Hackney

TITLE OF REPORT: 2016/17 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (NOVEMBER 2016)
KEY DECISION NO. FCR 84

CABINET MEETING DATE 2016/17 **23 January 2017**	**CLASSIFICATION:** **Open** **If exempt, the reason will be listed in the main body of this report.**
WARD(S) AFFECTED **All Wards**	
CABINET MEMBER **Cllr Taylor** **Finance**	
KEY DECISION **Yes** **REASON** **Spending or Savings**	
GROUP DIRECTOR **Ian Williams Finance and Corporate Resources**	

1. CABINET MEMBER'S INTRODUCTION

This is the sixth OFP report for 2016/17 and on the basis of detailed November monitoring data from directorates, we are forecasting an overspend of £2,880k at year end. This is an increase of £327k from October, which is of concern especially as we are well into the second half of the year. It is essential that these reported overspends are quickly addressed and mitigated.

The Financial Settlement outlined in this OFP is disappointing but hardly surprising. Faced with multiple, mutually-reinforcing crises in adult social care, the NHS, and housing, and a Brexit that makes bold tax increases even more unlikely, the Government is filling one budget gap by taking the money from another budget; it is not providing new money. All this makes it all the more important that we not only ensure that we use funds efficiently and effectively and stick to the agreed budgets, but also that we do what we can to generate our own sources of funding.

I commend this report to Cabinet

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £2,880k overspend which is equivalent to 0.3% of the total gross budget.

2.2 On 15th December, the Government published the 2017/18 Finance Settlement.

The main points of the Settlement announcement are summarised below: -

- Confirmation that LBH will receive the Revenue Support Grant allocations published in the 2016/17 Settlement for the period 2017/18 to 2019/20 following our acceptance of the Government offer. There could be changes due to unforeseen events but barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

- The introduction of an Adult Social Care Support Grant to be funded from a cut in the New Homes Bonus Grant in 2017-18. So, there is no new funding here as it is just a recycling of monies that councils would have received through the New Homes Bonus. This has been achieved by reducing the number of years for which legacy payments (payments made under the first New Homes Bonus Scheme 2011/12 to 2016/17) from 6 years to 5 years in 2017-18 and then to 4 years from 2018-19; and to introduce a baseline for housing growth set at an initial baseline of 0.4% of the council tax base for 2017-18. Housing growth below this level in each authority will not receive Bonus allocations. So, whilst we have gained ASC Support Grant in 2017/18 this has been paid for by reduced New Homes Bonus Grant.

- Confirmation of the indicative 2017/18 Improved Better Care Fund grant allocations as set out in the 2016/17 Settlement. The allocations for 2018/19 and 2019/20 remain indicative and therefore subject to change.

- Council tax referendum principles for local authorities were published. As with 2016/17, there are two elements, i.e.: -

    - *a core principle of 2% and*

    - *an increase to the flexibility offered on the use of the Adult Social Care precept. The policy intention set out at the time of the 2016-17 Settlement was that this would be 2 % per year up to 2019-20. In recognition of the particular pressures on adult social care services, especially in the next two years, social care authorities will now be able to introduce the rise sooner. They will have the freedom to increase by up to 3% in 2017-18 or 2018-19, but still cannot exceed 6% in total over the three-year period. This means that the total rise in bills should not be any greater than originally envisioned*

- The next business rates revaluation takes affect from 1 April 2017. Revaluation is a revenue neutral exercise so the total rates bill will stay the same at the England level in real terms, after allowing for appeals. At the local authority level, overall bills will increase or fall depending upon whether rateable values in that area have performed above or below the average for England, after allowing for appeals. This creates change in the system outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before. Our top-up has reduced by c. £10m as a result of the revaluation and we are currently working on estimating our post revaluation 2017/18 business rates income to determine the extent to which our retained income has changed as a result of the revaluation.

- **Impact on Hackney.** Our initial assessment of the Settlement is that next year's position looks generally in line but it looks like in future years we will have more work to do on savings than currently forecast. We will update the forecast position over the next couple of weeks and report back to Cabinet shortly.

2.3 On 1 April 2013 responsibility for providing public health improvement and promotion services transferred from the NHS to local authorities. Until that date such services had been commissioned by the previous City and Hackney PCT, and following transition of those responsibilities to local government, the London Borough of Hackney agreed to manage a number of inherited contracts and deliver health intelligence services on behalf of and for the City of London Corporation ("City of London"). The contracts included in this arrangement cover services for: sexual health, preventing domestic violence, health visiting, promoting oral health, housing homeless people undergoing treatment for tuberculosis, substance misuse amongst young people, Healthy Start Vitamins, and dietetics.

On inheriting these contracts, the City of London's share of the cost was set at an average of 5% for population and 0.3% for management. Since 2013, performance data has enabled more accurate predictions for service use by residence, rather than a population average, and cost shares have been updated accordingly. In 2015/16 the London Borough of Hackney managed Public Health services on behalf of the City of London at a total agreed cost of £530,553. In 2016/17, with the full inclusion of Health Visiting and other early years services, that figure rose to £600,661.

In addition to managing contracts that deliver services to residents in the City of London, the London Borough of Hackney also provides Public Health Intelligence services to the City of London. This comes in the form of staff time from the London Borough of Hackney Director of Public Health, Public Health Consultants, and Health Intelligence Analysts. For these services the City of London agreed to pay the London Borough of Hackney £31,664 for 2015/16 and the same amount for 2016/17.

The most recent Service Level Agreement between the two authorities drawn-up to contract for these arrangements was separated into one for services and another for staff and intelligence, as set out in the table below

	2015/16 (£)	2016/17 (£)	Total Contract Value (£)
Public Health Services	530,553	600,661	1,131,214
Staff and Intelligence	31,664	31,664	63,328

Cabinet is asked to approve amounts listed above and the sealing of the associated contractual agreements.

It is the intention of both authorities to continue with this arrangement in future years, which will be reviewed in light of proposed national changes to Public Health funding, and updated via the Overall Financial Position report.

2.4 Since Cabinet gave approval to a tranche of 2017/18 to 2019/20 savings in July (as set out in the May OFP), members and officers have been working on a further tranche of savings proposals. These proposals have been widely discussed and reviewed at Cabinet/HMT, Scrutiny Meetings, Labour Group and with Partners. A schedule of the proposed savings is attached at Appendix 1.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT NOVEMBER 2016/17

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
86,419	Children's Services	0	0
90,856	Adult Social Care	2,692	226
427	Community Health	0	0
177,702	Total CACH	2,692	226
45,297	Public Realm	94	94
15,787	Finance & Corporate Resources	295	-19
13,923	Chief Executive	-148	26
1,743	Housing – GF	-53	0
17,480	General Finance Account	0	0
271,932	**GENERAL FUND TOTAL**	**2,880**	**327**

3.0 RECOMMENDATIONS

3.1 To note the overall financial position for November 2016, covering the General Fund and HRA and the earmarking by the Group 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 approve the amounts agreed for Public Health services delivered by the London Borough of Hackney on behalf of the City of London in 2015/16 and 2016/17 and to authorise the sealing of all contracts between the London Borough of Hackney and the City of London relating to the delivery of the public health services, as described in 2.3 above.

3.3 To approve the savings set out in Appendix 1.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances, to approve the savings schemes set out in Appendix 1 and to approve the agreement with the City of London set out in 2.3.

4.2 CACH

In overall terms the CACH directorate is forecasting an overspend of £2.692m.

Children Services

CYPS are forecasting a nil variance overspend

Directorate Overspends

Corporate Parenting is the main area that is overspending within the division. The 2016/17 forecast position as at November 2016 is an overspend of £454k on overall Corporate Parenting, after use of reserves. This is comprised of an underspend in the Adoption Service of £63k, an overspend of £103k in LAC and Leaving Care, and an overspend in ‘core’ Corporate Parenting of £414k.

Other areas that are overspending within CYPS are:

- Children in Need is forecast to overspend by £483k.

The overspend is mainly due to staffing overspends of £341k, relating to agency staff covering vacant posts, maternity cover, long-term sick cover and three agency staff over establishment. Legal costs (£70k) and LAC incidental costs (£103k) account for the balance of the overspend partially offset by reductions in other areas (£31k).

- Access and Assessment is forecast to overspend by £198k.

The overspend primarily relates to staffing, due to agency workers covering vacant posts and maternity leave, and there are 2 over established posts currently with plans in place to reduce this to 1 post by December.

Early delivery of savings of £344k in this service would have more than offset the overspend, and this has been transferred to Directorate Management in year.

Directorate Underspends

Overspends in Corporate Parenting (before reserves), Children in Need, Youth Justice and Access and Assessment are offset by underspends elsewhere in Directorate Management Team, Family Support Services, Young Hackney and Safeguarding & Learning Services.

- The Directorate Management Team is forecast to underspend by £766k.

The underspend is from a transfer of A&A early delivery of savings (£344k), 2 posts vacant for the entire financial year and delay in recruitment of the service director post (£185k); release of 1% vacancy factor to support maternity leave and long term sick costs (£202k); and the cost of the interim Assistant Director up to September 2016 (£60k).

This is partly offset by increased costs of interpreting fees (£73k), release of legal budgets (£162k) and other areas (£6k).

- An underspend of £125k is forecasted for Safeguarding & Learning Services. This is attributable to underspends across Supplies & Services and Commissioning budgets, and the receipt of additional income above budget to cover costs associated with the Mosaic Consolidation Project and grant income from the DfE to cover the cost of a post.

- The Family Support Services is forecast to underspend by £162k due mainly to staffing underspends as a result of vacant posts and delays in recruitment.

- Safeguarding & Learning Services has an underspend of £125k, and this is attributable to underspends across Supplies & Services and Commissioning budgets, and the receipt of additional income above budget to cover costs associated with the Mosaic Consolidation Project and grant income from the DfE to cover the cost of a post.

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the CYPS position. 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 and expenditure is reported on budget. However, it should be noted that HLT are forecasting a significant drawdown on the HLT reserve (£4.3m), similar to last year and consistent with the last month mainly due to pressures in special educational needs. Costs associated with special educational needs have complex cost drivers and the HLT finance team continue to work closely with the relevant managers in implementing an action plan to reduce these pressures and to ensure the forecast is as accurate as possible. There is also expected to be £1.2m-£2.0m planned reserve drawdown for other educational projects & initiatives, bringing the total expected drawdown to be between £5.5m-£6.3m.

Adult Social Services

The November revenue forecast for Adult Social Care is £93,548k. This is an adverse movement of £226k on the October position.

The major area of overspend continues to be Care Support Commissioning, which for November has a £3,456k overspend. This is a worsening of £387k on October and reflects the latest snapshot of commissioned care, which breaks down as follows.

Service Type	2016-17	November 16	Full Year	Change on

	Budget £000	Forecast £000	Variance to budget £000	October Forecast £000
Learning Disabilities	12,718	14,929	2,212	219
Physical and Sensory	9,939	10,091	151	-19
Memory and Cognition and OP MH	5,725	6,731	1,006	187
Assistive Equipment & Technology	495	653	158	-0
Voluntary Sector Contracts -OP	708	714	6	-
Other	245	169	-77	-0
Total	**29,830**	**33,286**	**3,456**	**387**

Within Care Support Commissioning:

- The Learning Disabilities position has moved adversely by £219k and this is explained primarily by three clients with a forecast of £154k being re-classified as having LD as their primary support reason, where previously they had been classified as Mental Health (this is part of continuing data integrity work being undertaken on Mosaic, the Adults and Children's IT system). This means there is a corresponding improvement within Mental Health services managed by East London Foundation Trust.

- The other key movement is a £187k adverse movement in Memory and Cognition/Older People Mental Health. This reflects a range of changes to the client cohort (e.g. new clients, care package changes, and service contribution changes), however the extra cost is being primarily seen following hospital discharges (both new clients and existing clients who have had a stay in hospital but being discharged with a more intense care package. The total number of clients is 11). This issue was highlighted in the July OFP, and was explained through pressure on hospital beds, but compounded by the limitations of the local market place in terms of being able to identify suitable, timely and value for money care provision. It was also mentioned that additional step-down care is an area on which Hackney is focusing, in order to become more responsive to the type of demand that hospital discharge drives in our services. However, a management action from reviewing the November position is that care packages proposed by our Hospital Social Work team following discharge from Hospital will now be ratified through the main ASC Panel process, to ensure further oversight and control of what is proving to be a significant cost pressure.

The forecast for Mental Health services we provide jointly with East London Foundation Trust has improved by £150k, to £158k underspent. This is explained by the three re-classified clients as mentioned above.

The Provided Services forecast is £91k underspend. The Housing with Care pressure has reduced by £200k since the start of the year and is staffing driven. It is an area where further work is being done to address the pressure but this requires consideration of impact on services across ASC because of interlinkages. The underspends in Meals on Wheels and Transport reflect demand for services currently. The Commissioning division forecast has seen an improvement of £23k to a £633k underspend. The Housing Related Support forecast stands at £851k underspend reflecting early delivery of savings. This is partially offset by a £218k pressure on staffing, £64k of which is severance costs. There is also a staffing driven pressure of £104k in Care Management and Divisional Support.

Public Health continues to forecast a breakeven position.

4.3 Public Realm

The November forecast for the Public Realm division is a £94k overspend, which is a £94k adverse movement on the October position. As with October, the key area to focus on is Environmental Operations function, which is forecast to be breakeven but within this overall position there is a £1,116k overspend on Waste Collection, Cleansing and Recycling which is largely offset by an underspend in Commercial Waste.

The remaining services are forecasting breakeven positions. Within this, the Building Control service in PRS is operating at a deficit. This is mitigated by a planned usage of the shortfall in Building Control Income reserve (£278k). There are a number of initiatives to improve marketability including a revised charging schedule. Progress of the service improvement initiatives is being monitored closely in 2016/17.

There is a £94k pressure within Libraries and reflects that an anticipated overspend on the cost of reactive maintenance.

4.4 Finance & Corporate Resources

There is a forecast overspend of £295k, primarily in ICT and Facilities Management. The former is largely due to telephony costs which should be removed when the new telephony contract comes in next year and agency staff costs reflecting the difficulty of recruiting permanent staff; and the latter is due to additional repairs and maintenance costs on civic buildings. These overspends are partially offset by savings elsewhere. Cost pressures continue in revenues and benefits, and temporary accommodation

.

4.5 Chief Executive

The Directorate is forecasting an underspend of £148k after reserves. There is a forecast overspend of £86k in Chief Executive's Office, largely attributable to an overspend in the Programmes & Project delivery team. There is also a £118k overspend in Safer Communities which relates to the Domestic Violence/Racial Harassment team where there is an overspend on staffing costs. These overspends are offset by underspends of £249k within the Legal & Electoral Services and £105k within Consultation and Communications.

4.6 General Fund Housing Services

The service is forecasting to come in at £53k under budget reflecting a reduction in the forecast spend on Staffing Costs and Repairs and Maintenance within Travellers (£10k) and also an increased amount of expenditure identified as capital within Leasehold and Income Delivery (£43k).

4.7 HRA

The HRA is forecast to come in on budget.

Income

There is a £646k favourable variance within Dwelling Rents. This is due to a lower number of Right to Buy (RTB) sales than expected and also a reduction in the amount of void losses incurred. There is also a £448k favourable variance within Leaseholder Charges for Services & Facilities. This has been based on the latest service charge estimates, which were finalised after the budget setting process. There is though, a £69k unfavourable variance within Non-Dwellings Rents which relates to lower garage income than budgeted; and a reduction in Tenant Charges Income relating to Estate Cleaning and Block Cleaning. The reasons for the reduction in income are being investigated further. There is a reduction in Tenant Charges Income relating to Estate Cleaning (£124k) and Block Cleaning (£82k). The reasons for the reduction in income are being investigated further.

Expenditure

The main underspend within the Housing Repairs Account relates to the Planned Painting programme (£2,400k). There is also a £250k reduction in repairs costs relating to new build properties and a reduction in spend of £400k due to contractor delays. This budget and the committed works will be carried over to 2017/18. Partially offsetting these underspends is a £1,000k adverse variance within reactive and void repairs where the volume and average cost of jobs has increased.

The main overspend is within Supervision and Management and relates to the planned overspend of the Neighbourhood & Repairs Contact Centre of c£1,100k due to additional staff requirements to manage call demand. A restructure is planned for later on this year but the timing of this has been delayed. Compensation may also be sought from the telephony provider due to issues which have resulted in additional staffing requirements. There is also an increase in staffing costs within the Leasehold and Income team of £200k who are also in the process of a restructure.

There are further staffing cost increases within Decent Homes (£443k) Major Works Admin (£159k) and Community Halls (£66k) which are partly offset by staff savings within Performance Management (£257k), Estate Renewal Team (£208k) and CCTV Services (£168k). There are also increases in Court Costs and Legal Fees of £222k and £185k respectively based on current expenditure levels and £590k of planned unbudgeted expenditure relating to the Transformation Project has been forecast. This will be funded from reserves.

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. With regards to the agreement with the City of London (2.3 above), Cabinet approval is necessary for us to obtain the sums of money shown.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of November 2016. Full Council agreed the 2016/17 budget on 2nd March 2016.

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 GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

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

8. COMMENTS OF THE DIRECTOR OF LEGAL

8.1 The Director of Legal has seen the report and has no legal comments to make on the regular budget monitoring part of the report.

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