Hackney

TITLE OF REPORT: 2017/18 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (NOVEMBER 2017)
KEY DECISION NO. FCR O3

CABINET MEETING DATE 2017/18 **22 January 2018**	**CLASSIFICATION:** **Open**
WARD(S) AFFECTED **All Wards**	
CABINET MEMBER **Cllr Rennison** **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 Overall Financial Position (OFP) report for 2017/18 and based on detailed November monitoring data from directorates, we are forecasting an overspend of £5,585k at year end. The reasons for this are detailed in the directorate commentaries below.

Hackney has a strong financial track record and our projected overspend reflects the serious pressure being felt by councils across the country after seven years of Government cuts. It is essential that reported overspends in any service are quickly addressed and mitigated and I look forward to progress being made in the coming months. This of considerable importance given the uncertainties regarding future external funding allocations and the cost pressures we face.

On 19th December 2017, the Government published the 2018/19 Local Government Financial Settlement. As expected, the Government continued its brutal cuts to local authority funding that have stripped £140m from the Council's budget alone since 2010. In Hackney, our Government grant has shrunk from £310m in 2010 to £184m this year – and by 2019/20 it is expected to be just £171m.

I'm proud that we've managed this huge challenge, but as this continuing downward trend in local government funding continues it is increasingly difficult to balance our budget and protect the frontline services our residents rightly value. More and more people are relying on councils for support, with less and less money available to help them. This has meant we have faced invidious choices and been forced to make some unpopular decisions.

The Government's failure to provide any additional funding to address the increasing costs of providing adult social care, providing more temporary accommodation for families unable to find somewhere to live, or to support wage increases for hard-working public sector staff demonstrates how yet again ministers have failed to back up their rhetoric with action.

And while the settlement includes a small amount of extra police funding, this will largely be for national priorities, partly paid for by Londoners through the Mayor of London's council tax precept. This will do little to reinstate the one in four police officers cut in Hackney since 2010, and support the vital frontline policing our neighbourhoods need.

Despite the Government's austerity agenda, we will continue with high ambitions for Hackney's future and refuse to simply manage decline. That's why this report includes proposals to open a business centre as part of the regeneration of Woodberry Down to provide workspace for start-ups and local organisations – opening up new opportunities for young entrepreneurs and the small businesses that are the lifeblood of Hackney's local economy.

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 £5,585k overspend which is equivalent to 0.5% of the total gross budget.

2.2 On 19th December, CLG published the 2018/19 Provisional Local Government Finance Settlement. The resource allocations are broadly in line with expectations although we are awaiting confirmation from London Councils on our 100% BRR funding. We will provide more detailed briefing in due course.

2.3 The key points of the Settlement are as follows: -

(a) The 2018/19 RSG entitlements are unchanged from those published in the 2017/18 Settlement

(b) Councils will have the ability to increase their core Council Tax requirement by an additional 1% without a local referendum – bringing the core principle to 3% in line with inflation.

(c) There will be no changes to the New Homes Bonus methodology but the total grant allocated will reduce from £1,227m to £946m – a 22% reduction

(d) The Government has published a formal consultation on a review of relative needs and resources and it aims to implement a new system based on its findings in 2020/21.

(e) By 2020/21, the Government aims for local authorities to retain 75% of business rates from 2020 to 2021. This will be through incorporating existing grants into business rate retention including RSG and the Public Health Grant. I would expect, if London chooses, that the 100% BRR pilot scheme to continue irrespective of this.

(f) The Government confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022.

(g) No additional funding was made available for social care.

(h) The Government announced that 10 new areas have been selected for business rates retention pilots in the 2018 to 2019 financial year. As announced in the Budget, London is one of these.

2.4 There was also an increase in Police funding of £450m, although £270m will come from an increased police council tax precept so there is only £180m external funding. Police and crime commissioners are to be given the power to raise the portion of council tax which goes towards policing by £12 per household annually. This is likely to be £12 per 'band d' property and so the amount actually paid by a household will depend on its property band. If an increase is levied, it will be levied by the GLA and not Hackney. We await the detail on this. The Home Office webpage simply states that "locally elected police and crime commissioners will be able to raise precept contributions by up to £1 a month for a typical household". In addition, Counter terrorism police funding will also increase by around £50 million and at a national level, £130 million extra will be provided for priorities such as special grants to help forces meet unexpected costs, and national technology programmes designed to deliver greater productivity and mobile working. Finally, Police forces will also be able to access the £175 million police transformation fund.

2.5 **Proposed Lease of Ground Floor and Part First Floor of Block E Woodbury Down.** The Property was initially acquired by the Council, along with the remainder of the ground and first floors, with a view to letting the entire space to East London and City NHS. In August 2012, the proposed tenant withdrew its interest, so the Council considered a range of alternative use options. In February 2016 the Council granted a 15 year lease to the Gym Group to convert the ground floor (except for the entrance to the first floor space) and a small part of the first floor into a gym.

A Woodberry Down Principals meeting on 23rd February 2016 confirmed the intention to 'utilise the remaining space on the first floor for a business centre which will provide space for business start-ups and also meet the needs of organisations looking to provide services on the Woodberry Down estate'. Workspace operators on the Council's approved list were approached in early 2017 about the opportunity and the successful bidder was appointed in summer 2017.

An outline of the benefits is attached at **Appendix 1** and site plans are attached at **Appendix 2 and 3.**

2.6 On the 13 June 1997 the Council entered into a lease of Sites B, E, F and G London Fields Employment Area (as shown for identification only on the attached plan). Clause 6.4 of that lease granted the lessee an option to purchase the freehold of this land subject to that lease on service of notice for £1, and that notice has now been served. In addition on 23 March 1998 the Council entered into a lease of Sites A, C and D London Fields Employment Area (as shown for identification only on the attached plan shown at **Appendix 4**). Clause 6.4 of that lease granted the lessee an option to purchase the freehold of this land subject to that lease on service of notice for £1, and that notice has also now been served. The Council is contractually obliged to convey the freehold titles within 3 months of the date of the respective notices.

2.7 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 2017

Revised Budgets £k	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
85,489	Children's Services	10	-168
86,324	Adult Social Care	4,968	-38
395	Community Health	-	-
172,208	**Total CACH**	**4,978**	**-206**
44,890	**Public Realm**	**97**	**16**
20157	**Finance & Corporate Resources**	**213**	**2**
8,249	**Chief Executive**	**298**	**27**
2,128	**Housing – GF**	**-1**	**1**
13,538	**General Finance Account**	**0**	**0**
261,170	**GENERAL FUND TOTAL**	**5,585**	**-160**

3.0 RECOMMENDATIONS

3.1 To note the overall financial position for November 2017, 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.

3.2 To authorise the letting of First Floor and Part of the Ground Floor of Block E Woodberry Down as is shown edged red on the plans attached at Appendix 2 and Appendix 3 respectively for a term of 25 years.

3.3 To authorise the Director of Legal to prepare, agree, settle and sign the necessary legal documentation to effect the proposed disposal and to enter into any other ancillary legal documentation required to complete the proposed disposal transaction.

3.4 To delegate authority to the Group Director of Finance and Corporate Resources to enter into a lease of 25 years, and to agree all other terms of the lease provided that the requirements of S123 Local Government Act 1972 are met.

3.5 To delegate authority to the Director of Legal to settle and enter into any necessary legal documentation necessary to transfer the freehold titles of the London Fields Employment Area to the lessee.

4. REASONS FOR DECISION

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

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

The CACH directorate is forecasting an overspend of £4,978k after the application of reserves and drawdown of grant.

Children & Families (C&F) Services

Children and Families is forecasting an overspend of £10k after the application of reserves and grants, including full use of the C&F Commissioning Activity Reserve. Ongoing scrutiny of the Children & Families budget pressures is undertaken through the monthly Budget Board, jointly chaired by the Group Director (Finance & Corporate Resources) and the Group Director (Children, Adult Social Care and Community Health).

Corporate Parenting is the main area of overspend in the division. The 2017/18 forecast position for November is an overspend of £441k across Corporate Parenting services after the use of reserves. This is comprised of an overspend of £236k in the Adoption Service, an overspend of £332k in LAC & Leaving Care, and an underspend in 'core' Corporate Parenting of £126k. The Commissioning Reserve assumes a full drawdown

Other overspends in the division are:

Children in Need is forecast to overspend by £709k after use of reserves. The overspend is mainly due to staffing overspends of £329k, relating to supernumery social worker posts, maternity cover and agency premiums associated with covering vacant posts, resulting from increased demands for services. There are further overspends due to legal charges of £251k (the budget is held in DMT) and LAC incidental costs of £273k based on our spend to date.

The Domestic Abuse Intervention Service (DAIS) transferred to CACH with a budget shortfall and is now forecasting an overspend of £100k due in the main to pressures across staffing budgets.

Overspends across the service are partly offset by underspends elsewhere in Young Hackney, Safeguarding & Learning Services, Access and Assessment and Directorate Management.

The Directorate Management Team is forecast to underspend by £623k. The underspend is related to the release of the legal budgets (legal costs are incurred across the service but the budget is held in DMT and released to match the forecasted expenditure) and maximising the use of grant income.

Young Hackney Services are forecast to underspend by a total of £394k. This is due to a training underspend, vacant / part vacant posts, late recruitment to a number of posts and various other staff cost underspends – workers on lower spinal points, long term sick leave and pension opt outs. There is also an underspend on commissioning due to release of unrealised accruals and a reduction in the forecast for the Detached Team.

The Safeguarding & Learning Service (SALS**)** is forecasting an underspend of £167k due largely to staff vacancies and staff working less than their established FTEs. There is also an underspend across Supplies & Services budget lines.

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 contribution from or to the HLT reserve and expenditure is reported on budget.

HLT are forecasting a significant drawdown on the HLT reserve (between £4m and £5m), similar to last year mainly due to pressures in special educational needs. Special educational needs activities are forecast to spend around £8.2m in excess of agreed budgets; within the HLT forecast some of the SEND over-spend is offset with savings made across other HLT departments. 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. Recent reports submitted to HLT SLT estimate that HLT reserves would be fully utilised sometime between January 2019 and August 2020.

The SEN cost pressure is attributable to the increase in the number of SEN statements and Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and the 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 SEN statements/EHCP plans have increased by over a third 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 and costs there has been minimal increase to this funding source.

Adult Social Care & Community Health

The November 2017 revenue forecast for Adult Social Care is a £4,968k overspend - this is an improvement of £38k on the October position.

Ongoing scrutiny of the Adult Social Care budget pressures is undertaken through the monthly Budget Board, jointly chaired by the Group Director (Finance & Corporate Resources) and the Group Director (Children, Adult Social Care and Community Health).

Care Support Commissioning

The Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £5,930k pressure - this is a £125k adverse movement compared with the October forecast. The reasons for the increase is discussed below. Included within the Care Support commissioning forecast is £2,186k of corporate reserve funding for cost increases due to paying the London Living Wage. A summary of current forecast is shown in the table below against the primary support categories:

Service Type	2017-18 Budget	November 2017 Forecast	Full Year Variance to budget	Change in Forecast Variance from October 2017
	£k	£k	£k	£k
Learning Disabilities	12,803	18,495	5,692	1
Physical and Sensory	9,839	9,895	56	52
Memory and Cognition and MH ASC (OP)	6,324	6,691	367	72
Occupational Therapy Equipment	740	579	(161)	-
Asylum Seekers Support	170	146	(24)	-
Total	**29,876**	**35,807**	**5,930**	**125**

The *Learning Disabilities* service remains the most significant area of pressure with a £5,692k overspend. There was no change on the October position. The overall budget pressure within LD represents undelivered savings from previous years. Management actions through the Care Funding Calculator (CFC) and securing joint funding through Continuing Healthcare (CHC) will seek to mitigate some of this pressure this financial year. The LD Budget Review Meetings will continue to look at the service area in further detail to attempt to manage these pressures.

The *Memory/Cognition & MH (OP)* position has worsened by £72k, to an overall £367k budget pressure. . This adverse movement is primarily driven by the following factors:

- Increased care cost within Home Care of £47k due to growth in client numbers and care provision, primarily driven by Hospital discharges.
- Growth in client numbers in Long term Nursing & Residential Care, additional cost pressure of £25k.

The *Physical and Sensory Support* position reflects a £56k budget pressure, which is an adverse movement of £52k on the October position. This adverse movement is driven by the following factors:

- Growth in client numbers & increased care provision within Home Care, as a result of clients being discharged from hospital.
- Increased care cost of £28k in Supported Living due to a care package transfer from ELFT

Care Management & Adults Divisional Support (CM&ADS)

The Care Management & Adults Divisional Support (CM&ADS) position is showing a £581k overspend - an improvement of £26k on the October position. The overall budget pressure breakdown is made up of:

- Staffing pressures of £535k within Integrated Learning Disabilities due to additional staffing capacity to manage demands within the service, and improve annual review performance.
- A further staffing pressure of £164k within the Adult Social Care Management Team which is due to the high premium for consultancy/locum staff.
- The overall pressure has been partially mitigated by underspends across other Care Management Teams within the service area.

Mental Health

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT), and is forecast to overspend by £241k - an improvement of £103k on the October position.

The overall position is made up of two main elements - a £528k pressure on external commissioned care services, offset by a £288k underspend in staffing. A working group is being setup with ELFT colleagues to look at how we can manage these pressures going forward, and ensure we operate within the allocated budget.

Provider Services

The Provider Services position is a £727k underspend which is an improvement of £25k on the October position, which is primarily due to delays in recruitment of full time staff. This overall Provided Services position is made up of:

- Housing with Care staffing pressure of £263k. The service is currently under review to seek efficiencies and reduce costs without impacting negatively on service provision.

- Day Services & transport is underspending by £758k, which reflect the delivery of savings as part of the previous transformation programme. This underspent budget will be required for the new Oswald Street day centre to be opened in late 2017/18.

- Meals on Wheels is underspending by £232k which reflects the incremental reduction in demand for the service. The service is currently being reviewed to look at possible options available in redesigning the service.

Preventative Services

The forecast position for Preventative Services of a £901k underspend improved by £29k following in-month agency cost savings linked to reduced activity over the Christmas break. Activities around Substance Misuse remain unchanged and the underspend for the year remains at £299k. Likewise the Median Road Resource Centre underspend of £670k is linked to future ASC decisions around nursing care provision which will be clearer in the new financial year.

The Integrated Independence Team (IIT) is funded by £1m use of reserves to offset the 17/18 savings. Ongoing plans need to be developed to secure this funding from the City & Hackney CCG for future years.

One off IBCF funding of £0.585m is also recognised within the forecast to support the Hospital Social Work Team (HSWT), in relation to continuing Delayed Transfer of Care (DTOC) and the associated cost of interim staff.

ASC Commissioning

Within this area there are agreed savings of £1,062k to be delivered this year from Housing Related Support, and a further £362k from the implementation of Telecare charging. The Housing Related Support (HRS), savings achieved to date this year increased to £955k leaving a pressure in this area of £469k inclusive of unachieved Telecare income.

The net position for Commissioning services represents a favourable outturn of £156k underspend made up collectively of £557k savings less delayed telecare savings and Commissioning staff budget pressures of £401k.

Public Health

Public Health is forecasting a breakeven position. Smoking Cessation and Tobacco Control services are being recommissioned for 2018/19 with a short-term restructure of the existing service to deliver early savings in 2017/18. This process is on track but a separate £22k pressure has arisen in the form of a contribution to the new London Smoking Cessation Transformation Programme. It is anticipated that this contribution will assist with the delivery of future savings in the Stop Smoking Service budget.

4.3 PUBLIC REALM

The revenue forecast for the Public Realm Division for November 2017/18 is a £97k forecast overspend - an adverse movement of £16k on the October position.

The key issues are as follows:-

Environmental Operations which is forecast to breakeven. Currently the main pressure is within the key strand of the service which provides domestic waste collection, recycling and street cleansing functions, however when combined with the Commercial Waste function, the service as a whole comes to a broadly breakeven position.

The domestic operation currently contains pressures on staffing (£2,210k), supplies and services (£183k) and vehicle maintenance (£402k). Corporate reserve funding covers £811k of these known pressures. Grant, underspend and contingencies covers £372k, including £250k for the food waste programme. There is a £702k contribution to waste services from commercial waste as the cost of the income generating activities are within the overall cost of the operations. £910k is offset against additional income streams from inter departmental recharge for services such as hygiene, waste and recycling collections.

The Commercial Waste forecast is £486k underspend which is favourable movement of £127k from previous month, and this is being driven by two main factors:

- £125k underspend against the cost of waste disposal - the cost per tonne charged for waste disposal by North London Waste Authority (our statutory waste disposal provider) has reduced this year following the introduction of menu pricing.

- Income surplus of £1,300k, which reflects an ongoing positive income position for commercial waste services and the introduction of bin rental. This is an increase of £400k from 2016-17 position.

Planning is forecast to overspend by £102k. The services within Planning are funded mainly by external income. There are significant contributions from Planning applications fees, Planning Performance Agreements, Section 106 Agreements, Land Search fees and the Community Infrastructure Levy (CIL).

Income from Planning fees to date is £254k less than predicted in the budget build. Since September 2016 the volume of major planning applications has been very low, possibly due to caution amongst developers since the Brexit referendum. Planning has forecast an upturn in the volume of major applications in the fourth quarter of the year, as negotiations are in progress for major planning developments. The Planning Service has confirmed that the Government has approved a 20% application fee increase likely to come into effect from February 2018. Additionally the service proposes to utilise a larger share of the 5% administration element of Hackney CIL. Income to date from Hackney CIL in the current year is £403k.

The Building Control service has been aiming to improve its income generation through attracting work on a number of Council building schemes, however a deficit of £313k is forecast, mitigated by a drawdown of £250K from reserves and £63k underspends from vacancies and running costs . The service is exploring further opportunities for increasing the scope of chargeable work, specifically in relation to the Housing Supply Programme.

Other Planning reserves (£901k) are utilised for special projects which include the Borough wide Local Plans and Enforcement backlog clearance.

The Community Safety, Enforcement and Business Regulation service is forecast to overspend by £116k. There is a £124k cost due to the late exit of Regulatory Services and Community Safety staff previously employed in the old divisions and the cost of interim managers to assist in leading the transition to the new service. This cost was funded by the underspends in the Enforcement Teams where vacant posts in the first quarter of the year.

4.4 FINANCE & CORPORATE RESOURCES

There is a forecast overspend of £213k after reserves, which reflects pressures in Procurement, Facilities Management and Property (maintenance costs), partially offset by savings elsewhere in the directorate. Cost pressures continue in revenues and benefits, and temporary accommodation

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £298k after forecast reserves usage. The bulk of the overspend (£245k) is in Communications, Culture and Engagement which is primarily due to a projected underachievement of income at the Town Hall which has not been fully operational because of the essential maintenance works and Stoke Newington Town Hall. In addition, there is a small increase in cost relating to changes resulting from the SLT restructure.

4.6 GENERAL FUND HOUSING SERVICES

The service is forecasting to come in at budget. Underspends in Private Sector Housing, Housing Strategy and Housing Office Accommodation and General Fund properties are offset by an overspend in Housing Services.

4.7 HRA

The HRA is forecast to come in on budget.

<u>Income</u>

There is a £206k adverse variance within Dwelling rents which has been calculated based on the current stock numbers including handovers from Regeneration. There is also a £423k favourable variance within Non-Dwelling rents, which is due to an increase in commercial rental income following a rent review (£346k) and also increased income relating to Community Halls (£110k) where there has been a push to increase revenue this year. The favourable variance within Other Charges for Services & Facilities is due to an increase in fees from legal and court costs.

Expenditure

The £659k underspend in Repairs and Maintenance mainly relates to the Painting programme where the full budget will not be utilised. A reduction of works on Community Halls off-sets the increase in business rates for the buildings.

Within Special Services, the £309k underspend position relates to a reduction in utility costs, which is partially off-set by an increase in redundancy costs, Materials and Equipment within Estate Services.

There is a £1,012k overspend forecast within Supervision and Management - there continues to be additional staff employed in the Repairs Contact Centre resulting in a £300k overspend. This is in addition to the £500k additional budget specifically funded from reserves. Some of the overspend relates to pilots/projects. A business case will be developed before this additional resource is established.

There is an overspend in Legal fees of £200k to cover the increase in resolving legal disrepair cases and a £190k overspend on court costs resulting from an increase in court fees. The Transformation team overspend of £209k is as a result of the fire risk works, which will be funded from reserves. There is also an overspend on staffing of £152k within Housing Needs, with savings on Repairs and Maintenance and Subscriptions within the same area off-setting some of this.

4.8 CAPITAL

This is the second OFP Capital Programme monitoring report for the financial year 2017/18. Table 1 below shows that the revised capital programme for 2017/18 is £435.195m, (non-Housing schemes totalling £243.880m and Housing schemes totalling £191.315m). The actual year to date capital expenditure for the six months April 2017 to Sept 2017 is £104.885m and the full year projected outturn is £285.735m, £149.459m below current revised budget.

The first (of two) budget reprofiling exercise for 2017/18 has been completed, and November Cabinet approved a total of £145m to be reprofiled into future years, as set out in the table below.

Explanations for the major budget 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 – London Borough of Hackney Capital Programme – Q2 2017/18	Revised Budget Position end Q2	Spend as at end of Q2	Projected Outturn	Variance (Under/Over)		Budget Reprofiled at Nov Cabinet
	£'000	£'000	£'000	£'000		£'000
Chief Executive	88	-	87	(1)		0
Children, Adults & Community Health	184,027	40,168	96,309	(87,718)		83,683
Finance & Corporate Resources	15,972	3,284	15,827	(144)		2,043
Neighbourhoods & Housing (Non-Housing)	43,793	7,604	24,475	(19,318)		19,320
Total Non-Housing	**243,880**	**51,056**	**136,699**	**(107,181)**		**105,046**
Hackney Homes HRA	59,699	30,330	95,106	35,407		
Council Capital Schemes GF	2,175	574	1,690	(485)		
Private Sector Housing	2,349	921	1,776	(573)		
Estate Renewal	101,087	20,397	42,177	(58,910)		
Housing Supply Programme	7,650	507	4,061	(3,589)		
Other Council Regeneration	18,355	1,100	4,227	(14,128)		
Total Housing	**191,315**	**53,830**	**149,037**	**(42,278)**		**40,000**
Total Capital Expenditure	**435,195**	**104,885**	**285,735**	**(149,459)**		**145,046**

Chief Executive Services

The current forecast is in line with the revised budget of £88k. Of the 2 schemes, 1 have been coded with a traffic light of green and 1 amber.

CACH

The current forecast is £96.3m, £87.7m below the revised budget of £184m. Of the 101 schemes, 40 have been coded with a traffic light of green and 61 amber. A summary of the position is below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	4,764	1,834	4,740	(24)
Education Asset Management Plan	6,776	366	4,350	(2,426)
Building Schools for the Future	114,632	25,426	68,581	(46,052)
Other Education and Childrens Services	997	(17)	227	(770)
Primary School Programmes	17,431	558	2,435	(14,996)
Secondary School Programmes	39,427	12,001	15,978	(23,449)
TOTAL	**184,027**	**40,168**	**96,309**	**(87,718)**

Adult Social Care

The major capital project within Adult Social Care is Oswald Street Day Centre, accounting for £3.8m of this year's total £4.7m budget, and this project is forecast to be complete in 2017/18 as planned.

Primary School Asset Management Programme

There are a number of projects in the Primary School Asset Management Programme which have ended, resulting in both minor overspends and underspends. Of the £2m reprofiled, £1.4m relates to three early years schools (Betty Layward, Comet and Woodberry Down) where scope of works are to be finalised. .

Education Asbestos Removal is forecasting £80k underspend which has been re-profiled to 2018/19. Works to the Schools during summer went ahead as planned. The remaining two schools will be completed in October half term. The forecast includes the surveys for façade works and AMP works.

Building Schools for the Future

The Tiger Way and Nile Street programmes are reporting in-year underspends of £14.6m and £29.3m against their respective £38m and £69m budgets, all of which has been re-profiled into next year. Builds on both schemes are on target, with the reprofiling reflecting changes to spend profiles/scheduling. Tax implications on the schemes continue to be refined, and the sales/marketing and building management agents have now been appointed.

Primary School Programmes

£15m of the £22m for Primary Schools Programmes has been re-profiled into future years.

Of this, £9m relates to schemes which are to begin in future years. Sir Thomas Abney is one scheme progressing which has an underspend of £3m. The expansion project will not go ahead as planned due to spaces not filling at school as expected. The variance will be treated as savings to the Basic Needs Fund.

Secondary School – BSF Lifecycle Programme

£23m of the £39m for Secondary Schools BSF Lifecycle Programme has been reprofiled into future years. This includes £18m of budget with no spend approval, and £2.4m for Britannia, which is on target for build. The LEP continues to support the Council in the delivery of the Britannia project to Planning Determination, by enabling the procurement of key consultant services and surveys. A number of consultant and advisor appointments have now been made. The scheme is on target to deliver as planned.

The largest in-year spend is Temporary School at Audrey Street which has a forecast of £7.4m. Planning permission was granted at committee on 9 November 2016 for the temporary provision of three secondary year groups over a five year period. Financial close was achieved on 30 January 2017 and work on site began the same day. There has been recent progress on delivery and completion of snagging works. The other planned expenditure relates to estimated charges from high ways. The underspend of £600k has now been re-profiled to future years to support possible options for four year provision and the agreement towards works to return the land to original state. The budget is earmarked for these.

Finance and Corporate Resources

The current forecast is £15.8m, £0.1m under the revised budget of £15.9m. Of the 109 schemes, 89 have been coded with a traffic light of green and 20 amber.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Property Services	8,003	1,450	7,574	(429)
ICT	6,070	850	6,136	66
Financial Management	1,548	17	1,548	0
Other Schemes	192	38	192	(0)
TOTAL	**15,813**	**2,355**	**15,450**	**(363)**

Neighbourhoods and Housing (Non-Housing)

The current forecast is £24.5m, £19.3m under the revised budget of £43.8m. Of the 237 schemes, 175 have been coded with a traffic light of green and 62 amber. The codes identified as amber reflect underspends which have been reprofiled.

N&H – Non Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Museums and Libraries	909	79	275	(634)
Leisure Centres	2,000	0	0	(2,000)
Parks and Open Spaces	9,349	3,155	6,644	(2,705)
Highways/Infrastructure	17,143	2,459	11,034	(6,109)
EHPC	1,857	0	1,611	(246)
TFL	3,647	1,318	3,647	0
Other Public Realm	893	44	443	(450)
Safer Communities	123	47	123	(0)
Regeneration	7,873	501	698	(7,175)
Total	**43,793**	**7,604**	**24,475**	**(19,318)**

Museums & Libraries

A number of Library Capital bids were submitted to October 2017 cabinet. Hackney Council's will be procuring a new Library Management System (LMS), upgrading the CCTV in libraries, new installation of visitor counters, new installation of door entry systems and essential works and maintenance. Library self-issue machines is showing a small underspend but will be completed in 2018/19 so has been re-profiled to future years.

Leisure Centres

The budget for Leisure Centre works has been re-profiled out of 2017/18.

Parks and Open Spaces

There are a number of schemes within Parks and Open Spaces where parts of budgets are being reprofiled into 2018/19, notably Parks infrastructure, Hackney Marshes, Abney Park and Springfield Park restoration.

Highways/Infrastructure schemes

The majority of the schemes in this area are dependent on developers and planning and have been re-profiled to 2018/19. The installation of LED lighting works across several streets across the borough is on target for 2017/18.

Regeneration (Non-Housing)

Most of this 2017/18 budget has been re-profiled, including Dalston Regeneration, Afford Workspace Space Studio, Hackney Wick Regeneration and Dalston Public Toilets, which is dependent on a lease agreement, to be reviewed in quarter 3.

Housing

The current forecast in Housing is £149m, £42.3m below the revised budget of £191.3m. As part of the re-profiling exercise £40m has been re-profiled to 2018/19. The Q2 monitoring process has also identified that budgets across the sub-sections of the Housing programme require realigning, and this work is in progress. More detailed commentary is outlined in the table below.

	Budget £m	Spend £m	Forecast £m	Variance £m	Commentary
AMP Housing	59.699	30.330	95.106	35.407	Appointed contractors under new

	Budget £m	Spend £m	Forecast £m	Variance £m	Commentary
Scheme HRA					tender were slow to commence and deliver works in 2015/16 and 2016/17 and so budgets were reprofiled. Contractors are now up to speed and catching up with works required to maintain building. The overspend represents the underspend in previous years and are in line with HRA business plan.
Council Schemes GF	2.175	0.574	1.690	(485)	Historic underspend of budget to refurbish properties as vacant properties are all brought back into use. Budget 'set-a-side' for acquisition of new properties and conversion of existing stock.
Private Sector Housing	2.349	0.921	1.776	(573)	Demand lead grants programme including DFG as part of BCF with grant funding.
Estate Regeneration Programme	101.086	20.397	42.177	(58.910)	Scheme and programme budgets monitored quarterly and report to Housing Development board. Scheme and programme forecast in line with budget for life of schemes, but profiling of key cost drivers (leaseholder buybacks and construction expenditure) dependant on CPO and tender/contract award. Key delay at Nightingale – phasing review, Bridge House – contaminated land now on site, Tower Court and St Leonard – tender extension but contracts now awarded.
Housing Supply Programme	7.650	0.507	4.061	(3.589)	Design development cost (architects and Employers Agents/Cost consultants). 2 schemes submitted for planning. Scheme not at tender stage.
Woodberry Down Programme	18.355	1.100	4.227	(14.128)	Deed of Variation successfully negotiated to allow leaseholder buybacks to progress. Continue to negotiate with remaining leaseholders and buy properties back.
TOTAL	**191.315**	**53.830**	**149.037**	**(42.278)**	

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 disposal of Block E Woodbury Down, the Council could have considered marketing the property openly to the commercial market, rather than restricting proposals to operators on the Council's Approved List of workspace providers. However, the decision was taken to use the space to support small businesses and provide an amenity for local residents, with the additional benefit of an option to carve out space for use by the Council itself and Genesis Housing Association. There are no alternative options regarding the London Fields Employment Area freehold transfer proposal.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of November 2017. Full Council agreed the 2017/18 budget on 1st March 2017.

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 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 With regards to the proposed lease of ground floor and part first floor of Block E Woodbury Down, the disposal of the Property by the Council must be for the best consideration that can reasonably be obtained in order to comply with Section 123 of the Local Government Act 1972 and the decision to make the disposal must have due regard for the Council's fiduciary duties. Paragraph 9.1 (below) confirms that the proposed disposal meets the statutory requirement of best consideration.

8.5 The Mayoral scheme of delegation provides that the approval of the grant of a lease and sub leases for more than 7 years, in respect of General Fund and land held for housing purposes other than the approval of a lease renewal, assignment, enfranchisement and grant of a statutory right to renewal or extension of commercial leases and sub leases in respect of General Fund and land held for housing purposes is for Mayor and Cabinet to decide.

8.6 All other legal implications have been incorporated within the body of this report.

9.0 COMMENTS OF THE INTERIM DIRECTOR OF STRATEGIC PROPERTY SERVICES

9.1 With regards to proposed Lease of Ground Floor and Part First Floor of Block E Woodbury Down, the proposed letting is the result of a tender process to organisations on the Council's approved list of workspace providers without a full marketing campaign. The Council therefore commissioned an independent valuation to address the question of best consideration.. The report advises that the terms of the proposed letting will meet the requirement to achieve best consideration under Section 123 of the Local Government Act 1972

9.2 A minimum 25 year lease is required by the proposed tenant due to the level of investment that will be made into the fit out of the building and set up costs of the business. The proposed tenant will be required to provide a business hub for a mixed portfolio of businesses at Woodberry Down, with a mixture of self-contained office spaces and open plan workspaces. The proposed tenant will provide discounted occupational costs and business support services to tenants and will target start-ups who most need its support.

9.3 The proposed tenant is also required to make space available within the premises for use by LBH and Genesis Housing Association, and must explore opportunities to work with the local community, for example through provision of training or access to services at the hub.

Appendices

1. Lease of Ground Floor and Part First Floor of Block E Woodbury Down- Schedule of Benefits
2. Lease of Ground Floor and Part First Floor of Block E Woodbury Down – Site Plan First Floor
3. Lease of Ground Floor and Part First Floor of Block E Woodbury Down – Site Plan Ground Floor
4. Lease of Sites B, E, F and G London Fields Employment Area – Site Plan

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