

GENERAL EXCEPTION

2015/16 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (SEPTEMBER 2015)

CABINET MEETING DATE (14/15)

23rd November 2015

CLASSIFICATION:

Open

If exempt, the reason will be listed in the main body of this report.

WARD(S) AFFECTED

All Wards

CABINET MEMBER

Cllr Geoff Taylor

Finance

KEY DECISION

Yes

REASON

Spending or Savings

CORPORATE DIRECTOR

Ian Williams Corporate Director of Finance and Resources

GENERAL EXCEPTION

This item was not listed on the Executive Meetings and Key Decisions Notice and pursuant to Regulation 10 of the Local Authorities (Executive Arrangements (Meetings and Access to Information) England Regulations 2012 this report is submitted as a General Exception. The reason why compliance with Regulation 10 is impracticable is set out below. This report is being submitted to Cabinet under general exception as it is urgent.

The reason for urgency is outlined below:

The recommendations relating to the disposal of assets, which require the approval of Cabinet, are required to be approved as early as possible in order that the proposed agreement with the purchaser can be completed in line with the agreed terms. This cannot therefore await approval at the next Cabinet in December.

OVERALL FINANCIAL POSITION STATEMENT

1. CABINET MEMBER'S INTRODUCTION

I present to Cabinet the Overall Financial Position report for the 2015/16 financial year which is based on detailed August monitoring data from directorates. The report is forecasting an overspend of £1,701k at year end – an improvement of £757k from August.

As I stated in the last OFP, I note the planned actions in the Health and Community Services (H&CS) commentary to redress the overspend in Adult Social Care and it is encouraging that the directorate overspend has been reduced by a further £417k since August. Just to reiterate what I have said previously, given the extremely challenging financial position we are in this year and will be in future years, it is essential that reported overspends in any service are quickly addressed and mitigated.

I commend this report to Cabinet

2. CORPORATE DIRECTOR'S INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £1,701k overspend which is equivalent to 0.3% of the total gross budget.

2.2 **Property Disposal** - 19 Gunstor Road, Yorkshire Grove Estate, N16- Loft Space Disposal.

Terms have been agreed for the disposal of the loft space for £10,000 to the lessees of 19 Gunstor Road. The lessees of 19 Gunstor Road have requested the Council include the loft space in the lease of the existing flat, to enable them to dispose of their property, for which terms have been agreed. The property was constructed in the 1970's and is a three bedroom maisonette on ground and first floors above communal underground garages on a Council

Housing Estate in Stoke Newington. There is a loft space above the property although because of the single pitch roof construction, only about a third of the loft area can be converted into liveable space. The property was sold under the Right to Buy in 1994 and in 1995 the lessee installed a roof light and converted the loft space into a bedroom and WC, without apparently any permission's from the Council. In December 2009, just before the current leaseholder purchased the maisonette, the Council granted retrospective consent for the installation of a roof light, but not for inclusion of the loft space into the maisonette lease. Also in December 2009 the lessees were granted a Certificate of Lawful Use or Development for the roof light.

About two years ago Hackney Homes discovered that the loft space was not included in the lease of the maisonette. Counsel advised that the lessees had not acquired the loft space by adverse possession. However, Counsel also advised that because of the length of time since the works were carried out, the Council would be advised to agree terms with the lessees to include the loft space into the maisonette's existing lease.

Although loft spaces have been sold on a small number of previous occasions, Hackney Homes / The Council is generally reluctant to agree further sales principally because of the potential risk to other occupiers of blocks where loft space is sold and converted. However, in this case the conversion of the loft space was carried out many years ago and the best option is to formalise the situation by agreeing terms for the disposal of the loft space to the lessees of 19 Gunstor Road.

A consideration of £10,000 has been agreed, subject to contract, and the purchaser would meet the Council's legal costs. As with the existing lease, the Council will remain responsible for carrying out all external repairs and maintenance of the roof; recovering the cost from all of the lessees in the block, by way of a service charge.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT SEPTEMBER 2015

Original Budget	Virements	Revised Budgets	Service Unit	Change from Revised Budget	Change from Previous Month
£k	£k	£k		£k	£k
87,536	1,000	88,536	CYPS	0	-10
136,259	61	136,320	Health & Community Services	2,087	-419
1,596	0	1,596	Housing	-4	-17
12,846	-1,599	11,247	Chief Executive	6	15
4,053	0	4,053	LHRR	-385	-282
16,213	51	16,264	Finance and Resources	-3	-44
22,140	487	22,627	General Finance Account	0	0
280,643	0	280,643	GENERAL FUND TOTAL	1,701	-757

3.0 RECOMMENDATIONS

- 3.1 To note the overall financial position for September 2015, covering the General Fund and HRA, and Capital; and the earmarking by the Corporate Director of Finance and Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme.**
- 3.2 To authorise the Council to enter into a Deed of Variation of the lease of 19 Gunstor Road, to include the loft space above this property, in the lease (shown edged red on the plan attached at Appendix 1).**
- 3.3 To authorise the Corporate Director of Legal, HR and Regulatory Services to prepare, agree, settle and sign the legal documentation required to complete the transaction.**
- 3.4 To authorise the Corporate Director of Finance and Resources to agree the terms for the proposed Deed of Variation (provided always that he is satisfied that the Council will achieve the best value considerations set out in section 123 of the Local Government Act 1972).**

4. REASONS FOR DECISION

- 4.1 To facilitate financial management and control of the Council's finances and to ask for approval to the property disposal discussed in 2.2 above
- 4.2 Children and Young People Service (CYPS)

CYPS are forecasting a nil variance after use of reserves of £3,285k.

Corporate Parenting Overspend

As at September 2015, the service is forecasting a £1,480k overspend in Corporate Parenting (before use of reserves). The main driver for this overspend remains the increase in the numbers coming into care which occurred during 2012 and the change of profile of foster care provision from in-house placements to a higher reliance on independent foster care agencies.

Points to note:

- The number of looked after children (LAC) for which we incur a cost decreased to below 300 towards the end of 2014/15 and has remained at that level. However the number of in-house foster placements has decreased the most of any placement category while the number of independent foster placements, which are more costly, have increased.
- Management has in place a strategy to recruit and retain in-house foster carers including a reward offer to Council staff who recommend a successfully approved

foster carer. However it should be noted that Foster Carer recruitment is a London-wide issue which may not show significant improvement in the short to medium term.

- The forecast for over-18 placements (although forecast to overspend by £724k) is lower than last year's expenditure as a result of a fall in the numbers accommodated and more effective processes for claiming Housing Benefit.

The chart below shows that over the last 12 months LAC placements have marginally reduced and as at August 2015 stand at 299. The profile of foster care placements has fluctuated throughout the previous 12 months and this month in-house fostering placements have fallen to 78, while IFA placements are at 160 after a peak of 166 in October 2014. Residential care placements (our most costly placement for children in care), have increased to 12 resulting in a £99k underspend against the budget (an adverse movement of £158k from July).

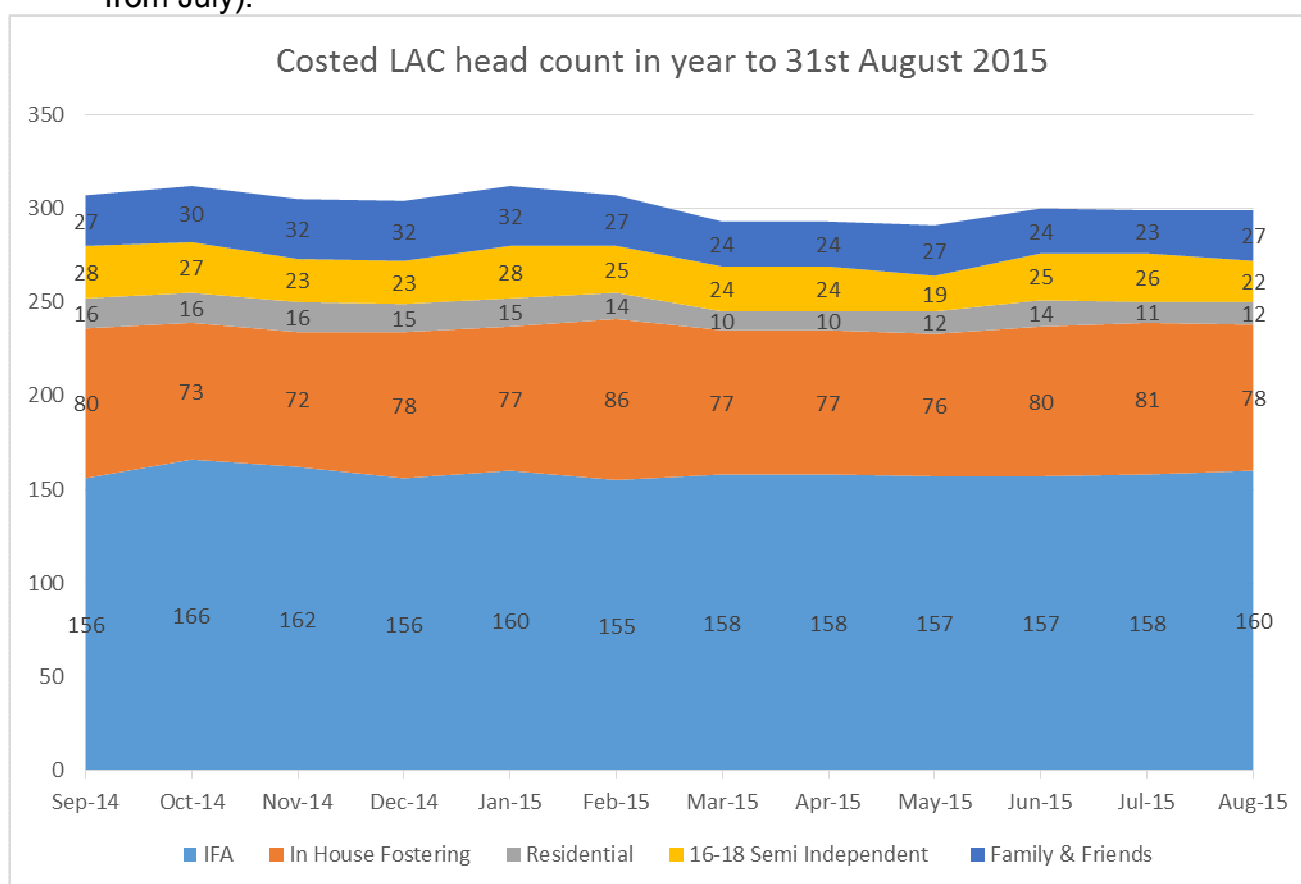







TABLE 2: Corporate Parenting Management Dashboard – August 2015 OFP

Key Metrics	July 15 OFP	August 15 OFP	Status		Comments
			↑	↓	
Overall LAC Headcount	299	299	-		This records the number of LAC where there is a financial commitment

IFA Placements	158	160		A relatively large increase in the average cost of an IFA placement (5%) coupled with an increase of 2 in headcount has led to an overall increase of £111k forecast expenditure for the year.
Average cost of IFA Placement	£42,403	£44,609		
In house placements	81	78		A decrease in headcount of 3 placements and increase in the average cost of in-house provision has led to a marginal decrease of £38k in the forecast expenditure.
Average cost of in house placements	£19,030	£19,920		
Residential Placements	11	12		An increase of 3.5% in the average cost for residential placements is due to the fact that the cohort now contains more complex and high needs children. 1 placement at £18k per annum ceased and 2 new placements started at £286k and £198k per annum respectively. This has led to an increase in the forecast of £158k from last month.
Average cost of Residential Placement	£157,386	£162,842		

Other overspends

Children in Need are forecast to overspend by £798k before use of reserves. A large part of this overspend relates to legal fees and court costs (£346k). Due to the volatility of such costs and the fact that they can arise in varying services across the Directorate, the budget is held on the Directorate Management Team (DMT) cost centre and DMT are reporting a corresponding underspend. Excluding these legal costs, there are overspends on staffing and commissioning.

- The staffing overspend relates to: - two posts over the establishment - a court case manager and a project worker, £102k; the premium on a contracted service manager who is needed until the management restructure is completed, £40k; and the additional cost of the Social Work in Schools expansion, £20k. The service is working with Finance to identify where expenditure can be reduced elsewhere to offset the impact of these costs
- The commissioning spending relates to section 17 support to prevent family breakdown which will also prevent potentially higher costs at a later date if children become Looked After. The overspend is due to a special needs case which is joint funded with HLT, this will end this year, £93k, and estimated in relation to court directed residential assessments, £72k.

Youth Justice is forecast to overspend because the cost of accommodating young persons in secure remand centres is forecast to exceed the Youth Justice Board (YJB) grant (£235k) by £860k. This is due to increased numbers of young offenders in Secure Training Centres and Secure Children's Homes. These costs should be funded by the YJB grant for remand. However, the grant award is based on the previous three years activity to 31 March 2014, where the numbers of young persons in high cost establishments was relatively low. A reserve (£603k) was set aside in recognition of a risk in this area as expenditure is dependent on court activity and decisions.

Disabled Children Services are forecast to overspend by £881k. This is reduced by £63k of legal fees and £62k of court costs (as the budget is held by directorate management), leaving an overspend position of £756k.

- This is mainly driven by an increase in home care commissioning expenditure caused by a rise in the number of care packages this year and an increase in rates paid in line with the London Living Wage.
- The short breaks service which delivers a service of 120 hours for disabled children and their carers can be accessed by an individual budget or a voluntary sector provider. An increase in the uptake of service users accessing individual budgets is not being compensated for by a decrease in the voluntary sector provider usage leading to a combined overspend of £184k on this budget. This is partly offset by underspends in the Short Breaks Overnight budgets.

Directorate Underspends

Overspends in Corporate Parenting, Children in Need, Youth Justice and Disabled Children Services are offset by underspends elsewhere, significantly, in Family Support Services, the Directorate Management Team, Safeguarding and Learning Service and Young Hackney:

- Family Support Services are forecast to underspend by £567k (after £60k use of reserves) due to posts held vacant pending the implementation of the first phase of 1CYPS.
- DMT are forecasting to underspend by £883k primarily due to legal budgets held on this cost centre whilst costs are incurred elsewhere across the Directorate (as explained in relation to the Children in Need and DCS overspend above) and as a result of accounting for the early delivery of some savings from elsewhere in the Directorate on this cost centre.
- SALS is reporting an underspend of £108k due to a management decision to reduce commissioned services (£236k) agreed to offset overspends elsewhere
- Young Hackney (YH) is forecast to underspend by £177k (after £456k use of reserves). There are forecast staff underspends (£207k) in core units due mainly to posts held vacant in advance of the first phase of 1CYPS. This is offset by overspends in various supplies & services budgets.

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the CYPS position. Outturn is forecast on budget. As part of the delegated arrangements for the HLT any overspend or underspend at year end will result in a contribution from or to the HLT reserve.

Early Delivery of Savings

The CYPS directorate has worked closely with Finance & Resources to identify early delivery of savings from remodelling and evolving the service and reducing overlap and duplication whilst achieving cost savings as part of the 1CYPS approach. The first tranche of these 'in-year' savings are forecast to be delivered from October 2015. These are being closely monitored by finance and will be forecast as they are achieved. However, in some service areas e.g. Family Support Services and Young Hackney, underspends are forecast as a result of posts held vacant pending full implementation of the first phase of 1CYPS.

4.3 Health and Community Services

The September 2015/16 revenue forecast for the Health and Community Services directorate is a £2,100k overspend, an improvement of £419k on the August position.

The overspend is based solely in the Adult Social Care service and relates to non-delivery of in-year savings within Care Support Commissioning, our budget for externally commissioned packages of care.

The major variances making up the forecast overspend, using the traditional care categories, are as follows.

Adult Social Care overspend as at September 2015	£000
Learning Disabilities Commissioning	2,352
Provided Services - Housing With Care	707
Older People Commissioning	748
Physical/Sensory Commissioning	539
Preventative Services underspend	(178)
Mental Health Section 75 services	(953)
Provided Services – early delivery of Day Care saving & other underspends	(1,009)
Other	(116)
Adult Social Care overspend	2,090

The Learning Disabilities position has improved by £127k between August and September, to £2,350k overspend, which represents further progress against the six point plan outlined in the May forecast to address the revenue pressure. The overspend for Older People services has improved by £87k to £748k overspend and the Physical/Sensory commissioned spend has worsened by £105k to £539k overspend. Both these movements reflect month on month changes to the client snapshot.

Provided Services has improved by £166k, to £299k underspend. The improvement reflects decommissioning of the Community Resource Service (part of the Hackney One Team review). The Housing with Care function continues to have a staffing driven £707k overspend, which is being mitigated by early delivery of Day Care transformation savings (£519k) and underspends in Meals on Wheels (£125k) and Transport (£196k).

The overspending areas continue to be offset by two notable underspends. There is a £953k underspend within services that come under the Mental Health Section 75 function. This has improved by £53k since August, primarily reflecting a reduction in externally commissioned care package spend. There is also an underspend of £178k within Preventative Services which is due to reduced costs following the closure of Median Road.

Under the leadership of the ASC Budget Board the ASC management team continue to focus on Learning Disabilities, Older People, Physical Disabilities and the internally provided Housing with Care function to address the revenue pressure. This is scrutinised and monitored at the monthly ASC budget board.

The remainder of the services within the Health and Community Services directorate are forecast to spend on-budget for the September 2015/16 position.

4.4 Finance & Resources

The directorate is forecast to come in at budget despite on-going cost pressures in revenues and benefits, temporary accommodation and ICT. Overspends in ICT and property are offset by underspends elsewhere in the service, in particular in Audit and Anti-Fraud and Procurement.

4.5 Chief Executive

Overall the directorate is forecast to come in at budget. In broad terms the overspends in Chief Executive's Office and Safer Communities are being offset by the underspend in Communication & Consultation and PPD.

4.6 Legal, HR and Regulatory Services (LHRR)

The LHRR position as at September 2015 is a forecast underspend of £385k – an increase in the underspend of £282k from the previous month.

Governance Services & Member Allowances is reporting a forecast £143k underspend. This is entirely due to an underspend in the ring-fenced Member Allowances budget due to the cessation of employers' pension contributions in respect of members. Additionally, Legal Services is forecast to underspend by £303k due to the over recovery on income which is partially offset by small overspends on staffing and external legal services budgets. These underspends are offset by overspends in Human Resources and Organisational Development (HR&OD) and Planning & Regulatory Services (PRS).

HR&OD is forecast to overspend by £42k after planned reserve usage of £273k. This is primarily due to the continuation of the Head of HR and Strategic Planning post for a transitional period.

In Planning and Regulatory Services, there are income surpluses for planning applications (£160k), Land Searches (83k), Licensing (69k) driven by development activity, property purchases and new licenced premises in the Borough. These are partially offset by the administrative cost (£175k) of dealing with the additional workloads. In other areas of the service:

- The Mortuary Service has a forecast overspend of £71k on the Coroner's Service.
- There is currently a forecast income shortfall of £90k for Planning Performance Agreements (PPAs); this is driven by fewer than anticipated Housing PPAs being signed during the year. The Service Head is investigating income generating work streams to address the shortfall.
- The Building Control service has a shortfall in income. This is mitigated by a £185k planned use of the Shortfall in Building Control Income reserve. Building Control operates in a competitive market in which there is a strong link between product price and the amount of business won. Since 2010, the Building Control service has been losing market share to approved inspectors in the private sector. The service has implemented a number of initiatives to improve marketability including a revised charging schedule.

4.7 General Fund Housing Services

The service is forecasting to come in at budget.

4.8 HRA

The HRA is forecast to come in on budget. There are various overspends and underspends across the service, including underspends on repairs and maintenance and on special services (primarily spend on utilities). There are overspends on supervision and management, and rents and rates. With regards to income there is unbudgeted additional income for leaseholder services and dwelling rent but a forecast shortfall in Heating & Hot Water income of £400k due to tenants switching to a pre-paid card system for gas and a forecast income shortfall of £264k on the major works administration fee.

4.9 Capital

This is the second OFP Capital Programme monitoring report for the financial year 2015/16. The table below shows that the revised capital programme for 2015/16 as at 30th September is £252,464k, comprising Housing schemes totalling £146,477k and Non-Housing schemes totalling £105,987k.

The actual year to date capital expenditure for the 6 months April to September is £56,512k and the full year projected outturn is currently £251,855k, £610k below the revised budget. In each financial year, two reprofiling exercises within the capital programme are carried out in order that the budgets and therefore monitoring reflect the anticipated progress of schemes. The first reprofiling exercise for 2015/16 has been completed and will be reported to Cabinet in detail for formal approval in November 2015. The impact of this and other pending approvals have however been reflected in the revised budgets where they have significant impact in the table below.

Explanations for the major variances are contained within the Directorate comments below and a full list of schemes, including variances and comments on progress, are available from the corporate Capital Team.

Table 1: Summary of Capital Projected Outturn

	Revised Budget Position	Spend as at Sep 15	Projected Outturn	VARIANCE (Under/Over)
	£000	£000	£000	£000
Chief Executive Services	394	173	367	- 27
Children's Service	34,002	6,878	32,845	- 1,157
Finance and Resources	38,322	11,983	38,361	39
Health & Community Services	33,181	4,600	33,075	- 106
Legal, Human Resources & Regulatory Services	88	9	729	641
Total Non-Housing	105,987	23,643	105,377	-610
Hackney Homes HRA	71,889	14,959	71,889	-
Council Capital Schemes GF	1,878	447	1,878	-
Private Sector Housing Schemes	1,324	364	1,324	-
Estate Renewal	61,442	12,567	61,442	-
Other Council Regeneration Schemes	9,945	4,532	9,945	-
Total Housing	146,478	32,869	146,478	-
Total Capital Expenditure	252,465	56,512	251,855	-610

Chief Executive Services

The current forecast is £367k, £27k below the revised budget of £394k. Of the 11 schemes, 4 have been coded with a traffic light of green, 6 amber and 1 red.

The overall variance between forecast expenditure and revised budget is mainly due to red scheme detailed below.

Red scheme:

Ridley Road Shop Fronts

This project is now complete and the residual budget of £25k is to be removed from the Capital Programme along with its associated funding stream. (Submitted for member approval as part of October 15 Cabinet Update Report)

Children's Services

The current forecast is £32,845k, £1,157k below the revised budget of £34,002k. Of the 81 schemes, 31 have been coded with a traffic light of green, 47 amber and 3 red.

The overall variance between forecast expenditure and revised budget is due mainly to variances on a number of schemes, largely in respect of virements required and the red schemes detailed below.

Red schemes:

Horizon BSF (£1,015k)

This project is now complete and the residual budget is to be removed from the capital programme. (Submitted for member approval as part of October 15 Cabinet Update Report)

YOT Accommodation

This scheme is not now to be progressed and will be removed from the capital programme. (Submitted for member approval as part of the October 15 Cabinet Update Report)

Integrated Children's Systems

This scheme is not now to be progressed and will be removed from the capital programme. (Submitted for member approval as part of the October 15 Cabinet Update Report)

Finance and Resources

The current forecast is £38,361k, £39k above the revised budget of £38,322k (after taking account of approvals in October Capital Update Report). Of the 106 schemes, 45 have been coded with a green traffic light and 61 amber.

There are a number of variances within individual schemes, relating to both minor overspends and underspends. In the main however, these offset each other.

Health and Community Services

The forecast outturn is £33,075k, £106k below the revised budget of £33,181k. Of the 157 schemes, 115 have been coded with a traffic light of green and 42 amber.

Although the reported variance is small, there are a number of variances within individual schemes, relating to both minor overspends and underspends. In the main however, these offset each other.

Legal, Human Resources and Regulatory Services

The current forecast is £729k, £641k above the revised budget of £88k. Of the 6 schemes, 5 have been coded with a green traffic light and 1 amber.

The variance between forecast expenditure and revised budget is due to the additional budget forecast for Dalston Lane Terrace. A delegated authority report is currently underway for this project.

Housing – ALMO Hackney Homes HRA

The current forecast is £71,889k, in line with the revised budget including additional Decent Homes funding from the GLA which will be included in the November Capital Update report. Of the 56 schemes, 53 have been coded with a traffic light of green and 3 amber.

Housing – Council General Fund

The current forecast in line with the revised budget of £1,878k. All the 9 schemes have been coded with a traffic light of green.

Although no overall variance is reported there are in fact a number of variances within individual schemes, relating to both minor overspends and underspends. These will re-align when the proposed virement has been applied to better reflect project delivery.

Housing – Private Sector Housing

The current forecast is in line with revised budget of £1,324. Of the 7 schemes, 1 has been coded with a traffic light of green and 6 amber.

Housing – Estate Renewal

The current forecast is in line with the revised budget of £61,442k. Of the 24 schemes, 2 have been coded with a traffic light of green and 22 amber.

Although currently forecasting outturn in line with budget, the HRA Business Plan is now under review as a result of the recent Government announcements in respect of the extension of the RTB scheme and reduced social rents. This may result in changes to resources available to finance the Housing capital plan and any changes will be reported accordingly.

Housing – Other Council Regeneration Schemes

The current forecast of £9,945k is in line with the approved budget position. Of the 9 schemes, 1 has been coded with a traffic light of green and 8 amber.

The HRA Business Plan review referred to above may also impact on this area of the Housing Capital Programme.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

As the main part of the report is primarily an update on the Council's financial position, there are no alternative options here. With regards to the property disposal, there is no realistic alternative to disposal as noted in 2.2 above.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of September 2015. Full Council agreed the 2015/16 budget on 25th February 2015.

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 Member for Finance, HMT, Heads of Finance and Assistant 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 CORPORATE DIRECTOR OF FINANCE AND RESOURCES

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

8. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 8.1 The Corporate Director of Legal, HR and Regulatory Services has seen the report and has no legal comments to make on the regular budget monitoring part of the report.
- 8.2 The proposed disposal of the loft space by way of granting a lease demise of the loft space as set out at paragraph 2.2 of this report must be for the best consideration that can reasonably be obtained in order to comply with section 123 of the Local Government Act 1972.
- 8.3 The report at paragraph 9 sets out how the Council will ensure the best consideration that can reasonably be obtained will be achieved and the Interim Assistant Director for Strategic Property Services has confirmed at paragraph 9.2 below that the proposed transaction does comply with best consideration in order to comply with section 123 of the Local Government Act 1972.
- 8.4 Furthermore the Council has power under section 1 of the Localism Act 2011 (the general power of competence), to enter into this legal agreement.

9. COMMENTS OF THE INTERIM ASSISTANT DIRECTOR FOR STRATEGIC PROPERTY SERVICES

- 9.1 Terms have been agreed for the disposal of the loft space for £10,000 (subject to contract & Cabinet approval) to the lessees of 19 Gunstor Road, plus the Council's legal fees.
- 9.2 The Assistant Director of Property Services confirms that the disposal of the Land is at the best consideration in terms of S.123 of the Local Government Act 1972.

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