TITLE OF REPORT: 2017/18 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (MARCH 2018)
KEY DECISION NO. FCR O9

CABINET MEMBER **Cllr Rennison** **Finance**
GROUP DIRECTOR **Ian Williams Finance and Corporate Resources**

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the final OFP report for 2017/18 and on the basis of detailed monitoring data from directorates, the provisional outturn is a forecast overspend of £3,677k. This compares to a forecast overspend of £3,728k in February and to a forecast overspend of £5,300k in January. The primary reason for the significant improvement in the financial position in the final quarter of the year is the receipt by Childrens, Adults and Community Health (CACH) of non-recurrent Better Care Fund (BCF) funding of £1,300k from the Clinical Commissioning Group (CCG) towards maintaining social care eligibility criteria.

1.2 An explanation of each directorate's forecast outturn position is detailed in the directorate commentaries below.

1.3 Our projected overspend primarily reflects severe spending cuts by central government since 2010, which are likely to continue for a number of years to come, and increasing cost pressures in services which remain underfunded by the government. These include social care, homelessness and special education needs (SEN) in education. With regards to SEN, reforms introduced in The Children and Families Act 2014 extended the age range of young people to be supported and while we welcome the changes, these have not been matched by government investment, with central government funding frozen since 2011. The government's failure to provide any additional funding to address the inherent increasing demands and cost pressures within these services, and to support wage increases for local government staff makes our financial position next year and in the following years, extremely challenging.

1.4 This report also seeks approval to enter into leases with commercial tenants in properties at Kings Crescent and Great Eastern Building. These demonstrate the Council's commitment to continuing to invest in the borough, despite the challenging financial position, delivering the homes and businesses local residents need.

1.5 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 £3,677k overspend which is equivalent to 0.4% of the total gross budget. It should be noted that whilst the closure of the 2017/18 Accounts is well advanced, this is still subject to finalisation and as such this forecast is subject to change.

2.2 This report seeks approval to enter into leases of up to 10 and in one instance 15 years in respect of various properties located in Kings Crescent Estate and in the Great Eastern Building. The properties referred to below have been developed as part of the first schemes to be completed on the Housing Estate Regeneration Programme. The properties at Kings Crescent and Great Eastern Building have been marketed, negotiated and the lease terms are being concluded. The residents of the schemes have moved into the properties and the commercial lettings form part of the regeneration of the estates, providing service to the community and it is important that these businesses have a long-term interest, therefore the report recommendation to enter one lease of up to 15 years and the remainder for up to 10 years is supported.

2.3 **Kings Crescent Estate (Phase 1) – Clissold Quarter.** The first phase of the regeneration scheme, which included 79 homes for social rent, 36 homes for shared ownership and 158 for outright sale, is now complete with the first residents moving in to the complex in September 2017. In addition to the new homes, Higgin's Construction handed over 4 retail units, all of which are being marketed in shell and core condition, meaning that the incoming tenants fit out the interior of the unit including all finishes and the necessary services adapted for their own use.

2.4 **The Great Eastern Building** forms part of the borough-wide estate regeneration programme includes 18 new homes including 5 one-bedroom, 10 two-bedroom, and 3 three-bedroom homes. There are 6 shared ownership properties paid for through 12 homes for outright sale, as well as 114 sq. m. of commercial space. Similar to the above, the commercial unit was marketed as "shell & core", requiring the incoming tenant to make considerable investment into fitting out the property for their own use.

2.5 The units have been marketed through CF Commercial and, where offers have been received, these have been evaluated against a set of criteria including rental offer, covenant strength, quality of fit out, and local economic impact. The current position with each unit is as follows:

(a) Unit A Clissold Quarter, 255-259 Green Lanes, Stoke Newington, N4 2UX

This is the largest of the four commercial units on this site (3337 sq. ft.) in a prominent location fronting Green Lanes and opposite Clissold Park. The Council's objective has been to secure an anchor tenant for the unit; ideally a general grocer. After a thorough marketing process Heads of Terms have been agreed with Sainsbury's at a rent of £95,000, exclusive of VAT, Rates & Service Charge. Their offer is subject to agreement of a 15 year lease which they require in order to amortise their extensive fit out costs.

(b) Unit B Clissold Quarter, 263 Green Lanes, Stoke Newington, N4 2UX

This commercial unit (721 sq. ft.) has planning designation A1 (Retail-Shops) and is in a good location fronting Green Lanes and opposite Clissold Park. After thorough marketing, Heads of Terms have been agreed with Hourglass Café, a new start up business currently operating from a flat in Stoke Newington. Their business model is that of an independent café and retailer of coffee and coffee making equipment. The agreed rent is £22,500 pa exclusive of VAT, Rates & Service Charge. They require a 10-year lease to amortise their fit our costs.

(c) Unit C Clissold Quarter 4 Murrain Road, Stoke Newington, N4 2BN

This unit (2,293 sq. ft.) is currently being considered as a potential location for a temporary community centre pending completion of the purpose built community centre building within phase two of the Kings Crescent regeneration. However addressing the possibility that this proposed temporary use may not be viable, approval is sought to market the unit generally and enter in to a commercial lease of up to 10 years, in the event that use as a community centre proves not to be viable. That use would also require a planning application for charge of use).

(d) Unit D Clissold Quarter, 22 Brownswood Road, Stoke Newington, N4 2XS

This unit is in a secondary location opposite an existing newsagent and provides a retail opportunity within the estate itself. A tenant proposal from a dry cleaning operator is expected, and it is likely that because of the fit out costs, the tenant will require a 10-year lease.

(e) Commercial Unit 1, Ground Floor, Great Eastern Building, Reading Lane, E8 1DR

The development comprises 14 shared ownership and four private sale homes, built above a commercial unit of 1226 sq. ft. which has planning designation. The commercial unit (1226 sq. ft.) is in a secondary location to the western side of the rail line serving Hackney Downs and London Fields. After thorough marketing and receipt of best bids, Tempo Pilates were identified as the preferred tenant for the site. Their offer amounts to a rent of £42,910 per annum exclusive of rates, service charge and VAT. This use will require a change of use as the unit is current designated D1 and a fitness studio will be within use class D2. Tempo Pilates are seeking a 10 year lease in order amortise the cost of their fit out.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT MARCH 2018

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
85,489	Children's Services	0	0
86,324	Adult Social Care	3,388	54
395	Community Health	-17	-17
172,208	**Total CACH**	**3,371**	**37**
44,890	**Public Realm**	**42**	**17**
20,157	**Finance & Corporate Resources**	**-163**	**-194**
8,249	**Chief Executive**	**431**	**92**
2,128	**Housing - GF**	**-4**	**-5**
13,538	**General Finance Account**	**0**	**0**
261,170	**GENERAL FUND TOTAL**	**3,677**	**-53**

3.0 RECOMMENDATIONS

3.1 To note the overall financial position for March 2018, covering the General Fund, Capital, HRA and the earmarking by the Group Director of Finance and Corporate Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme.

3.2 Authorise the council to enter into leases of up to 10 years and one of 15 years in respect of the commercial properties identified in this report.

3.3 Authorise the Director of Strategic Property Services to agree all other lease terms.

3.4 Authorise the Corporate Director of Legal, HR and Regulatory Services to effect the proposed disposal and to enter into any other ancillary legal documentation required to complete the disposal transaction.

3.5 To dispose of the Property by the method that is determined will meet the best consideration requirement set out in Sections 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 approve the property disposals

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

The CACH directorate is forecasting an overspend of £3,371k after the application of reserves and drawdown of grant. A summary of the main variances from budget are described below.

Children & Families (C&F) Services

There remains sustained pressure on the service, a position which is not unique to Hackney as shown by the results of a recent survey on Children's Social Care spend carried out jointly by the Society of London Treasurers (SLT) and the Association of Directors of Children's Services (ADCS); which has been discussed in previous OFPs.

Corporate Parenting Commissioning budgets (namely Looked After Children Incidentals - +£155k overspent and Leaving Care Grants – +£56k overspent) have remained the same despite a steady increase in activity levels, hence the ongoing pressures in these areas. Charges for Employee Insurance (+£56k) contributed to the overspend across Staffing budgets (+£161k) as did agency premiums and over-established posts, driven in part by maternity pressures.

Core Corporate Parenting budgets are overspent by +£848k due to continuing placement pressures driven by an increase in numbers of Looked After Children (LAC) in recent years and a marked change in the profile of LAC placements. Residential placements numbers peaked at 27 in 17/18 - an increase also corresponding with a rise in the number of more costly placements associated with more complex needs. The cost of an average residential placement is now £169k and more expensive placements can exceed £200k. 154 children were placed with independent foster carers - an increase of 38 in the last five years. Conversely, in-house fostering placement numbers reduced from 110 in the same period to 75 this year. The shortage of in-house foster carers and the resulting reliance on independent agencies remains a cause for concern. At around £48k per year, the cost of an independent foster care placement is more than double that of an in-house placement.

Children in Need: The service's projected outturn is an overspend of +£440k which is due to: - additional staffing above establishment as a result of increasing caseload (with average caseload of 17 per practitioner), and the use of agency staff to cover maternity and long term sick leave. It also reflects budget pressures in commissioning due to court ordered assessments and the cost of supporting children during the course of care proceedings e.g. parental contact, travel to school and specialist assessments. There is also pressure on the transport budget resulting from increased activity (+£43k) but pressures in staffing and Section 17 spend have been partly offset by the use of reserves.

Disabled Children Service**:** Spend across Commissioning budgets (namely Homecare and Short Breaks) was approximately. £230k less than that projected in previous months, alongside a number of positive movements across other areas including Staffing and Transport (-£30k). This resulted in a favourable movement in the position of (-£260k) compared to February.

Safeguarding and Learning Service: Employee budgets were underspent (-£116k) due to vacancies and staff working below their established FTEs. Supplies & Services budgets - particularly those used to cover training costs across C&F departments - were also underspent (-£120k)

Clinical Services**:** The Clinical Services underspend of (-£107k) is due to vacant and part filled posts (-£66k) and small underspends within non-pay budgets (-£41k)

Youth Justice**:** The Youth Justice underspend of (-£164k) is mainly due to the service receiving a one-off contribution from Public Health (PH) in relation to 'violence prevention and social exclusion' of £284k, and this PH contribution mitigated the remand pressure which has existed for a number of years due to the falling grant income received from the Youth Justice Board of £168k. There were also underspends on computer licence costs (-£26k) and in permanent staff due to posts being vacant part-year and some staff opting out of the pension scheme (-£22k). The (-£108k) movement in month is due to the removal of the planned remand reserves a reduction in the remand forecast due to an overstatement for Secure Children's Homes; reduction in computer licence costs; and other underspends within non pay budgets.

Directorate Management: The Directorate Management underspend of (-£298k) is due to one-off income from grant maximisation.

The Overstaying Families Intervention Team (OFIT**)** was supporting 102 families who have no recourse to public funds as at the end of March 2018. The main area of spend is Section 17 payments on accommodation and subsistence of £2,500k in the current year. The service continues to work to ensure that services are targeted to those in need. When the financial burden of supporting these families first arose the Government did not provide any additional funding through revenue support grant nor special grants and even after it became apparent that the burden was significant for some Councils (primarily in London), the Government did not and has still not provided additional funds. And so we are meeting the burden entirely from our own resources – a combination of a budget of £1,400k in 2017/18 (which was taken out of the overall cash limit) and a reserve transfer of £1,100k.

Young Hackney**:** The Young Hackney underspend of (-£777k) is mainly due to one off factors such as posts being part filled, vacant posts and pension opt outs (-£314k); an underspend in commissioning (-£93k); an underspend in Supplies and Services predominantly due to savings made on computer license costs (-£144k); and a one-off contribution from Public Health for Adventure Playground and Sports (-£223k). The increase in the underspend of (-£136k) from the previous month is due to a revision to the commissioning and computer licence cost forecasts following updates from the service area (-£100k) and planned maintenance work which was not completed by year end (-£30k).

HLT

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. The most recent forecast draw down was £2.4m. At the end of the year this has reduced to around £1m. This is mainly a result of a favourable expected adjustment to DSG funding following the January early years census.

Special educational needs activities‘ expenditure was around £7.5m in excess of agreed budgets; some of the SEND over-spend was offset with savings made across other HLT departments bringing the overspend down to a net £1m as indicated above. 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.

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 provisional outturn forecast for Adult Social Care is a +£3,388k overspend. A summary of the main variances from budget are described below.

Care Management & Adult Divisional Support**:** There is an overspend of +£474k primarily driven by additional staffing resources employed within the Integrated Learning Disabilities team to manage demands within the service

Provided Services: The outturn position for Provided Services is a (-£704k) underspend which is due to decreasing activity within Day Services and the early delivery of savings as part of the transformation programme (Meals on Wheels and Transport). The underspend within Day Services will be required for the Oswald Street Day centre scheduled to open during 2018/19. The +£77k movement from February's reported position is due to additional locum costs (+£26k) to cover leave/sickness; increased corporate recharges for utilities and repairs (+£31k); and the remaining +£20k is due to one-off cost incurred relating to supplies and services procured across the service area.

Care Support Commissioning: The Outturn position for Care Support Commissioning is a +£5,297k overspend, and this is primarily driven by a significant budget pressure within the Learning Disabilities (LD) service as result of undelivered savings from previous years and increase in demand in terms of numbers and complexity. Further detailed work on spend in this area has highlighted that the deliverability of the savings is compromised by the complexity of need currently funded by Adult Social Care. Management actions through the Care Funding Calculator (CFC) and securing joint funding from the CCG will seek to mitigate some of these pressure in the new financial year. The +£256k movement from February's reported position is due to increased client activity across long term care services (+£167k), and reduced income in relation to a Homecare Provider discount linked to activity that has yet to be agreed (+£89k).

Preventative Services forecast outturn position is an underspend of (-£1,408k) – an increase of (-£312k) in the underspend reported last month. This underspend is largely due to an in year budget underspend of (-£790k) on Median Road Resource Centre as future plans for the Centre are yet to be decided. There is an underspend of (-£357k) on Substance Misuse due to reduced residential activity resulting from successful preventative and early intervention care and support. A further underspend is identified within Safeguarding Adults DoLs assessments and estimated at (-£125k), caused by reduced number of assessment this financial year. This has been possible through improved partnership working via the Triage arrangement with Health partners coupled with DToC performance. However activity is expected to increase next year.

Public Health is forecast to breakeven.

4.3 PUBLIC REALM

The provisional outturn forecast for the Public Realm Division is a +£42k overspend. The main variances from budget are summarised below.

Environmental Operations has both an overspend and movement of +£190k from February position. This is due to the following reasons; additional costs in vehicle insurance of +£106k, backdated VAT liability payment of +£43k after a voluntary disclosure and further smaller changes to various running costs totalling +£41k. Overall insurance costs within Public Realm are showing an underspend. The largest net benefactor of the divisional insurance underspend is within Streetscene. However, this has been offset by increased costs of external contractors for highways related work. The under spend within Streetscene of (-£100k) remains unchanged from the February forecast and the reason for the underspend is increased income from Highways Licenses.

Parking services is showing an underspend of (-£121k) from February position, which is due to underspends in running costs across the service.

As a division there is no change in Libraries, Leisure and Green Spaces from the previous month with the outturn position being a (-£36k) underspend.

The Community Safety, Enforcement and Business Regulation (CSEBR) shows an overspend of +£133k – an increase of +£40k since the previous month. This reflects a delay in embedding the enforcement service which impacted the level of Service Level Agreement income with Housing and CACH. There is an under recovery of £70K of income from Licensing fees against the approved budget. Overall, licensing income (across Licensing and Streetscene) is achieving its target but there is a shortfall in CSEBR (where the Licensing team sit). This has been resolved as part of the budget build for 2018/19. In addition, there is a £90k shortfall of income from Proceeds of Crime Act (POCA). It is recognised that income from POCA is variable year on year and the service will manage the income levels against budget through the use of reserves. A review of the POCA income budget and the associated reserve will be carried out on an annual basis in order to ensure that the service budget is achievable. The overspends in CSEBR have been offset by underspends in running costs (-£27k), mainly in transport, which occurred whilst the new teams were being established.

The Planning Service shows an overspend of +£28k which is an improvement of (-£72k) from the February forecast. This change reflects the increased income from the CIL levy to fund the cost of the administration of the CIL. The amount drawn from Hackney CIL, £473k, represents 4.8**%** of the total levy received in 2017/18.

4.4 FINANCE & CORPORATE RESOURCES

Provisional outturn is a forecast underspend of (-£163k) which comprises a series of underspends across most services partially offset by overspends in others. Financial Management is (-£506k) underspent as a result of staff vacancies and lower contract costs (external audit and financial systems); Audit is (-£121k) underspent reflecting reduced fees and Directorate Teams are underspent by (-£205k), which is owed to a number of factors, including staff vacancies. These underspends are partially offset by overspends in Facilities Management, reflecting higher business rates costs on corporate buildings and Procurement which reflects additional staff costs.

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by +£431k after forecast reserves usage. Communications, Culture and Engagement is projected to be +£304k overspent which is primarily due to a projected lower than budgeted income from the Town Hall and Stoke Newington Town Hall. With regards to the Town Hall, Income generation has relatively been low this year because the ongoing construction works have limited the time available for hire. In addition, there is a small increase in cost relating to changes resulting from the SLT restructure, small reductions in forecast income in Communications Management services and small increase in repairs and maintenance costs for Hackney House. There are also a small overspends in Policy Strategy and Economic Development and the Chief Executive Office, which are partially offset by an underspend in Legal and Governance.

4.6 GENERAL FUND HOUSING SERVICES

The service is forecasting to come in at budget. Overspends in Private Sector Housing are offset by underspends in Housing Strategy, Economic Regeneration and Housing Office Accommodation.

4.7 HRA

The HRA is forecast to come in on budget.

Income

There is a +£270k adverse variance within Dwelling rents and the void loss charge is currently higher than budgeted due to an increase in void re-let times. There is a -£350k favourable variance within Non-Dwelling rents. This is due to an increase in commercial rental income following a rent review (-£240k) and also increased income relating to Community Halls (-£110k) where there has been a push to increase revenue this year. Within Leaseholder Charges for Services and Facilities there has been an increase in Leaseholder Insurance re-charges, reflecting an increase in costs compared to last year; and the favourable variance within Other Charges for Services and Facilities.

Expenditure

The (-£752k) underspend in Repairs and Maintenance mainly relates to the Painting programme where the full budget will not be utilised. There is a £(-1,100k) underspend in Special Services which is primarily due to a reduction in utilities costs of (-£1,600k), which is partially offset by an increase in estate services costs. Rents, Rates, Taxes and other Charges are overspent by +£753k which is primarily due to the increase in business rates during the year. There are also reductions in the increase in the bad debts provision and capital charges

4.8 Capital

The capital expenditure outturn for 2017/18 is £271.1m, £8m below the final approved budget of £279.1m. This represents an outturn of 3% below the agreed budgeted programme. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances. The June Capital Update report will include the requested transfer of resources and associated approvals into the 2018/19 capital programme arising from the outturn position in order that the schemes can progress to completion

Summary of the Capital Final Outturn

Table 1 – London Borough of Hackney Capital Programme – Final Outturn 2017/18	Revised Budget Position	Final Outturn	Variance (Under/Over)
	£'000	£'000	£'000
Chief Executive	87	0	-87
Children, Adults & Community Health	25,592	21,783	-3,809
Finance & Corporate Resources	81,017	84,524	3,507
Neighbourhoods & Housing (Non-Housing)	23,049	20,699	-2,349
Total Non-Housing	**129,744**	**127,006**	**-2,738**
AMP Capital Schemes HRA	94,241	87,617	-6,624
Council Capital Schemes GF	1,697	1,469	-228
Private Sector Housing	1,776	1,505	-271
Estate Renewal	44,338	43,996	-342
Housing Supply Programme	3,047	2,240	-807
Other Council Regeneration	4,227	7,280	3,053
Total Housing	**149,327**	**144,109**	**-5,219**
Total Capital Expenditure	**279,071**	**271,115**	**-7,956**

CHIEF EXECUTIVE'S SERVICES

The final outturn for the Chief Executives Services is nil spend against the revised budget of £0.08m. The planned spend for this project will continue into 2018/19. A request of the slippage of associated funding and approvals will be included in the June Capital Update report.

CHILDREN, ADULTS AND COMMUNITY HEALTH

The final outturn for the Children, Adults and Community Health is £21.8m, £3.8m below the revised budget of £25.6m.

CACH Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£'000	£'000	£'000
Adult Social Care	3,863	3,397	-466
Education Asset Management Plan	3,465	4,181	717
Building Schools for the Future	586	47	-539
Other Education & Children's Services	657	466	-191
Primary School Programmes	4,924	3,076	-1,848
Secondary School Programmes	12,096	10,614	-1,482
TOTAL	**25,592**	**21,783**	**-3,809**

Adult Social Care

The final outturn for the overall Adult Social Care is £3.4m, £0.5m below the respective budget of £3.9m. The most significant variance relates to Oswald Street Day Centre which is showing an in-year underspend of £0.5m against the respective budget of £3.7m. The variance relates to delays in the fit-out and construction of the centre. The planned spend for this project will continue into 2018/19. A request of the slippage of associated funding and approvals will be included in the June Capital Update report in order that the scheme concerned can progress.

Primary School Asset Management Programme

The final outturn for the overall Primary School Asset Management Programme is £4.2m, £0.7m above the respective budget of £3.5m. The main variance relates to London Fields School AMP which is showing an in-year overspend of £0.4m against the respective budget of £0.09m. The variance was due to the programme of works completing earlier than planned. There is a budget of £0.40m in 2018/19 and this will be utilised to cover this expenditure.. The overall programme will continue into 2018/19 and a request for the slippage of associated funding and approvals will be included in the June Capital Update report in order to ensure that the total allocation across 2017/18 and 2018/19 is not overspent.

Building Schools for the Future

The final outturn for the overall BSF PRUs programme is £0.05m, £0.55m below the respective budget of £0.6m. The main variance relates to Stormont College which is showing nil spend against the respective budget of £0.03m. The variance relates to the final account payments which will be slipped to 2018/19. The overall BSF programme will continue into 2018/19 therefore a request for the slippage of associated funding and approvals will be included in the June Capital Update report.

Primary School Programmes

The final outturn for the overall Primary School Programme is £3.1m, £1.8m below the respective budget of £4.9m. The main variance relates to Shacklewell School – budgets will be slipped into 2018/19 to bring the profile of budgets in line with the anticipated delivery of the schemes during the year

Secondary School Programme

The final outturn for the overall Secondary School Programme is £10.6m, £1.5m below the respective budget of £12.1m. The most significant variance relates to the AMP (Annual Maintenance Programme) Works 2017/18 programme which is showing an in-year underspend of £1.2m. The AMP is the borough's cyclical and periodic yearly maintenance programme which is showing an in-year underspend of £0.5m against the respective budget of £5.0m. This variance relates to a delay on decisions on design and development which will be slipped to 2018/19.

The other significant variance relates to Shoreditch Park School Façade which is showing an in-year underspend of £0.6m against the respective budget of £1.0m. This scheme is part of a rolling programme of repairs of significant structural and condition issues with the high level façades and roofs of the Victorian and Edwardian schools in the Borough. The overall programme will continue into 2018/19 and therefore, a request for the slippage of associated funding and approvals will be included in the June Capital Update report in order that the programme can continue to be delivered as anticipated.

The schools works programme is the result of a survey of all schools done in March 2016. This survey takes place every three years and brought to light urgent statutory, health and safety works which needed to be carried out in schools. The expenditure for this overall project is continuing into 2018/19 and this underspend is fully committed against contract value. Therefore a request for the slippage of associated funding and approvals will be included in the June Capital Update report.

FINANCE AND CORPORATE RESOURCES

The final outturn for the Finance & Corporate Resources is £84.5m, £3.5m above the revised budget of £81.0m.

F&CR Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£'000	**£'000**	**£'000**
Property Services	4,998	5,138	140
ICT	5,459	2,647	-2,812
Financial Management	372	463	91
Other Schemes	307	203	-103
Mixed Use Development	69,881	76,074	6,192
TOTAL	**81,017**	**84,524**	**3,507**

Strategic Property Services

The final outturn for the overall Property Services is £5.1m, £0.1m above the respective budget of £5.0m. At the last re-profiling exercise we re-profiled £2m to 2018/19 due to a number of variances in schemes relating to landlord works to Voluntary Sector properties that started mid to end of March 2018. We also had a number of capital schemes which form part of the Corporate Estate Rationalisation which were still pending project options. A request of the slippage of associated funding and approvals will be included in the June Capital Update report.

ICT

The final outturn for the overall ICT Programme is £3.1m, £1.8m below the respective budget of £4.9m. The main variance relates to the Digital Capital programme which is showing an £0.7m underspend. Hackney Council is re-developing the Digital Platform for all users. This programme forms part of the overall Council's ICT Strategy which is structured in line with the six strategic themes that have been developed to shape the Council's direction for digital change and technology investment. This is designed to ensure that Hackney is delivering high quality digital services for everyone. The planned spend for this project will continue into 2018/19. A request of the slippage of associated funding and approvals will be included in the June Capital Update report.

Mixed Use Development

The overall final outturn for Mixed Use Development is £76.1m, £6.2m above the respective budget of £69.9m.

The final outturn for the Tiger Way and Nile Street is £69.8m, £7.3m above the respective budget of £62.5m. This is a budget profiling issue only, and will be corrected through the year-end process. Both schemes remain on target at an aggregate budget level. The final outturn for Britannia Site for 2017/18 is £6.3m, £1.1m below its profiled budget of £7.4m.

Each of these schemes is ongoing into 2018/19 and future financial years. Therefore a request of the slippage of associated funding and approvals will be included in the June Capital Update report in order to bring the profile of budgets in line with the anticipated delivery of the schemes.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING):

The final outturn for the Neighbourhoods and Housing (Non-Housing) is £20.7m, £2.3m below the revised budget of £23.0m.

N&H – Non Housing Capital Forecast	Revised Budget	Final Outturn	Variance
	£'000	**£'000**	**£'000**
Museums and Libraries	211	90	-121
Parks and Open Spaces	6,140	5,982	-158
Highways/Infrastructure	10,703	9,813	-891
EHPC	1,323	1,185	-138
TFL	3,548	2,825	-724
Parking and Market Schemes	159	163	3
Regulatory Services	79	0	-79
Safer Communities	170	126	44
Regeneration	713	515	-198
Total	**23,049**	**20,699**	**-2,349**

Museums & Libraries

The final outturn for the overall Museums & Libraries is £0.01m, £0.01m below the respective budget of £0.02m. At the last re-profiling exercise £1.3m was re-profiled to 2018/19 in line with the anticipated spend. 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. A request of the slippage of associated funding and approvals will be included in the June Capital Update report in order that the scheme concerned can progress.

Parks and Open Spaces

The final outturn for the overall Parks and Open Spaces capital programme is £5.9m, £0.2m below the respective budget of £6.1m. At the last re-profiling exercise, £3.9m was re-profiled to 2018/19, in line with the anticipated spend. The main variance in this quarter relates to Commercial Vehicles for Parks Central which forms part of the Council's new fleet vehicles approved by Cabinet Procurement Committee on 21 February 2017. The provision is to replace light commercial vehicles up to 3500kg and heavier vehicles to 7500kg to service all the service departments, across the Council, that require these vehicles for their operations over the next four years. All of the vehicles to be purchased will be Euro 6 emissions compliant, with all diesel vehicles up to 3500kg to operate on a B30 blend of biodiesel, this producing a 24% CO_2 savings alongside some NOx savings. In addition, some of the smaller vans will now be ordered as electric vehicles where the technology exists. The planned spend for these vehicles will be in 2018/19 and a request of the slippage of associated funding and approvals will be included in the June Capital Update report.

HOUSING

The final outturn for Housing is £144.1m, £5.2m below the revised budget of £149.3m.

Housing Capital Forecast	Revised Budget	Forecast	Variance	Comments
	£'000	**£'000**	**£'000**	
AMP Capital Schemes HRA	94,241	87,617	-6,624	The majority of the packages (SCA) of work for 2017/18 have started on site. There is £3.5m of works packages that have not been issued to contractors and therefore reprofiled to 2018/19. Plus £3m of fire risk works due to commence shortly, reprofiled to 2018/19
Council Capital Schemes GF	1,697	1,469	-228	Historic underspend of budget to refurbish properties as vacant properties are all brought back into use. Underspend carried over for acquisition of new properties and conversion of existing stock.
Private Sector Housing	1,776	1,505	-271	Underspend due to small reduction in demand for all grant areas.
Estate Renewal	44,338	43,996	-342	Contract for Tower Court, St Leonards, Frampton Arms and Lyttelton House have now been awarded and construction and expenditure will commence in next financial year. Kings Crescent and Great Eastern Building has achieved Practical Completion and are now occupied. The completion of KER and Aikin Court have now slipped to the new financial year.
Housing Supply Programme	3,047	2,240	-807	Design development cost (architects and Employers Agents/Cost consultants) continue to be incurred. 2 schemes achieved planning permission and move to procurement stage. Majority of scheme not at tender stage.
Other Council Regeneration	4,227	7,280	3,053	Viability negotiations of Phase 3 continue so limited progress on leaseholder buybacks. However, progressing to CPO and continue to negotiate with remaining leaseholders and buy properties back. Overspend due to increase in buyback of properties in last qtr
Total Housing	**149,327**	**144,109**	**-5,219**	

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 Property disposals these are part of the overall Council regeneration strategy.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of March 2018. 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 property disposals, under section 123 of the Local Government Act 1972 a local authority shall not, except with the Secretary of State's consent, dispose of land for a consideration less that the best that can be reasonably be obtained. The Director for Strategic Property Services has confirmed that the Council will meet its obligations in this regard.

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

9. COMMENTS OF THE DIRECTOR FOR STRATEGIC PROPERTY SERVICES

9.1 Where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of s.123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved Best Consideration. Lettings of all of the units identified in this report will be by way of a full marketing process and I confirm that the Council will meet its obligations under s.123.

9.2 All lettings will be based on a robust evaluation process with the clear objective of securing uses which will enhance the new schemes at Clissold Quarter and Great Eastern Building

Appendices

Appendix 1: Property Location Drawings

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