hackney.
- 6.4. The loss of private accommodation is now one of the biggest drivers for homelessness applications – rent inflation driven by the improved local economy means that welfare support/housing benefit is no longer bridging the gap between what can be afforded and what can be achieved in the open market. Benefit households are being replaced by more affluent households taking shorter tenancies and able to pay the higher rent.
- 6.5. It continues to be a struggle to find affordable accommodation to house these households. In December 2018, 115 families placed by Hackney had been living in bed & breakfast accommodation for more than 6 weeks, in breach of

the statutory requirements; while another 925 have been placed outside the borough. There were over 12,300 households on the waiting list and just over 1,000 social housing properties were let.

- 6.6. Net expenditure by the Council on the provision of TA exceeded £7 million in 2017/18; 7 times more than was spent 5 years ago.
- 6.7. The Council's Housing Supply Team are responsible for procuring private rented properties for TA households or to discharge households into the private sector, and they have been finding it increasingly difficult to secure properties. The table below shows performance over the last two years.

Year	PRS	Leases (new & renewal)
2017/2018	38	68
2018/2019	88	20
2019/2020 (up to end of Jan)	108	27

- 6.8. Capital Letters (CL) is a new Pan London initiative supported by London Councils and London Housing Directors, which will seek to help increase the supply of affordable privately rented properties in Hackney, by working collaboratively and avoiding competition between London Councils for the same privately owned properties.
- 6.9. The immediate background to this work is the increasing burden of homelessness and the resulting provision of TA and prevention placements. In March 2019, there were 84,740 households in TA nationally across England, an increase of 76% since March 2011. 66% of these households are placed by London boroughs.
- 6.10. The cost of providing TA in 2017/18 (£997 million) accounted for almost three quarters of the total cost of providing homelessness services nationally (£1.39 billion). London boroughs spent £757 million providing TA in 2017/18, more than three quarters of the national spend on TA. (£915 million spent on homelessness by London boroughs).
- 6.11. In recognition of this MHCLG has allocated £38 million over three years, top sliced from the Flexible Homeless Support Grant (FHSG). As a minimum they have agreed to fund the first phase of the project. It is hoped that they will also fund the second phase, but bidding for this will take place in the next spending review and therefore they are unable to provide a definitive position on the funding.
- 6.12. MHCLG funding is being used in the following three ways:
 - 6.12.1. Contribution to Private Sector Leases (PSL).
 - 6.12.2. PRS placement incentive.

- 6.12.3. Central cost contribution, e.g. for additional procurement staff, tenancy sustainment staff, IT and premises.
- 6.13. Capital Letters have put in place a business plan up to 2022 to ensure the company is sustainable if no further funding is obtained from MHCLG after the initial 3 years.
- 6.14. Participating boroughs who become members of Capital Letters will initially second staff from their procurement teams performing this function or provide funding to Capital Letters¹. This will allow the existing skills, expertise, local knowledge and client relationships held by those officers to be absorbed into Capital Letters.
- 6.15. The activity of seconded staff continuing with the procurement activities they were previously undertaking for their borough, will be supplemented by approximately 50 additional staff employed directly by Capital Letters by year 3. It is anticipated that this will lead to 4,300 additional properties within Greater London being procured in the first three years.
- 6.16. Boroughs will be allocated at least as many properties over the first year as were procured by the staff it seconds in the previous year. Any additional properties would be allocated to the participant boroughs in proportion to the staff resources they have contributed through secondment or funding of staff recruited directly by Capital Letters. Subject to meeting borough minimum allocations, and fair distribution of additional properties, all properties should be allocated as close to host boroughs as possible, also taking into account the provisions of the homelessness suitability order as they apply to individual households. This should mean that a much smaller number of households have to move a long distance from their home borough than is currently the case.
- 6.17. The company is funded by a combination of MHCLG grant, rents from tenants and top up payments from member local authorities. These are the payments that are already made by local authorities, for example through Discretionary Housing Payments (DHP) or other existing budgets when Local Housing Allowance (LHA) rates do not cover full rent. They will be made lower for local authorities as a result of the MHCLG subsidy thus reducing costs for the boroughs.
- 6.18. The company has been established as a private company limited by guarantee, owned and managed by the boroughs who constitute limited liability members of the company. The liability is limited to £1. It will also be Teckal compliant.
- 6.19. The activity of the company is being supported by a digital Property Listing Platform (PLP). A specification for this IT system was tendered in 2018 and a company appointed to develop the system. LB of Ealing led on the procurement of this PLP on behalf of the company. The system is now

¹ Boroughs do not have to second staff and some of the current 13 members have not done so. The alternative arrangement is for the borough to provide an annual budget to cover salary & on-costs so that Capital Letters can recruit and directly employ staff on their behalf.

operational and allocating properties to existing member boroughs.

- 6.20. The timescale for programme delivery assumed the new company was established in April 2019, with a first wave of boroughs joining then and a second wave of boroughs joining in April 2020. Operational service delivery commenced in September 2019 once the secondment agreement was signed off by current member boroughs, and in agreement with MHCLG.
- 6.21. The Capital Letters' governance process requires the second wave of boroughs to secure internal approval to join the company by mid-March 2020 so the Borough Representative Body can confirm their membership at their meeting on 23 March 2020. However, the actual date of implementation will be designed to suit Hackney's internal timescales and operational arrangements.
- 6.22. Therefore, the Cabinet is asked to approve that Hackney joins the company with effect from 1 April 2020 (or shortly thereafter).
- 6.23. A minimum condition of being a member of Capital Letters is that at least 50% of the annual supply of new non-emergency accommodation for homeless households for that borough is provided by Capital Letters in the first year. This is a minimum requirement; many boroughs will put through a higher percentage of their supply.

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

- 7.1 This report seeks approval to join Capital Letters as a member from April 2020. Capital Letters was established in December 2018 as a Company Limited by Guarantee, wholly owned by the member boroughs. The purpose of Capital Letters is to reduce costs on temporary accommodation by implementing a more coordinated and collaborative approach from London Boroughs to the procurement of accommodation, thereby being able to exert more influence on the market and reduce price inflation caused by boroughs competing with each other.
- 7.2 Capital Letters is supported by a grant from MHCLG, allocated from the Flexible Homelessness Support grant, with £37.8m of funding allocated between 2018/19 up to 2021/22. This funding enables the setting up and operation of the company, and its primary purpose - incentives to private sector landlords for the accessing of either Private Rented Sector (PRS) or Private Sector Leased (PSL) units (see below for further detail) for residents that would otherwise remain in temporary accommodation.
- 7.3 The Capital Letters business plan requires the secondment of housing procurement staff from boroughs, or alternatively member boroughs provide funding for procurement staff at a cost of £50k per post to cover costs of basic salary, NI, Pension. Initially Hackney plans to second or fund 1 post. Based on past performance, it is anticipated that this officer would be able to procure a higher number of properties as part of Capital Letters than the current numbers

procured by Hackney Procurement team. There are vacancies that could be used to fund the post within Capital Letters.

- 7.4 One of the most significant cost drivers in securing private rented sector (PRS) properties is the payment of incentives to landlords which can be several thousands of pounds per property. It is anticipated that by joining with other boroughs to jointly procure properties there will be an opportunity to reduce these costs which have been rising as boroughs compete to secure tenancies and reduce the costs of temporary accommodation. Joining at this stage will also enable us to access the MHCLG funding to reduce incentive payments further.
- 7.5 It is difficult to quantify potential cost savings as this is dependent on the number of PRS properties procured and the level of incentive payments set. It is estimated that if procurement targets are achieved a reduction in costs of £100k pa could be made on incentive payments initially. Longer term, it is hoped that some of the PRS properties will become sustained tenancies enabling more settled accommodation and providing better outcomes for residents as well as reducing costs to the council of temporary accommodation.
- 7.6 Any member may cease to be a member of the company upon giving 6 months notice in writing as prescribed in the members agreement.
- 7.7 Capital Letters is a private company, and limited by guarantee. Hackney's financial liability is therefore limited to £1 with no tax implications for member Boroughs. Capital Letters has to pay Corporation Tax, although it will be seeking charitable status in due course which will mitigate this.

8. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE

- 8.1. This report is before Cabinet as the use of Trading Powers under the Localism Act 2011 and setting up of Companies in any service area for the first time is a decision reserved for the Mayor and Cabinet to make under the Mayor's Scheme of Delegation dated January 2017.
- 8.2. The "general power of competence" under Section 1 of the Localism Act 2011 gives the Council the power "...to do anything that individuals generally may do" which includes the creation and operation of companies such as Capital Letters (London) Ltd. The power is not limited either by the need to evidence a benefit accruing to the local authority's area, or in geographical scope. The benefits of joining this Company are well rehearsed in this report and Members will note that the Council's financial liability is limited to £1.
- 8.3. The Members' Agreement, as attached at Appendix 2, regulates the relationship between the different local authority Members and the Company. This Company is a *Teckal* company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015 and, as such, it is a body governed by public law as defined in the Public Contracts Regulations 2015.

- 8.4. Should Members approve the recommendations made within this report then officers should instruct Legal Services to conclude the necessary legal documentation.

APPENDICES

Appendix 1 – Capital Letters’ Articles of Association

Appendix 2 – Members Agreement

Appendix 3 - Operational Establishment

Appendix 4 - Summary Business Plan

Appendix 5 - Key Milestones

Appendix 6 - Allocations

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Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 1

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Capital Letters (London) Limited (the Company)

Private company limited by guarantee

Company number: 11729699

At a general meeting of the Company held at 59 ½ Southwark Street, London, SE1 0AL on 6th March 2019 the following resolution was proposed and passed as a special resolution:

That the articles of association shall be replaced in their entirety with the articles of association attached to the notice calling the meeting.



Chair of the meeting

AY



A81HH00G
18/03/2019 #67
COMPANIES HOUSE



dated 6th March 2019

CAPITAL LETTERS (LONDON) LIMITED

Articles of Association

Company number:

trowers & hamlins

Contents

1	Interpretation and definitions	2
2	Interpretation	3
3	Model Articles	3
4	Name	3
5	Registered office	3
6	Objects	3
7	Powers	4
8	Application of income and property	5
9	Limited liability	6
10	Members' guarantee	6
11	Winding up	6
12	Admission of Members and cessation of Membership	6
13	General meetings and resolutions	8
14	Chair at General Meetings	9
15	Adjournments	9
16	Votes of Members	10
17	Written Resolutions	10
18	Reserved Matters	10
19	Appointment of Proxies	11
20	Amendments to resolutions	12
21	Directors	12
22	Means of communication to be used	19
23	Notices	19
24	Indemnity	19

The Companies Act 2006

Company limited by guarantee and not having a share capital

Articles of Association

of

CAPITAL LETTERS (LONDON) LIMITED

1 Interpretation and definitions

In these Articles unless the context otherwise requires:

the Act means the Companies Act 2006 and any statutory modification or re-enactment thereof for the time being in force;

Articles means these Articles of Association;

Board means the board of Directors of the Company from time to time;

Borough's Representative Body means a board comprising the Voting Representatives as detailed in the Members Agreement;

Chair means the chair of the Board appointed pursuant to Article 21.10.1;

Clear Days means in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

Committee means any committee constituted under the provisions of these Articles;

Conflict of interest has the meaning given in Articles 21.9.1 and 21.9.2;

Director means a director of the Company, and includes any person occupying the position of director, by whatever name called;

Director Remuneration Policy means such policy as may be approved by the Members in accordance with Article 8.2(d) and 21.6.2;

electronic form and **electronic** means have the meaning given in section 1168 of the Companies Act 2006;

financial year means the year commencing 1 April and expiring on the subsequent 31 March;

Local Authority means a local authority in England or Wales as defined in section 270 of the Local Government Act 1972;

Member means a person whose name is entered in the Register of Members of the Company and **Members** and **Membership** shall be construed accordingly;

Members Agreement means the agreement entered into between the Members to regulate their relationship as Members of the Company;

Ordinary Resolution has the meaning given in section 282 of the Companies Act 2006;

Public Body means a body governed by public law as defined in the Public Contracts Regulations and **Public Bodies and Non-Public Bodies** shall be construed accordingly;

Public Contracts Regulations means Public Contracts Regulations 2015 and any statutory modification or re-enactment thereof for the time being in force;

Special Resolution has the meaning given in section 283 of the Companies Act 2006;

Subsidiary has the meaning given by section 1159 of the Act;

the United Kingdom means Great Britain and Northern Ireland;

Vice-Chair means the vice-chair of the Board appointed pursuant to Article 21.10.1; and

Voting Representative means the individual appointed by each Member to attend, speak and vote at general meetings on its behalf in accordance with Article 12.5.

2 Interpretation

2.1 Unless the context otherwise requires words or expressions contained in these Articles bear the same meaning as in the Act but excluding any statutory modification thereof not in force on the date of incorporation of the Company.

2.2 In these Articles words importing individuals shall unless the context otherwise requires include corporations and words importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender.

3 Model Articles

These Articles shall apply to the Company in place of the Model Articles (attached in Schedule 2 to the Companies (Model Articles) Regulations 2008).

4 Name

The name of the company is Capital Letters (London) Limited (the Company).

5 Registered office

The Company's registered office is to be located in England and Wales.

6 Objects

6.1 The objects of the Company shall be:

6.1.1 to procure accommodation for homeless households and those at risk of homelessness by providing services in connection therewith to:

- (a) the Members; and
- (b) to any other customers as considered appropriate by the Members from time to time provided that any services to non-Members shall always remain incidental to the primary aim of providing services to the Members and do not account for more than 20% of the turnover of the Company in any financial year (or such other percentage of turnover as may be permitted by law from time to time) at all times as set out in Regulation 12 of the Public Contract Regulations;

6.1.2 to undertake the management of accommodation for homeless households and those at risk of homelessness; and

6.1.3 to provide such other services and undertake such other functions as are agreed by the Members from time to time.

6.2 The Company is not established or conducted for private gain and any surplus or assets are used principally for the benefit of the community. Its purpose shall be to fulfil its objects and whilst it is not a charity it will carry out its activities with charitable, benevolent and philanthropic aims in mind.

7 Powers

7.1 The Company shall have power to do anything that a natural or corporate person can lawfully do which is necessary or expedient in furtherance of its objects unless prohibited by these Articles.

7.2 The Members may, by Special Resolution, direct the Directors to take, or refrain from taking, specified action provided that no such Special Resolution invalidates anything which the Directors have done before the passing of Special Resolution.

7.3 Without limiting the powers described in Article 7.1 the Company shall have the power:

7.3.1 to purchase and maintain insurance for the benefit of any persons who are or were at any time Directors, officers or employees of the Company or any other company which is a Subsidiary or Subsidiary undertaking of the Company or in which the Company has any interest, whether direct or indirect, or who are or were at any time trustees of any pension fund in which any employee of the Company or of any other such company or Subsidiary undertaking are or have been interested, indemnifying such persons against liability for negligence, default, breach of duty or breach of trust or any other liabilities which may be lawfully insured against;

7.3.2 to invest and deal with the monies of the Company not immediately required in such manner as may from time-to-time be determined and to hold or otherwise deal with any investments made, provided that the Company shall not have power to invest in any organisation which is a Member of the Company at the time the investment is made;

7.3.3 to promote any other company for the purpose of acquiring the whole or any part of the business or property or undertaking or any of the liabilities of the

Company, or of undertaking any business or operations which may appear likely to assist or benefit the Company;

- 7.3.4 to pay all or any expenses incurred in connection with the formation and promotion and incorporation of the Company, the running costs and administration of the Company, the employment of consultants and the reimbursement of Directors' expenses;
- 7.3.5 to employ and pay any employees, officers, and professional or other advisers and to pay its Directors;
- 7.3.6 to set up, establish, support and maintain superannuation and other funds or schemes (whether contributory or non-contributory) for the benefit of any of the employees of the Company or of any Subsidiary, holding or fellow Subsidiary of the Company and of their spouses, widows or widowers, children and other relatives and dependants to lend money to any such employees or to trustees on their behalf or enable any such schemes to be established or maintained;
- 7.3.7 to borrow or raise money in such manner as the Company shall think fit and in particular by the issue (whether at par or at a premium or discount and for such consideration as the Company may think fit) of bonds, debentures or debenture stock (payable to bearer or otherwise), mortgages or charges, perpetual or otherwise, and, if the Company thinks fit, charged on all or any of the Company's property (both present and future) and undertaking, and collaterally or further to secure any obligations of the Company by a trust deed or other assurance;
- 7.3.8 to do anything that a natural or corporate person can lawfully do which is necessary and expedient in furtherance of its objects unless prohibited in these Articles.

8 Application of Income and property

- 8.1 The income and property of the Company shall be applied solely in promoting the Company's objects.
- 8.2 No distribution shall be paid or capital otherwise returned to the Members in cash or otherwise other than the payment in good faith:
 - (a) of reasonable and proper remuneration (including pensions, contributory pension payments, payment of premiums to pension policies and terminal grants and gratuities) to any officer or employee of the Company in return for any services rendered to the Company;
 - (b) of fees, remuneration or other benefit in money or money's worth to a company or other body corporate of which a Director may be a Member holding not more than 2% of the share capital and controlling not more than 2% of the voting rights at general meetings of such company or body corporate;
 - (c) to any Director of reasonable out-of-pocket expenses;

- (d) of reasonable and proper remuneration to any Director who is not an employee of the Company nor an employee or elected member of any Member in return for any services rendered to the Company or in respect of their role as Director in accordance with a Director Remuneration Policy approved by the Members;
- (e) of reasonable and proper rent for premises demised or let by any Member;
- (f) of reasonable and proper interest on money lent by any Member;
- (g) of any indemnities to Directors or other officers of the Company under Article 24.1 and any premium in relation to insurance in respect of liabilities of Directors and other officers of the Company in accordance with Article 24.2; or
- (h) subject to prior approval of all Members, to Members (and any former Member(s) which contributed to a distributable surplus within the preceding five years) of any surplus of the Company.

9 Limited liability

The liability of the Members is limited.

10 Members' guarantee

Each Member undertakes to contribute to the assets of the Company in the event of the Company being wound up while they are a Member of the Company or within one year after they cease to be a Member of the Company for payment of the debts and liabilities of the Company contracted before they cease to be a Member of the Company and of the costs charges and expenses of winding up such amount as may be required not exceeding one pound.

11 Winding up

If upon the winding up or dissolution of the Company there remains after the satisfaction of all its debts and liabilities any property whatsoever such property shall be divided between the Members (whose names appear in the register of Members at the date of winding up or dissolution) and any former Member(s) which contributed to the surplus within the five years preceding such winding up or dissolution. The division shall be proportionate to the total contribution to such surplus by each Member or former Member (based on a reasonable relationship between the former Member(s) contribution and the distributable surplus) prior to the date of winding up or dissolution. For the purposes of this Article a certificate in writing signed by the duly appointed auditors for the time being of the Company as to the proportions in which any property is to be divided will be sufficient.

12 Admission of Members and cessation of Membership

12.1 The subscriber shall be the first Member of the Company. Subsequent Members shall be appointed by the continuing Members from time to time.

12.2 The Members may admit any other Public Body to Membership on receiving:

- 12.2.1 a written application confirming that it agrees to be bound by the provisions of the Articles; and
- 12.2.2 where a Members' Agreement has been entered into, a signed deed of adherence to the Members' Agreement
- from any such body.
- 12.3 A Public Body shall only be admitted as a Member if they agree to ensure that at least 50% of the total procurement for that body of dwellings to support the discharge of that body's statutory responsibilities for homeless households or those at risk of homelessness (excluding nightly paid properties or properties outside of the London area) is to be procured by the Company.
- 12.4 The rights powers and obligations of each Member under these Articles shall take effect on the admission of that organisation to Membership. •
- 12.5 Each Member shall nominate a person to act as its representative in the manner provided in Section 323 of the Act. Such representative shall have the right on behalf of the Member to attend meetings of the Company and vote thereat and to exercise all rights of Membership on behalf of the Member. The relevant Member may by written notice to the Company revoke the nomination of such representative and may nominate another representative in his/her place.
- 12.6 The rights of each Member shall be personal and shall not be transferable and shall be exercisable only by the Member or its Voting Representative.
- 12.7 Membership shall not be transferrable.
- 12.8 A Member shall cease to be a Member of the Company if (i) it serves no less than six months' written notice to do so or (ii) is removed or expelled for any reason by ordinary resolution of the Members passed at a General Meeting or under any agreement entered into between the Members from time to time and (iii) if at any time the Member ceases to be a Public Body or (iv) otherwise in connection with these Articles and the noting of the cessation of Membership in the Company's register of Members shall be conclusive in this regard.
- 12.9 At the end of each financial year, the Members shall each confirm to the Company (in a form that shall be agreed by the Members from time to time) the percentage of its total procurement for that Member of dwellings to support the discharge of its statutory responsibilities for homeless households or those at risk of homelessness (excluding nightly paid properties or properties outside of the London area) that was undertaken via the Company that financial year. In the event that this percentage is less than 50% the Members have, at their discretion, the ability to terminate the Member's Membership.
- 12.10 The decision to terminate a Member's Membership in accordance with article 12.9 shall be taken at a meeting of the Members (i) called on no less than 7 clear days' notice; (ii) attended in person or by proxy by at least 50% of the Members (excluding the Member whose Membership is being considered for termination); and (iii) made by no less than 50% of the total Members excluding the Member whose membership is being considered for termination.

12.11 In the event that a Member's Membership is terminated pursuant to article 12.9 the Membership shall terminate immediately upon the decision having been taken.

13 General meetings and resolutions

13.1 The Company shall once in every calendar year hold a general meeting which for the purposes of these Articles shall be called the annual general meeting. The Directors may call general meetings and on the requisition of any two or more Members shall forthwith proceed to convene a general meeting as required pursuant to the provisions of Section 304 of the Act.

13.2 Any general meeting not called on the requisition of a Member pursuant to Article 13.1 shall be called by at least twenty-one Clear Days' notice or by shorter notice if it is so agreed by not less than 75% of the Members. The notice shall specify the time and place of the meeting, the general nature of the business to be transacted and if it is anticipated that Members participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting. The notice shall be given to all Members and to the Directors and to the Company's auditors.

13.3 The accidental omission to give notice of a meeting to or the non-receipt of notice of a meeting by any person entitled to receive notice shall not invalidate the proceedings at that meeting.

13.4 A Director shall be entitled to attend and speak at any general meeting.

13.5 The chair of the meeting may permit other persons who are not Members of the Company to attend and speak at a general meeting.

13.6 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

13.7 A person is able to exercise the right to vote at a general meeting when:

13.7.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

13.7.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all other persons attending the meeting.

13.8 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

13.9 In determining attendance at a general meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.

13.10 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

13.11 No business shall be transacted at any general meeting unless a quorum is present. 50% of all Members present by their Voting Representative or by proxy shall be a quorum.

- 13.12 If a quorum is not present within half an hour from the time appointed for a general meeting it shall stand adjourned to the same day in the next week at the same time and place or to such later day and time and/or other place as the Members present decide.
- 13.13 If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall constitute a quorum.
- 13.14 An entry in the minutes of any general meeting stating that a resolution has been passed or not passed shall be conclusive evidence of the fact.

14 Chair at General Meetings

- 14.1 The Borough's Representative Body shall appoint one of their number to be the chair of the Borough's Representative Body and may also appoint up to two of their number to be the vice-chairs of the Borough's Representative Body. It is anticipated that the chair and vice-chairs of the Borough's Representative Body shall hold office for four years or such other period as may be determined by the Borough's Representative Body or unless they are removed by the Borough's Representative Body at any point during their term of office.
- 14.2 The chair of the Boroughs' Representative Body or in his/her absence one of the vice-chairs of the Borough's Representative Body shall chair general meetings. If none are present within fifteen minutes after the time appointed for holding the meeting or are unwilling to act, the Voting Representatives present shall elect one of their number to chair that meeting.

15 Adjournments

- 15.1 The chair of the meeting may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the original meeting. It shall not be necessary to give notice of the adjourned meeting unless it is adjourned for fourteen days or more when at least seven Clear Days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted.
- 15.2 The chair of the meeting may also, without the consent of the meeting, adjourn the meeting (whether or not it has commenced or is quorate) either to a time and place to be determined pursuant to Article 15.3 or to such other time and place as he/she may decide if the unruly conduct of persons attending the meeting is preventing the orderly holding or continuance of the meeting.
- 15.3 When a meeting is adjourned pursuant to Article 15.2 without a decision to a new time and place, the time and place for the adjourned meeting shall be fixed by the Board. It shall not be necessary to give any notice of the adjourned meeting unless it is adjourned for fourteen days or more when at least seven Clear Days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted.

16 Votes of Members

16.1 A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is demanded either before the meeting or on the declaration of the result of the show of hands. Subject to the provisions of the Act, a poll may be demanded:-

16.1.1 by the chair of the meeting; or

16.1.2 by any Member having the right to vote at the meeting;

16.1.3 and a demand by a person as proxy for a Member shall be the same as a demand by a Member.

16.2 On a show of hands every Member present by its Voting Representative shall have one vote. On a poll every Member present by its Voting Representative or by proxy shall have one vote.

16.3 In the case of an equality of votes, whether on a show of hands or on a poll, the chair of the meeting shall not have a casting vote.

16.4 Unless a poll is demanded, a declaration by the chair of the meeting that a resolution has been passed or not passed unanimously, or by a particular majority, or passed, or not passed by a particular majority shall be final and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

16.5 A demand for a poll may be withdrawn before the poll is taken but only with the consent of the chair of the meeting. A demand so withdrawn shall not invalidate the result of a show of hands declared before the demand was made. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

16.6 A poll shall be taken immediately. The results of the poll shall be the resolution of the meeting at which the poll was demanded.

16.7 No objection shall be raised to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chair of the meeting whose decision shall be final.

17 Written Resolutions

A written resolution may be passed in accordance with the Act.

18 Reserved Matters

Notwithstanding the provisions of Articles 16 to 17 inclusive, all resolutions that relate to a matter described in the Members' Agreement as a reserved matter or equivalent shall be passed by no less than 75% of the Members.

19 Appointment of Proxies

19.1 An appointment of a proxy shall be in writing, signed by or on behalf of the appointor and shall be in the following form (or in any other form which the Board may approve):-

[Name of the Company]

I/We,

being a Member/Members of the above-named Company, hereby appoint

of

or, failing him/her,

of , as my/our proxy to vote in my/our name(s) and on my/our behalf at the annual/extraordinary general meeting of the Company to be

held on , and at any adjournment thereof.

Signed

Date

19.2 Where it is desired to afford Members an opportunity of instructing the proxy how he/she shall act the document appointing a proxy shall be in the following form (or any other form which the Board may approve):

[Name of the Company]

I/We

being a Member/Members of the above-named Company, hereby appoint

of

or, failing him/her,

of , as my/our proxy to vote in my/our name[s] and on my/our behalf at the annual/extraordinary general meeting of the Company

to be held on , and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:-

Resolution Number 1 *for *against Resolution Number 2 *for *against

*strike out whichever is not desired

Unless otherwise instructed, the proxy may vote as he/she thinks fit or abstain from voting.

Signed

Date

19.3 The document appointing a proxy and any authority under which it is signed or a copy of such authority certified notarially or in some other way approved by the Board shall be deposited at the Company's registered office or at such other place within the United Kingdom as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting not less than 24 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. An instrument of proxy which is not deposited or delivered in this manner shall be invalid.

19.4 A vote given or poll demanded by proxy or by the Voting Representative of a Member shall be valid unless termination of the proxy or representative's authority is received by the Company at its registered office or the place at which the meeting is due to be held before the meeting begins.

20 **Amendments to resolutions**

20.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if –

20.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chair of the meeting may determine), and

20.1.2 the proposed amendment in the reasonable opinion of the chair of the meeting:

(a) does not, materially alter the scope of the resolution

(b) is no more onerous on the company and

(c) does not have the effect of negating the substantive resolution.

20.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution if –

20.2.1 the chair of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

20.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

20.3 If the chair of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chair of the meeting's error does not invalidate the vote on that resolution.

21 **Directors**

21.1 **Methods of appointing Directors**

21.1.1 The number of Directors at any time shall be no less than three and no more than twelve.

- 21.1.2 Directors shall be appointed in accordance with an appointment policy adopted by the Boroughs' Representative Body from time-to-time.
- 21.1.3 The individuals appointed by the Members to be the Chair and Vice-Chair in accordance with Article 21.10.1 shall become Directors on their appointment to those positions and shall cease to be Directors on ceasing to hold that position.
- 21.1.4 The Directors may invite up to three persons as they deem appropriate to attend and (if appropriate) speak at Board meetings. Any such invitation may be made on such terms as the Board may determine and may be revoked at any time. *Provided that such attendees shall not be Directors and may not count towards the quorum or vote on any matter discussed by the Board.*

21.2 Disqualification of and cessation of office for Directors

- 21.2.1 A person shall be ineligible for appointment to the Board and if already appointed shall immediately cease to be a Director if the relevant individual:
- (a) ceases to be a Director by virtue of any provision of the Act or becomes prohibited by law from being a company director; or
 - (b) is or becomes bankrupt or makes any arrangement or composition with his/her creditors generally; or
 - (c) a registered medical practitioner who is treating the Director gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
 - (d) resigns his/her office by written notice to the Company; or
 - (e) is removed in accordance with the provisions of the appointment policy adopted by the Directors from time-to-time; or
 - (f) is removed from office by a resolution of or written notice signed by not less than three quarters of all the other Members from time to time; or
 - (g) has been absent without permission of the Board from three consecutive meetings of the Board (including meetings of any Committee of which that Director is a member) and the Board resolves that his/her office be vacated; or
 - (h) in the case of an individual who has become a Director because of their appointment as Chair or Vice-Chair, they cease to be the Chair or Vice-Chair;
 - (i) is an employee of the Company or of a Member of the Company, or of a Subsidiary or associate of the Company or of a Member, and at any time ceases to be so employed.

21.3 Powers of the Board

Subject to:

- (a) the provisions of the Act;
- (b) any resolution from time to time of the Members in accordance with these Articles; and
- (c) these Articles;

the business of the Company shall be managed by the Board who may exercise all the powers of the Company. No alteration of these Articles and no resolution of the Members shall invalidate any prior act of the Board which would have been valid if that alteration or resolution had not been made. The powers given by this Article 21.3 shall not be limited by any special power given to the Board by these Articles and a meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.

21.4 Delegation of Directors' powers

21.4.1 The Board may delegate in writing any of its powers to any Committee consisting of two or more Directors together with such other persons as the Board sees fit.

21.4.2 The Board may delegate in writing to a Director or to any officer such of their powers as they consider desirable to be exercised by such person. Any such delegation may be made subject to any conditions the Board may impose and either collaterally with or to the exclusion of its own powers and may be revoked or altered. Subject to any such conditions the proceedings of any Committee shall be governed by the provision of these Articles insofar as they apply to proceedings of the Board.

21.5 Alternate Directors

No Director shall be entitled to appoint any person as an alternate Director.

21.6 Directors' expenses

21.6.1 Directors may be paid all expenses reasonably and properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board or general meetings of the Company or otherwise in connection with the discharge of their duties and such other sums as may be determined by the Members of the Company.

21.6.2 Directors who are not employees of the Company nor employees or elected members of any Member may be paid reasonable and proper remuneration in return for any services rendered to the Company or in respect of their role as Director in accordance with a Director Remuneration Policy approved by the Members.

21.6.3 Where any Director is an elected member of a local authority that is a Member then such a Director may only be paid such fees and/or expenses as are permitted by the Local Authorities (Companies) Order 1995.

21.6.4 Where any Director is an officer of a local authority that is a Member then they may only claim expenses from their local authority and not from the Company and shall not be entitled to any fee from the Company.

21.7 Directors' appointments and interests

A Director may not have any financial interest personally or as a Member of a firm or as a director or senior employee (being an employee with managerial status) or in any contract or other transaction of the Company unless it is permitted by these Articles.

21.8 Proceedings of Directors

21.8.1 Subject to these Articles the Board may regulate their proceedings as they think fit.

21.8.2 Subject to the articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when:

(a) the meeting has been called and takes place in accordance with the articles, and

(b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

21.8.3 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

21.8.4 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

21.8.5 The Board shall hold at least four meetings a year. Meetings called under this Article shall be convened on not less than fourteen Clear Days' notice.

21.8.6 Any Directors may, by notice in writing given to the Company, requisition a meeting of the Board. In such circumstances it shall be the duty of the Company to convene such a meeting as soon as is reasonably practicable.

21.8.7 The quorum for the transaction of business of the directors shall be no less than 50% of the total number of Directors.

21.8.8 If a quorum is not present within half an hour from the time appointed for a Board meeting the Board meeting shall if requested by a majority of those Directors present be adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors present may determine.

21.8.9 If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the adjourned meeting then the adjourned meetings shall if requested by a majority of those Directors present be adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors present may determine.

- 21.8.10 If at the meeting adjourned pursuant to Article 21.8.9 a quorum is not present within half an hour from the time appointed for the adjourned meeting then notwithstanding Article 21.8.6 at least two Directors present shall constitute a quorum.
- 21.8.11 Save as expressly provided in these Articles questions arising at a Board meeting shall be decided by a majority of votes and each Director present in person shall be entitled to one vote. In the case of an equality of votes at any Board meeting the Chair shall not have a second or casting vote.

21.9 Conflicts of interest

- 21.9.1 Any Director having an interest in any arrangement between the Company and another person or body shall before the matter is discussed by the Board or any Committee of which they are a Member disclose that interest to the meeting
- 21.9.2 Unless the interest is of the type specified in Articles 21.9.3 or 21.9.4 the Director concerned shall not remain present during the discussion of that item unless requested to do so by the remaining Members of the Board or Committee of the Board. Unless permitted by Articles 21.9.3 or 21.9.4 the Director concerned may not vote on the matter in question but no decision of the Board or any Committee of the Board shall be invalidated by the subsequent discovery of an interest which should have been declared.
- 21.9.3 A Director may remain present during the discussion and may vote on the matter under discussion where the interest arises only by virtue of the fact that:
- (a) the Director is a director or other officer of a company or body which is a Subsidiary undertaking of the Company as such term is defined in Section 1162 of the 2006 Act; or
 - (b) the Director is a director or other officer of a company or body which is a Member of the Company.
- 21.9.4 A Director shall not be treated as having an interest:
- (a) of which the Director has no knowledge and of which it is unreasonable to expect him/her to have knowledge;
 - (b) in the establishment of a policy in respect of Director expenses or in any resolution relating to the remuneration of Directors.
- 21.9.5 For the purposes of section 175 of the Act, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach by a director of the duty to avoid conflicts of interest set out in that section of the Act. Any reference in these Articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.
- 21.9.6 Authorisation of a matter under Article 21.9.5 shall be effective only if:

- (a) the matter in question shall have been proposed in writing for consideration by the Directors, or in such other manner as the Directors may determine;
- (b) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Directors (together the Interested Directors); and
- (c) the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

21.9.7 Unless otherwise determined by the Directors (excluding the Interested Directors), any authorisation of a matter under Article 21.9.5 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

21.9.8 Any authorisation of a matter under Article 21.9.5 shall be on such terms and/or conditions as the Directors (excluding the Interested Directors) may determine, whether at the time such authorisation is given or subsequently and may be varied or terminated by the Directors (excluding the Interested Directors) at any time. Such terms or conditions may include (without limitation) terms and conditions as to the duration, renewal and/or revocation of the authorisation, and/or the exclusion of the Interested Directors from all information and discussion of the matter in question. A Director shall comply with any obligations imposed on him/her by the Directors (excluding the Interested Directors) pursuant to any such authorisation.

21.9.9 If a Director receives or has received any information otherwise than by virtue of his/her position as a Director and in respect of which he/she owes a duty of confidentiality to another person, the Director is under no obligation to:

- (a) disclose any such information to the Company, the Directors or any other Director or employee of the Company; or
- (b) use or apply any such information in connection with the performance of his/her duties as a Director;
- (c) provided that to the extent that such duty of confidentiality arises out of a situation or relationship which would or might otherwise constitute or give rise to a breach by the Director of the duty to avoid conflicts of interest set out in section 175 of the Act, this Article shall apply only if such situation or relationship has been authorised by the Directors under Article 21.9.5.

21.9.10 A Director shall not, save as otherwise agreed by him/her, be accountable to the Company for any benefit which he/she (or a person connected with him/her) derives from any matter authorised by the directors under Article 21.9.5 and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

21.9.11 All acts done by the Board or by a Committee of the Board or by a person acting as a Director shall notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director or that any Director was disqualified from holding office or had vacated office or was not entitled to vote be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

21.9.12 If a question arises at a meeting of the Board as to the right of a Director to vote the question may before the conclusion of the meeting be referred to the Chair or in his/her absence the Chair of the meeting and his/her ruling shall be final and conclusive.

21.10 Appointment of Chair of the Board

21.10.1 As soon as practicable after incorporation, and thereafter immediately prior to the conclusion of each annual general meeting the Members shall by ordinary resolution appoint one individual to become the Chair of the Board and another to become the Vice-Chair of the Board and both shall become Directors on appointment to those roles. Those individuals shall hold office until they are either reappointed or until another Chair or Vice-Chair of the Board is appointed or they are removed by ordinary resolution of the Members.

21.10.2 The Director so appointed as Chair shall preside at every meeting of the Board at which he/she is present. If there is no Director holding that office or if the Director holding it is not present within fifteen minutes after the time appointed for the meeting the Vice-Chair shall preside. If neither the Chair or Vice-Chair are available, then the Directors present may appoint one of their number to be chair of the meeting.

21.11 Written resolutions of the Board

21.11.1 A decision of the Directors is taken in accordance with this Article when all eligible Directors indicate to each other by any means that they share a common view on a matter.

21.11.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in writing.

21.11.3 References in this Article to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting.

21.11.4 A decision may not be taken in accordance with this Article if the eligible Directors would not have formed a quorum at such a meeting.

21.12 Records of decisions to be kept

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors and of all proceedings at meetings of the Company

22 Means of communication to be used

- 22.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.
- 22.2 Subject to the articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.
- 22.3 A Director may agree with the company that notices or documents sent to that Director in a particular way are deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

23 Notices

- 23.1 Any notice to be given to or by any person pursuant to these Articles shall be in writing.
- 23.2 The Company may give any notice to the Members either personally, or by sending it by post in a prepaid envelope addressed to the Members at their registered address, or by leaving it at that address, or by suitable electronic means in accordance with the provisions of the Act.
- 23.3 The Members present by their Voting Representative at any meeting of the Company shall be deemed to have received notice of the meeting and where requisite of the purposes for which it was called.
- 23.4 Proof that an envelope containing a notice was properly addressed prepaid and posted shall be conclusive evidence that the notice was given. A notice shall be deemed to be given at the expiration of 48 hours after the envelope containing it was posted, or 24 hours after being sent by electronic means or delivered by hand to the relevant address, or on being handed to a Member's Voting Representative or Director personally, or as soon as the Member or Director acknowledges actual receipt.

24 Indemnity

- 24.1 Every Director or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto including any liability incurred by him/her in defending any proceedings whether civil or criminal in which judgment is given in his/her favour or in which he/she is acquitted or in connection with any application under Section 1157 of the Act in which relief is granted to him/her and no Director or other officer shall be liable for any loss damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto provided that this Article 24.1 shall only have effect in so far as its provisions are not avoided by Section 232 of the Act.
- 24.2 The Board shall have power to purchase and maintain for any Director or officer of the Company insurance against any such liability as is referred to in Section 232 of the Act.

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Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 2

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dated

2019

- (1) London Borough of Barking and Dagenham**
- (2) London Borough of Bexley**
- (3) London Borough of Brent**
- (4) London Borough of Croydon**
- (5) London Borough of Ealing**
- (6) London Borough of Hammersmith and Fulham**
- (7) London Borough of Haringey**
- (8) The Mayor and Burgesses of the London Borough of Lewisham**
- (9) London Borough of Redbridge**
- (10) London Borough of Southwark**
- (11) London Borough of Tower Hamlets**
- (12) London Borough of Waltham Forest**
- (13) City of Westminster**

Members' Agreement for Capital Letters (London) Limited

trowers & hamlins

Contents

1	Definitions and Interpretation	2
2	Consideration	5
3	Delegated Authority	5
4	Business Of The Company	5
5	Completion	5
6	Conduct Of The Company's Affairs	6
7	Member Rights	7
8	Funding	8
9	Annual Business Plan	8
10	Organisation of the Board	9
11	Meetings	9
12	Reserved Matters	10
13	Deadlock	11
15	Termination Of This Deed	14
17	Confidentiality	14
18	Freedom Of Information	15
19	No Partnership or Agency	16
20	Waiver	16
21	Variation	16
22	Conflict with Articles	16
23	Notices	16
24	Costs	17
25	Severability	17
26	Exercise of powers	17
27	Entire Agreement	17
28	Assignment	17
29	Contract (Rights of Third Parties) Act	18
30	Law and Jurisdiction	18
31	Counterparts	18
	Schedule 1 - Reserved Matters	19
	Schedule 2 - Deed of Adherence	21

Members' Agreement

dated 2019

Parties

- (1) **London Borough of Barking and Dagenham** of Town Hall, 1 Town Square, Barking, Essex IG11 7LU (**Member 1**);
 - (2) **London Borough of Bexley** of Civic Offices, 2 Watling Street, Bexleyheath, Kent DA6 7A (**Member 2**);
 - (3) **London Borough of Brent** of Brent Civic Centre, Engineers Way, Wembley HA9 0FJ (**Member 3**);
 - (4) **London Borough of Croydon** of Bernard Weatherhill House, 8 Mint Walk, Croydon, CR0 1EA (**Member 4**);
 - (5) **London Borough of Ealing** of Perceval House, 14-16 Uxbridge Road, Ealing, W5 2HL (**Member 5**);
 - (6) **London Borough of Hammersmith and Fulham** of Town Hall, King Street, London W6 9JU (**Member 6**);
 - (7) **London Borough of Haringey** of River Park House, 225 High Road, London N22 8HQ (**Member 7**);
 - (8) **The Mayor and the Burgesses of the London Borough of Lewisham** of Laurence House, Catford, London, SE6 4RU (**Member 8**);
 - (9) **London Borough of Redbridge** of Town Hall, 128-142 High Road, Ilford, IG1 1DD (**Member 9**);
 - (10) **London Borough of Southwark** of 160 Tooley Street, London SE1 2QH (**Member 10**);
 - (11) **London Borough of Tower Hamlets** of Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG (**Member 11**);
 - (12) **London Borough of Waltham Forest** of Town Hall, Forest Road, Walthamstow, London E17 4JF (**Member 12**);
 - (13) **City of Westminster** of 5 Strand, London WC2N 5HR (**Member 13**);
- and
- (14) **Capital Letters (London)Limited** (registered number 11729699) whose registered office is at Town Hall, 2nd Floor, Mulberry Place, 5 Clove Crescent, London, E14 2BH (**the Company**)

Introduction

- (A) The Company was incorporated in England and Wales as a private company limited by guarantee on 17th December 2018 under the Companies Act 2006.

- (B) The Company is a *Teckal* company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members in the terms set out in this Deed. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.
- (C) The Members have established the Company as a vehicle through which services are delivered to the Members; and to any other customers as considered appropriate by the Members from time to time provided that any services to non-Members shall always remain incidental to the primary aim of providing services to the Members and shall not exceed the threshold as set out in Regulation 12 of the Public Contract Regulations at all times.
- (D) The Members are local authorities exercising their powers under section 1 Localism Act 2011 when establishing the Company.
- (E) The Members wish to participate as Members in the Company and have agreed to enter into this Deed for the purpose of regulating their relationship with each other and the Company as provided herein.
- (F) The Company has agreed with the Members that it will comply with the terms and conditions of this Deed insofar as they relate to the Company.
- (G) Critical management decisions are reserved to the Members and these are set out in Schedule 1 to this Deed.

Agreed terms

1 Definitions and Interpretation

In this Deed:

- 1.1 the following expressions have the following meanings unless inconsistent with the context:

Act means the Companies Act 2006;

Annual Business Plan means a business plan in a form to be approved by the Members setting out the implementation, over a particular Financial Year, of the strategic objectives of the Company in relation to the Business as described in the Service Plans, to include budgets, expenses (including any administrative expenses) and projected financial results for such Financial Year;

Application for Membership and Deed of Adherence means an application for membership of the Company and deed of adherence to this Deed in the form set out at Schedule 2;

Articles means the articles of association of the Company as adopted (as may be amended from time to time);

Board means the Directors of the Company, or such of those Directors present at a duly convened meeting of the Directors at which a quorum is present in accordance with the Articles;

Business means the business of the Company (including any Subsidiaries) as described in clause 4 and/or such other business as the Members may unanimously agree from time to time in writing should be carried on by the Company;

Boroughs' Representative Body means a board comprising the Voting Representatives as described in clause 3;

Business Day means any day (other than a Saturday or Sunday) or a bank or public holiday in England and Wales;

Completion means the performance by the parties of their respective obligations under clause 5;

Confidential Information means any financial or other information in respect of the Company or the Business or the Members (in the case of the Company) or any other Member (in the case of a Member) or any matter subject to or in connection with this Deed;

Deed of Adherence means a deed of adherence to this Deed in the form set out at Schedule 2 or such other form as the Members may prescribe;

Director means any duly appointed director of the Company from time to time;

Encumbrance means any mortgage, charge, pledge, lien, assignment by way of security, option, refusal, other preferential arrangement, third party right or interest, security interest of any kind or other arrangement having similar effect;

Financial Year means the year commencing 1 April and expiring on the subsequent 31 March;

FOIA means the Freedom of Information Act 2000;

Information has the meaning given under section 84 of the FOIA;

Lease Assignment Documents means the assignment documents assigning leases held by a Member to the Company.

London Councils means the cross-party organisation that represents that represents London's 32 local authorities;

Member(s) means any body or person admitted to Membership from time to time in accordance with the Articles and this Deed;

Normal Trade Credit means the credit which arises when a supplier of goods and/or services allows the Company to pay for those goods and/or services at a date which is later than the date upon which they are supplied to the Company;

Operational Date means the date upon which the Company commences the provision of the Services;

Ordinary Resolution has the meaning given to it by section 282 of the Act;

Project Documents means the documents agreed between the Members relating to the operation and funding of the Company including (as applicable) the Service Level Agreement, the Secondment Agreement and the Lease Assignment Documents;

Public Body means a body governed by public law as defined in the Public Contracts Regulations and **Public Bodies** and **Non-Public Bodies** shall be construed accordingly

Public Contracts Regulations means Public Contracts Regulations 2015 and any statutory modification or re-enactment thereof for the time being in force;

Request for Information shall have the meaning set out in FOIA or any apparent request for information under the FOIA or the Environmental Information Regulations 2004;

Reserved Matter means any of the individual management decisions reserved to the Members and requiring the percentage approval listed in Schedule 1;

Secondment Agreement means the agreement between the Member and the Company for the secondment of employees from the Member to the Company;

Services means the services that make up the Business of the Company to be delivered by the Company under any Service Level Agreement;

Service Level Agreement means a service level agreement made between any Member and the Company for the delivery of Services;

Service Plan means the plan agreed on a rolling three year basis between the Company and each Member detailing the Services; and

Subsidiary has the meaning given to it by section 1159 of the Act.

- 1.2 references to any statute or statutory provisions will, unless the context otherwise requires, be construed as including references to any earlier statute or the corresponding provisions of any earlier statute, whether repealed or not, directly or indirectly amended, consolidated, extended or replaced by such statute or provisions, or re-enacted in such statute or provisions, and to any subsequent statute or the corresponding provisions of any subsequent statute in force at any time prior to the date of this Deed directly or indirectly amending, consolidating, extending, replacing or re-enacting the same, and will include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provisions which are in force prior to the date of this Deed;
- 1.3 references to persons will be construed so as to include bodies corporate, unincorporated associations and partnerships;
- 1.4 references to clauses, Schedules and Annexures are to clauses of and the Schedules and Annexures to this Deed;
- 1.5 the Schedules form part of this Deed and will have the same force and effect as if expressly set out in the body of this Deed;
- 1.6 the headings to the clauses of this Deed and to the paragraphs of the Schedules will not affect its construction;

1.7 any phrase in this Deed introduced by the term **include, including, in particular** or any similar expressions which will be construed as illustrative and will not limit the sense of the words preceding that term.

2 **Consideration**

In consideration of the mutual agreements and undertakings set out in this Deed the parties have granted the rights and accepted the obligations in this Deed.

3 **Delegated Authority**

3.1 Each Member shall nominate one individual (**Voting Representative** as defined in the Articles) to represent that Member at general meetings of the Members, to cast the membership vote and to sign any resolution in writing on behalf of that Member (acting at all times within the bounds of the delegated authority and in accordance with the instructions of the appointing Member in respect of any such resolution).

3.2 Delegated authority shall be in writing in agreed form and served upon the Company.

3.3 A Member may change its Voting Representative from time to time provided that any change shall not take effect until notice has been duly served in writing on the Company.

3.4 The other Members, the Directors and the Company shall have the right to rely on any action taken by a notified Voting Representative acting within his/her delegated authority.

4 **Business Of The Company**

4.1 The Business of the Company is:

4.1.1 to procure accommodation for homeless households and those at risk of homelessness by providing services in connection therewith to:

(a) the Members; and

(b) to any other customers as considered appropriate by the Members from time to time provided that any services to non-Members shall always remain incidental to the primary aim of providing services to the Members and do not account for more than 20% of the turnover of the Company in any financial year (or such other percentage of turnover as may be permitted by law from time to time) at all times as set out in Regulation 12 of the Public Contract Regulations;

4.1.2 to undertake the management of accommodation for homeless households and those at risk of homelessness; and

4.1.3 to provide such other services and undertake such other functions as are agreed by the Members from time to time.

5 **Completion**

5.1 Completion shall take place immediately after the execution of this Deed when the parties shall take, or procure to be taken at Board and Members' meetings of the Company the following steps, to the extent not already taken:

5.1.1 the appointment of the Directors as appropriate; and

5.1.2 the adoption of the agreed form articles of association as the Company's Articles.

5.2 Not later than the Operational Date the relevant Members and the Company shall enter into such of the Project Documents as each relevant Member considers necessary.

6 **Conduct Of The Company's Affairs**

6.1 Each Member covenants with the other Members that so long as this Deed remains in force and effect it will so far as it is reasonable for it to do so:

6.1.1 be just and true to the other Members and act in good faith;

6.1.2 as soon as practicable notify the Company of any matters of which it becomes aware which may affect the Company or the Business;

6.1.3 generally do all things necessary to give effect to the terms of this Deed;

6.1.4 take all steps available to it to ensure that it is represented at meetings of the Board or any committee of the Board or at general meetings so as to have the necessary quorum throughout;

6.1.5 consider the Company as a potential supplier for all activities that form part of the Business;

6.1.6 provide the Company by no later than 30 days following the end of each financial year with a report in writing on the percentage of that Member's total procurement of dwellings to support the discharge of their statutory responsibilities for homeless households (or those at risk of homelessness) that has been undertaken for it via the Company in that preceding financial year; and

6.1.7 keep the Company fully informed of its activities that are relevant to the Business and of any plans it may have to enter into a material contract with a third party for services that are similar to the Services or any of part of them.

6.2 Subject to clause 12 the Board shall be responsible for the day to day management of the Company in accordance with the Annual Business Plan and without prejudice to the generality of the foregoing shall:

6.2.1 transact all its business on arm's length terms;

6.2.2 maintain, with a well-established and reputable insurer, adequate insurance against all risks usually insured against by companies carrying on the same or a similar business and (without prejudice to the generality of the foregoing) for the full replacement or reinstatement value of all its assets of an insurable nature;

6.2.3 keep proper books of account and therein make true and complete entries of all its dealings and transactions of and in relation to the Business;

- 6.2.4 prepare its accounts in accordance with the Act and in accordance with all applicable accounting standards and principles and practices generally acceptable in the United Kingdom;
 - 6.2.5 prepare such accounts in respect of each accounting reference period as are required by statute and procure that such accounts are audited (where required) as soon as practicable and in any event not later than four months after the end of the relevant accounting reference period; and
 - 6.2.6 within 6 weeks after the end of each quarter (the first quarter starting on the date of this Deed), prepare quarterly management accounts (including once the first six months have elapsed budget forecasts by comparison to their respective business plans).
- 6.3 Any surpluses generated from providing Services to both Members and any third parties shall be applied solely in promoting the Company's objects.
- 6.4 Nothing in this Deed shall prevent the Company from providing services to non-members, provided that:
- 6.4.1 this does not impact on the Company's ability to provide the Services to any Member; and
 - 6.4.2 the services to non-members do not account for more than 20% of the turnover of the Company in any financial year (or such other percentage of turnover as may be permitted by law from time to time) so as to ensure the Company remains classified as a jointly controlled Teckal company pursuant to Regulation 12 of the Public Contract Regulations 2015.
- 6.5 In the event that the Company is dissolved any capital and assets available for distribution shall be divided between the Members and any former Member(s) in accordance with the provisions of the Articles.
- 6.6 The Company shall permit any Director to discuss the affairs, finances and accounts of the Company with any members, officers and executives at any time. All books, records, accounts and documents relating to the business and the affairs of the Company shall be open to the inspection of any such person, who shall be entitled to make any copies thereof as he/she or she deems appropriate to keep the relevant Member properly informed about the business and affairs of the Company or to protect its interests as a Member. Any confidential information secured as a consequence of such discussions and examinations shall be kept confidential by the requesting Member and its designated officers and executives in accordance with the terms of clause 17.
- 7 **Member Rights**
- 7.1 Each Member shall have the right to cast one vote on any Member resolution (at a general meeting or in writing).

8 **Funding**

- 8.1 The Company will be funded through a combination of payment from tenants in respect of delivery of Services, payment from Members contracting with the Company for delivery of Services, payment from Government through grant payment.
- 8.2 Individual costs associated with delivery of Services in accordance with any contractual arrangements with the Members will be borne by the relevant Members.
- 8.3 Any additional operating costs (including applicable profit margin) will be attributed to the relevant Member where possible. Any such costs which cannot be directly allocated to a relevant Member will be apportioned according to the economic/service benefit derived by the relevant Members.
- 8.4 Any operational savings will be attributed to the relevant Member where possible. Any savings which cannot be directly allocated to a relevant Member will be apportioned according to the economic/service benefit derived by the relevant Members except for an amount which will be retained by the Company for future development or asset replacement as agreed by the Board.
- 8.5 For the avoidance of doubt, the reference to costs in clauses 8.2 to 8.4 includes any applicable profit margin of the Company from time to time and the parties confirm that the charging arrangements are not intended to amount to an exact reimbursement of costs overall.
- 8.6 Without prejudice to the provisions of clauses 8.1 to 8.5 above, the Company and the Business shall be financed by such sources as specified in the Annual Business Plan.
- 8.7 In the event that the Company requires additional finance from time to time, no Member shall be required to provide any such funding or to guarantee or provide any security or accept any other liability with respect to any borrowings by, or loan facilities made available to, the Company. Any requests for additional funding shall be considered in good faith by the Board and the Members on a case by case basis.

9 **Annual Business Plan**

- 9.1 The first Annual Business Plan shall be agreed between the Members and the Company not later than the Operational Date.
- 9.2 For each subsequent Financial Year:
- 9.2.1 the Company will (not less than 90 days prior to the beginning of such Financial Year) provide each Member with a draft Service Plan for consideration and the Company will (not less than 30 days prior to the beginning of such Financial Year) agree a Service Plan with each Member; and
- 9.2.2 the Board will (not less than 60 days prior to the beginning of such Financial Year) cause to be prepared a draft Annual Business Plan for such Financial Year for Board approval.
- 9.3 Where approval is required from the Members in accordance with clause 9.2, the Members will, not later than 30 days before the beginning of each Financial Year, consider and seek

to unanimously reaffirm the draft Annual Business Plan. If the Members cannot agree the draft Annual Business Plan then, notwithstanding that this matter is a Deadlock for the purposes of clause 13, the last approved version of the Annual Business Plan shall remain in full force and effect until such time that a plan is agreed by no less than 75% of the Members or the matter is resolved pursuant to the provisions of clause 13 and the last approved version of the Annual Business Plan shall continue to apply to the Business and the Company for the next Financial Year.

- 9.4 The " Members may consult with London Councils (in any way that may be determined by the Members from time to time) on the content of the Annual Business Plan to seek their views and comments. For the avoidance of doubt London Councils do not have the ability to approve or reject any aspect of the Annual Business Plan and their role shall be advisory only.

10 **Organisation of the Board**

10.1

- 10.2 Directors shall be appointed in accordance with an appointment policy adopted by the Company from time-to-time.

- 10.3 The Board may in its absolute discretion create sub-committees and delegate such responsibilities as it sees fit provided always that the provisions of clause 13 shall always apply.

- 10.4 Subject to clause 10.5, the Board shall have a Chair and a Vice-Chair, who shall be appointed in accordance with article 21.1 and Schedule 1.

- 10.5 The Director so appointed as Chair shall preside at every meeting of the Board at which he/she is present. If there is no Director holding that office or if the Director holding it is not present within fifteen minutes after the time appointed for the meeting the Vice-Chair shall preside. If neither the Chair or Vice-Chair are available, then the Directors present may appoint one of their number to be chair of the meeting. This clause 10 shall also apply to any Director who is also a director of any Subsidiary.

11 **Board and Meetings**

The Board shall be composed as set out in the Articles and shall comprise directors appointed in accordance with the provisions set out below in this clause 11.

11.1 **Appointment and Removal of Directors**

- 11.1.1 Directors shall be appointed in accordance with an appointment policy adopted by the Boroughs' Representative Body from time-to-time and shall cease to be a Director in the circumstances described in the Articles.

- 11.1.2 Any person who is willing to act as a Director, and is permitted by law to do so, may be appointed to be a Director.

- 11.1.3 All Board meetings shall be held at a venue reasonably convenient for all the Directors (including, for the avoidance of doubt, by video-conference or other virtual means).

- 11.1.4 A Board meeting will be held at least four times in each calendar year, with no more than four months between each meeting.
- 11.1.5 The Company shall ensure that each Director is sent papers (which may be sent by electronic means if agreed) for Board meetings (including but not limited to an agenda and details of any specific resolutions to be put to the meeting) no less than five Business Days before the date of such meeting.
- 11.1.6 Any Member which requests the Company to do so:
- (a) is sent papers (which may be sent by electronic means if agreed) for all Board and all general meetings of the Company (including but not limited to an agenda and details of any specific resolutions to be put to the meeting) no less than five Business Days before the date of such meeting;
 - (b) is sent all draft minutes within fourteen Business Days of the Board or general meeting; and
 - (c) is permitted to send a representative (who may be a councillor) to speak on a matter of business at Board meetings subject to seeking the prior written permission of the Chair of the Board.

12 **Reserved Matters**

12.1 The Company will not, and the Members shall exercise their powers in relation to the Company to procure that (save as otherwise provided or contemplated in this Deed) the Company will not, undertake those matters set out in Schedule 1 without the consent of the requisite percentage of Members set out in Schedule 1.

12.2 Clause 12.1 shall also apply to any Subsidiary of the Company.

12.3 Notwithstanding any other provision of this Deed or the Articles, no new member shall be admitted to the Company without such member entering into a Deed of Adherence whereby such new member agrees to be bound by the terms of this Deed.

12.4 **Unanimous Decision Making**

12.4.1 The Members agree that no changes will be made that would be detrimental to one or more of the Members even if of benefit to others and that the Members shall work collaboratively to seek the agreement of all of the Members and the Members further agree their respective Voting Representatives will informally meet with representatives of the Board or the Directors as necessary to consider and discuss strategic areas of Company Business at a Boroughs' Representative Body.

12.4.2 Where a potential Reserved Matter decision or any item for discussion has the potential to be detrimental to one or more of the Members the matter shall first be considered by an informal meeting of the Voting Representatives at a Boroughs' Representative Body.

- 12.4.3 If having considered the proposed resolution or the item for discussion the Voting Representatives or any of them are of the opinion that it is unlikely to be passed unanimously at a general meeting (or in writing) they may notify the person or body which has proposed the resolution or item of their concerns, and the reasons for them, and require them, within such time as is reasonable in the circumstances, to formulate an alternative proposal or proposals which address the concerns and submit them to an informal meeting of the Boroughs' Representative Body to be held within such time as is reasonable in the circumstances following receipt of the alternative proposals (or such later meeting of the Boroughs' Representative Body as shall be agreed) for further consideration.
- 12.4.4 The Boroughs' Representative Body shall consider the alternative proposal or proposals submitted to them and notify the person or body proposing the Resolution of any further concerns, and the reasons for them, which they have.
- 12.4.5 The person or body requiring the resolution shall then finalise the wording of the resolution on the Reserved Matter or item for decision to be put to the vote at a general meeting of the company (or in writing) having due regard to the comments made by the Boroughs' Representative Body.

13 **Deadlock**

13.1 **Meaning of Deadlock**

For the purposes of this clause 13 there shall be a Deadlock if:

- 13.1.1 a matter constituting a Reserved Matter has been considered by the Members; and
- 13.1.2 no resolution has been carried by the Members in relation to the matter because of a failure of the requisite number of Members to consent to such resolution; and
- 13.1.3 the matter is not resolved within ten (10) Business Days from the date of the relevant general meeting or the end of the period for approval of a written resolution circulated to the Members for consent (as appropriate).

13.2 **Members' obligations**

In any case of Deadlock each of the Members shall (at the request of any Member) within fifteen (15) Business Days of Deadlock having arisen or become apparent, cause the Chairman of the Board, to prepare and circulate to the Members and the other Directors a memorandum or other form of statement setting out its position on the matter in respect of which the Deadlock has arisen and its reasons for adopting that position, but on the basis that such memorandum or statement shall always be prepared and delivered on a "without prejudice" basis. Each Member shall then refer the Deadlock to its Head of Paid Service and such persons shall use all reasonable efforts in the 20 Business Days following such reference to resolve the Deadlock.

13.3 **Failure to resolve Deadlock**

If a resolution of a Deadlock referred pursuant to clause 13.2 is not resolved or is not agreed in accordance with that clause (or such longer period as the Members may agree in writing) the status quo shall prevail unless the Directors resolve that to do so would be detrimental to the proper conduct of the Business in which instance the provisions of clauses 13.4 to 13.7 shall apply.

13.4 The Board shall serve written notice on the Members requiring them to attempt to settle the dispute by mediation (such notice to be served within seven Business Days of the Board meeting at which the decision was passed). On receipt of such notice from the Board the Members will attempt to settle the dispute by mediation in accordance with the model mediation procedures (the **Procedures**) published by the Centre for Effective Dispute Resolution, CEDR Solve (**CEDR**). To initiate mediation, a Member must give notice in writing (**Mediation Notice**) to the other Members.

13.5 The Members will seek to agree the appointment of a mediator but, failing agreement within 28 days of the service of the Mediation Notice, any Member may ask CEDR to appoint a mediator.

13.6 In the event that there are no Procedures available and CEDR is unable or unwilling to appoint a mediator, any Member may ask the President of the Law Society of England & Wales (or its successor body) to appoint a mediator and to recommend a mediation procedure which the Members shall adopt.

13.7 If the matter in dispute is not resolved within 40 Business Days of the service of the Mediation Notice then any Member may (but shall not be obliged to) within fifteen (15) Business Days after expiry of such period serve notice in writing upon the other Members and the Board that the Board shall, at the earliest practicable date:

13.7.1 make or concur in the making of a statutory declaration in the terms mentioned in section 89 of the Insolvency Act 1986 (if the state of the Company's affairs permits the making of such a declaration); and

13.7.2 convene an extraordinary general meeting of the Company to consider:

(a) the matter from which the Deadlock arose; and

(b) the passing of a special or extraordinary resolution to place the Company in members' voluntary winding-up (if such a declaration has been made in accordance with clause 13.7.1) or (in any other case) in creditors' voluntary winding-up;

such meeting or meetings to be held within five weeks after either the making of any declaration made in pursuance of clause 13.7.1 or (where the state of the Company's affairs does not admit to the making of such a declaration as is mentioned in clause 13.7.1 convene a meeting of the Company's creditors in accordance with section 98 of the Insolvency Act 1986.

14 **Intellectual property**

14.1 The Members and the Company acknowledge that:

- 14.1.1 any and all Intellectual Property Rights created wholly by the Company in connection with the Business (the **Business IPRs**) shall automatically belong to the Company.
- 14.1.2 any and all Intellectual Property Rights created by the Members in connection with the Business (the **Member IPRs**) shall belong to the Member who created them.
- 14.2 The Company hereby grants to each Member for the time being and for the duration of their Membership of the Company a non-transferable royalty-free licence to use the Business IPRs (as they may be constituted from time to time) to the extent necessary for the purposes of the Business. The Members hereby grant to the Company a non-transferable royalty-free licence (without the right to grant sub-licences) to use the Member IPRs (as they may be constituted from time to time) solely to the extent necessary for the purposes of the Business.
- 14.3 All use of the Business IPRs by the Members pursuant to this Deed, including all goodwill arising from such use, shall accrue solely to the benefit of the Company. All use of Member IPRs by the Company pursuant to this Deed, including all goodwill arising from such use, shall accrue solely to the benefit of the respective Member.
- 14.4 The Company and each Member agree that they shall not, without the prior written consent of the other parties to this Deed, assign, transfer, mortgage, charge or deal in any other manner with any of their rights under this clause 14.
- 14.5 For the purposes of this clause 14, **Intellectual Property Rights** means patents, rights to inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.
- 15 **Withdrawal and Removal of Members**
- 15.1 A Member may cease to be a party to this Deed and cease to be a member of the Company upon giving not less than six months' notice in writing to the Company and the other Members.
- 15.2 In accordance with clause 6.1.6, at the end of each financial year, the Members shall confirm to the Company the percentage of its total procurement for that Member of dwellings to support the discharge of its statutory responsibilities for homeless households or those at risk of homelessness (excluding nightly paid properties or properties outside of the London area) that was undertaken via the Company that financial year. In the event that this percentage is less than 50% the Members have the discretion to terminate the Member's Membership in accordance with the procedure set out in article 12.9.
- 15.3 For the purposes of the calculation of the percentage referenced in clause 15.2 above, this will be calculated from the date of entry as a Member to the end of that financial year for the initial year of membership, and subsequently shall be calculated every full financial year.

- 15.4 Subject to compliance with the provisions of articles 12.3 and 12.9 of the Articles, in the event that a Member's Membership is terminated in accordance with clause 15.3, the Member may be re-admitted to the Membership of the Company.
- 15.5 With the exception of any money reimbursed to a Member under clause 6.5, a Member shall not be entitled to any refund of any amount paid to the Company as a consequence of ceasing to be a party to this Deed or ceasing to be a member of the Company.
- 15.6 On the withdrawal of a Member, their Service Level Agreement will be deemed to have been terminated on the date of withdrawal except as otherwise agreed by the withdrawing Member and the Company.
- 15.7 Notwithstanding that a Member shall cease to be a party to this Deed, it shall not be released from any liabilities or rights of action accrued against it under or in connection with this Deed up to the date of its ceasing to be a party and that Member shall continue to be bound by those provisions of this Deed which are expressed to continue following termination of this Deed. The Deed shall continue in force in relation to the remaining parties including any party having entered into a Deed of Adherence.
- 15.8 A Member (the Defaulting Member) shall cease to be a Member in the event that:
- 15.8.1 it commits a serious breach of this Deed; or
 - 15.8.2 it persistently breaches this Deed; and
- the breach (if capable of remedy) is not rectified within 20 Business Days of written notice having been given to the Defaulting Member requiring it to rectify such breach or breaches and the remaining Members agree by majority vote at a duly convened general meeting or in writing that the Defaulting Member's membership shall cease.

16 **Termination Of This Deed**

- 16.1 This Deed shall continue in full force and effect from the date hereof until:
- 16.1.1 all the Members or their successors in title agree in writing to its termination;
 - 16.1.2 there is only one Member of the Company; or
 - 16.1.3 the Company goes into liquidation whether voluntary or compulsory (other than for the purpose of an amalgamation or reconstruction approved by all the Members).
- 16.2 Without prejudice to any accrued rights and liabilities of any of the Members, the ongoing rights and liabilities of any Member pursuant to this Deed shall cease automatically upon the cessation of his/her or its membership of the Company.
- 16.3 Termination of this Deed pursuant to this clause 16 shall be without prejudice to any accrued rights and liabilities of any of the Members.

17 **Confidentiality**

Each of the parties hereto shall hold in confidence and shall not and shall procure (where applicable) that its employees, agents and contractors shall not without the written consent

of the other parties (such consent not to be unreasonably withheld) or as required by any other provision of law divulge to any third party any Confidential Information or use any such information other than for the purposes anticipated by this Deed provided that the provisions of this clause 17 shall not apply to information which may properly come into the public domain through no fault of the party so restricted.

18 Freedom Of Information

18.1 Clause 17 shall not apply where a party has obtained the written consent of the other parties (such consent not to be unreasonably withheld) to divulge or use any Confidential Information or where Confidential Information is required to be disclosed by any law or statutory or regulatory obligation including without limitation the FOIA and the Environmental Information Regulations 2004 (but only to the extent of such law or statutory or regulatory obligation).

18.2 Each party acknowledges that it and the other parties are subject to the requirements of the FOIA and the Environmental Information Regulations 2004 and each party shall assist and cooperate with the others (at their own expense) to enable the other parties to comply with these Information disclosure obligations.

18.3 Where a party receives a Request for Information in relation to Information which it is holding on behalf of another party, it shall:

18.3.1 transfer the Request for Information to the other party as soon as practicable after receipt and in any event within five Business Days of receiving a Request for Information;

18.3.2 provide the other party with a copy of all Information in its possession or power in the form that the other party requires within five Business Days (or such other period as the other party may specify) of a request from the other party; and

18.3.3 provide all necessary assistance as reasonably requested by the other party to enable that party to respond to the Request for Information within the time for compliance set out in section 10 of the FOIA or regulation 5 of the Environmental Information Regulations 2004.

18.4 Where a party receives a Request for Information which relates to Confidential Information, it shall inform the other parties of the Request for Information as soon as practicable after receipt and in any event within five Business Days of receiving a Request for Information.

18.5 If any party determines that Information (including Confidential Information) must be disclosed under the FOIA, it shall notify the other parties of that decision at least five Business Days before disclosure.

18.6 Each party shall be responsible for determining at its absolute discretion whether the Confidential Information and/or any other Information:

18.6.1 is exempt from disclosure under the FOIA or the Environmental Information Regulations 2004;

18.6.2 is to be disclosed in response to a Request for Information.

18.7 Each party acknowledges that any other party may, acting in accordance with the Department for Constitutional Affairs' Code of Practice on the Discharge of Functions of Public Authorities under Part I of the Freedom of Information Act 2000, be obliged under the FOIA or the Environmental Information Regulations 2004 to disclose Information:

18.7.1 without consulting with the other parties, or

18.7.2 following consultation with the other parties and having taken their views into account.

18.8 Notwithstanding the provisions of clause 17 each Director (whilst he/she holds that office) will be entitled to make full disclosure to the Members of any information relating to the Company which the Members may reasonably require.

19 **No Partnership or Agency**

Nothing in this Deed shall constitute a partnership between the parties hereto or constitute one the agent of another and none of the parties shall do or suffer anything to be done whereby it shall or may be represented that it is the partner or agent of a party hereto (save as aforesaid) unless such party is appointed partner or agent of that other party with the consent in writing of that party.

20 **Waiver**

The waiver by any party of any default by any other party in the performance of any obligation of such other party under this Deed shall not affect such party's rights in respect of any other default nor any subsequent default of the same or of a different kind nor shall any delay or omission of any party to exercise any right arising from any default, affect or prejudice that party's rights as to the same or any future default.

21 **Variation**

Any variation of any term of this Deed shall be in writing duly signed by the Members and the Company.

22 **Conflict with Articles**

Where the provisions of the Articles conflict with the provisions of this Deed, the Members agree that the provisions of this Deed shall prevail, to the intent that they shall if necessary in any case procure the amendment of the Articles to the extent required to enable the Company and its affairs to be administered as provided herein.

23 **Notices**

23.1 Any demand, notice or other communication given or made under or in connection with this Deed will be in writing.

23.2 Any such demand, notice or other communication will, if given or made in accordance with this clause 23, be deemed to have been duly given or made as follows:

23.2.1 if sent by prepaid first class post, on the second Business Day after the date of posting; or

23.2.2 if delivered by hand, upon delivery at the address provided for in this clause 23, provided however that, if it is delivered by hand on a day which is not a Business Day or after 4.00 pm on a Business Day, it will instead be deemed to have been given or made on the next Business Day.

23.3 Any such demand, notice or other communication will, in the case of service by post or delivery by hand, be addressed to the recipient at the recipient's address stated in this Deed or his/her Deed of Adherence or at such other address as may from time to time be notified in writing by the recipient to the sender as being the recipient's address for service.

23.4 For the avoidance of doubt, where proceedings have been issued in the Courts of England and Wales, the provisions of the Civil Procedure Rules must be complied with in respect of the service of documents in connections with those proceedings.

24 **Costs**

Each of the parties hereto will pay its own legal costs and expenses incurred in connection with the preparation of this Deed.

25 **Severability**

The illegality, invalidity or unenforceability of any clause or part of this Deed will not affect the legality, validity or enforceability of the remainder. If any such clause or part is found by any competent court or authority to be illegal, invalid or unenforceable the parties agree that they will substitute provisions in a form as similar to the offending provisions as is possible without thereby rendering them illegal, invalid or unenforceable.

26 **Exercise of powers**

26.1 Words denoting an obligation on a party to do any act, matter or thing include, except as otherwise specified, an obligation to procure that it be done and words placing a party under a restriction include an obligation not to permit or allow infringement of that restriction.

26.2 Where a Member is required under this Deed to exercise its powers in relation to the Company to procure a particular matter or thing, such obligation shall be deemed to be satisfied by such Member exercising its voting and other rights as a member.

27 **Entire Agreement**

This Deed and the documents referred to in it, the Annexures to this Deed and the Articles constitute the entire contractual relationship between the parties in relation thereto and there are no representations, promises, terms, conditions or obligations between the parties, implied or otherwise, other than those contained or expressly referred to therein. This clause does not restrict liability of either party for fraudulent misrepresentations.

28 **Assignment**

The Members shall not assign nor transfer nor purport to assign nor transfer any of their rights or obligations hereunder (other than to a successor body).

29 **Contract (Rights of Third Parties) Act**

The parties to this Deed do not intend that any of its terms will be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

30 **Law and Jurisdiction**

This Deed shall be governed by and construed in accordance with the laws of England and Wales and each of the parties hereto submits to the exclusive jurisdiction of the English and Welsh Courts.

31 **Counterparts**

This deed may be executed in any number of counterparts, each of which when executed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

This document is executed as a deed and delivered and takes effect on the date stated at the beginning of this Deed.

Schedule 1

Reserved Matters

Matters that require seventy-five percent (75%) approval by the Members at a duly convened general meeting or in writing:

1	Permitting the admission of any additional Members of the Company.
2	Adopting or amending the Annual Business Plan in respect of each Financial Year.
3	Forming any Subsidiary or acquiring membership or shares in any other company or participating in any partnership or joint venture (incorporated or not).
4	Amalgamating or merging with any other company or business undertaking.
5	Entering into any arrangement, contract or transaction with either a capital or revenue value over £500,000 which is not included in the current approved Business Plan.
6	Agreeing the appointment and the appointment terms (including any remuneration terms) of all Directors of the Company.
7	Appointing or removing the chair of the Company.
8	Making any petition or resolution to wind up the Company or any Subsidiary.
9	Making any amendment to the Articles or any Subsidiary articles of association, including (without limitation) any rights of the Members.
10	Giving any guarantee to secure the liabilities of any person.
11	Creating any Encumbrance over the whole or any part of the Company or assets of any Subsidiary company.
12	Giving or taking any loans, borrowing or credit (other than Normal Trade Credit in the ordinary course of business) save as specifically provided for in the Annual Business Plan.
13	Any acquisitions, assimilations or asset transfers by or to the Company other than those approved in the Annual Business Plan.
14	The approval of any redundancy of any employees or the approval of any redundancy policy under which the Board will be authorised to make employees of the Company redundant.
15	Establishing any pension scheme in respect of Company employees or the alteration of any pension scheme or arrangements operated by the Company.

16	Any decisions relating to the strategic objectives of the Company (to the extent that these are not in any case reflected by the Company's Annual Business Plan).
17	Creating or granting any encumbrance over the whole or any part of the Company or its business, undertaking or assets other than liens arising in the normal course of business.

Schedule 2

Deed of Adherence

Application for Membership and Deed of Adherence

dated

Parties

- (1) [] of (1) [] (**Member 1**);
- (2) [] of (1) [] (**Member 2**);
- (3) [] of (1) [] (**Member 3**);
- (4) [] of (1) [] (**Member 4**)

Together the **Continuing Members**

and

- (5) **Capital Letters (London)Limited** (registered number 11729699) whose registered office is at Town Hall, 2nd Floor, Mulberry Place, 5 Clove Crescent, London, E14 2BH (**the Company**)
- (6) [*name of new member*] of [*address*] (**New Member**).

Introduction

- (A) The Continuing Members and the Company are party to an agreement dated 2019 (**Members Agreement**) which regulates their membership of the Company and sets out their respective rights and obligations as Members.
- (B) The New Member wishes to become a Member in accordance with the Company's Articles and the Members Agreement.

Agreed terms

- 1 Words and expressions used in this Deed shall, unless the context expressly requires otherwise, have the meaning given to them in the Members Agreement. The **Effective Date** means the date of this Deed.
- 2 The New Member hereby applies to be a Member of the Company in accordance with the Articles and the Members Agreement.
- 3 The New Member confirms that he/she has been supplied with a copy of the Members Agreement and Articles.
- 4 The Company, the New Member and each of the Continuing Members undertake with each other that, from the Effective Date, the New Member shall be admitted to the Company as a Member and shall assume all of the rights under the Members Agreement granted to the Members and shall observe, perform and be bound by the provisions of the Members

Agreement and Articles as though the New Member was an original party to the Members Agreement.

5 This Deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

6 Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Deed or its subject matter or formation (including non-contractual disputes or claims).

This Deed of Adherence has been executed as a Deed and is delivered and takes effect on the date stated at the beginning of it.

INSERT MEMBER EXECUTION CLAUSES

THE COMMON SEAL of)

[])

was hereunto affixed)

in the presence of:)

Authorised Signatory

executed as a deed by the)

New Member (acting)

)

)

in the presence of:)

Signature

witness signature:

name:

address:

occupation:

executed as a deed by **Capital Letters**)
(London) Limited acting by [*name of director*],)
a director

in the presence of:) Director

witness signature:

name:

address:

occupation:

This Deed has been executed as a Deed and is delivered and takes effect on the date stated at the beginning of it.

INSERT MEMBER EXECUTION CLAUSES

THE COMMON SEAL of)

London Borough of Barking and Dagenham)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Bexley)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Brent)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Croydon)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Ealing)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Hammersmith and Fulham)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

London Borough of Haringey)

was hereunto affixed)

in the presence of:)

Authorised Signatory

THE COMMON SEAL of)

The Mayor and Burgesses of the)

London Borough of Lewisham)

was hereunto affixed)

in the presence of:)

Head of Law

THE COMMON SEAL of)
London Borough of Redbridge)
was hereunto affixed)
in the presence of:)
Authorised Signatory

THE COMMON SEAL of)
London Borough of Southwark)
was hereunto affixed)
in the presence of:)
Authorised Signatory

THE COMMON SEAL of)
London Borough of Tower Hamlets)
was hereunto affixed)
in the presence of:)
Authorised Signatory

THE COMMON SEAL of)
London Borough of Waltham Forest)
was hereunto affixed)
in the presence of:)
Authorised Signatory

THE COMMON SEAL of)

City of Westminster)

was hereunto affixed)

in the presence of:)

Authorised Signatory

executed as a deed by **Capital**)

Letters(London) Limited acting by [*name of*
director], a director)

in the presence of:) Director

witness signature:

name:

address:

occupation:

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Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 3

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INTRODUCTION TO CAPITAL LETTERS: START UP & DELIVERY

1. Capital Letters purpose

Capital Letters was established in December 2018 to increase the supply of good quality rented accommodation to homeless households across London.

We are a pan-London accommodation procurement and management company, set up and owned by councils across the Capital. We have been supported by London Councils and the London Housing Directors' Group and our work has been made possible by £38m of Flexible Homelessness Support Grant from the Ministry of Housing, Communities and Local Government (MHCLG).

Capital Letters is a not-for-profit company limited by guarantee and owned by the 13 London Boroughs who set it up. These are currently Barking & Dagenham, Bexley, Brent, Croydon, Ealing, Hammersmith & Fulham, Haringey, Lewisham, Redbridge, Southwark, Tower Hamlets, Waltham Forest, and Westminster with plans to increase this to 25 members over the next 2 years. All surpluses will be reinvested in the service.

Capital Letters has been established by member Boroughs to work together to increase supply, whilst avoiding competing for limited accommodation and pushing up costs. The Boroughs second staff to Capital Letters in order to pool resources and share expertise and enable Capital Letters to provide a cost-effective, efficient and consistent pan-London service for member Boroughs, as well as providers of accommodation and tenants.

2. Capital Letters Governance

Borough Representative Body

The Borough Representative Body has sovereign responsibility for the governance of the organisation. Its central role is to lead, direct, control, scrutinise and evaluate the organisation's strategic business plan and its key policies. Membership of the BRB includes one nominated representative from each of the member boroughs.

Capital Letters Board

Oversight, scrutiny, direction and control of Capital Letters is delegated to the Board of Directors. The Board has responsibility for the governance of the organisation. Its central role is to lead, direct, control, scrutinise and evaluate the organisation's work. This includes determining strategic direction and key policies, establishing and overseeing control and risk management frameworks, satisfying itself of the integrity of financial information and ensuring that the organisation achieves its aims and objectives.

The Board is accountable to the Borough Representative Body and comprises Housing Directors from 5 member Boroughs (representing the London sun-regions), a Chair and Vice-Chair from a further two Boroughs and three independent Non-Executive Directors. The independent NEDs are:

- Paul Doe MBE, retired Chief Executive of Shepherds Bush Housing Group
- Ken Beech, Director, Portfolio Management at Homes England
- Julia Newton, Chair of GB Taekwondo and an entrepreneur, director and trustee of several companies and charities over a range of sectors including the Rural Refugee Network.

Executive Team

The Executive Team have day-to-day operational responsibility for running Capital Letters.

The Executive Team comprises three members, all of whom have a background in public sector and social housing as well as other relevant commercial and operational experience:

Sue Coulson, CEO, is a housing specialist, having worked for local authorities and a range of housing associations at Executive Director level across the country.

Philip Smith, Director of Finance and Resources, has worked in both commercial and housing sectors, bringing a wealth of experience across finance and IT.

Anna Benbow, Director of Operations, has extensive experience of both public sector and contractor asset management at strategic and operational level.

The CEO & Director of Finance & Resources commenced in post in June 2019; the Director of Operations in December 2019.

3. Capital Letters values

We are a social purpose company, passionate about improving the lives of the people we help to house, committed to putting customers at the heart of everything we do, providing affordable homes & operating with integrity and respect.

We are agile, adaptable & innovative in our approach, applying learning to continuously improve what we do.

Our Vision, Mission and Values are set out in **Appendix 1**.

We have three Strategic Objectives which create the framework and focus for everything we do:

Driving a sustainable, growing and viable business built on innovation and creativity

Best in class in everything we do, adding value and delivering great customer service

People at our heart enabling empowered staff to achieve our vision together

4. The Capital Letters Set Up Journey

Whilst Capital Letters was established in December 2018, operational activity commenced in June 2019 with the appointment of the CEO & Director of Finance & Resources. We procured our first property in June 2019. We have been incrementally increasing our workforce and developing the detail of our operational working arrangements to ensure they are fit for purpose since then.

Significant progress has been made in getting Capital Letters up and running since the appointment of the CEO & Director of Finance & Resources, including the establishment and implementation of the organisational Delivery Plan, which translates Capital Letters' strategic Business Plan objectives into annual operational activities, with a particular focus this financial year on the operational set-up. Performance against the planned activities is reported to the Board at each meeting.

The Delivery Plan has provided focus on our key priorities such as:

- Recruitment strategy for the procurement service and appointment of key personnel including Office Manager, HR Manager, Finance Manager, Head of Housing & Maintenance, PR & Communications Manager, Housing Management & Tenancy Sustainment team
- Creating the governance framework for the company and appointment of the Company Secretary including Standing Orders and Financial Regulations
- Reviewing the Business Plan based on actual operational activity and agreed MHCLG targets rather than the assumptions set out in the approved Plan. In the new year, the Board will consider a new 3-year Corporate Strategy, Business Plan & Growth Strategy from the Executive Team

- Establishment of our risk management framework and Risk Register
- Creation of policies (HR and Operations)
- Establishing operational practicalities including the bespoke IT system, working processes, and performance targets
- The company's PR & Communications Strategy supported by a delivery action plan. This includes a concerted promotional campaign in January to raise our profile and attract landlords, a bespoke website, Twitter and LinkedIn accounts
- Creation of a regular e-newsletter for members and other stakeholders from January 2020 to provide regular updates on Capital Letters' progress and activities.

Key milestones in our operational delivery journey have been:

June 2019: Commencement of CEO & Director of Finance & Resources

Creation of 2019/20 Delivery Plan

First property procured

July 2019: Recruitment campaign commenced

The purpose of this has been to recruit to key posts in the Capital Letters' structure and to run a proactive rolling recruitment programme for Capital Letters' directly employed Housing Negotiators throughout the year

Secondees Discovery Day held to enable potential secondees to understand more about Capital Letters and how the secondment arrangements would work

Work on detailed operational processes commenced

Aug 2019: First secondees (2) from Hammersmith & Fulham joined the team

First meeting of the Operational Delivery Group (see below)

Sept 2019: Secondment Agreement formally adopted by the member Boroughs
The Secondment Agreement between the individual Boroughs and Capital Letters allows their procurement employees to be seconded to Capital Letters

Business Plan reviewed and approved by the Board

PRS incentive package agreed with member Boroughs

Borough Service Plan template agreed with member Boroughs

First Capital Letters Housing Negotiator commenced in post

Oct 2019: BRB meeting
New Chairs of BRB and Capital Letters Board appointed

Help to Rent insurance in place to offer landlords

2nd secondees Discovery Day

Sept – Nov19: Remaining secondees joined the Capital Letters team on a phased basis
Whilst concluding the Secondment Agreement delayed some aspects of the Capital Letters delivery, the effect has been beneficial as staff have moved to Capital Letters on a phased basis, allowing us to test out our working arrangements and systems

and ensure our Borough partners are “Capital Letters” ready to receive allocated properties

Nov 2019: “Paid for” procurement service launched (see section 5)
As a result of our successful recruitment activities, we have been able to offer the “paid for” procurement service for the Boroughs who have not seconded staff with effect from November. The Boroughs have been putting in place their internal arrangements to make the salary payments, with Lewisham going live from December; the remaining Boroughs will go live in January 2020.

Head of Housing & Property services appointed

Dec 2019: Director of Operations commenced in post

Service Level Agreement signed off by member Boroughs

Housing management and tenancy sustainment team recruited

To-date, procurement of properties has been provided for the member Boroughs who have seconded their staff, based on the date the staff joined the team; procurement has thus been incremental reflecting the phased implementation of secondments. As at December 2019, this has been Hammersmith & Fulham, Brent, Waltham Forest, Croydon, Haringey, Redbridge, and Lewisham.

Operational Delivery Group (ODG)

Early in the setting up of Capital Letters it became evident, in discussions with member Boroughs, that there needed to be a mechanism to develop the detailed practical operational arrangements that are essential for Capital Letters’ success.

We therefore established a monthly Operational Development Group with representatives from member Boroughs and the Capital Letters’ Executive team to work through key issues. The Group has agreed Terms of Reference and has been working through matters such as incentive payments, creation of a standard Service Plan and collaborating on establishing an agreed one-way of working across all Boroughs and performance against targets.

From the new year, the ODG focus will be on performance and continuous improvement.

5. Capital Letters Services

Capital Letters provides a range of housing management, tenancy sustainment and landlord support services.

We have developed one way of working across London, harnessing the skills and expertise of our seconded staff and directly recruited employees to replicate what works well, build on this in order to create best in class services.

Building good relationships with landlords is essential to Capital Letters’ business, ensuring we have a steady supply of good quality accommodation and an income stream to support our other activities. Giving landlords confidence that Capital Letters will work with them to protect their properties and secure their income is a key part of our offer.

Successful tenancy sustainment is of crucial importance to us and our member Boroughs. Our overriding objective is to prevent the revolving door of homelessness, thus enabling tenants to sustain their tenancies and thrive.

Security of tenure is key to this; PRS properties secured for a minimum of 2 years. Our rent policy is set at LHA level only – this is a requirement of our members - and we will only enter deals with providers of accommodation where we can be assured that rents will remain at LHA levels throughout the term of our agreement.

Service Standards

Capital Letters service standards are equivalent to those of a social housing provider, with great customer service central to everything we do.

There are some specific service standards Capital Letters is required to provide by the nature of the relationship with the 13 member Boroughs. Capital Letters is required to:

- Comply with the pan-London property standard appended to the Service Level Agreement with each member Borough
- Comply with the Inter-Borough Accommodation Agreement (IBAA)
- Provide a tenancy sustainment service
- Maintain accurate records of all Capital Letters activities in order to report individually to Boroughs, BRB, Board and MHCLG on Capital Letters' performance in delivering our targets
- Use regular monitoring and review meetings to evaluate performance and adjust tactics where this is necessary to do so to achieve the overall organisational objectives.

In addition, Capital Letters services are founded on the following principles:

1. All properties will be inspected before accepting them for the company.
2. No properties will be allocated to a member Borough until all compliance, fire risk assessments and health & safety checks have been completed and certificates have been provided by the landlord, agent or Capital Letters (where the company is managing the property).
3. All required repairs to the property will be completed before the property is offered to a member Borough.
4. Capital Letters will coordinate tenancy sustainment service activities between the company and the Boroughs, to ensure they are complementary and support tenants effectively.
5. Capital Letters will work with voluntary and statutory agencies to support tenancy sustainment, sign-posting tenants to services where appropriate.
6. Housing management and response repair services – where required - will be provided, the latter in accordance with standard industry targets, including emergency repairs and an out-of-hours call service.
7. Capital Letters is committed to resolving issues with our services at first point of contact and within a maximum of 10 days.

Procurement Service Options

Member Boroughs are able to define the staffing arrangements that best fit their service requirements for the procurement of properties. There are three options: the first is to second staff to Capital Letters, using the formally adopted Secondment Agreement; the second is to request Capital Letters to recruit/employ Housing Negotiators on their behalf (providing a budget to do so which covers employee costs, pension and overheads); the third option is a combination of the first two options. This provides a completely flexible approach which can be adjusted according to changes in demand and requirements.

6. Capital Letters Performance

A formal performance management framework is under development and will be considered by the Board at their meeting in January 2020. In advance of this, performance is reviewed weekly at a very detailed operational level (by officer, property type, and Borough) and actions taken to mitigate issues and performance where required, and in discussion with our member Boroughs.

Each Housing Negotiator has a Business Plan target to procure a minimum of 84 properties (pro rata) per annum (split between 60:40 PRS and PSL) in the current financial year, moving up to 100 properties for 2020/21. A higher target is set where Boroughs have achieved higher performance in the previous financial year. Specific targets for PRS and PSL procurement are agreed with each member Borough and incorporated into their Service Plan – we monitor our performance against these requirements and report to the Borough monthly on attainment.

We report performance to each meeting of the Board and produce monthly performance reports for ODG and MHCLG, the latest of which up to the end of November 2019 is attached at **Appendix 2**. Mid-month December performance is 322 properties, including 2 PSL properties. We will achieve our MHCLG agreed PRS target for Quarter 3 and will be focussing on PSL procurement in the new year when our Housing Management and Tenancy Sustainment service commences.

The cumulative effect of the timing of recruitment, secondments and, therefore, commencing operational activities has meant that Capital Letters is three to four months behind the original programme set out in the Business Plan approved by the BRB in May 2019.

The Executive Team meet officers at MHCLG monthly to review progress and discuss operational matters. These meetings ensure that MHCLG is fully aware of performance to-date. MHCLG officers have been supportive and worked with us to reprofile the grant payments and targets to reflect the changes in operational delivery.

The Business Plan has been revised in the light of actual operational performance rather than assumptions and revised targets have been agreed with MHCLG, which reflect these changes whilst achieving the same cumulative results in Year 3 as originally planned. A more detailed explanation of the Business Plan review is contained in a separate report.

The additional value of the performance management framework will be to demonstrate the golden thread that runs through the business from the Corporate Strategy, Business Plan, annual Delivery Plan into team and individual performance.

7. Benefits of Capital Letters membership

Membership of Capital Letters brings a range of benefits, not least the opportunity – by working together in partnership pan-London – to dampen landlords’ expectations of incentive payments and control the market so that more people are assisted out of homelessness and costs of provision are reduced.

Key to this is the creation of one way of working across London based on members’ best practice, providing consistent, reliable services for landlords and boroughs, one standard incentive package, joined up holistic processes, one way of working and a determination to provide “best in class” customer service.

The main benefits for members can be summarised as:

- The grant secured by MHCLG top-slices members payments to landlords to procure properties, thus reducing overall costs. In addition, where members request that Capital Letters directly employs Housing Negotiators on their behalf, the grant for PRS incentive payments more than covers the costs of these employees
- Capital Letters has grant funding for directly employed Housing Negotiators, which are in addition to our members’ procurement teams. In this way, Capital Letters procures more properties over and above the number that the members’ teams deliver, thus increasing supply and reducing requirements for nightly paid B&B accommodation and TA

- Current members' savings shows that they are obtaining 2.24:1 internal savings : subsidy. For each £1,000 paid in subsidy towards the incentive they are generating £2,240 in savings from temporary housing costs avoided
- Reducing costs for member boroughs: by working in partnership with our members, we are already driving down the costs of landlord incentives. As the membership grows, we will be able to further dampen landlords' expectations and the costs associated with homelessness services
- The implementation of Capital Letters' tenancy sustainment service from January 2020 will generate further savings for members by reducing the number of failed tenancies and thus households who re-present themselves as homeless

8. Conclusion

As can be seen from the summary of our journey to-date, we have made considerable progress over the past six months, going from a concept in June 2019 to a fully-fledged business by December 2019, There is more to do, of course, working with our members to make Capital Letters the best it can be.

Our relationship with our member Boroughs is founded on partnership working – we are all invested in ensuring the success of Capital Letters and thus enabling those who are homeless or threatened with homelessness to be housed. We share the responsibility for achieving this joint overarching mission. To this end, we are in constant dialogue with members – jointly and severally - about our delivery against their performance expectations and what we can do to ensure they achieve their objectives.

What our members value is that - as an agile and responsive organisation - we are able to adjust what we do and how we do it quickly, absorbing the learning from what works well and applying it with immediate effect. In this way, we continuously improve what we do and the outcomes we achieve. This will never stop!

We are continuing our journey and look forward to new members joining us so that we can increase the momentum we have started and increase our impact on the London market.

Sue Coulson, CEO

December 2019

sue.coulson@capitalletters.org.uk

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Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 4

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CAPITAL LETTERS REVISED BUSINESS PLAN - SUMMARY

DECEMBER 2019

1. Introduction

1.1 During the development of the concept of Capital Letters, a business plan was produced which was approved by the Borough Representative Body (BRB) in May 2019 (version 2) and updated the assumptions contained in the original business plan of March 2019.

1.2 The business plan included financial projections for five years and included projections based on theoretical assumptions of how the business would commence operations and perform.

1.3 Since the commencement in post of the CEO and Director of Finance and Resources in June 2019, we have reviewed the financial projections and revised them to reflect the actual development and implementation of the business operations to create a second version of the business plan. The main revisions relate to the timing of staff appointments, scaling back the number of transfers and modifying other assumptions. These revisions resulted in an improved financial outcome whilst still delivering Capital Letters' milestone 20,877 units procured at the close of year three.

1.4 The Board approved the revisions at their meeting in September (revised version). A new four-year Business Plan has been developed, the first draft of which will be considered by the Board at their meeting in January 2020 and the BRB in February. The final version, incorporating changes agreed at these meetings will be considered at the Board and BRB meetings in March 2020.

2. Context

2.1 The original projections assumed a large staff complement from the outset. This included a full head office staff complement together with many specialist housing personnel. Our strategy is to recruit staff as they are needed. Our initial focus has been to secure sufficient procurement, housing management and tenancy sustainment staff to ensure we meet our procurement targets.

2.2 The original projection assumed that there would be 26 seconded staff and four directly employed procurement staff from the beginning of June. The secondment agreement was still being worked on at this time which has put back the deployment of seconded staff. In addition, the initial recruitment was different to the projection's assumptions in that the Director of Operations was not recruited at the same time as the CEO and Director of Finance & Resources. The impact of these factors has meant that full operations commenced three to four months later than the initial projections; MHCLG are fully aware of this and are satisfied with our current performance.

3. Staffing

3.1 The main changes to the original projections are staff numbers, their phased deployment and some salary modifications.

3.2 In the original plan, it was assumed that each member borough would second two procurement staff initially. As Capital Letters has 13 members currently, the projection assumed 26 secondees from June 2018.

3.3 The membership is forecast to grow to 19 in year 2 and 25 in year 3. From year two, the original projections assumed that each member borough seconds three staff. The projection assumed a phased deployment in year two but straight to 75 seconded staff by the start of year three.

3.4 The assumptions have been revised for two main reasons: the Secondment Agreement was signed off in September 2019, thus delaying commencement dates for secondees; some boroughs have asked Capital Letters to recruit and employ procurement staff on their behalf. Where Capital Letters recruits staff in this way, boroughs currently pay £50k per annum to cover the costs of their salary, employers NI and the employers pension contribution.

3.5 The table below shows the revised seconded staff profile.

Seconded procurement staff.	Year 1				Year 2				Year 3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Version 2		26	26	26	38	38	48	57	75	75	75	75
Revision		3	17	29	38	44	50	57	75	75	75	75

3.5.1 The increase in year 1 seconded staff is because some boroughs have seconded more than two staff.

3.5.2 Recruitment is phased in year 2, reflecting the number of staff Capital Letters is recruiting for some of the boroughs in year 1. We assume they will require us to recruit their third secondee in year 2. Year 3 has been left unchanged.

3.6 For the directly recruited/employed procurement officers, the version 2 projection assumed 8 in year 1, 19 in year 2 and 50 in year 3. The projection has been phased in the revised version during year 1, increasing to 8 by Q4; but flat in years 2 and 3.

3.6.1 The MHCLG funding provides for 8 directly recruited procurement staff. The projections have been amended to reflect the a more realistic recruitment timetable. The table below shows the revised phasing:

Direct procurement staff.	Year 1				Year 2				Year 3			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Version 2		4	6	8	19	19	19	19	50	50	50	50
Revision		1	8	8	14	23	32	34	40	46	52	52

- 3.6.2 We have assumed that the rolling programme of recruitment will add two to three staff per month in order to meet the requirements of our member boroughs (an additional 14 members of staff) during year 1 and beyond.
- 3.6.3 Our recruitment campaign has been successful, with the appointment of 12 procurement staff by the end of November, with a rolling programme of recruitment and interview dates throughout the year.
- 3.7 Our experience of recruitment has evidenced that some of the salary assumptions were low principally because the version 2 plan is based on data that is three-years old. We have therefore made some adjustments to salary levels to reflect the current market and enable us to attract sufficient quality applicants.
- 3.8 Our recruitment policy is to recruit when the need arises to reflect the growth of the business and development of services. In this way, we do not utilise our grant funding unnecessarily and ensure we are effective and efficient. Our operational staff levels are based on the level of stock we manage.

4. Management Fees

- 4.1 The business plan's financial foundation is income from management fees for housing management and rent collection on procured and transferred leased properties and a few PRS properties.
- 4.2 The version 2 business plan agreed by the BRB and MHCLG in May 2019 contained fees for rent collection and for housing management. The assumptions are set out in the table below:

Fees per week per unit	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Rent collection	£30	£30	£30	£30	£30	£30
Management	£43	£42	£41	£41	£41	£41

- 4.3 These management fees, together with an assumption of transferred properties from members, are the mechanism by which the business plan is balanced to achieve a positive cumulative cashflow surplus by year three.
- 4.4 We have been advised by members that the management fees are higher than they are currently paying in many instances and therefore the anticipated financial benefit of transferring their portfolios to Capital Letters would not be realised. We have therefore undertaken further financial modelling to develop a revised management fee in response to this, which will be incorporated into the new business plan to be considered by the Board in January 2020.

4.5 The assumed level of leased properties transferred from the boroughs to be managed by Capital Letters had been scaled back to 100 per borough in the business plan version 2. However, our members have indicated that the number of properties to be transferred is likely to be lower than this. The property transfers have therefore been stripped out of the revised business plan in order to assess the financial projections based on our procurement, housing management and tenancy sustainment services

4.6 In the same way as the business plan has subsidy levels for PRS properties obtained, there is a management fee subsidy for PSL properties. The business assumes LHA for rents plus a £30 per week management fee from the borough and a contribution of £20 per week from MHCLG. These two payments together with the LHA rent are paid to the landlord.

4.7 The PSL top up from MHCLG reduces to £10 in 2021/22

5. Financial implications

5.1 The version 2 projection was based on three years rather than the five in the original business plan. This has been corrected in the revised plan which is summarised below.

Year	18/19	19/20	20/21	21/22	22/23	23/24
	0	1	2	3	4	5
Income	1,000,000	7,113,957	50,136,749	120,283,258	182,628,389	227,943,311
Landlord costs	0	4,039,035	38,439,267	96,455,666	153,089,511	191,913,409
Property costs	0	435,607	4,105,208	10,155,750	16,229,623	20,752,787
Operational staff	0	806,638	4,185,795	7,550,010	8,550,798	9,125,746
Other costs	170,000	655,821	1,773,527	2,746,365	3,047,319	3,221,498
	170,000	5,937,100	48,503,797	116,907,791	180,917,251	225,013,440
Operational surplus	830,000	1,176,857	1,632,951	3,375,467	1,711,138	2,929,871
Head office	0	443,166	1,352,543	1,644,256	1,740,226	1,775,031
Set up costs	250,000	146,572	0	0	0	0
	250,000	589,738	1,352,543	1,644,256	1,740,226	1,775,031
Cash surplus / (Deficit)	580,000	587,119	280,408	1,731,211	(29,088)	1,154,840
Cumulative cash surplus	580,000	1,167,119	1,447,528	3,178,739	3,149,651	4,304,491
Properties procured		1,327	8,627	20,877	33,577	46,277
PRS		798	5,909	15,709	25,869	36,029
PSL		529	2,718	5,168	7,708	10,248

5.2 The revised plan is still predicated on procuring 20,877 by year three, in accordance with the original plan and the agreement with MHCLG.

5.3 The improved cash position is principally due to:

- Recruiting staff when the business requires and thus phasing the impact of the costs
- Redefining the level of staff required

5.4 An essential part of our business planning and financial assumptions is growth. As a Teckal company, Capital Letters is able to undertake other, more commercial activities, as long as these do not account for more than 20% of the turnover of the Company in any financial year in order to cross-subsidise the company's core services. We are therefore developing a Growth Strategy for the Board to consider at their meeting in January 2020 and are assessing ways of developing the Capital Letters offer so that we can provide housing solutions for the under 35s, as well as commercial opportunities with a number of potential partners.

6. Member benefits

6.1 Analysis of current members' savings shows that they are obtaining 2.24:1 internal savings : subsidy. For each £1,000 paid in subsidy towards the incentive they are generating £2,240 in savings from temporary housing costs avoided.

6.2 The grant secured by MHCLG top-slices members payments to landlords to procure properties, thus reducing overall costs. In addition, where members request that Capital Letters directly employs Housing Negotiators on their behalf, the grant for PRS incentive payments more than covers the costs of these employees.

6.3 The implementation of Capital Letters' tenancy sustainment service from January 2020 will generate further savings for members by reducing the number of failed tenancies and thus households who re-present themselves as homeless.

6.4 One of the key reasons Capital Letters has been set up is to reduce costs for member boroughs. By working in partnership with our members, we are already driving down the costs of landlord incentives; as the membership grows, we will be able to further dampen landlords' expectations and the costs associated with homelessness services.

6.5 Capital Letters has grant funding for directly employed Housing Negotiators, which are in addition to our members' procurement teams. In this way, Capital Letters procures more properties over and above the number that the members' teams have delivered.

7. Key risks and mitigation

7.1 A material risk to the business are the assumed number of properties that Capital Letters manages. We have developed a revised fee offer at a level that works for our members and the company. We are also actively working to grow a portfolio of properties in management to create a separate income stream.

7.2 Our operational milestones have been agreed with MHCLG and are based on the number of properties procured over the life of the business plan. There is a risk that we may miss these if we don't focus our activities effectively and fall behind in our recruitment of Housing Negotiators, or staff miss their targets. We therefore have rigorous performance management arrangements in place. We are an agile organisation and respond

proactively to changes in the market. Each member of staff has individual targets they are required to reach, performance is monitored and reviewed weekly and reported monthly to MHCLG and members and to the Board at each meeting; tactics are adjusted where required.

7.3 Whilst we have agreed a standard incentive package for PRS procurement with our 13 current members, there is a risk – particularly where boroughs have not seconded the whole procurement team - that they will continue to procure properties using their own incentive package in competition with Capital Letters. We have therefore agreed a standard Service Plan (which is appended to the approved Service Level Agreement) which sets out the respective responsibilities of each borough and Capital Letters and includes – amongst other commitments between the parties - agreement that the boroughs will not procure properties using a different incentive package.

8. Conclusion

8.1 This report summarises the revisions to the May 2019 approved business plan, which have been approved by the Board. The outcome of this work is an improved financial position which will provide additional assurance for future members.

9. Author

Philip Smith
Director of Finance and Resources.

Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 5

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Appendix 5 - Key Milestones

Date	Milestone
June 2018	<p>Collaborative Procurement Group signs off Capital Letters documentation.</p> <p>Potential first phase (year 1) boroughs identify themselves and begin internal approval processes (8 boroughs minimum required in first year, 13 joined).</p>
July 2018	Borough Cabinet Papers drafted and submitted
September 2018	<p>Shadow Capital letters Directors Group meets</p> <p>Procurement of IT system begins with OJEU Notice</p>
October 2018	Commence discussions with boroughs re possible resource including secondments
December 2018	<p>Capital Letters Incorporated as an organisation</p> <p>Cabinet Approval with first phase boroughs received</p>
April 2019	Formal launch of Capital Letters
May 2019	Recruitment of CEO and key leadership team begins
June 2019	<p>CEO & Director of Finance & Resources commence in post</p> <p>IT system operational</p>

	<p>1st property procured</p> <p>Recruitment of Capital Letters staff commenced</p>
September 2019	Secondment Agreement agreed with member borough
August – November 2019	Staff seconded to Capital Letters on phased basis
January – March 2020	Cabinet Approval for second phase boroughs achieved
March 2020	<p>Borough Representative Body approval for second phase of boroughs to join Capital Letters</p> <p>Member Agreement signed by second phase boroughs</p> <p>Agreement with second phase boroughs about implementation process</p>
April 2020	<p>Second phase boroughs formally become members of Capital Letters</p> <p>Secondment Agreement signed by second phase boroughs or budget provided to recruit staff</p> <p>Staff seconded to Capital Letters when consultation completed (could be later than April depending on internal processes)</p>

	Capital Letters actively procuring on behalf of second phase members once implementation details agreed (this could be later than April depending on internal processes)
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Cabinet

16 MARCH 2020

Capital Letters

Key Decision No. FCR Q63

Appendix 6

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Appendix 6 - Allocations

The method by means of which properties procured by Capital Letters will be allocated to individual boroughs are set out in more detail in the Capital Letters' Allocations policy.

The main principles are:

Principle 1.

The number of properties (excluding HMOs and studios) procured for each borough over the previous year using the resources and contracts transferred into Capital Letters would set a minimum limit for allocation of properties to that borough. This should guarantee that (unless market conditions have markedly worsened) each borough will get at least as many properties over the first year as were procured by the staff it seconds in the previous year. Studios and HMOs will not be counted in these minimum allocations, but will be allocated separately according to location and borough need.

Principle 2.

It is expected that significantly more properties than this will be procured in practice, due to staff working collaboratively and because of the additional procurement resources available to Capital Letters. Properties procured above those numbers would go to the participant boroughs according in proportion to the staff resources they have contributed through secondment or funding of staff recruited directly by Capital Letters.

Principle 3.

Boroughs will be able to specify the proportion of each type (PRS, PSL etc.) and size of property that they want, as well as making requests to meet urgent needs for specific property types as they arise. These expressed preferences will guide the Capital Letters procurement strategy, and as much as possible they will be met, bearing in mind that some sizes and types of property are harder to obtain than others.

Principle 4.

Subject to meeting borough minimum allocations, and fair distribution of additional properties, all properties should be allocated as close to host boroughs as possible, also taking into account the provisions of the homelessness suitability order as they apply to individual households. This should mean that a much smaller number of households have to move a long distance from their home borough than is currently the case.

Principle 5.

Any additional properties procured beyond the needs of the participating boroughs may be offered to non-participant boroughs.



HACKNEY HOUSING COMPANY - BUSINESS PLANS AND ANNUAL REPORT OF THE DIRECTORS

Key Decision No: NH Q48

CABINET MEETING DATE (2019/20)

16 March 2020

CLASSIFICATION:

OPEN

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

WARD(S) AFFECTED

ALL WARDS

CABINET MEMBER

Philip Glanville, Mayor of Hackney

Councillor Sem Moema, Mayoral Adviser, Private Renting and Affordability

KEY DECISION

Yes

REASON

Affects two or more wards

GROUP DIRECTOR

Ajman Ali, Group Director Neighbourhoods and Housing

1. CABINET MEMBER'S INTRODUCTION

1.1 Renters in Hackney are on the frontline of Hackney's housing crisis, facing a lack of regulation that too often means unpredictable rents, insecure tenancies and a difficulty finding a good, stable and well-managed place to live.

1.2 Our #BetterRenting campaign is not just fighting for changes in law to offer renters greater stability, affordability and protection. We're also directly intervening by taking tougher action against rogue landlords and demonstrating what a good landlord looks like through our own Hackney Living Rent Homes.

1.3 Hackney Living Rent offers the standards and protections that we think should be standard in the private rented sector, including longer tenancies, no unfair evictions, annual rent increase limited to CPI+1%, and deposits capped at three weeks' rent.

1.4 Most importantly, it offers genuine affordability in a sector where rents have risen dramatically quicker than incomes. By setting rents at a third of local incomes, Hackney Living Rent gives local people who are unlikely to qualify for social housing but unable to buy outright the opportunity to rent a home that won't compromise their living standards or prevent them saving for a deposit. With the first Hackney Living Rent homes being let this Spring at Bridge House and Gooch House in 2021.

1.5 The housing companies we have set up give the council a mechanism for addressing these issues, enabling us to deliver on our commitments that are set out in Hackney's Housing Strategy 2017-22 and our 2018 Manifesto. These companies will allow us to continue to deliver on our ambition to respond to the multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are finding it harder and harder to rent in the private sector in Hackney.

2. GROUP DIRECTOR'S INTRODUCTION

2.1 In January 2018, Cabinet agreed to the creation of a Group of three wholly owned Local Authority Housing Companies for the purpose of purchasing properties delivered by the Council's regeneration programmes.

2.2 In August 2019 the Hackney Private Rented Sector (PRS) Housing Company Ltd acquired properties at Hoxton Press. The company acquired the leasehold interest (250 year lease) in 25 properties at Hoxton Press, Mono Tower. This development was part of the London Borough of Hackney (LBH) Regeneration programme developed by Anthology at Colville.

2.3 Hackney Living Rent (HLR) Housing Company Ltd is making arrangements for the acquisition of eight properties from the Council's Bridge House development and is discussing the acquisition of certain properties at Gooch House.

2.4 The companies are looking and will seek to identify other opportunities within the Council's development portfolio to provide the surpluses to fund more HLR properties throughout the borough.

3. RECOMMENDATION(S)

Cabinet is recommended to:

3.1 Approve the three Hackney Housing Companies' business plans as attached at Appendices 1 to 3 which, subject to Resolution by the Companies' Board of Directors, will be adopted by the respective companies.

3.2 Note the Hackney Housing Company's annual Director's Report appended at Appendix 4.

4. REASONS FOR DECISION

4.1 The business plans describe the parent and subsidiary companies' business, covering their mission, governance, products and services, market, marketing strategy, operations financial forecast, risk mitigation and exit strategy.

4.2 In adopting the proposed business plans, the group of companies will assist the shareholder in delivering on commitments to make available to local residents: 1) an additional affordable accommodation tenure for households unable to access the private market but whose means exclude them from being awarded a Council home with a social rent; 2) high quality and well managed private rented sector accommodation.

4.3 The Council is the sole company shareholder and the business plans developed and proposed by the Directors should be based on the shareholders objectives and priorities.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 A requirement of the housing company is that business plans are taken to Cabinet to be approved as Cabinet exercises the main shareholder functions.

5.2 The Hackney Housing Company and its subsidiaries could not operate commercially or strategically without business plans.

6. BACKGROUND

6.1 Policy Context

6.1.1 The Housing Strategy adopted by the Council in January 2018 reinforces the priority of building high quality, well-designed, and genuinely affordable new homes and includes an action to set up a housing company, to help provide new Hackney Living Rent homes – homes that are genuinely affordable to those on medium incomes with rent levels targeted to be at one third of average local incomes.

6.1.2 As stated in Hackney’s inclusive economy strategy 2019-25, “Building an inclusive economy is not just about economic opportunity, it is also about people feeling they belong in the borough and feel safe and included here”. With the provision of Living Rent homes in the borough through the Housing Company, we can ensure that those living and/or working in the borough are able to keep contributing to the betterment of Hackney and given fairer access to the economic opportunities in the borough.

6.2 Equality Impact Assessment

6.2.1 The Housing Company will facilitate an increase in the range of tenures and housing opportunities that the Council can provide and consequently the range of people who could benefit. In particular, the delivery of living rent properties will provide high quality housing to those on low to middle incomes who are not able to afford the private rented market and do not qualify for social housing.

6.3 Sustainability

6.3.1 None of the recommendations in this report would have a direct impact on the physical or social environment.

6.4 Consultations

6.4.1 The Business Plans were developed in consultation with the Hackney Housing Company Board of Directors and the shareholder. Consultation with them will continue in the forthcoming 12 months as the business plans and key performance indicators (KPIs) are developed.

6.5 Risk Assessment

6.5.1 Each company’s business plan includes a detailed risk assessment. The main potential risks facing the companies are financial. Risk mitigation is detailed in the business plans.

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

7.1 There are no direct financial impact of this report and the business plan and finances of the housing companies will be reported to Cabinet along with the audit of their accounts consolidated in to the Council's financial statement. Any loans and equity will be subject to Group Director of Finance and Corporate Resources approval before submitting to Cabinet for Shareholder approval.

8. VAT Implications on Land & Property Transactions

8.1 The housing companies are not VAT registered and so there are no VAT implications. VAT will be charged on any transaction between the Council and the company, but this is not recoverable by the companies.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE

9.1 This report recommends Cabinet approve the three business plans for each of the three housing companies and asks it to note the annual directors' report.

9.2 As the sole shareholder, the Council has the ultimate control over the operations of the Company. The day to day and purely operational decisions of the Housing Company shareholder is undertaken by an "intelligent shareholder" role, performed by the Group Director of Finance and Corporate Resources, but any new or significant changes in the operations of the Company should be agreed by Cabinet. This is in accord with the Mayor's Scheme of Delegation dated January 2017 which states that, "...the Council's representation on ...companies...where the representation relates to an executive responsibility or function" shall be undertaken by the Mayor and Cabinet.

9.3 It will be important to ensure that any financial arrangements between any of the three individual companies are compliant with the requirements regarding State aid in the European Union. State aid is generally prohibited in the EU, and is defined as an advantage conferred on a selective basis to undertakings by national public authorities. To be State aid there has to have been an intervention by the State or through State resources (e.g. grants, interest and tax reliefs, guarantees etc.) which gives the recipient an advantage on a selective basis and competition has been or may be distorted and the intervention is likely to affect trade between Member States. Despite the general prohibition on State aid there are a number of different exemptions for certain types of aid. The Council is seeking external legal advice on the applicability of an exemption to State aid in respect of social housing and the arrangements between Hackney HLR Housing Company Limited and the other companies. The Council will ensure that any arrangements are compliant with such provisions.

APPENDICES

Appendix 1

Hackney Housing Company Limited (HHC) Business Plan

Appendix 2

Hackney HLR Housing Company Limited (HLR) Business Plan

Appendix 3

Hackney PRS Housing Company Limited (PRS) Business Plan

Appendix 4

Hackney Housing Company - Annual Report of Directors 2019

EXEMPT

Not applicable.

BACKGROUND PAPERS

None

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Cabinet

16 MARCH 2020

**Hackney Housing Company
Business Plans and Annual Report
of the Directors**

Key Decision No. NH Q48

Appendix 1

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Appendix 1

Hackney Housing Company Ltd.

Business Plan

Section	CONTENTS	Page
1.	Executive Summary	1
2.	Mission	1
3.	Governance	2
4.	Product and Services	3
5.	The Market	4
6.	Operations	4
7.	Financial Forecast	5
8.	Risk Mitigation and Exit Strategy	5

1. Executive Summary

1.1 LBH Cabinet agreed to the creation of a Group of three wholly owned Local Authority Housing Companies for the purpose of purchasing properties delivered by the Council's regeneration programmes.

1.2 The group of company aspirations are to manage a portfolio of properties built as part of the Council's mixed tenure regeneration projects to deliver a responsible and sustainable market rental product and extend the range of affordable housing options to local people.

1.3 Hackney Housing Company Limited (HHC) (Company No.11738936) was established as a parent company to two initial subsidiary companies (Hackney PRS Housing Company Limited (PRS Co.) (Company No.11750933) and Hackney HLR Housing Company Limited (HLR Co.) (Company No. No.11750958) which are created for the purpose of purchasing properties for private renting at market rates and at living rent levels respectively.

1.4 The parent company will coordinate the formation of the group and ensure that resources and infrastructure to support the effective mobilisation are put in place. In addition, the parent company will ensure that the Group business model operates on a sound financial basis, so as to maximise the potential to deliver more affordable housing.

2. Mission

2.1 The group of companies was set up to mitigate the potential for losses in the context of a changing housing market, as any significant reduction in house prices would have an immediate impact on the Council's regeneration programme, as well as deliver a high-quality, well managed market rental product and extend the range of affordable housing options to local people.

2.2 Following a Cabinet decision in January 2018, the fully owned HHC was created. At the same Cabinet meeting, it was agreed that the Company is formed on the basis of a parent company model, with two fully owned initial subsidiary companies created for the purpose of purchasing properties for private renting at market and at living rent levels.

2.3 HHC's aim is to assist the shareholder in delivering on commitments to make available to local residents:

- i.** An additional affordable accommodation tenure for families unable to access the private market but whose means also effectively exclude them from being eligible to access a Council home with a social rent
- ii.** High quality and well managed private rented sector accommodation

2.4 These additional tenures and the extra homes they will provide will be cost neutral to the Council.

2.5 As the parent company, HHC will retain responsibility for approving the business plans of its subsidiaries that will perform Group operational activities, providing shareholders are also in approval of these plans.

2.6 HHC will achieve its own aims by ensuring that individual Group company business plans are aligned and by providing strategic guidance to HLR Co. and PRS Co. in their purchase of new build properties.

2.7 Outcome based indicators to measure the success of the company will be developed in the next 12 months and agreed by the Board of Directors.

3. Governance

3.1 HHC is not an alternative model for the building or development of new homes nor will it directly employ staff. The wholly Council owned company is in no way intended to be an alternative route for the delivery of other types of new homes such as Council social rent or shared ownership. HHC will provide a way for the Council to offer a wider range of housing options for residents in addition to what is already offered. It does not divert from campaigning for either further investment or freedoms to deliver social housing nor for better regulation of the private rented sector.

3.2 HHC allows Hackney Council to continue to deliver on its ambition to respond to the multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are finding it harder and harder to rent in the private sector in Hackney. By delivering homes to rent at both Hackney Living Rent and market rent on longer tenancies the company will be improving the situation for individual households and starting to tackle some of the issues faced in terms of workforce retention in the public, private and third sectors in Hackney.

3.3 The Company will be owned by the Council's General Fund, and will therefore operate outside of the restrictions of the HRA in terms of tenancies, rents, RTB and borrowing. The sole member (or Shareholder) of the Company will be the Council.

3.4 The Shareholder will make use of an Intelligent Shareholder function, a nominated individual that may take operational company decisions on behalf of the Shareholder. The Intelligent Shareholder will be a person acting as its representative who can attend general meetings and/or make sole member resolutions for any operational issues. This role has been installed to expedite the approval of company decisions that are beyond the Directors' scope of responsibilities but within the approved business plans.

3.5 Responsibility for taking strategic company decisions will remain with Cabinet, exercising its executive function, as the Council is the sole Shareholder unless otherwise, and specifically stated.

3.6 Set out below are the operational parameters which, in addition to compliance with the Articles of Association, the Board of Directors (the Directors) will work within, contributing to the delivery of Company objectives. The Directors will:

- i. Give due consideration to the objectives laid down by its shareholder, in making business decisions
- ii. Report to the shareholder at least annually, such reporting to contain both a forward and backwards look on performance and outcomes
- iii. Ensure the financial neutrality of HHC business plan (which will fully incorporate the business plans of HLR Co. and PRS Co.)
- iv. Access investment capital from the Council on behalf of the Directors of HLR Co. and PRS Co. and ensure that such capital is readily available to support business plan approved investment decisions
- v. Ensure the Intelligent Shareholder is invited to all Board meetings and that as soon as they are available, the minutes of all such meetings are forwarded to the Intelligent Shareholder, whether or not they attend
- vi. Maintain and regularly review a robust risk management framework, as appropriate

3.7 For the time being, the Board of Directors is composed of:

- i. Dawn Carter-McDonald (Appointed 12th June 2019)
- ii. Simon Theobald (Appointed 12th June 2019)
- iii. James Goddard (appointed 24th July 2019)

The parent company and the two subsidiary companies have the same board make-up.

4. Product and Services

4.1 As the parent company, HHC will not directly deliver any products or services. The Hackney Living Rent and Hackney Private rented accommodation will be delivered by two subsidiary companies, each subsidiary company with its own business plan.

4.2 The Hackney Living Rent product is designed to respond to the Mayor of Hackney's commitment to provide a range of genuinely affordable housing options to residents. It is a sub-market rental product aimed at low to middle-income households who currently live or work in Hackney and are currently unable to purchase a home, whether through shared ownership or outright sale. As is good practice, this will not exclude welfare benefit recipients.

4.3 The Hackney Private Rent product is a market rent product that generates an income which helps fund the delivery of Hackney Living Rent properties. The PRS properties will align to Hackney's Better Renting principles; whilst it operates at market rates, it will offer

greater security and transparency than is often seen in the private rental sector. The Housing Company Lettings Policy will seek to extend the 'first dibs' approach to ensure that people that live or work in the borough are prioritised for council-owned homes.

4.4 Should the opportunity or requirement to enable other housing products arise the HHC could, only with approval of the Council as shareholder, establish a further subsidiary company to undertake the approved business of the company.

5. The Market

5.1 There is an identified need for intermediate housing in the borough, with 13,000 people on the social housing waiting list and the cost of purchasing a property, even through shared ownership, being out of reach there is an identified need for a discounted private rented product that goes beyond the government's 80% 'affordable' product.

5.2 The majority of offerings in the private rented sector are out of reach for those on 'average' incomes in the borough, with the market price of a two bedroom property £1,850 pcm. The median income identified by the GLA in Hackney is around £35,000 per annum, this would mean that two-thirds of an 'average' salary would be spent on housing costs if living in a market rate two bedroom property.

5.3 The living rent product is aimed at employed households in the borough on lower incomes who may be unable to access alternative purchase options such as shared ownership. Lack of equity for a mortgage deposit due to high housing costs can be addressed with lower rents and longer term non-secure tenancies.

5.4 The setting up of HHC responds to the multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are finding it harder and harder to rent in the private sector in Hackney. By delivering homes to rent at both Hackney Living Rent and market rent on longer tenancies we will be improving the situation for individual households and starting to tackle some of the issues faced in terms of workforce retention in the public, private and third sectors in Hackney.

6. Operations

6.1 The Board will meet at least quarterly and are bound by the Company's Articles of Association and the Code of Conduct for Board Members of Public Bodies (June 2019). The directors hold the responsibility for the day-to-day operation of the company, making decisions, providing leadership and monitoring the performance of the company. The directors are responsible for obtaining appropriate legal, financial and tax advice to enable them to make informed decisions about the running of the company.

6.2 The HHC Board monitors the overall standing of the combined property portfolio of both subsidiaries and takes decisions regarding any necessary changes to the financial model and/or parameters of either wholly owned company.

6.3 The Board also provides direction as to the type of properties that should be considered for purchase. Particular consideration is given to the suitability of properties and their impact on Group financial performance, ensuring the financial interests of HHC and thus the Council as sole shareholder remain protected.

6.4 Subject to approval of HHC business plans, the Council will inject capital funding into the company in exchange for additional HHC share equity. This funding will be requested by the company only when it is required by either of its two subsidiaries for imminent property acquisitions, or the need to fund other shareholder-authorized expenditure.

6.5 The obligation to return this capital contribution will crystallise (either in part or in full - as appropriate) when some or all of the property portfolio is disposed of. Funds will be repayable to the extent that they were used to fund the acquisition of properties to be sold, and will also be:

- i. Subordinate to the redemption of any loans used to fund HHC capital expenditure and;
- ii. Fully returnable, with a proportionate share of any meantime increase in property values

6.6 All sums reimbursed to HHC are immediately returnable to the Shareholder, though the Council may waive the right to receive these funds and instead choose to recycle them within the Group for other property related expenditure.

7. Financial Forecast

7.1 The HHC Financial Plan is essentially an amalgam of the capital injection requirements of HLR Co. and PRS Co. that pass through the parent company.

8. Risk Mitigation and Exit Strategy

8.1 Exit Strategy

8.1.1 The HHC business plan is inextricably linked to those of its two subsidiaries and so has an identical exit strategy. The HHC will only exit when the subsidiaries are closed.

8.1.2 For both HLR Co. and PRS Co., each batch of properties acquired will be retained for thirty years after which time they will be disposed of. This course of action will generate a capital receipt of sufficient value to settle related debts and reimburse capital injections by HHC into the subsidiaries.

8.2 Financial Risk Mitigation:

8.2.1 HHC is not an operational company, nor does it possess any assets. It takes no risks and accrues no rewards.

8.2.2 The performance risk is borne by its subsidiaries and the risk to capital by the Council. HHC is therefore not in a position to mitigate risks to which it is indirectly exposed.

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Cabinet

16 MARCH 2020

**Hackney Housing Company
Business Plans and Annual Report
of the Directors**

Key Decision No. NH Q48

Appendix 2

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Appendix 2

Hackney HLR Housing Company Ltd.

Business Plan

Section	CONTENTS	Page
1.	Executive Summary	1
2.	Mission	1
3.	Governance	2
4.	Product and Services	3
5.	The Market	4
6.	Marketing Strategy	4
7.	Operations	5
8.	Financial Forecast	5
9.	Risk Mitigation and Exit Strategy	7

1. Executive Summary

1.1 Hackney Housing Company Limited (HLR Co.) has been established as a fully owned subsidiary of Hackney Housing Company Limited. The latter is itself fully owned by Hackney Council.

1.2 As parent company Shareholder, the Council will provide strategic guidance on HLR Co. decisions and direction, with the aim of delivering an additional Affordable Housing rental product in Hackney.

1.3 HLR Co. will purchase properties from the Council's regeneration schemes and let these at 'Hackney Living Rent' (HLR) levels. HLR is aimed at local residents and/or workers unable to access housing in the private or intermediate sectors, but whose means exclude them from consideration for Social Rented accommodation.

1.4 This Business Plan sets out the housing solution Hackney HLR Company aims to deliver and how it will be achieved.

2. Mission

2.1 HLR Co.'s primary purpose is to acquire properties developed on schemes within the Council's Regeneration programmes to let at a sub-market rent level (Hackney Living Rent) intended to occupy the housing availability gap between Social Rented and Intermediate/Private housing.

2.2 In adopting this business model, HLR Co. facilitates Hackney Council's ambition to respond to multiple challenges faced by those impacted by the housing crisis, specifically those who are unable to access a social rented home but are priced out of other intermediate offerings such as Shared Ownership.

2.3 By delivering these homes at Living Rent on longer term tenancies of up to five years, we will be improving the situation for individuals commonly referred to as the 'squeezed middle'.

2.4 HLR Co. will operate in alignment with Hackney's Better Renting Principles.

2.5 The establishment of HLR Co. will not divert the Council from campaigning for either further investment or freedoms to deliver social housing nor for better regulation of the private rented sector.

2.6 Outcome based indicators to measure the success of the company will be developed in the next 12 months and agreed by the Board of Directors.

3. Governance

3.1 Hackney HLR Housing Company is a wholly-owned subsidiary of Hackney Housing Company which is itself wholly-owned by Hackney Council. Hackney HLR Housing Company will not develop properties, nor directly employ any staff.

3.2 The Board of Directors (the Directors) of Hackney PRS Housing Company will be comprised of Council officers who will not be remunerated for Company duties. Further information on the Board of Directors is provided on page 3 of the Hackney Housing Company Business Plan (item 3.7).

3.3 Set out below are the operational parameters which, in addition to compliance with the Articles of Association, the Board of Directors (the Directors) will work within, contributing to the delivery of Company objectives. The Directors will:

- i. Give due consideration to the objectives laid down by its shareholder, in making business decisions
- ii. Report to the Shareholder at least annually, such reporting to contain both a forward and backwards look on performance and outcomes
- iii. Be responsible for maintaining the company financial liquidity in line with agreed minimum requirements (including any intra-group loans or transfers that may be required)
- iv. Ensure that properties generate sufficient income to repay a prescribed proportion of servicing costs attached to the borrowing used to fund property purchases
- v. In the unlikely event that HLR Co. at any time generates cumulative annual profits, the Board will prioritise safeguarding the cashflow requirements of companies within the group and investment in delivery of more affordable housing prior to considering distributing any dividends outside the group
- vi. Seek to procure goods, services, assets and financing on terms which are the most economically beneficial to HLR Co

3.4 Significant business decisions, such as acquisitions and disposals by directors of Hackney HLR Housing Company are authorised by the Intelligent Shareholder function and reported Cabinet, as shareholder of the Parent company, in the Annual report of Directors.

3.5 Board Members will undergo individual Conflicts of Interest scrutiny to ensure that the responsibilities of substantive roles do not run contrary to Directors' obligations. The Board will meet at least quarterly and are bound by the Company's Articles of Association and the Code of Conduct for Board Members of Public Bodies (June 2019).

3.6 The properties made available for Hackney Living Rent will be provided in concert with the building of new homes for Social Rent and Shared Ownership and will not replace the delivery of any of those homes.

3.7 An intelligent Shareholder Function is employed by the Council to streamline the decision-making and sign-off processes for all companies within the Group. Matters of strategic importance and/or requiring consultation at that level will continue to be referred directly to the Group Shareholder via the parent company. Further information on the role of the Intelligent Shareholder is provided on page 2 of the Hackney Housing Company Business Plan (item 3.4).

3.8 HLR Co. is wholly owned by the Council through its interest in Hackney Housing Company and influence over the subsidiary is exercised by Council approval (or otherwise) of the Hackney Housing Company business plan, which will encompass the aims of the HLR Co. business plan.

3.9 The Directors are also responsible for maintaining and regularly reviewing a robust risk management framework. However, Cabinet on behalf of the Council, must approve any decisions that would have an effect on the parent company's shareholders' rights.

3.10 Services and contracts will include performance measures and outcomes. They will be reviewed annually in line with stated performance standards and stated outcomes. This includes the Service Level Agreement, finance support contract and any other business critical contract.

4. Product and Services

4.1 The Hackney Living Rent product is designed to respond to the Mayor of Hackney's commitment to provide a range of genuinely affordable housing options to residents. It is a sub-market rental product aimed at low to middle-income households who currently live or work in Hackney and are currently unable to purchase a home, whether through shared ownership or outright sale. As is good practice, this will not exclude welfare benefit recipients.

4.2 In the lettings policy applicable to Hackney Living Rent properties, approved by Cabinet in July 2019, priority is given to working applicants who have been living and/or working in the borough for at least a year – this includes those in temporary accommodation and the private rental sector.

4.3 This primary focus on local workers and residents means that people who would not typically qualify for social housing and for whom home ownership is out of reach are offered a stable tenancy and a high-quality, genuinely affordable home.

4.4 The lettings policy slant towards prioritising those living in the borough ensures that local residents can benefit from the #BetterRenting principles that have been adopted by HLR Co.

5. The Market

5.1 Setting up HLR Co. is a response to the multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are finding it increasingly difficult to rent in the private sector in Hackney. By delivering homes to rent at Hackney Living Rent and on longer tenancies we will be improving the situation for individual households and starting to tackle some of the issues faced in terms of workforce retention in the public, private and third sectors in Hackney.

5.2 Around one third of Hackney residents are in private rented sector accommodation and while a majority of private renters are satisfied with their home there are too many properties suffering from poor conditions and management.

5.3 Most of Hackney's renters are on short fixed-term tenancies and have no long term security over their accommodation. In addition to this, there is often concern around raising issues around repairs and maintenance for fear of reprisal from rogue landlords who jeopardise good practice in favour of easy money.

5.4 With a social housing waiting list of more than 13,000 and a proportion of private renters who are realistically unable to purchase a home outright or even through Shared Ownership, there is a clear and identified need for a Living Rent product, where rental values are relative to income.

5.5 Hackney Living Rent is a product that meets this need and will provide secure and stable accommodation for those who would not qualify for social housing and are unable to purchase homes outright, even potentially through shared ownership. These homes will provide tenants living in Hackney with a more affordable and secure option to private renting.

6. Marketing Strategy

6.1 Hackney Living Rent properties will be marketed by the Council's Hackney Sales Team utilising the principles of the established Sales & Marketing Strategy to achieve lettings in line with the Hackney Housing Company Lettings Policy. The Hackney Sales website and Hackney Council social media outlets will be the main advertising outlets, supported by commercial portals and other advertising resources as necessary. Property specific marketing strategies will form part of the Investment Proposal for Board approval.

7. Operations

7.1 The Directors will appoint Council services to manage the day-to-day operations of the properties but directors will hold the responsibility for the day-to-day operation of HLR Co., making decisions, providing leadership and monitoring the performance of HLR Co. The Directors are responsible for obtaining appropriate legal, financial and tax advice to enable them to make informed decisions in running HLR Co..

7.2 The Board of Directors hold ultimate responsibility for property acquisition. The Board monitor the overall standing of the HLR Co. property portfolio and take any decisions required regarding a change to the company financial model and/or parameters.

7.3 The Board also provide direction as to the type of properties that should be purchased, with consideration given to the financial viability and suitability of properties on a case by case basis, to best protect the financial interests of HLR Co., Hackney Housing Company, the Council.

7.4 Service Agreements have been set up between the Council and the Company which outline the services that will be provided by the Council and how these will be charged to the Company. These services include legal, financial, lettings, property management, and administrative functions.

7.5 The Council will inject equity into HLR Co. via the parent company in exchange for additional Group share capital. Company Directors will then secure borrowing at the most economically advantageous rate, which will enable HLR Co. to undertake property acquisitions.

7.6 The property acquisitions will act as collateral for the loans made to HLR Co. Interest and financing costs due to lenders will be met in part by let-property rental income (i.e. met to the extent that HLR Co. resources allow). Debt servicing costs not met by HLR Co. resources will be funded by Hackney Housing Company contributions.

8. Financial Forecast

8.1 Hackney HLR Housing Company will seek to acquire up to £5m of properties from the Council's Regeneration programmes each year for the period 2019-24.

8.2 Though HLR Co. is not subject to State Aid restrictions to the same extent as its sister company, Hackney PRS Housing Company Limited (PRS. Co), Directors nonetheless anticipate gearing the HLR Co. balance sheet at between 70% and 75% in the first year, with 80% as an upper limit in all circumstances.

8.3 Placing a limit on gearing ensures that HLR Co. is able to meet its debt servicing liabilities for the duration of the borrowing term.

8.4 [Maturity Repayment] Borrowing is expected to be available at around 4% per annum. State Aid exemptions applied to HLR Co. enable the achievement of less prohibitive Terms & Conditions than apply to PRS Co. borrowing.

8.5 Arrangement Fees and other charges levied against PRS Co. borrowing will also not apply to HLR Co. borrowing (to the full extent that State Aid exemptions allow).

- 8.6** As HLR Co.'s property portfolio grows it is anticipated that it will be possible to secure better value for money in respect of the lettings management function, as HLR Co. benefits from improved market understanding and economies of scale.
- 8.7** Rental streams are predicted to strengthen with inflation (estimated at an average of 2% per annum for the full 35-year borrowing term) and, in conjunction with streamlined cost base mentioned in the previous paragraph, the gap between interest liabilities and net income will be eroded.
- 8.8** House Price Inflation (HPI) is estimated at 3% per annum¹ (also over the full 35-year borrowing term) which will result in Hackney HLR Housing Company ultimately holding assets significantly more valuable than the borrowing which supports them.
- 8.9** As business needs or opportunities dictate and/or arise HLR Co. Board may take the decision to dispose of properties on the open market. Disposals will be at open market value as no subsidy is applied to the acquisition of the HLR Co. assets.
- 8.10** The timing of such disposals is uncertain and therefore, none are included within the HLR Co. Business Plan Financial Forecast.
- 8.11** HLR Co. is not expected to generate an annual surplus at any point during the borrowing term, although annual deficits will decrease year-on-year over this period.
- 8.12** It is planned to use HLR Co. deferred tax assets within the tri-company structure to reduce aggregate Corporation Tax liability. The Directors are currently taking advice on how this may be actioned, but Group finances remain robust without applying this offset.
- 8.13** Post tax surpluses generated through property sales are immediately returnable to the shareholder in proportion to the extent to which share capital underpins the balance sheet (at most recent Balance Sheet date prior to disposal). Surpluses not immediately returnable to the shareholder will be treated in the same way as revenue surpluses.

9. Risk Mitigation and Exit Strategy

9.1 Exit Strategy

9.1.1 The Financial Plan of HLR Co., which underpins the business plan, is predicated on an exit from the established business arrangements after thirty five years (for each

¹ It is assumed that rent yields remain (at least) constant over the business plan term, representing a viable business proposition for Hackney PRS Housing Company as an investor. In a stress-free rental market, government estimates of rent increases is CPI + 1% and the government's long term fiscal target for CPI is 2%. To (minimally) maintain a constant rent yield, HPI must match rental increases.

batch of properties acquired), at which time it is planned that the capital element of the loan for all property purchases is repaid.

9.2 Financial Risk Mitigation:

9.2.1 Potential key financial risks facing HLR Co. are:

a. Non-achievement of annual rent increases

Rent and revenue costs uplifts have both been linked to CPI (forecasts) over the financial planning period. This means that if predicted annual rent increases are not achieved, then cost increases factored into financial modelling are also unlikely to materialise to the extent presumed. This provides protection to business plan finances.

b. Interest rate variations

Asset financing arrangements lock in debt servicing costs from the outset of business operations and so HLR Co. is shielded from interest rate variations over the debt repayment period.

c. A stall in house prices

An analysis of long term property cost movements underpins the business model and prudent annual property price increases are included within financial modelling.

This risk materialises only at the point that HLR Co. plans disposal of properties. Empirical evidence of house price movements suggests that this risk will not be realised but in the event that it is, HLR Co. has the opportunity to refinance its debt and retain the assets until the impact of this risk crystallising has dissipated.

d. Missing out on opportunity sales

HLR Co. is able to dispose of properties to take advantage of favourable market conditions (in the event that doing so delivers a financial advantage to HLR Co. which exceeds the benefits of retaining the same properties) at any time during the financial planning period. The annual report to shareholders will give an indication on the housing market, property values and disposal plans, which will be approved and executed on approval of intelligent shareholder function.

e. Lack of demand for Living Rent properties

The lack of affordable properties in Hackney ensures a continual supply of potential tenants for these properties. Anecdotal evidence suggests that, notwithstanding the prescriptive qualification criteria, there is huge demand for properties of this tenure.

f. The ability to achieve affordable borrowing terms and meet debt servicing costs

The inclusion of a significant element of equity in the initial capital advance ensures a manageable debt-servicing liability and de-risks the loan made by the lender enabling access to favourable borrowing terms and conditions.

Cabinet

16 MARCH 2020

**Hackney Housing Company
Business Plans and Annual Report
of the Directors**

Key Decision No. NH Q48

Appendix 3

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Appendix 3

Hackney PRS Housing Company Ltd.

Business Plan

Section	CONTENTS	Page
1.	Executive Summary	1
2.	Mission	1
3.	Governance	1
4.	Product and Services	3
5.	The Market	3
6.	Marketing Strategy	4
7.	Operations	4
8.	Financial Forecast	5
9.	Risk Mitigation and Exit Strategy	8

1. Executive Summary

1.1 Hackney PRS Housing Company Limited (Company No. 11750933) has been established as a fully owned subsidiary of Hackney Housing Company Limited (Company No.11738936) . The latter is itself fully owned by Hackney Council.

1.2 As Parent Company Shareholder, the Council will provide strategic guidance on Company decisions and direction, with the aim of delivering a responsible and sustainable market rental product in the borough.

1.3 Hackney PRS Housing Company will purchase properties from Council Regeneration schemes to deliver a financial return by letting them at market rent.

1.4 This Business Plan sets out what products the Hackney PRS Housing Company aims to deliver and how they will be achieved.

2. Mission

2.1 The primary purpose of the Hackney PRS Housing Company is to acquire properties on schemes within the Council's Regeneration programmes to let within the Private Rented Sector at market rents to generate a surplus that will support the other objectives of the Housing Company.

2.2 In adopting this business model, Hackney PRS Housing Company facilitates Hackney Council's ambition to respond to multiple challenges faced by those impacted by the housing crisis, specifically in this case those that are experiencing difficulty in finding quality homes to rent from responsible landlords in the private sector in Hackney.

2.3 By delivering homes to rent in the private sector on longer tenancies and with clearer terms and conditions from the outset, we will be improving the situation for individual households and demonstrate how a good and responsible landlord function can be delivered within Hackney.

2.4 Hackney PRS Housing Company will operate in alignment with Hackney's Better Renting Principles.

2.5 Outcome based indicators to measure the success of the company will be developed in the next 12 months and agreed by the Board of Directors.

3. Governance

3.1 Hackney PRS Housing Company is a wholly-owned subsidiary of Hackney Housing Company which is itself wholly-owned by Hackney Council. Hackney PRS Housing Company will not develop properties, nor directly employ any staff.

3.2 The Board of Directors (the Directors) of Hackney PRS Housing Company will be comprised of Council officers who will not be remunerated for Company duties. Further

information on the Board of Directors is provided on page 3 of the Hackney Housing Company Business Plan (item 3.7).

3.3 Set out below are the operational parameters which, in addition to compliance with the Articles of Association, the Board of Directors (the Directors) will work within, contributing to the delivery of Company objectives. The Directors will:

- i. Give due consideration to the objectives laid down by its shareholder, in making business decisions
- ii. Report to the shareholder at least annually, such reporting to contain both a forward and backwards look on performance and outcomes
- iii. Be responsible for maintaining liquidity for the Hackney PRS Housing Company in line with agreed minimum requirements
- iv. Ensure that schemes generate sufficient income to pay the financing costs in line with agreed terms
- v. Seek to procure goods, services, assets and financing on terms which are the most economically beneficial to Hackney PRS Housing Company

3.4 Significant business decisions, such as acquisitions and disposals by directors of Hackney PRS Housing Company are authorised by the Intelligent Shareholder function and reported Cabinet, as shareholder of the Parent company, in the Annual Report of Directors.

3.5 Board Members will undergo individual Conflicts of Interest scrutiny to ensure that the responsibilities of substantive roles do not run contrary to Directors' obligations. The Board will meet at least quarterly and are bound by the Company's Articles of Association and the Code of Conduct for Board Members of Public Bodies (June 2019).

3.6 An Intelligent Shareholder function is employed by the Council to streamline the decision-making and sign-off processes for all companies within the Group. Matters of strategic importance and/or requiring consultation at that level will continue to be referred directly to the Group Shareholder via the parent company. Further information on the role of the Intelligent Shareholder is provided on page 2 of the Hackney Housing Company Business Plan (item 3.4).

3.7 PRS Co. is wholly owned by the Council through its interest in Hackney Housing Company and influence over the subsidiary is exercised by Council approval (or otherwise) of the Hackney Housing Company business plan, which will encompass the aims of the HLR Co. business plan.

3.8 The Directors are also responsible for maintaining and regularly reviewing a robust risk management framework. However, Cabinet on behalf of the Council, must approve any decisions that would have an effect on the parent company's shareholders' rights.

3.9 Services and contracts will include performance measures and outcomes. They will be reviewed annually in line with stated performance standards and stated outcomes. This includes the Service Level Agreement, finance support contract and any other business critical contract.

4. Product and Services

4.1 Hackney PRS Housing Company will deliver a market rent product. The Hackney Housing Company Limited Business Plan sets out how the products delivered by Hackney PRS Housing Company operate within a portfolio of investments.

4.2 The PRS properties will align to Hackney's Better Renting principles and most notably the product will offer greater security and transparency than is often seen in the private rental sector.

4.3 The Housing Company Lettings Policy, approved by Cabinet in July 2019, aims to offer people that live and/or work in the borough priority for Company properties, however to reduce rent loss from void properties, market demands will lead to the allocation of properties.

4.4 The PRS company will look to acquire properties that meet the demand of the private rented market in the specific area. For schemes close to employment area and the city, this will mainly be 1 and 2 bedroom properties. For other areas of the borough, where there is a rental demand, larger family properties will be considered.

5. The Market

5.1 Around one third of Hackney residents now live in private rented sector accommodation – double that of ten years ago. While a majority of private renters in Hackney are satisfied with their home, there are too many properties suffering from poor conditions and management. Renters also face insecurity, often with six-month tenancies and high or unpredictable rent rises.

5.2 As the popularity of the private rented sector has grown, so too have the number of rogue landlords who are capitalising on the needs of those in the sector and jeopardising good practice in favour of easy money. Unnecessary letting fees have now been outlawed alongside unfair Section 21 evictions but some tenants are still facing unfair practice in the sector through 'no tenants on benefits' adverts and excessive deposit fees.

5.3 Most of Hackney's renters are on short fixed-term tenancies, often for just six or twelve months. This lack of security prevents renters from feeling safe and secure in their tenancy and creates rental instability. This also allows landlords to maximise their rental income if they think that they can charge more to somebody else at the end of these tenancies. These evictions are a leading cause of homelessness in Hackney, where rough sleeping and families in temporary accommodation are on the rise.

5.4 The private rented sector needs better regulation in order to help tackle rogue landlords and ensure that general maintenance and overall quality of dwellings is not

compromised. Good management would ensure that repairs and complaints are responded to and residents are satisfied with the quality of their homes.

6. Marketing Strategy

6.1 Hackney PRS properties will be marketed by the Hackney Sales Team utilising the principles of the established Sales & Marketing Strategy to achieve lettings in line with the Hackney Housing Company Lettings Policy. Advertising via the Hackney Sales website and social media outlets will be supported by commercial portals and other advertising resources as necessary. Property specific marketing strategies will form part of the Investment Proposal for Board approval and options may include the use of a third-party letting agent.

7. Operations

7.1 Financial Management

7.1.1 The Directors will appoint a letting agent to manage the day-to-day operations of the properties, but directors will hold the responsibility, making decisions, providing leadership and monitoring the performance of Hackney PRS Housing Company. They are also responsible for the following:

- i.** Obtaining appropriate legal, financial and tax advice to enable them to make informed decisions in running Hackney PRS Housing Company
- ii.** Maintaining and regularly reviewing a robust risk management framework.
- iii.** Property Acquisition. The Directors will;
 - a.** Monitor the overall standing of the property portfolio and take any decisions required regarding a change to the financial model or parameters
 - b.** Evaluate and consider the acquisition of all outright sale properties being developed as part of the Council's Regeneration Programme and decide as to properties that an offer should be made, with consideration to the financial viability and suitability of properties on a case by case basis, to manage the financial interests of Hackney PRS Housing Company and deliver the objectives laid down by the Group shareholder.

7.1.2 Hackney PRS Housing Company will seek to acquire up to £20m of properties from the Council's Regeneration programmes each year for the period 2019-24 for the purpose of generating a long-term financial return.

7.1.3 The Council will inject equity into Hackney PRS Housing Company via the parent in exchange for additional Group share capital. Company Directors will then secure borrowing at the most economically advantageous rate providing Hackney PRS Housing Company with the resources to undertake property acquisitions.

7.1.4 The properties acquired will act as collateral for loans made to Hackney PRS Housing Company, with interest payments to lenders met by rental income generated by property lets. Any revenue surpluses will be distributable to Hackney Housing Company from which dividends can be paid to shareholders or reinvested.

7.1.5 Financial administration of Hackney PRS Housing Company will be included within the suite of services offered under the Services Agreement between Hackney PRS Housing Company and the Council.

7.1.6 External audit of Hackney PRS Housing Company will be undertaken in line with statutory obligations by a third party to be selected by the Board of Directors.

7. 2 Lettings and Property Management

7.2.1 It is anticipated that Hackney PRS Housing Company will procure the majority of its support service inputs from the Council under a Services Agreement (subject to such arrangements passing the necessary State Aid tests). During the initial phase of acquisition and operation, the company will procure the services of a letting and managing agent for PRS properties. Contract and services not provided by the Council will be procured in accordance with Council Procurement policy ensuring that Hackney PRS Housing Company obtains value for money when buying these services.

7.2.2 The Hackney PRS Lettings Policy ensures that those living and/or working in the borough will be the initial priority for the private rented sector products delivered by Hackney PRS Housing Company. Local residents will therefore benefit from the Council's "#BetterRenting" principles that have been incorporated by Hackney PRS Housing Company.

8. Financial Forecast

8.1 Hackney PRS Housing Company will seek to acquire up to £20m of properties from the Council's Regeneration programmes each year for the period 2019-24.

8.2 Directors anticipate Gearing the Hackney PRS Housing Company balance sheet at between 70% and 75% in the first accounting year, with 80% as an upper limit in all circumstances.

8.3 'Interest-only' Borrowing is expected to be available at around 6% per annum. For each batch of properties acquired, loans will be taken out over a 30-year term. The cost of entering into each loan agreement (the Arrangement Fee) is estimated at 1% of the amount borrowed.

8.4 For all loans, the Net Yield on borrowing (rental income less costs, as a proportion of the amount borrowed) is expected to be 5% in the first full year of operation, creating a revenue deficit.

8.5 Hackney PRS Housing Company must be viable and a going concern, but property investment is such that it is not expected to generate annual surpluses in the short term (up to a maximum of 5 years). Surpluses are generated when property and rent growth exceeds the operating and borrowing costs.

8.6 As Hackney PRS Housing Company's property portfolio grows it is anticipated that it will be possible to secure better value for money in respect of the housing management function, as Hackney PRS Housing Company benefits from improved market understanding and economies of scale.

8.7 Rental streams are predicted to strengthen with inflation (estimated at 2% per annum). In conjunction with cost savings outlined in the previous paragraph, the gap between interest payable and net income will be gradually eroded as a result.

8.8 Increasing annual profits will be generated from (no later than) Year 6 onwards, with a surplus on the Revenue Account registered after approximately 10 years.

8.9 House Price Inflation (HPI) is estimated at 3% per annum¹ which would result in Hackney PRS Housing Company ultimately holding assets significantly more valuable than the borrowing which supports them.

8.10 As business needs and/or opportunities dictate and/or arise Hackney PRS Housing Company Board may take the decision to dispose of properties on the open market. As the timing of such disposals is uncertain, none are included within the Business Plan Financial Forecast.

8.11 Post-tax surpluses generated through property sales are immediately returnable to the shareholder after setting aside an amount to repay debt. Surpluses not immediately returnable to the shareholder will become available to fund further business opportunities within the group of Hackney Housing companies.

8.12 The table below shows the Hackney PRS Housing Company 5-Year Financial Forecast¹.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000's				
Rent (Income)	323	703	717	731	746

¹ It is assumed that rent yields remain (at least) constant over the business plan term, representing a viable business proposition for Hackney PRS Housing Company as an investor. In a stress-free rental market, government estimates of rent increases is CPI + 1% and the government's long term fiscal target for CPI is 2%. To (minimally) maintain a constant rent yield, HPI must match rental increases.

Supervision & Management	(45)	(77)	(78)	(80)	(81)
Repairs & Maintenance	(12)	(20)	(21)	(21)	(22)
Major Works Contribution	(18)	(31)	(31)	(32)	(32)
Net Revenue Cost	248	575	587	598	611
Loan Financing	(11,200)	0	0	0	0
Equity Financing	(4,800)	0	0	0	0
Capital Outlay	(16,000)²	0	0	0	0
Sales Income	0	0	0	0	0
Net Scheme Costs	(15,752)	575	587	598	611
Debt Financing Repayments	500	670	670	670	670
Gross Cash Outflow(+)/Inflow(-)	16,252	95	83	72	59

¹ Based on anticipated stock holdings at 31st March 2020. Annual £20m company capitalisations outlined in the main report, and the revenue income from subsequent property purchases are not included.

² Approximately £250k of £16m initial capitalisation remains available as working capital.

9. Risk Mitigation and Exit Strategy

9.1 Exit Strategy

9.1.1 The Financial Plan of Hackney PRS Housing Company, which underpins the business plan, is predicated on an exit from the established business arrangements after thirty five years with company operations discontinued.

9.1.2 In the intervening period the directors may, giving due regard to the prevailing environment, take a view that market trends and/or conditions necessitate a diversion from the planned arrangements.

9.1.3 This may include:

- an early disposal of properties (as referenced in paragraph 8.10)
- retaining the properties beyond the planned disposal date to be sold at some future time
- a transfer of assets to another company within the Council group

9.1.4 In all cases (including the planned case outlined in paragraph 9.1.1), the best overall return to the shareholder will be considered, and the shareholder consulted prior to action on any decision.

9.2 Financial Risk Mitigation:

9.2.1 Potential key financial risks facing Hackney PRS Housing Company are:

a. Non-achievement of annual rent increases

Rent and revenue costs uplifts have both been linked to CPI (forecasts) over the financial planning period. This means that if predicted annual rent increases are not achieved, then cost increases factored into financial modelling are also unlikely to materialise to the extent presumed. This provides protection to business plan finances.

b. Interest rate variations

Asset financing arrangements lock in debt servicing costs from the outset of business operations and so Hackney PRS Housing Company is shielded from interest rate variations over the debt repayment period.

c. A stall in house prices

An analysis of long term property cost movements underpins the business model and prudent annual property price increases are included within financial modelling.

This risk materialises only at the point that Hackney PRS Housing Company plans disposal of properties. Empirical evidence of house price movements suggests that this risk will not be realised but in the event that it is, Hackney PRS Housing Company has the opportunity to refinance its debt and retain the assets until the impact of this risk crystallising has dissipated.

d. Missing out on opportunity sales

Hackney PRS Housing Company is able to dispose of properties to take advantage of favourable market conditions (in the event that doing so delivers a financial advantage to Hackney PRS Housing Company which exceeds the benefits of retaining the same properties) at any time during the financial planning period. The annual report to shareholders will give an indication on the housing market, property values and disposal plans, which will be approved and executed on approval of intelligent shareholder function.

e. Lack of demand for Private Rented Sector properties

A downturn in demand for private rented sector properties is likely to coincide with an upturn in demand for homes for sale. As discussed in point d. above, Hackney PRS Housing Company will be able to take advantage of the improvement in the sellers' sales market and make ad hoc disposals as properties are vacated.

- f. The ability to achieve affordable borrowing terms and meet debt servicing costs

The inclusion of a significant element of equity in the initial capital advance ensures a manageable debt-servicing liability and de-risks the loan made by the lender enabling access to favourable borrowing terms and conditions.

Cabinet

16 MARCH 2020

**Hackney Housing Company
Business Plans and Annual Report
of the Directors**

Key Decision No. NH Q48

Appendix 4

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Appendix 4

Hackney Housing Company Limited Annual Report of Directors 2019

Directors

Dawn Carter-McDonald (Appointed 12th June 2019)

Simon Theobald (Appointed 12th June 2019)

James Goddard (appointed 24th July 2019)

John Lumley (Appointed 21st December 2018 /Resigned14th June 2019)

Secretary

Zoe Collins (Appointed 21st December 2018)

Registered Address

Hackney Town Hall, Mare Street, Hackney, London, United Kingdom, E8 1EA

Company Registration Numbers

Hackney Housing Company Limited (No.11738936)

Hackney PRS Housing Company Limited (No.11750933)

Hackney HLR Company Limited (No.11750958)

Nominated Accountants

To be appointed

Independent Auditors

To be appointed

Nominated Solicitors

LBH Legal and Governance Services

Pinsent Masons LLP

Group Financial highlights

Year end 31st March 2020

Asset Value £16.0m

Borrowing £11.2m

Equity £4.8m

Turnover £0.7m

Operational Highlights

Acquisition of 25 properties at Hoxton Press

Appointment of Regent Property Management

Better Renting principles included in all tenancy agreement

Board of Directors' Report

Overview

The Group comprises of 3 companies, the parent company, Hackney Housing Company Limited with 2 operational subsidiaries Hackney PRS Company Limited (PRS Company) and Hackney HLR Company Limited (HLR Company). The 2 subsidiaries were incorporated in January and the PRS Company became operational in August on the acquisition of properties at Hoxton Press.

The PRS company acquisition was funded by a loan and equity from London Borough of Hackney on terms agreed and validated as commercial and not considered State Aid.

PRS Company

The company acquired the leasehold interest in 25 properties at Hoxton Press, Mono Tower. This development was part of the LBH Regeneration programme and the site was acquired by Anthology. Negotiations, agreements and contracts for the acquisition of these properties had been extensive as it involved the release of development conditions with the Council. The properties were acquired on 14th August and the company appointed Regent Property Management Company on 9th September to manage the lettings as they had established operations at the site with other properties/landlords in the Anthology Towers.

Regent Management Company have provided an excellent service to the company, incorporating all of the better renting conditions into their standard leases for the Company's properties. Regent marketed and let all of the properties within 2 weeks, achieving the targeted rental income for most of the properties. The 2 bed properties were easiest to let as they could be rented by up to 4 people, and many of these properties are shared. There are 2 properties with 3 or more tenants that have a HMO licences. There are other 2-bedroom shared properties which reduce the rental cost to each occupier. The 1 bedroom properties don't lend themselves to sharing and so were more difficult to let, typically let to couples.

Regent have managed the tenancies and deal with any arising issues. There have been minor issues with the heating and furniture, which they have resolved following approval from Directors.

HLR Company

There are no properties acquired by the HLR Company and therefore the HLR company is not operational. However, the company is making arrangements for the acquisition of 8 properties from the Council's Bridge House development and are discussing the acquisition of the properties at Gooch House.

Outlook

Whilst the housing sales market has plateaued, the demand for the properties at Hoxton Press demonstrate the demand for PRS properties, particularly 2 bedroom properties in the south of the borough. The PRS Company is looking for other opportunities within the Council's development portfolio to provide the surpluses to fund more HLR properties throughout the borough. The PRS properties require a higher standard of service and so the use of a letting agent has been invaluable, particularly in a block without other Council properties. For the HLR properties at Bridge House, the company is in discussion with Council departments to provide the letting property management services alongside the New Build management arrangements. The company will look to support the development of the Council's letting services, but the quality and cost will need to be monitored and reviewed.

As property ownership and private accounting rules are different to local government there is a need to appoint an accounting firm for advice and to produce the accounts. Day to day financial matters are dealt with by the Council under a services agreement. The Company is discussing procuring finance and audit services from accounting firms, such as the Council's auditors. Different to other private companies, Hackney Housing Company Limited is required to appoint an independent auditor who is different from the financial and accounting advice/providers.

There are many opportunities to acquire and let properties outside of the approved remit of the Housing Company. During the year the board will consider alongside discussion with the Council (Shareholder) how it can support the delivery of alternative forms of affordable housing in the borough.

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<p>TITLE OF REPORT - Acquisition of properties to support the delivery of affordable housing</p> <p>Key Decision No - NH Q40</p>	
<p>CABINET MEETING DATE (2019/20)</p> <p>16.03.2020</p>	<p>CLASSIFICATION:</p> <p>OPEN</p>
<p>WARD(S) AFFECTED</p> <p>All wards</p>	
<p>CABINET MEMBER</p> <p>Philip Glanville, Mayor of Hackney</p>	
<p>KEY DECISION</p> <p>Yes</p>	
<p>REASON</p> <p>Affects two or more wards and involves significant spending</p>	
<p>GROUP DIRECTOR</p> <p>Ajman Ali, Acting Group Director, Neighbourhoods and Housing</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. Our borough faces an unprecedented housing crisis, with over 13,000 families on our housing register - 3,000 of whom are in temporary accommodation. Despite the desperation of families who need a genuinely affordable place to call home, the Government offers very little support to local authorities to build the new generation of Council housing we so badly need. In addition to this Government cuts to housing benefit and continuing rising rents leave more and more households turning to the Council for emergency support.
- 1.2. Even with these challenges, I'm proud that Hackney is building. Since 2011 this Council has completed more than 900 new homes, acting as our own developer, on our own land, and largely without any support from Government. Half of these were for genuinely affordable social rent and shared ownership, paid for by selling some outright in the absence of any significant funding. But building homes is hard. It costs around £300,000 to build a new home in Hackney, and although our starting point is to build as many homes for social rent as we can, we can't build as many as we'd like to without more direct grant funding.
- 1.3. I'm proud that Hackney is committed to building around 2,000 homes between 2018 and 2022 at dozens of sites across the borough. Our ambition is clear, and our direct delivery, cross-subsidy model delivers results. Rather than just talking about building homes, we're actually doing it. However more needs to be done to tackle the housing crisis that we face. We therefore must seek innovative solutions to support the delivery of genuinely affordable homes in the borough.
- 1.4. This report sets out the detail around how Council resources can be deployed to accelerate the delivery of affordable homes in the borough. In particular it will result in homes that were previously subject to Right-to-Buy being brought back into Council ownership to be used as genuinely affordable housing.
- 1.5. I am proud to lead a Council finding innovative and successful solutions to the housing challenges we face. This report shows that scale of our ambition and how we will deliver on it to secure new affordable homes our residents so desperately need.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 The Council currently has over 13,000 households on the housing register and a further 3000 families being housed in temporary accommodation.
- 2.2 In response to this housing crisis the Council is leading the way in the direct delivery of genuinely affordable new homes in the borough. Cabinet first approved the Estate Regeneration Programme (ERP) in July 2011, and the Housing Supply Programme (HSP) in February 2016 to build more homes.
- 2.3 Despite this more needs to be done to meet the outstanding housing needs of Hackney residents. The Council must therefore explore innovative methods to secure the maximum delivery of additional affordable housing.

- 2.4 This report outlines how, by purchasing by acquiring former Right-to-Buy properties and converting them back into use as affordable homes, additional affordable housing can be delivered to help meet outstanding housing need in Hackney.

3. RECOMMENDATION(S)

Cabinet is recommended to:

- 3.1 Authorise the principle of purchasing former Right-to-Buy properties including those owned by Housing Associations to support the increased supply of affordable housing in the borough. Such purchases will be subject to the Group Director of Finance being satisfied that this is the most cost effective solution to support the delivery of affordable homes in the borough.**
- 3.2 Authorise a spend of up to £10m per annum from existing affordable housing budgets for the purchase of former Right-to-Buy properties, including those owned by Housing Associations, to support the increased supply of affordable housing in the borough.**
- 3.3 Delegate authority to the Director of Corporate Property, in consultation with the Group Director of Neighbourhoods and Housing on behalf of the Council, to negotiate final terms and conditions on the above purchases, including price and purchase of the properties.**
- 3.4 Authorise the Director of Legal and Governance Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation as required.**

4. REASONS FOR DECISION

- 4.1 The reasons for providing this report and the recommendations set out within it are;
- To approve the principle of purchasing open market and former Right-to-Buy properties as outlined in the recommendations above in order to support the delivery of homes for rent in the borough.
 - To give the Council additional flexibility, by granting delegated authority the Group Director of Finance, to acquire homes that can support the delivery of affordable housing in the borough.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1 The Council could do nothing and the RTB properties would be sold on the open market. This would result in the delivery of fewer additional homes for social rent in the borough.
- 5.2 In addition to this, the continuing use of more expensive nightly paid temporary accommodation by the Housing Needs Service adds further to the forecast overspend on temporary accommodation. Purchase of these properties would contribute towards provision of less temporary accommodation overall.

6. BACKGROUND

6.1 Site Purchases

- 6.1.1 There are significant demands for affordable housing in the borough and whilst the Council has taken the lead in delivering new affordable homes through its extensive regeneration programme, wider opportunities in the borough are available to support the delivery of affordable housing.
- 6.1.2 At the same time, the (statutory) Right to Buy policy results in over 50 social housing properties being sold each year which are no longer available as affordable housing. Therefore the report recommends introducing a programme of repurchasing ex-RtB properties and returning them to social housing.

6.2 Policy Context

- 6.2.1 There are over 13,000 households waiting for a home on the Council's housing register and a further 3,000 families being housed in temporary accommodation. By contrast the supply of social housing being made available to let is reducing considerably; only 640 lets were made available between April 2018 and March 2019, compared to 1,132 the previous year and 1,229 in 2016/17.
- 6.2.2 In response to this the Council is directly delivering over 2,000 new homes in the borough and is retaining the ownership of the social rented and shared ownership properties it is building. It is also supporting the development of a number of outright sale properties, in order to generate the funding and cross-subsidy needed to build the new genuinely affordable homes.
- 6.2.3 Whilst the Council has an extensive regeneration programme, the numbers and timeframe of delivery are insufficient to meet all of the borough's housing demand. Acquiring privately owned properties that were previously subject of the Right-to-Buy gives the option for the Council to convert these properties back into affordable homes.
- 6.2.4 Hackney has experienced huge change over the last fifteen years, particularly against the backdrop of a challenging national housing agenda and the subsequent impact on local communities and the local housing market. Over the last ten years the Government's social housing and welfare reforms have led to higher rent levels while at the same time reducing welfare benefits for

those who need support in paying their rent in both the social and private rented sectors. The issue of housing affordability has therefore become severe in Hackney.

6.2.5 Current national policy is unlikely to halt or redirect these trends. Significant financial measures and interventions are required in order to provide a step change in housing supply and housing quality. The Government promotes owner occupation as the tenure of first choice, but this is a tenure that is simply unachievable for and unavailable to a majority of households in Hackney.

6.2.6 Similarly while the recent policy announcement of the removal of the Housing Revenue Account (HRA) borrowing cap is welcome, this action will not of itself provide the catalyst to significantly increase the supply of genuinely affordable housing in the borough.

6.2.7 Hackney remains a prudent local authority: the removal of the artificial cap simply means that we are able to deliver our existing housing supply programmes with a greater degree of surety. A more holistic and wide ranging change to housing finance is urgently required, including, for example, much greater flexibility in how we can use our Right to Buy receipts and much higher grant and subsidy levels to help us massively increase the supply of truly affordable, social rent homes.

6.2.8 Despite these significant challenges our strategic vision for housing in Hackney is that all residents have access to decent, stable and genuinely affordable housing that meets their needs as these change throughout their lives. We are working to maximise housing supply across the full range of tenures in Hackney. Both our Community Strategy and our new Local Plan set out plans for housing and economic growth across the borough. Our Housing Strategy also focuses on the pressing need for a mix of both genuinely affordable homes for those on low to middle incomes and the delivery of new high quality private homes for market sale and rent.

6.3 Equality Impact Assessment

6.3.1 The purchase of homes from the private sector will facilitate an increase in the range of tenures and housing opportunities that the Council can provide and consequently the range of people who could benefit.

6.4 Sustainability

6.4.1 None of the recommendations in this report would have a direct impact on the physical or social environment.

6.5 Consultations

6.5.1 No formal consultations are required as part of this report.

6.6 Risk Assessment

6.6.1 There is a risk that purchases may not be a cost effective solution to deliver new affordable homes. However, such purchases will be subject to the Group Director of Finance being satisfied that this is the most cost effective solution to support the delivery of affordable homes in the borough. This will be based on expert appraisal of each individual scheme.

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

7.1 There are significant demands for affordable housing in the borough and whilst the regeneration programmes replace the existing poor standard social housing, only the shared ownership properties delivered as part of these programmes provide additional affordable (ownership) housing.

7.2 At the same time, the (statutory) Right to Buy (RtB) policy results in over 50 social housing properties being sold each year which are no longer available as affordable housing. Therefore the report recommends introducing a programme of repurchasing ex-RtB properties (including those owned by Housing Associations) and returning them to social housing.

7.3 These properties have been sold under the RtB scheme where a discount was given on the market value, currently up to £110,500. Of the discounted sales receipt, 75% is paid to central government under the pooling regulations. The average value of an ex-RtB property is £400,000 therefore would be sold for £289,500 with the RtB discount. Of this £217,000 is 'pooled' and therefore only £72,500 is retained by the Council.

7.4 Under the RtB 1-4-1 funding, if the total value of (discounted) sales in the year exceeds £4.6m (about 25 property sales), the excess is retained by the Council to fund the replacement (1-4-1) of the sold properties, but can only contribute 30% of the cost. This funding could be used to fund any acquisition of ex-RtB properties.

7.5 Using the average ex-RtB property value of £400,000, Stamp duty (SDLT) is payable and the property would require fitting out to the Council's standard. Therefore, an additional budget provision of £25,000 is required. The total cost would be funded from £127,500 of RtB 1-4-1 funding leaving a borrowing cost of £297,500. The annual borrowing cost of this value exceeds the (social) rent charged on the property, and so even excluding management and maintenance cost is not viable.

7.6 As the properties are in existing housing blocks, there is minimal additional management and (block) maintenance costs. There would be internal maintenance responsibility of these properties. If any freehold/street properties are purchased they are likely to be of a higher value and will require additional management costs. There is potential additional maintenance cost as it will be a new property structure to maintain. Also the rent for houses are not significantly different to flats, therefore freehold/street properties would not be as cost effective to purchase.

- 7.7 Under the RtB 1-4-1 funding regime, the value of the property is protected from a cost floor sale value where the property can't be sold for less than the purchase cost for a period of 15 years. Therefore in assessing the viability it is not required to repay the borrowing/purchase price, but viability should consider future investment cost of around £3,000 per year (assumption in Asset Management Strategy).
- 7.8 Taking into consideration the wider impact of housing and the cost of temporary accommodation (TA), the supply of a social rented property will save the General Fund around £3-5,000 p.a. Therefore, the rent charged on the property and the General Fund saving from TA would provide sufficient resources to cover the borrowing cost and maintenance/investment in the property, with any debt repaid on sale of the property, therefore a managed programme of acquisitions could be supported. It is unlikely the demand for social housing will diminish in the medium term, but the annual budget requirement would need to be assessed against the housing purchase cost, the cost of TA and the investment requirements in the properties.

8. VAT Implications on Land & Property Transactions

- 8.1 Property transactions generally involve complex VAT issues that can impact the Council's partial exemption calculation. The proposed acquisition programme cost does not attract VAT and whilst the letting of residential property is exempt from VAT, when used as social housing it is considered a non-business transactions and therefore there are no VAT issues to consider.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE

- 9.1 Under the Hackney Mayoral Scheme of Delegation of January 2017 , the acquisition of leasehold land is reserved to the Mayor and Cabinet and additionally Financial Procedure Rule 20.4 confirms that the acquisition of lease of land or disposal shall be agreed by Cabinet .
- 9.2 Section 1 of the Localism Act 2011 (the general power of competence) grants local authorities the ability to do anything that a private individual is empowered to do so , subject to restrictions which bound local authorities before the coming in force of that Section or any later provisions to apply to it
- 9.3 S120 of the Local Government Act 1972 enables the Council to acquire by agreement any land for the purposes of discharging any of the Council's functions or for the benefit, improvement or development of its area. The Council may exercise this power whether or not the land purchased by agreement is immediately required for the intended purpose and the Council may use the purchased land in the interim for the purpose of discharging any of its other functions.

- 9.4 Section 9(1) of the Housing Act 1985 permits the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them or acquiring houses.
- 9.5 Pursuant to S120 of the Local Government Act 1972 and 9(1) of the Housing Act 1985 the Council will be in a position to purchase the properties within the borough

APPENDICES

None

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

None

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<p>TITLE OF REPORT : Hackney Central Station and town centre regeneration</p> <p>Key Decision No. NH Q52</p>	
<p>CABINET MEETING DATE (2020)</p> <p>16 March 2020</p>	<p>CLASSIFICATION:</p> <p>OPEN</p>
<p>WARD(S) AFFECTED</p> <p>ALL</p>	
<p>CABINET MEMBER</p> <p>Mayor Glanville</p>	
<p>KEY DECISION</p> <p>Yes</p> <p>REASON</p> <p>Affects two or more wards</p>	
<p>GROUP DIRECTOR</p> <p>Ian Williams, Group Director of Finance and Corporate Resources</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1. The Council is committed to supporting our high streets and town centres as well as providing sustainable transport infrastructure for our residents, businesses as well as visitors to the borough. Providing high quality public transport, particularly in town centres and busier areas, helps to encourage people to make more trips by public transport resulting in less carbon emissions and improving public health.
- 1.2. This report sets out the Council's efforts to improve the current lack of capacity and overcrowding experienced at Hackney Central station. We are doing this by providing our own land on Graham Road to create a second entrance to the station. Doing this means we are not able to develop the ground floor of the site for another use in the short term which represents a loss in income to the Council. If the site was not being used for a new station entrance it could have been developed for an alternative appropriate use which would have resulted in an income stream to the Council as well as added to the town centre offer and the vitality of the town centre. However given the need to address immediate overcrowding issues at Hackney Central station, the Council is progressing this approach.
- 1.3. The proposal in this report is the culmination of effective partnership working between the Council, Network Rail and Transport for London. The Council is committed to continuing this partnership working with Network Rail and Transport for London to develop a more permanent solution for Hackney Central station by developing a design for a new long term, high quality and fit for purpose station building. The Memorandum of Understanding referred to in this report will ensure this effective collaboration continues to progress proposals for a landmark station for Hackney Central which will align with the growth strategy set out in our Local Plan, and our Inclusive Economy Strategy as well as our environmental objectives.
- 1.4 I commend this report to Cabinet.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 This report sets out a solution, brought forward by the Council in partnership with Network Rail and Transport for London (TfL), to alleviate the current overcrowding and congestion issues at Hackney Central station by utilising Council owned land at 231-237 Graham Road to provide a temporary second entrance to the station.
- 2.2 The letting of the Graham Road land at less than best consideration will facilitate much needed improvements to the station and the town centre, as well as support planned growth in the town centre as set out in the Local Plan via the delivery of new homes, commercial space and jobs.
- 2.3 The proposed terms of the lease and the Memorandum of Understanding will ensure that the Council, TfL and Network Rail continue to collaborate on a scheme to unlock the delivery of a permanent new station on the north side of the station as well as ensuring that, should the Graham Road station entrance become a longer term fixture, the Council is able to secure a rental income from the site and also progress a development scheme above and around any station infrastructure if feasible.

3. RECOMMENDATIONS

- 3.1 To authorise the grant of a lease in excess of seven years on the land at 231 - 237 Graham Road shown edged in red on the plan attached at Appendix 1 at a value less than the best consideration that could reasonably be obtained for the social, environmental and economic reasons expressed in this report. The lease will be subject to planning consent being obtained for the new entrance on Graham Road and funding for the scheme being secured.
- 3.2 To delegate authority to the Group Director of Finance and Corporate Resources to agree the commercial terms for this lease.
- 3.3 To delegate authority to the Director of Legal and Governance Services to settle and sign the lease and any other legal documentation relevant to complete the transaction.
- 3.4 To delegate authority to the Director of Legal and Governance Services to enter into a Memorandum of Understanding with Transport for London and Network Rail to collaborate and input into a design commission to produce a scheme design for a new permanent station building on the north side of Hackney Central station.

4. REASONS FOR DECISION

- 4.1 To improve capacity at Hackney Central station in the short term and ensure that the relevant parties are actively pursuing a more permanent solution for a new station building in Hackney Central which can accommodate future growth in the town centre (contributing to delivering the draft Local Plan borough wide target of 26,250 new homes and 23,000 new jobs by 2033), is reflective of Hackney Central's status as a Major Town Centre in the London Plan and Local Plan, and is in accordance with the Local Plan and Hackney Central Masterplan (2017) objective to create an improved station and town centre arrival point in Hackney Central on the north side of the station.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1 Another option considered is to do nothing and not use Council land to provide a new entrance on Graham Road. This is not considered a viable option as based on the reasons set out in this report the station is currently operating over capacity and urgent action is required to create more space for the access, egress and interchange of passengers. The capital funding for the station improvement works will not be provided by the Council but will be funded by Network Rail.
- 5.2 Another option considered was to not provide a new entrance in the short term and instead commence the design process to come up with a costed design for a new permanent station building on the north side of the station. This option was rejected due to the need to resolve the station capacity issue as soon as possible and, as stated, the capital funding for the station improvement works will not be provided by the Council but will be funded by Network Rail.
- 5.3 It is therefore considered that the best option is to deal with the immediate capacity issues at the station by providing an alternative station entrance by utilising Council owned land on Graham Road while at the same time ensuring proposals for a permanent station building on the north side of the station are progressed in partnership with Network Rail and Transport for London.

6. BACKGROUND

- 6.1 Hackney Central is the civic and cultural hub of the borough and was recently reclassified from a district town centre to a major town centre in the London Plan on account of the volume of retail floorspace in the centre and its capacity for future growth. In recent years Hackney Central station has experienced increasing levels of passenger demand and although the area benefits from excellent public transport connectivity, Hackney Central station has, like the rest of the London Overground network continued to see an increase in usage (up by 160% across the whole line between 2007-2013) . In addition based on TfLs projections, usage is expected to increase by a further 35-40% by 2031.
- 6.2 Improvements to the station including the installation of lifts and an enlarged ticket hall were carried out in 2012. However, with the continued increase in passenger numbers, particularly in the morning and evening peak travel periods, the congestion is now acute. The existing station building was constructed in the late 1980s and is now too small to handle the current volume of passengers passing through it every day. In addition the gateline in the booking hall prevents prompt dispersal during the busiest periods. As a result of this crowding occurs on the ramp leading to the town centre as well as in the ticket hall and on the platform.
- 6.3 A pedestrian walkway connecting the station with Hackney Downs opened in 2015 and has been very successful with usage being higher than forecast. The number of weekly trips has grown from 1,280 in its first year to 5,620 to date. Although usage now appears to have stabilised, planned improvements to Hackney Downs include the installation of lifts as part of an Access for All scheme funded by the Department for Transport which will see the station made step free by 2024. This is likely to result in further interchange trips between Hackney Central and Hackney Downs stations as more people will be able to use Hackney Downs station once lifts are installed.
- 6.4 As mentioned the existing station building was constructed in the late 1980s and was anticipated to have a relatively short 15-20 year shelf line due to long term TfL plans to run a new train line through Hackney Central and build a new train station to accommodate this. This line was previously known as the Chelsea-Hackney line which has now evolved into Crossrail 2 (CR2). A principal factor which impacted on TfL's planning for Hackney Central station has been the prospect of an eastern branch for CR2 from Dalston Junction eastbound to Hackney Central and beyond which would have prompted the delivery of a new larger station building in Hackney Central to accommodate a CR2 station. The current position on CR2 and when it will be delivered is uncertain and is subject to further approvals by central government, business planning and consultation. Furthermore the eastern branch of CR2 is considerably further behind the implementation of the main CR2 route, if it is progressed.
- 6.5 Given the immediate capacity and overcrowding issues, the lack of certainty on CR2 timescales, and the deliverability of the eastern branch, improvements to Hackney Central station are therefore essential. These improvements to access and capacity will have a wider positive impact on the vitality and viability of the town centre and ensure it has extra capacity to accommodate future growth. In addition the need to improve capacity at the station is set out in a number of Council policy documents including the Local Plan (2019), Hackney Central Masterplan (2017) and the Local Implementation Plan (2019-2022).

The station improvement scheme

Context

- 6.6 In 2015 London Overground commissioned architects to work up designs for an improved station at Hackney Central as part of the London Overground Capacity Improvement Programme. These proposals proposed a new station entrance on the north side of the station at Amhurst Road car park. However the scheme did not progress due to complexities around the inclusion of Council owned land on the Amhurst Road car park site and stakeholder feedback on the proposed designs.
- 6.7 Given the current need to alleviate congestion and overcrowding at the station and the time required to develop a permanent station design (circa 12-24 months), the Council and TfL have therefore focused on temporary options to resolve the situation. The Council owns the vacant site at 231-237 Graham Road as shown in the plan in Appendix 1 (adjoining the Iceland site and the railway line) and this is proposed as temporary alternative access for the station. The proposal has been developed via effective partnership working between the Council, Network Rail as the railway freeholder, and TfL as the overground line operator. As a result of this partnership working it has been agreed that the capital costs to deliver the station improvement scheme will be met by Network Rail via the Accelerated Enhancement Fund.

Scheme design and cost

- 6.8 Designs have been prepared for a new station entrance at 231- 237 Graham Road as well as new westbound facing stairs off the existing station footbridge to further alleviate congestion at the base of the stairs. The proposed scheme will include the creation of a secondary ticket hall on Graham Road which will provide direct access off the westbound platform. In order to further relieve congestion around the overbridge and with the interchange with Hackney Downs additional stairs (facing west) will be constructed off the overbridge. These will serve both platforms. User surveys carried out by TfL have shown that approximately 30-35% of existing passengers would use the Graham Road access as opposed to the current station access thereby providing immediate congestion relief from the date of opening.
- 6.9 The cost of the works has been estimated at £3.2m and will be funded by Network Rail. It is anticipated that £3.2m will be sufficient to cover all of the planned works. In the event that there is a shortfall the Council may be required to consider funding sources at a later date but this will be the subject of a separate Council approval process if required. A decision on the outcome of the funding bid is expected from Network Rail in spring 2020. TfL will carry out the works if the funding bid is successful.
- 6.10 The Graham Road scheme will include stairs up to the platform level, a new ticket hall building and ticket gates, cycle parking, and greening around the ticket hall with space for a retail kiosk. The exact demise of the leased land to Network Rail is under negotiation but in it is a possibility that the cycle parking, new trees, and any additional lighting and CCTV infrastructure will remain in the Council demise and therefore need to be managed and maintained by the Council. If this is the case the Council would seek to ensure that the cycle parking is self funding and any other on-going maintenance costs would be covered by the existing Streetscene revenue budget. Therefore no additional Council revenue funding requirements will arise as a result of this report.
- 6.11 The works to Graham Road will require planning permission. TfL will submit the planning application to the Council. If approved works would start on site later in 2020.

Land ownership

- 6.12 To enable the station improvement works to proceed the Council will be required to grant an interest in the form of a lease in the land at 231-237 Graham Road. The lease will be granted to Network Rail who will incorporate it into the lease of the station held by the train operating company. Given the overriding concern of Network Rail to safeguard the integrity of railway infrastructure land accommodating operational station infrastructure would generally involve a freehold transfer of land, however given the Council acquired this land with the aim of pursuing development of the site for housing and/or commercial purposes to complement and strengthen the vitality and viability of the town centre, there is a need to ensure the Council maintains the freehold of the site and the ability to develop above and around any station building at ground level. Therefore a lease will be granted to Network Rail as opposed to a freehold transfer of the site.
- 6.13 Due to the need to preserve the Council's long term interest in this site, the lease will be restricted in certain ways; it will be a lease to Network Rail for part of the ground floor only and sufficient airspace above ground level to allow for the operation of the station entrance, allowing the Council to develop over in the future if desirable and feasible. The lease will contain within it break clauses to allow the Council to determine the lease and regain possession of the site. The lease will be initially at nominal rent although if the occupation of the site for station use extends beyond the first break clause then there will be potential for an annual rent to be paid to the Council. The use in the lease granted to Network Rail will be restricted to uses linked directly to the running of a railway.
- 6.14 It should be noted that the lease will be subject to funding being secured for the station improvement scheme and planning permission being granted for the works as well as the Memorandum of Understanding being signed by all parties to progress design work for a permanent station building on the north side of the station.
- 6.15 It should be noted that the Council owned site at 231-237 Graham Road is currently occupied by a group who have turned the space into a garden that is accessible to the public. It should be noted that the Council did not give permission to the group for the use of the site for this purpose. The Council is currently in the process of asking the garden group to enter into a Licence to Occupy with the Council for the use of the land. The Licence to Occupy will require the group to vacate the site when required by the Council to progress the station improvement works.

Future plans for Hackney Central town centre

- 6.16 The proposed station improvements encompassing the new entrance on Graham Road and new stairs off the existing footbridge will provide improved capacity at the station for approximately 10 years until 2031. Therefore although the solution currently being proposed does not offer a permanent solution to alleviate station congestion in the long term, it does nonetheless bring substantial short term benefits to station users.
- 6.17 The Council has set out its vision for Hackney Central in the Hackney Central Area Action Plan (2012), Hackney Central Masterplan (2017) and most recently in the draft Local Plan (2019) and Inclusive Economy Strategy (2019). The Local Plan sets out a growth strategy for the borough aimed at delivering 26,250 new homes and 23,000 new jobs by 2033 as well as 34,00sqm of retail and leisure floorspace. The Local Plan directs this growth to specific areas in the borough, and specifically town centres, as places which will accommodate this growth. Hackney Central is identified in the Council's Local Plan as being an area of growth for new homes, jobs and retail and leisure floorspace, therefore there is a need to bring forward much needed investment in transport infrastructure to ensure the future success of the town centre.

- 6.18 In the context of the planned growth in the town centre, the preferred long term solution for Hackney Central station is a new permanent entrance on the north side of the station as set out in Local Plan and the Hackney Masterplan (2017). The Local Plan site allocation HC3 and the Hackney Central masterplan allocates the station car park on Amhurst Road as an opportunity site for a new station and new station entrance as well as new commercial development. Given the Council's ownership of land at Amhurst Road car park and on adjacent sites there is an opportunity to create a new landmark station entrance building in this location. This would be beneficial as it would create a much more attractive gateway to the town centre along Amhurst Road within the town centre boundary and potentially also provide opportunities for the delivery of new commercial space and homes via the redevelopment of Council land adjacent to the current station ticket hall.
- 6.19 Any future long term improvements to the station require the Council to work in partnership with Network Rail and Transport for London to bring a scheme forward, as it has done to develop the current Graham Road and footbridge scheme. In order to progress plans for a permanent new entrance on the north side of the station the Council is has prepared a Memorandum of Understanding (MoU) which will be signed by TfL and Network Rail and commit all parties to collaborating on designs for a new permanent entrance as well as seeking funding to deliver a new long term station building if a suitable and viable design can be arrived at.
- 6.20 The MoU will state that the Council will fund and procure the design work on a new station building on the north side given the Council's adjacent land assets and the opportunity to consider these concurrently and comprehensively alongside a new station entrance. Network Rail and TfL will commit to input into the design development and seek to pursue funding opportunities to deliver the scheme if a suitable and viable design can be arrived at. It is envisaged that a design commission for the north side of the station will be able to be covered by the Council's existing Regeneration budget however further work is required on the scope of the commission before an exact cost can be obtained for this. The approval of any Council expenditure related to this commission will be subject to the Council's approval process.
- 6.21 It is also important to note that Amhurst Road car park and adjacent Council land is currently safeguarded as a Crossrail 2 (CR2) area of surface interest. This means that any development on the site would need to be subject to consultation with CR2 who may direct that development of a certain type and scale is not able to take place in advance of CR2 being constructed. Other CR2 safeguarded sites of surface interest in the town centre include the Clapton bus garage and the vacant former garages site on Graham Road (opposite Boscobel House). Given the current uncertainty regarding the implementation of CR2, the Council will progress discussions with CR2, TfL and other stakeholders regarding the status of currently safeguarded sites in the town centre in advance of commissioning design work for the north side of the station in order to have a clear idea on the scale and type of development that would be feasible.

Equality Impact Assessment

- 6.22 The new stairs and exit will reduce the congestion that currently occurs on the footbridge, ramp, platforms and in the ticket hall. This will have a positive impact on all equalities groups, particularly those with disabilities and people travelling with young children.

Sustainability

- 6.23 The proposals will improve the quality of the station environment as well as that of the interchange. Access to the station will be improved with better and quicker walking routes to and from the town centre and the interchange with Hackney Downs. The new access will reduce current levels of congestion within the station and ticket hall area by providing an alternative access point that will be convenient for those wishing to access areas to the south of the station, particularly Hackney Empire and Picture House as well as the Town Hall complex and residents and workers in the area. The proposed changes will not compromise any future plans to provide an enlarged entrance and ticket hall adjacent to the eastbound platform. In addition to the station proposals the Council will look to improve cycling provision with additional cycle stands and a cycle hub adjacent to the new building. Bus stops will also be sited in close proximity to the new entrance to enhance interchange.

Consultations

- 6.24 Both the Local Plan and the Hackney Central Masterplan Supplementary Planning Document (2017) were subject to public consultation during its preparation. These documents allocate the Council owned Amhurst Road car park site for an improved station building and entrance and new commercial floorspace therefore the principle of these uses on the site which will be taken forward via the design commission set out in the Memorandum of Understanding have been subject to public consultation.
- 6.25 The Council is also undertaking a public consultation on the future of the town centre, known as the Hackney Central conversation, which will inform the development of a town centre strategy for Hackney Central and the design proposals for the Liveable Neighbourhoods traffic and public realm improvement scheme. A number of consultation comments received to date have highlighted the need to improve capacity and reduce overcrowding at Hackney Central station therefore this proposal contained in this report will directly address and respond to the comments made by residents, businesses and other town centre stakeholders.
- 6.26 The new station building on Graham Road will require planning consent from Hackney as the Local Planning Authority. The proposals for a new station entrance on Graham Road will therefore be subject to statutory public consultation as part of the planning application process.

Risk Assessment

- 6.27 The main risk with the proposal set out in the report is in the event that the temporary entrance at Graham Road becomes a long term solution as a new station building on the north side is not able to be funded. The proposals in this report seek to mitigate this risk as much as possible by ensuring that the lease for Graham Road will not be granted to Network Rail until Network Rail, TfL and the Council have entered into the Memorandum of Understanding to collaborate on designs for a new permanent station building.
- 6.28 The Graham Road lease will also include a break clause in favor of the Council to ensure that the Council has the ability to terminate the use of the land for a station entrance if a more favourable site and long term station solution becomes available in the future. In addition there will be several mechanisms in the lease to ensure that should the Graham Road entrance evolve into a more long term solution then the Council can collect a rent for the site from Network Rail and also develop above the station building if feasible.

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

- 7.1 This report recommends leasing land at 231-237 Graham Road to Network Rail at a peppercorn, which is below best consideration. This will enable £3.2m of capital investment from Network Rail to enhance Hackney Central Overground station. The lease is currently under negotiation but will be for a time period between 50-150 years with a break clause in favour of the Council at 15 years to enable appropriate review.
- 7.2 LBH purchased the land in 2016/17 for £3.8m (plus £257k for SDLT, agent fees etc) with planning permission to build 9-10 flats and commercial units on the ground floor, which expired on 21st July 2017.
- 7.2 In the event of this lease being granted, a revised valuation of the land, equivalent to the value of the lease, will be made (£360k estimate, as per paragraph 9.1, for ground floor only - i.e. excludes air space rights above ground floor). This reflects a change in use, from investment property to a lease on peppercorn basis for strategic purpose.
- 7.3 The downward valuing of the land has no additional financial impact owing to statutory local government accounting rules, where capital charges (depreciation, revaluations) do not impact on revenue.
- 7.4 There are no VAT implications whilst the lease arrangement remains on a peppercorn basis but this would need to be reviewed where this changes.

8. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE

- 8.1 This report recommends the grant of a lease for a period in excess of seven years, the details of which are to be delegated to the Corporate Director of Finance and Resources and the Director of Legal and Governance Services. The intention is to make this a lease of 50 - 150 years with a break clause in favour of the Council only after the first 15 years at a peppercorn rent. This would represent a loss of approximately £360,000 (based on the first 15 years of the lease period being at a peppercorn rent) which is the capital value of the notional rental stream. This report is before Cabinet as the approval of the grant of a lease for more than 7 years, in respect of General Fund and land held for housing purposes is, in the first instance, reserved to the Mayor and Cabinet under the Mayor's Scheme of Delegation dated January 2017.
- 8.2 The Council has power to dispose of its property and where that property is General Fund property, that power is in s.123 of the Local Government Act 1972. Section 123(1) of this Act provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. Where, as in this case, the disposal is not going to achieve best consideration and would otherwise require Secretary of State consent, the General Disposal Consent (England) 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.

Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. The benefits attainable are well documented in this report and there is no identifiable legal impediment to the progress of the proposed land transaction.

- 8.3 This report also recommends that the Council enter into a tripartite MoU, the purpose of which is to collaborate and produce a scheme design for a new permanent station building on the north side of Hackney Central station. MoUs are not generally legally binding but focus the parties' minds on the objectives to be achieved.

9. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

- 9.1 It is the belief of Strategic Property Services that for the purposes of S.123 of the Local Government Act 1972 the proposed disposal represents a disposal at less than the best that could reasonably be obtained. Commercial leases of property for terms of fifteen years certain would normally be let on the basis of an annual rent with five year rent reviews. On this basis, assuming a ground floor commercial use as contained with the now expired 2014 planning permission SPS would expect the value of the space built and let for a term of fifteen years to be worth £360,000. The site is unimproved however and the costs of building should be deducted from the value, but disaggregating the cost of building the commercial space from the overall cost of development of the site as a whole would never properly reflect reality and would probably not be a fruitful exercise. The restricted value of the site is taken to be the peppercorn rent; there may be the possibility of rent at some point in the future but it is equally possible that a new station entrance will have been built before any rent liability bites, so this may be discounted to zero. The under-value on letting of this interest is therefore assessed to be £360,000.
- 9.2 The Local Government Act 1972 General Disposal Consent (England) 2003 grants consent to disposals at an undervalue of £2 million or less where a local authority, considers it, "will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area." and as such it is the belief of Strategic Property Services that in making this disposal to secure improvements to the local public transport infrastructure the Council may take advantage of the order noted above and make this letting on the terms outlined in this report.

10. BACKGROUND PAPERS

- 10.1 Cabinet report, 19th June 2017: '*Adoption and publication of the Hackney Central and surrounds masterplan*'.

Full Council report, 31st October 2018: '*Report from Cabinet Local Plan 2033*'.

11. APPENDIXES

- 11.1 Appendix 1. 231-237 Graham Road red line site boundary

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Cabinet

16 MARCH 2020

Hackney Central station and town centre regeneration

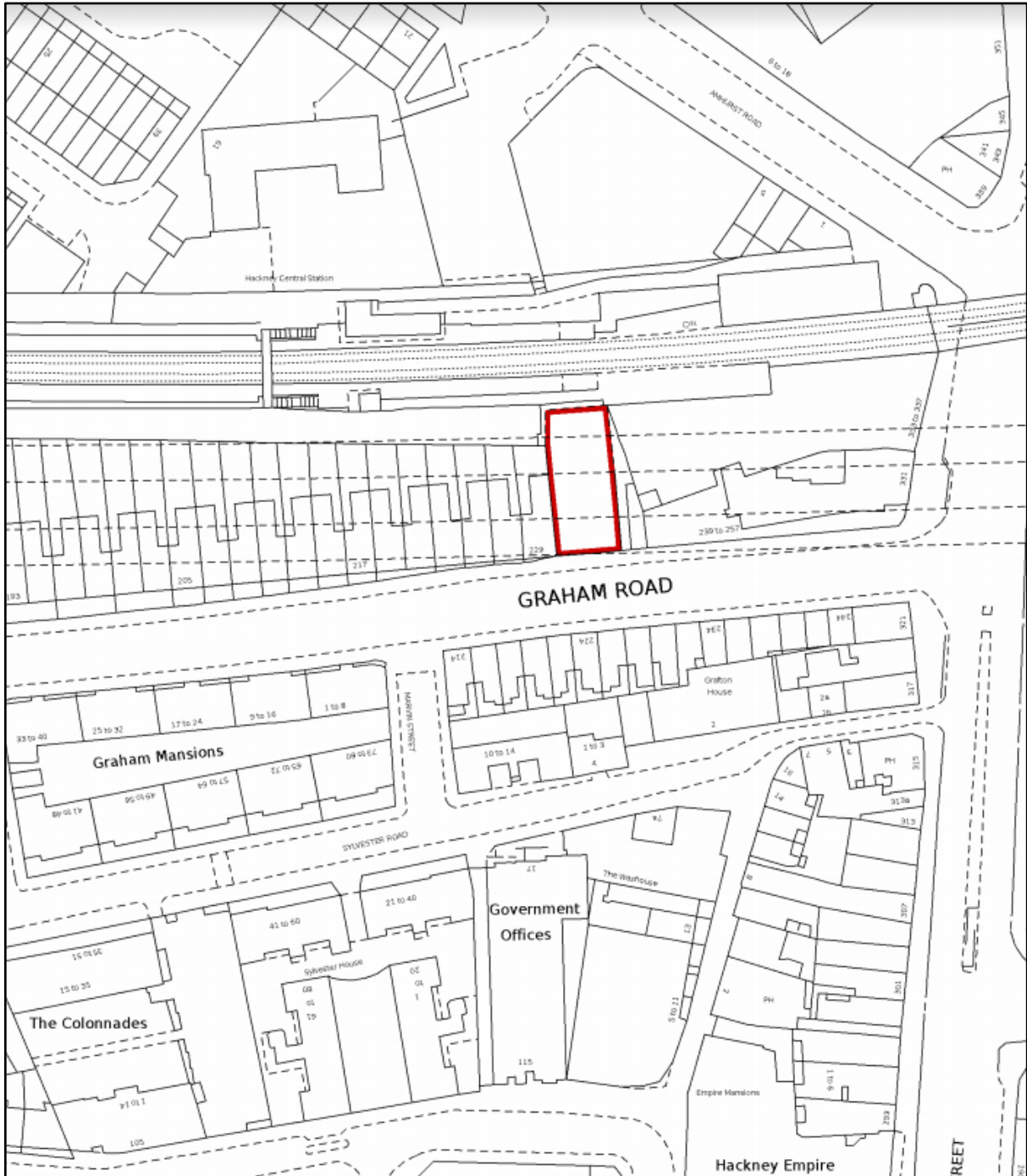
Key Decision No. NH Q52

Appendix 1

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Hackney Central Station Cabinet report- 16th March 2020

Appendix 1. 231-237 Graham Road red line site boundary



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<p>KINGS CRESCENT PHASES 3 AND 4 DISCRETIONARY SERVICE CHARGE REDUCTION</p> <p>Key Decision No. NH Q.32</p>	
<p>CABINET MEETING DATE (2019/20)</p> <p>16 March 2020</p>	<p>CLASSIFICATION: OPEN</p> <p>If exempt, the reason will be listed in the main body of this report.</p>
<p>WARD(S) AFFECTED</p> <p>Brownswood</p>	
<p>CABINET MEMBER</p> <p>Mayor Glanville</p> <p>Housing and Regeneration</p>	
<p>KEY DECISION</p> <p>Yes</p> <p>REASON</p> <p>Spending</p>	
<p>GROUP DIRECTOR</p> <p>Ajman Ali, Acting Group Director, Neighbourhoods and Housing</p>	

1. CABINET MEMBER'S INTRODUCTION

- 1.1 Hackney is building. I'm proud that the Council will deliver thousands of new homes itself over the next few years – with the majority for social rent and shared ownership.
- 1.2 We've already delivered hundreds of award-winning homes at the Kings Crescent Estate, and I'm proud that last year we secured planning permission to build hundreds more – ensuring that more local families in housing need can have a genuinely affordable place to call home.
- 1.3 But I've always made clear that we're not just building new homes, we're investing in our existing homes as well. At Kings Crescent, this means we're refurbishing remaining homes to a higher standard than we would normally, as well as providing more community facilities – ensuring that everyone benefits from the estate's regeneration, not just new residents. Whether it's better security, better green spaces or simply a home that doesn't look out of place amongst the new development, it's right that existing residents who have lived through the disruption of lengthy demolition and construction should receive benefits as well.
- 1.4 When we agreed the first phase of the estate's regeneration nearly ten years ago, we put in place a £10,000 cap on the amount we would charge leaseholders, due the long history of failed regeneration on the estate. Most of the estate's demolition was completed in 2002, but two failed attempts through other delivery methods led to children growing up for years living on a half-demolished estate. It's absolutely right that we remember the history of this project when we plan our approach for the future.
- 1.5 So I'm proud that we are putting in place a new fair deal for remaining resident leaseholders on the estate for the final phase of our fantastic regeneration plans, which will also keep our community together for the long-term. Our offer is clear – if you are a resident leaseholder and you remain living in your home for five years after the work, you won't pay a penny more than £10,000 towards the cost of it. If you're a non-resident leaseholder, we'll ask you to pay your fair share.
- 1.6 Given that the value of their homes will likely be significantly increased by this work, this is a fair approach which meets our objective that no residents should be worse off through the regeneration of the estate.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 In July 2011 Cabinet agreed to the introduction of a cap of £10,000 on the amount of costs which can be recharged to each leaseholder on the Kings Crescent Estate for the following works - external cladding, new windows, new roofs, and balconies (final phase of refurbishment works). This was proposed due to the exceptional circumstances relating to the estate.

- 2.2 The 2011 Cabinet decision does not stipulate when the cap of £10,000 should expire and whether or not it applies to leaseholders in Phases 3 and 4 of the regeneration. However, the £10,000 cap was applied to historic major repairs bills associated with the 2011/12 and 2012/13 capital works programme of window renewal and brickwork repairs. See 6.3.1 for further details.
- 2.3 The proposal to undertake both repair works and improvement works to Bramfield, Datchworth, Theobalds and Weston Court part of the Phase 3 and 4 regeneration plans has highlighted a need to review the recharges applicable to Kings Crescent leaseholders, and provide clarity on the scope and application of the approach specifically to Kings Crescent. This should not set a precedent for any other estate regeneration scheme.

3. RECOMMENDATION(S)

Cabinet is recommended to:

- 3.1 **For resident leaseholders within Bramfield, Datchworth, Theobalds and Weston Court (Kings Crescent Phases 3 and 4) who have leases without improvement clauses, apply a £10,000 cap to the amount of costs which can be recharged for the major repairs works as outlined in paragraph 6.3.3. This cap shall apply until the completion date of the above mentioned works, forecast to be 2024. For the avoidance of doubt, this cap shall not apply to non-resident leaseholders at the date when Section 20 Notices are issued.**
- 3.2 **For resident leaseholders within Bramfield, Datchworth, Theobalds and Weston Court (Kings Crescent Phases 3 and 4) who have leases with improvement clauses, apply a £10,000 cap to the major repairs works and the improvement works as outlined in paragraph 6.1.4. This cap shall apply until the completion date of the above mentioned works, forecast to be 2024. For the avoidance of doubt, this cap shall not apply to non-resident leaseholders at the date when the first Section 20 Notice for the works is issued.**
- 3.3 **Restrict the application of the £10,000 cap for resident leaseholders to the costs associated with the approved package of works as part of the estate regeneration project on Bramfield, Datchworth, Theobalds, and Weston Courts. All future works undertaken under the Council's asset management plans are to be excluded from the cap.**
- 3.4 **Secure that, in the event of a resident leaseholder ceasing to be a resident leaseholder within five years of the final accounts being issued, a proportion of the uncharged element of the works will be repayable through a clawback mechanism. The repayable amount shall be reduced in equal steps from 100% in the first year following the final accounts being issued to 20% in the fifth year.**

- 3.5 Delegate authority to the Group Director of Neighbourhoods and Housing in consultation with the Group Director of Finance and Corporate Resources and the Director of Legal and Governance Services to determine the detailed arrangements for the implementation of the discretionary major works and improvements service charge reduction for resident leaseholders including the clawback mechanism in 3.4.**
- 3.6 Delegate authority to the Group Director of Neighbourhoods and Housing in consultation with the Group Director of Finance and Corporate Resources to vary the schedule of works within the cap, as set out in 3.1 and 3.2, in order to facilitate the delivery of the Kings Crescent estate regeneration.**

4. REASONS FOR DECISION

- 4.1 Kings Crescent Estate had a long history of stalled attempts at regeneration before the Council successfully delivered Phases 1 and 2 of the regeneration in 2017. The substantive demolition was completed in 2002 in anticipation of a housing association and developer partnership delivering the regeneration. There followed two failed attempts through such delivery methods and, as a consequence, residents of the Kings Crescent Estate encountered a living environment on a half demolished estate for a significant duration. Subsequent changes in legislation that permitted council-led delivery to redevelop and regenerate estates enabled the Council to bring forward regeneration proposals, and the first masterplan was commissioned in 2010. Delivering an in-house investment programme at Kings Crescent that ensured the delivery of new Council rented homes and the complete renewal of existing homes could then become a reality.
- 4.2 A project brief for Phases 1 and 2 was drawn up in 2012 and co-produced with residents. One of its key design principles was that the works to the existing blocks should seek to achieve a design which complements the external appearance of the new build homes, matching its quality and specification, altogether generating a genuinely tenure blind estate. The design objectives for the refurbishment of Phases 3 and 4 have aimed to continue this commitment to enhance the quality of life for the existing residents by transforming the character of the retained buildings and the perception of the estate; and ensuring equity across all phases as well as across the existing and new homes. The installation of precast balconies, new lobby entrances and other elements of the improvement works are critical design interventions that achieve the stated objectives.
- 4.3 It would be fair and reasonable to introduce a cap on the amount of costs that can be recharged to resident leaseholders given the protracted history of the regeneration, the Council's vision to deliver an equitable regeneration proposal for all residents on the estate, to keep the existing community together; and to recognise the considerable disruption to residents in the retained blocks whilst the works to their homes are delivered, in addition to the new build construction works which will occur simultaneously.

- 4.4 In recognition of these factors, in July 2011, Cabinet granted approval of a recharge cap for leaseholders of £10,000, and this was communicated to leaseholders in Phases 1 and 2 as part of the formal Section 20 Notice process. A similar approach is recommended for resident leaseholders in Phases 3 and 4.
- 4.5 In 2018 the Council's Leaseholder and Freeholder Options Document was adopted for regeneration estates. This policy is intended to help maintain existing communities and enable residents to stay in Hackney. While the policy applies to buying back homes, the same principle applies to the proposed amount that resident leaseholders in Phases 3 and 4 can be recharged for the cost of major repairs and improvement works, as set out in this report.
- 4.6 The estimated recoverable income from a full recharge to all leaseholders for the major repairs works and improvement elements of the scheme would be circa £2.73m. The estimated income, following the introduction of a £10,000 cap for each resident leaseholder would be £1.06m. The estimated uncharged element for leaseholders is therefore in the order of £1.67m. The costs for the improvement works and major repairs work that exceed the £10,000 cap, will be cross-subsidised from outright sales income from Phases 3 and 4. The financial impact of the uncharged element is considered justifiable given the reasoning set out above.
- 4.7 The above estimates are based on existing records which indicate that 43 out of 56 leaseholders are resident leaseholders and 13 are non-resident. Anecdotal information suggests that the number of non-resident leaseholders may be greater than 13, in which case the uncharged element of the works would be reduced. Further due diligence will be carried out to establish the resident and non-resident leaseholders at the date of issuing the first Section 20 Notice.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 5.1 The option to recharge all leaseholders in Phases 3 and 4 for all recoverable elements of the works was considered, generating estimated income of £2.73m. The option to apply the £10,000 cap to all leaseholders in Phases 3 and 4 was also considered, generating estimated income of £560,000.
- 5.2 Both of the above options were rejected. The proposed approach is to apply the £10,000 cap to resident leaseholders only, subject to a clawback mechanism in the event that leaseholders become non-resident within five years. This is to help maintain the sense of fairness and equity as well as the existing community at Kings Crescent.

6. BACKGROUND

- 6.1 **Phases 3 and 4 scheme proposals**

- 6.1.1 Kings Crescent estate regeneration comprises four phases. Phases 1 and 2, comprising 273 mixed tenure new build homes and the refurbishment of 101 homes within three blocks, were completed in December 2017. Phases 3 and 4 were consented in November 2019. The scheme proposals comprise the following:
- 28 social rent homes;
 - 75 shared ownership homes;
 - 116 outright sale homes;
 - 174 existing homes receiving major repairs and improvements;
 - A new community facility;
 - 480m² of retail commercial space;
 - 500m² of office/workspace; and
 - Associated public realm and landscape works including improved facilities for play and recreation.
- 6.1.2 Of all the regeneration proposals within the Estate Regeneration Programme, Kings Crescent is the only one where there are retained blocks that are being refurbished. These are Kelshall, Therfield, and Lemsford Courts in Phases 1 and 2, and Bramfield, Datchworth, Theobalds and Weston Court in Phases 3 and 4. The aim of the refurbishment of the estate blocks in Phases 1 and 2 was to achieve a tenure blind scheme by complementing the external appearance of the new build homes within the refurbishment element of the works. The additional refurbishment undertaken in Phases 1 and 2 comprised:
- Improvements to roof to enhance thermal performance;
 - Provision of full-height winter gardens to south-facing homes;
 - Provision of private balconies to east and west corner homes;
 - Garage to home conversions;
 - Rationalisation of all exposed utilities such as electricity wires, etc. to improve external appearance;
 - Removal of bridge walkways between Lemsford and Therfield Courts; and
 - Improvement to undercroft gateways and communal facilities such as refuse stores.
- 6.1.3 In relation to the blocks to be refurbished as part of Phases 3 and 4, all internal refurbishment works including installation of new kitchens and bathrooms were completed under a Decent Homes programme. The lifts to all cores have also been replaced. Secure door entry systems with fob controls are currently being installed. The strategy established in Phases 1 and 2 is that the refurbishment of blocks in Phases 3 and 4 should both be transformational and achieve a parity between it and the new build development.
- 6.1.4 The Kings Crescent Phases 3 and 4 works have been widely consulted upon with residents of the Kings Crescent Estate, with leaseholders helping to shape the proposals which have been submitted to planning. The major repairs and improvement works to the retained blocks include:
- New precast balconies;
 - New sedum green roofs;

- New roof access hatches;
- Replacement communal windows (all blocks);
- Replacement windows to Bramfield Court;
- New rainwater pipework;
- New screed flooring to walkways;
- Provision of front entrance gardens;
- New back garden walls/gates;
- New precast concrete seats to ground floor gardens;
- New aluminium cladding to soffits of underpasses;
- New lighting to underpasses;
- Improvements to Weston Court podium;
- New stairs to Weston Court;
- Improvements to the facade of Weston Court;
- New lobby entrances along Queens Drive;
- Painting of entrances and stair cores;
- New railing to walkways;
- New refuse stores;
- Upgrades to the residents' stores;
- Provision of cycle storage;
- Provision of new cleaners' stores; and
- New postboxes.

6.2 Phases 1 and 2 discretionary major works and improvements service charge reduction

6.2.1 The discretionary service charge reduction applied to the leaseholders within Phases 1 and 2 who had refurbishment works completed was to cap (at £10,000) the amount of costs which would be recharged to each leaseholder for the following works – external cladding, new windows, new roofs and balconies. In addition leaseholders were not charged for the winter garden and balcony works.

6.2.2 Section 20 Notices (Notices of Landlord's intention to carry out Qualifying Works under a qualifying long term agreement (QLTA)) were issued for Phases 1 and 2 in 2015. Leaseholders were advised that the external building elements of the blocks had been assessed and that it was considered that the works were required to maintain the structure and exterior of the block, to provide improved water-tight, thermal and energy efficient living conditions, provide safer and more secure living environment and to improve access to external amenity spaces.

6.2.3 Leaseholders were also advised that there were two elements of work:

Works subject to recharge (up to the £10,000 cap)

- Roofs: replacement of roof;
- Windows: replacement of existing windows in the communal areas;
- Walkways: new floor coverings for communal walkways;
- External Walls: cleaning and repair of external brickwork, replacement of weatherboarding and removal of all redundant services and signage.

Works not rechargeable.

- Decoration works: decoration of walls within the communal stair-cores and walkways, cleaning and repair of tiling in the bin stores;
- Replacement of existing doors of bin store and pram sheds;
- Balconies and winter-gardens: addition of balconies or winter-gardens;
- Canopies: addition of canopies to the block entrances;
- Walkway extensions: glazed extension of walkways;
- Cycle store: conversion of redundant space on the ground floor into cycle storage units;
- Conversion works to existing ground floor garages;
- Construction of new socially rented, shared-ownership and outright sale homes; and
- Construction of public realm and infrastructure works.

6.2.4 Leaseholders were informed that the rechargeable works were capped at £10,000.

6.3 Proposed leasehold discretionary major works and improvements service charge reduction - Phases 3 and 4

6.3.1 On Phases 3 and 4 the original (2011) £10,000 cap has been reached or almost reached for most leasehold properties in relation to a 2011/ and 2011/2012 and 2012/2013 capital planned maintenance programme comprising window replacement, roof renewal, communal walkway works, external decorations and brickwork repairs. 37 leaseholders in Weston, Datchworth and Theobalds Court were either charged less than £10,000 or at a capped level of £10,000. It should be noted that Bramfield Court was not included in the 2011-2012 planned maintenance programme.

6.3.2 Were the balance of the original (2011) £10,000 cap to be applied to the proposed major repairs works due under the forthcoming estate regeneration, there would be minimal income that could be received. It is therefore proposed to introduce a new cap for the Phases 3 and 4 refurbishment works.

6.3.3 10 of the 56 leases within Phases 3 and 4 contain a non-improvement clause that would result in the following rechargeable and non-rechargeable works:

Rechargeable works

- New sedum green roofs;
- New roof access hatches;
- Replacement communal windows (all blocks);
- Replacement windows to Bramfield Court;
- New rainwater pipework;
- New screed flooring to walkways; and
- Upgrades to the residents' stores.

Non-rechargeable works

- New precast balconies;
- Provision of front entrance gardens;
- New back garden walls/gates;

- New precast concrete seats to ground floor gardens;
- New aluminium cladding to soffits of underpasses;
- New lighting to underpasses;
- Improvements to Weston Court podium;
- New stairs to Weston Court;
- Improvements to the facade of Weston Court;
- New lobby entrances along Queens Drive;
- Painting of entrances and stair cores;
- New railing to walkways;
- New refuse stores;
- Provision of cycle storage;
- Provision of new cleaners' stores; and
- New postboxes.

6.3.4 For resident leaseholders in Phases 3 and 4 who have leases without improvement clauses, it is proposed to apply a £10,000 cap to the amount of costs which can be recharged for the major repairs works as outlined in paragraph 6.3.3. For resident leaseholders who have leases with improvement clauses, it is proposed to apply a £10,000 cap to the major repairs works and the improvement works as outlined in paragraph 6.1.4.

6.3.5 The above cap would not apply to non-resident leaseholders, who will be subject to a full recharge, payable from the date when the final accounts are issued. This will apply to leases containing both improvement and non-improvement clauses.

6.3.6 Furthermore, resident leaseholders who cease to be resident leaseholders within five years of the date when the final accounts are issued (for example if they sell their homes or become non-resident leaseholders) would be required to repay a proportion of the uncharged element of the works through a clawback mechanism. This is intended to help maintain the existing community at Kings Crescent. The repayable amount will be reduced in equal steps from 100% in the first year to 20% in the fifth year, similar to repayment of the Right to Buy discount.

6.4 Policy Context

6.4.1 The Housing Act 1985 provides various means by which a local authority can assist leaseholders who are finding it difficult to pay the costs of repairs, maintenance and improvements by way of service charge. In the event that these means are considered insufficient, due to either individual circumstances or the cost of the recharge, the Housing Act 1996 confers powers for social landlords to reduce or waive the recharge in its entirety, having considered the criteria set out in The Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014, paragraphs 3 and 4.

6.4.2 The general overall criteria to be taken into account when considering whether to waive or reduce service charges are:

- a) Any estimated costs for works, maintenance or improvements given to the lessee prior to the purchase of the lease;
- b) whether the purchase price paid took account of these costs;

- c) did the leaseholder benefit from an increase in monetary value, energy efficiency and or improvement in security of the property as a result of the works;
- d) would the leaseholder suffer exceptional hardship as a result of the charges; and
- e) any other circumstances of the leaseholder that the landlord considers relevant.

6.4.3 In view of the circumstances applicable to the Kings Crescent regeneration, as set out in this report, it is proposed to apply the discretion afforded by limb (e) above ***“any other circumstance of the lessee which the social landlord considers relevant”*** to the leasehold charges for Phases 3 and 4.

6.5 Equality Impact Assessment

6.5.1 Kings Crescent is unique within the Estate Regeneration Programme in that there is a refurbishment element alongside new build development. Leaseholders and tenants have been living next to a partially demolished estate for almost 20 years, as demolitions took place to anticipate developer/housing association-led developments that failed to materialise. Subsequently a further three years of construction disruption have taken place. A cap to leasehold recharges was applied on Phases 1 and 2 in recognition of Kings Crescent’s unique history.

6.5.2 The introduction of a cap on the amount of costs for the refurbishment works that can be recharged to resident leaseholders in Phases 3 and 4, subject to a clawback mechanism in the event of leaseholders becoming non-resident within five years, is considered to be fair and equitable. This is consistent with the objective of the Council’s Leaseholder and Freeholder Options Document, to help maintain existing communities and enable residents to stay in Hackney.

6.6 Sustainability

6.6.1 The Sustainable Procurement Policy, Strategy and Guidance supports the priorities to achieve balanced, sustainable communities and neighbourhoods which celebrate their diversity. The next phase of the regeneration of Kings Crescent will deliver sustainable design and construction policy requirements by minimising carbon dioxide emissions, making efficient use of natural resources in and around buildings, minimising noise/pollution and protecting biodiversity.

6.6.2 The development enhances biodiversity through new planting and improved amenity, as well as open space for existing residents, and new brown and green roofs on existing blocks. The overall scheme incorporates a renewable energy strategy that utilises photovoltaic panels, air source heat pumps and use of a CHP system. This enables the development to achieve a 36% improvement in CO2 emissions above the baseline requirements to combat climate change. In addition to this, a surface water management strategy combining permeable paving, soakaways and rain gardens will contribute to achieving a scheme that is future flood proofed. Lastly, the provision for new cycle spaces in existing blocks will further promote sustainable transport and minimise car usage.

6.6.3 The refurbishment strategy for the existing blocks at Kings Crescent aims to achieve a tenure blind scheme by complementing the external appearance of the new build development. The provision of precast external balconies in both the new build and refurbishment elements of the proposals achieves a parity of design treatment, as well as affording all residents in the upper floors of the retained blocks with substantial amenity space. Residents of ground floor properties in Bramfield, Datchworth and Theobalds Court will be provided with new front gardens, as well as brick walls to the back gardens and patios, creating defensible space and enhancing the appearance of the back gardens. These proposals recognise the additional disruption created by the installation of precast balconies, for ground floor residents.

6.6.4 All residents are afforded the opportunity to benefit from the range of events and activities being planned by the newly formed Tenants and Residents' Association (TRA). Furthermore, a commercial unit has been secured for a provider to deliver community activities and events to all residents on the estate and within the wider community. A permanent community facility will be delivered in the Phases 3 and 4 proposals.

6.7 Consultations

6.7.1 All leaseholders along with other residents have been afforded the opportunity to shape the design proposals for the masterplan, for Phases 1 and 2 and more recently Phases 3 and 4, as part of an extensive resident consultation process. For the duration of the Phases 3 and 4 design process, leaseholders were invited to four estate wide resident consultation exhibitions and themed workshop events including one specifically dedicated to the refurbishment proposals, with a follow up drop-in event providing the opportunity to understand the details.

6.7.2 The consultation process has been supported by the involvement of an Independent Tenants and Leaseholders' Adviser (ITLA) service. The ITLA has performed a door knocking and drop-in service for all residents in the retained blocks, throughout the consultation period. Leaseholders have been given the opportunity to inform themselves of the proposals and provide feedback in an informal setting.

6.7.3 In addition all residents have been consulted as part of the statutory planning consultation process for the submitted planning application.

6.7.4 Subject to cabinet approval of this proposal, a three stage consultation process will be run in parallel to serving the Section 20 notices to individual leaseholders. This will occur at pre-tender stage, tender stage and finally at award of contract stage. The consultation process will be supported by the Independent Tenant and Leaseholder Adviser and the Council's Leaseholder Services team, who will provide an opportunity for leaseholders to attend individual surgeries.

6.8 Risk Assessment

Risk	Likelihood	Impact	Overall	
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	L – Low; M – Medium; H - High			Action to avoid or mitigate risk
The discretionary service charge reduction is not compliant with legislation; it is ultra vires or open to legal challenge.	L	H	M	Legal opinion on the discretionary service charge reduction has been obtained.
Leaseholders from other estates challenge the fairness of the offer to Kings Crescent leaseholders.	M	M	M	Clear communication of the specific reasons why the discretionary service charge reduction is being applied to Kings Crescent. Liaison and consultation with Leasehold management team on the reasons for application of the discretionary service charge reduction.
Non-resident leaseholders challenge the fairness of the discretionary service charge reduction for resident leaseholders only.	M	M	M	Clear communication of the specific reasons why the discretionary service charge reduction is being applied to resident leaseholders. Liaison and consultation with Leasehold management team on the reasons for application of the discretionary service charge reduction.
Resident leaseholders challenge the fairness of the clawback mechanism.	L	M	M	Clear communication of the specific reasons why the clawback mechanism will apply to resident leaseholders. Liaison and consultation with Leasehold management team on

				the reasons for application of the clawback mechanism.
Discretionary service charge reduction to apply a second £10,000 cap is misunderstood or disputed by leaseholders.	M	L	M	An outline of the discretionary service charge reduction, along with an FAQ document will be issued with Section 20 Notice of intention letters. If necessary a leaseholder surgery will be arranged.
The value of the work is disputed as well as the value of the cap.	M	L	L	A robust condition survey will evidence the necessity of the rechargeable works. The Section 20 process will enable tenders to be obtained and the final works costs to be evidenced. The precedence of the £10,000 cap is established from Phases 1 and 2.
Discretionary service charge reduction is too complex or too difficult to be understood.	L	L	L	The £10,000 cap for resident leaseholders is easily communicated and understood. The discretionary service charge reduction was applied on the previous phases and was understood by leaseholders.
Payment difficulties are experienced.	M	L	M	Information regarding payment options will be communicated, such as the two year interest-free repayment agreement; the 10 year repayment agreement with interest; and the deferred payment option for

				leaseholders over 60 years of age.
The HRA is adversely impacted by the application of the £10,000 cap.	L	L	L	The works to the existing blocks will be cross-subsidised by outright sale and shared ownership sales income.

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

7.1 The cost of the works to the existing blocks totals £2.7m and is included in the scheme's financial appraisal. Income received up to the proposed £10,000 cap per resident leaseholder and the full recharge to non-resident leaseholders will therefore contribute towards the cost of the works. Any shortfall in the recovery of costs will be met by surpluses on the outright sale properties being delivered as part of the scheme. With the risk of increasing cost of development and construction works, any additional income will be used to mitigate these increases and support the delivery of the scheme.

8. VAT Implications on Land & Property Transactions

8.1 The recharge of service charges by a local authority, including major works, are outside the scope of VAT and so there are no VAT implications of these works or the recommendations in this report.

9. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE

9.1 Under the Mayoral Scheme of Delegation of January 2017, the framework for applying discretionary reductions for Leaseholder re-charges is reserved to the Mayor and Cabinet which is why this report is before the Cabinet.

9.2 The 56 leases in respect of Kings Crescent Phases 3 and 4 have been reviewed and include provisions to recharge.

9.3 Detailed regulations under section 20 of the Landlord and Tenant Act 1985 (as amended by S151 of the Commonhold and Leasehold Reform Act 2002) set out the precise procedures landlords must follow; these are the Service Charges (Consultation Requirements) (England) Regulations 2003 ('the Regulations') which can only be dispensed at the discretion of the Courts.

9.4 This report recommends a resident leaseholder recharge cap of £10,000 per resident leaseholder for specific works over a specific time period in accord with the Recommendations at section 3 of this report. The Council is entitled to do this on the following basis:

- 9.4.1 The Housing Act 1996 confers powers for social landlords to reduce or waive the recharge by an amount the landlord considers to be reasonable in accord with the Social Landlords Discretionary Reduction of Service Charges (England) Directions 2014 (“the Directions”).
- 9.4.2 The Directions give a social landlord a wide discretion to reduce service charges giving consideration to the criteria at Paragraph 3 of these Directions. The landlord must consider the four specified criteria in each case and then the fifth criterion at paragraph 3(e) which states: “*any other circumstance of the lessee which the social landlord considers relevant.*” A social landlord only has to have regard to these criteria. It is not necessary for all the criteria to be present. It is enough if only one is present. This report sets out those circumstances the Council considers relevant to reduce the service charges for resident leaseholders and external legal advice has been received that confirms this course of action is justified.

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