TITLE OF REPORT: 2018/19 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (JULY 2018)
KEY DECISION NO. FCR P10

CABINET MEETING DATE 2018/19	CLASSIFICATION:
17 September 2018	Open

WARD(S) AFFECTED All
CABINET MEMBER Cllr Rennison Finance and Housing Needs
KEY DECISION Yes **REASON** Spending or Saving
GROUP DIRECTOR Ian Williams Group Director Finance and resources

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the second Overall Financial Position (OFP) report for 2018/19 and is based on detailed July monitoring data from directorates. We are forecasting an overspend of £5,507k at year end – an increase of £107k from the previous month

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 several 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. 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 It is essential that reported overspends in any service area are addressed and mitigated and I look forward to progress being made in the remainder of the year. This of considerable importance given the uncertainties regarding future external funding allocations and the cost pressures we face.

1.5 The report also proposes an increase in the value of the Section 75 Agreement with the Homerton University Hospital Trust (HUHT) by £336k for the IT Enabler Programme Phase 3 to further deliver the programme of integration of information relating to users of health. Funding for the £336k, was provided to the Council by the Clinical Commissioning Group (CCG) through a partnership agreement under Section 256 of the National Health Service Act 2006.

1.6 Finally, this report also provides an update on the North London Heat and Power Project and the replacement of the existing Energy from Waste plant at Edmonton that is being undertaken by the North London Waste Authority. It is intended to bring further updates to Cabinet as the project progresses.

1.7 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 £5,507k overspend which is equivalent to 0.5% of the total gross budget.

2.2 Where there are service overspends of a recurrent nature, we have dealt with this in our medium-term financial plan and will manage down the overspends by a phased application of additional resources to the relevant services. It is necessary to do this in a phased way to smooth out the impact on the rest of the budget.

2.3 **Partnership Agreement for Integration of Health and Social Care Records.** The health partnership across Hackney has embarked on a programme to integrate health and social care information for users of health and social care. The vision of the programme is to bring together local care provider organisations and provide a holistic view of the service user record. The partners to the programme include, the Council, City & Hackney Clinical Commissioning Group (CCG), Homerton University Hospital Trust (HUHT), The East London Foundation Trust (ELFT), St Joseph's Hospice, GP Practices and City & Hackney Urgent Healthcare Social Enterprise (CHUHSE). The Lead organisation for this programme is HUHT as it is the major provider of acute health care services in Hackney. HUHT has established an IT enabler board to deliver the programme and this board will report to the Integrated Commissioning Board through the Transformation Board. The programme aims to deliver the following outcomes for Hackney residents:

- Service user health and social care information is collected once and made available throughout the whole journey of care
- Service user preferences are met first time more often through visibility of information.
- Service users access their own care record information on-line, including hospital information, from their own personal devices.
- Real-time access to shared care record information at the touch of a button, releasing resources that can focus on providing care, and reducing delays for service users.
- Unique and common identifier (NHS number) for each service user in health and social care
- Rich and standardised care record information that can be aggregated to inform population health management.
- Third sector organisations (providing contracted care services) are on par with statutory organisations with respect to care record sharing capabilities.
- Shared care record information is centred around the service user.

2.4 This programme builds upon on the health integration strategy for Hackney complementing and supporting the services delivered through the Better Care Fund and the aspirations of health partners through the Health Integration devolution pilot.

2.5 Funding for this programme, £336k, was provided to the Council by the CCG through a partnership agreement under Section 256 of the National Health Service Act 2006. Under this agreement the Council will commission HUHT to lead the delivery of the programme through a Section 75 Partnership Agreement which will be delivered over the next 2 years. The Trust will deliver the programme through contractual arrangements with various health and social care providers in accordance with its own governance arrangements.

2.6 Cabinet is asked in this report to increase in the value of the Section 75 Agreement with the HUHT by £336k for the IT Enabler Programme Phase 3 to further deliver the programme of integration of information relating to users of health and social care services.

2.7 To date £5m has been provided to the Council by the CCG through a partnership agreement under Section 256 of the National Health Service Act 2006 to fund this programme led by the HUHT under the current Section 75 Agreement which was approved by Cabinet in April 2016 (£2.5m) and November 2016 (A further £2.5m taking the total to £5m).

2.8 **North London Heat and Power Project.** The North London Waste Authority (NLWA) is made up of seven north London boroughs (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest). Over two million residents live in the NLWA area. NLWA is responsible for helping the seven north London boroughs dispose of the 850,000 tonnes of waste they collect every year. After recycling, around 600,000 tonnes is “residual waste”, equivalent to 280 dustcarts of “black bag” waste every day. Most residual waste is converted into energy within the Authority’s area at the Edmonton EcoPark. The existing Energy from Waste plant opened in 1970. As Cabinet will be aware from previous updates its impending life expiry means a need exists for a new solution. Even with growth in recycling, a long term sustainable route is needed for treating our non-recyclable waste. The NLWA explored procurement through partnership with the private sector, but in 2013 concluded that this offered poor value for money. In addition the life of the existing facility could be extended to 2025 to investigate alternative approaches. A Development Consent Order for a new Energy Recovery Facility was submitted in 2015 and approved in 2017. Procuring our own facility assures NLWA of availability of disposal route and allowed us to specify standards. This project is now at a key stage and over the coming months a number of decisions will be taken that will have material finance consequences for all Boroughs beyond 2022.

2.9 The new solution the North London Heat and Power Project will treat 700,000 tonnes of waste each year. If recycling increases to 45% in North London, even by 2050 the facility would provide enough capacity to deal with all NLWA’s residual waste, and any spare capacity could be used to secure income from treating others' waste. The facility will generate enough heat and power for 127,000 homes – roughly the number in LB Enfield – over 50% more than the current energy from waste plant. Its performance is based on the most reliable, proven, and advanced modern technology – gives operational confidence. It is expected to provide employment for 150+ people in operating the new facilities and being within the Authority area – reduces travel distances/transport emissions. The new facility will meet the Mayor's "carbon intensity floor" targets, including NOx emissions 60% below current permitted levels.

2.10 The critical decision that now needs to be taken relates to which option will be taken to procure the facility as each one has different key steps but, in each case, will have a Net Present Cost estimates at over £1.1bn. In effect 4 options exist and these will be set out in detail in papers to the authority in October but in essence are as follows;

1. Design, Build, Finance, Operate - this would in effect be a single private contract for all elements and be financed privately.

2. Private construction and operation - this would involve single private contracts for the design, build and operate elements.

3. Two private contracts - private contracts for design and build - separate private contracts for operations.

4. Private construction - Private contract for design and build.

NB. Options 2 to 4 are all funded via public finance most probably the Public Works Loan Board (PWLB).

2.11 Following a decision the expectation is for officers to move to tender issue (in 2020) subject to officers successfully delivering the option approved by Members. Given the scale of this project and its financial consequence the intention is to bring regular updates to members through the OFP.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JULY 2018

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
88,400	Children's Services	334	-136
89,354	ASC & Commissioning subtotal	4,480	117
33,664	Community Health	0	0
211,418	**Total CACH**	**4,814**	**-19**
48,202	**Neighbourhood & Housing**	**244**	**87**
15,907	**Finance & Corporate Resources**	**279**	**-70**
8,319	**Chief Executive**	**170**	**109**
20,579	**General Finance Account**	**0**	**0**
304,425	**GENERAL FUND TOTAL**	**5,507**	**107**

3.0 RECOMMENDATIONS

3.1 To note the overall financial position for July 2018, covering the General Fund, HRA and Capital, 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 approve the increase in the value of the Section 75 Agreement with the HUHT by £336k for the IT Enabler Programme Phase 3, taking the total for the Section 75 to £5.336m (£5m previously approved by Cabinet in April 2016 & November 2016) to further deliver the programme of integration of information relating to users of health and social care services as set out above.

3.3 To note the update in relation to the North London Heat and Power Project.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to increase in the value of the Section 75 Agreement with the HUHT by £336k

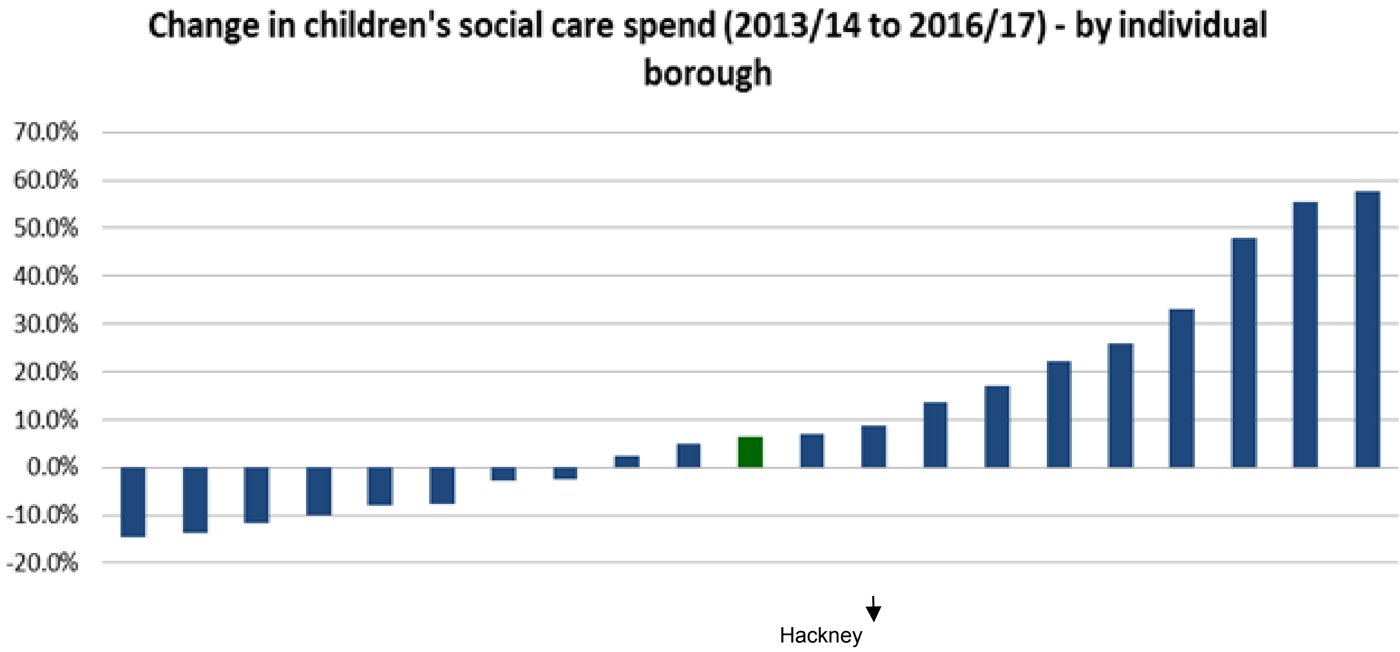
4.2 CHILDREN, ADULT SOCIAL CARE AND COMMUNITY HEALTH (CACH)

The CACH directorate is forecasting an overspend of £4,814k after the application of reserves and drawdown of grant.

<u>Children and Families</u>

Children & Families is forecasting a £300k variance against budget after the application of reserves and grants. This variance includes a £3,000k draw down from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget. Additionally, £1,000k is drawn down from the Housing Costs reserve for families the Council is supporting who have no recourse to public fund (NRPF).

The sustained pressure on Children's Services budgets is a position that 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). The graph below shows how Hackney's increased spend on Children's Social Care compares to other boroughs. The main budget pressures in Children and Families are in relation to Corporate Parenting (which incorporates budgets for looked after children placements), the Children in Need service and the Overstaying Families Intervention Team.



Corporate Parenting is forecasting to overspend by £406k after reserves. Spend on Looked After Children (LAC) and leaving Care (LC) placements is forecasted at £17,700k compared to last year's outturn of £16,800k – an increase of £900k. As was the case last year, one of the main drivers for this increase is the rise in the number of children in costly residential placements, however more recently we are also seeing a rise in the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Ten of the current semi-independent cohort – or around 30% - are in placements costing between £1,200 and £2,100 per week, which is comparable to the cost of some residential placements. July's semi-independent under 18 placements increased by 10, from 24 in the last quarter of 2017/18 to 34.

The shortage of in-house foster carers and the subsequent reliance on independent agencies also remains a pressure. At around £48k per annum the cost of a child placed in independent foster care is double that of a placement with one of our own foster carers.

In summary, Hackney had 319 LAC and 27 Unaccompanied Asylum Seeker Children (UASC) placements at the end of July. These figures represent a small decrease on the position at the end of 2017/18 when there were 323 and 28 respectively, although this does not necessarily translate to a reduction in placement expenditure. The financial position is sensitive to the profile of looked after children - particularly residential and semi-independent under 18 placements - so is likely to fluctuate as numbers change.

The Adoption Team is forecast to overspend by £257k. The overspend is mainly due to commissioning. At this early stage of the year, the Inter Agency and allowance costs have been based on the previous year's outturn of £234k and Adoption Support costs are forecast to overspend by £67k. There is an overspend in staffing due to one supernumerary post and undelivered savings due to the delay of the Regionalisation Adoption Agency. There is also a projected over-collection of income due to estimated Inter Agency fees and accrued Adoption Support Fund grant of £130k, and other items with a £2k underspend.

Children in Need is forecast to overspend by £232k after use of reserves. The overspend is mainly due to staffing overspends relating to supernumerary social worker posts, maternity cover, agency premiums associated with covering vacant posts; and these items collectively total £164k. There is an overspend in LAC incidental costs in relation to support to children in care proceedings of £237k. There is also an additional contribution from the CCG towards the LAC Healthcare Team of £150k.

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The Overstaying Families Intervention Team (OFIT) was supporting 100 families who have no recourse to public funds as at the end of July 2018. The main area of spend is Section 17 payments on accommodation and subsistence of £2,100k in the current year against a budget of £1,100k. 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.

Overspends across the service are partly offset by underspends elsewhere in Young Hackney, Directorate Management Team, Clinical Services and the Children's Commissioning Team.

Young Hackney is forecast to underspend by £93k after use of reserves. The underspend is mainly due to staffing, which are the result of a combination of factors such as vacant posts, some of which are covered by agency workers, staff who have opted out of the pension scheme and staff who are not at the top of their grade; and these items collectively total an underspend of £96k. Essential CCTV work at the Concorde Youth Hub has led to an overspend in premises of £93k. There is also additional income not factored into the budget of £43k; an underspend on supplies & services due to a reduction in computer licence costs of £24k and an underspend on other items totalling £17k.

Access and Assessment is forecast to underspend by £88k after use of reserves. The underspend is mainly due to 3 vacant posts, £67k. There is also an underspend in Section 17 based on projected activity of £29k, and an overspend on other items totalling £8k.

The Clinical Services Team is forecast to underspend by £60k. This is primarily due to vacant posts.

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 £4.6m and £5.6m), mainly due to pressures in special educational needs. Special educational needs activities are forecast to spend around £9m more than 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 senior leadership across HLT and the wider Council continue to investigate ways where the Council might be able to bring expenditure under control. Recent reports submitted to HLT SLT estimate that HLT reserves will be fully utilised sometime in 2019/20.

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. Except for 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 forecast for Adult Social Care is a £4,480k overspend.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £3,500k pressure.

Service type	2018/19 Budget	July 2018 Forecast	Full Year Variance to budget	Full Year Variance to May 2018
	£k	£k	£k	£k
Learning Disabilities	14,357	17,371	3,014	-138
Physical and Sensory	11,845	12,016	171	170
Memory, Cognition and Mental Health ASC (OP)	7,000	7,415	415	451
Occupational Therapy Equipment	740	622	-118	53
Asylum Seekers Support	170	208	38	-3
Total	34,112	37,632	3,520	533

The Learning Disabilities (LD) service remains the most significant area of pressure with a £3,000k overspend, which reflects an improvement of £138k on the May position. The improvement was primarily driven by a reduction in client activity as two service users have left the service. In addition, one off ASC grant of £878k is being used to help mitigate the pressures within the LD service.

Discussions are ongoing with CCG colleagues on proposals for a joint funding agreement to contribute to high cost learning disabilities packages which will benefit service users in preventing the escalation of need and reduce costs for the CCG in terms of reductions in the number of Continuing Health Care (CHC) cases. £1,900k of CCG income in respect of this is reflected in the forecast. Ongoing discussions are occurring with the CCG and this could increase or decrease the baseline contribution for the current financial year. In addition, the application of the Care Funding Calculator (CFC) is expected to reduce spend during 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 Physical & Sensory Support is forecasting a £171k budget overspend, which reflects an adverse movement of £170k on the May position. In addition, the Memory/Cognition & MH (OP) position has also adversely moved by £451k to a budget overspend of £415k. The primary reason for the adverse movement is the significant growth in client numbers resulting from increased hospital discharges. Discussions have been held with the service to develop a set of management actions to mitigate the ongoing cost pressure resulting from increased clients being discharged from hospital with more complex needs. Please see the table below which provides further details on the growth in client numbers due to Hospital Discharges:

Hospital Discharges			
Care Package	No's of New Clients	Full year Impact £k	Weekly Home Care Hours
Home Care	23	282	429
Nursing Care	6	298	
Residential Care	3	84	
Total	32	664	429

The Care Management & Adults Divisional Support is forecasting a £595k overspend. The overall budget pressure breakdown is made up of staffing pressures of £755k within the Integrated Learning Disabilities due to additional staffing capacity to manage demands within the service and improve annual review performance. The overall pressure has been partially mitigated by underspends of £160k across other Care Management Teams within the subdivision.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to underspend by £166k. The overall position is made up of two main elements - a £226k pressure on external commissioned care services and £392k underspend across staffing related expenditure.

The Provided Services position is a £223k overspend against a budget, which is attributed to:

- Housing with Care staffing pressure of £201k. The service is currently under strategic review to seek efficiencies and reduce costs without impacting negatively on service provision.
- Day Services and transport is overspent by £89k, which reflects delays with Oswald Street day centre delay in opening to September 2018.
- Meals on Wheels is underspending by £67k 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.

The Preventative Services forecast position shows an underspend of £600k against budget mainly due to in year underspends on Median Road Resource Centre. Substance Misuse placements also show an increase, leading to further forecast of £49k, in line with a projection of £15k cost per month; and alongside this is also the anticipated staff cost pressure on Integrated Independence team of £90k which is subject to continuous review to ensure the service cost can be kept to budget and within planned drawdown of £1,000k from reserves.

The ASC Commissioning forecast position is estimated at £908k. The budget pressure is largely due to delays with achieving Housing Related Support (HRS) savings. Procurement plans are being drawn up to recommission services from April 2019. Commissioners are working closely with suppliers to deliver new services that are fit for purpose and able to drive through continuum of care under the new model. The savings target has been revised to incorporate the savings attributed to telecare charging. The decision to not go ahead with telecare charging was taken after benchmarking against other local authorities which highlighted the planned charging proposals would only yield a small amount of additional income which would not be sufficient to meet the agreed savings target. Telecare remains a preventative service, and new proposals around assistive technology is expected to inform the charging model for service users going forward.

Public Health is forecasting a breakeven position. Sexual health service is delivering progress as expected, to support the financial sustainability of the wider Public Health service. The competitive pricing achieved through the Pan London contract is beginning to show better value for money - this is being monitored alongside the promotion of e-services delivery as clients are expected to opt for online provision and move away from expensive clinic-based services. More recently there has been the announcement of Substance Misuse prescribing cost pressures because of supply shortages of opioid substitutes. At this stage there are no definitive risks to the Public Health budget forecast, however monthly review with commissioners will continue to monitor monthly activity against standard unit costs.

4.3 PUBLIC REALM

The forecast position for Neighbourhoods and Housing Directorate as at July is a £244k overspend, which represents 0.5% of the net budget. There is an increase in net revenue expenditure of £87k from the May 2018 position. The forecast includes the use of £2,100k of reserves, the majority of which are for one off expenditure/projects.

The major area of overspend is in Environmental Operations which is forecast to overspend by £229k. This overspend relates to the cost of including overtime and other enhancements in operatives holiday pay. From May 2018 the law changed on how pay for employees who are on annual leave must be calculated. It is now a requirement that holiday pay should include not only basic pay, but also an average of regular additional hours, overtime, standby, callout and commission/bonus.

Costs of overtime, standby and callout will increase the pay bill by an estimated 7-9% as a result. Currently payments have been made for holiday top up for existing staff as well as staff who have left. It is difficult to quantify the value however estimated full year forecast based on the first 4 months is £227k for Environmental Operations, which is an increase of £39k from May position.

Within Environmental Operations there is another cost risk which may increase the forecast expenditure as the year progresses, this is related to Vehicle Repairs and Maintenance. The contract with the current provider ends in August this year. Indications are that the re-procurement will result in higher costs and therefore our vehicle maintenance costs are going to increase significantly by the end of the year. The service has estimated the costs to increase by around £200k annually.

Planning is forecast to overspend by £113k as at the end of July, a change from the breakeven forecast in May. The reasons for the overspend are, a shortfall in planning application fee income of £37K, a shortfall in Building control income of £48K and interim staffing costs relating to the implementation of the new Land Charges income system of £24K. Income in Planning and Building control is highly dependent on development activity in the Borough. The service anticipates that the risk will be lessened by an expected increase in the volume of major applications during the latter part of the year. Income will be closely monitored throughout the year and the forecast will take account of activity levels. Where demand for planning and building control services does not improve then management will re-consider the level of staffing within the service as activity is linked to income generating work.

Parking and Markets, Streetscene, Leisure, Green Spaces and Libraries and Community Safety, Enforcement and Building Regulations are forecasting break-even positions.

Housing General Fund is forecast to underspend by £86k. The variance is due to staff vacancies; £60K in the Private Sector Housing and the Housing Strategy and Policy Team within the Regeneration Division, and £27K in the Housing Services Travellers team.

The directorate forecast includes the use of £2,100k. £813K of this is using grants and/or income received in previous years and £1,028K is funding one off expenditure predominantly in planning services to resource the Local Development Framework, Area Action Plans and clearance of a backlog of planning enforcement cases.

4.4 FINANCE & CORPORATE RESOURCES

There is a forecast overspend of £279k after reserves, which reflects pressures in Facilities Management and Customer Services, partially offset by savings elsewhere in the directorate. Cost pressures continue in revenues and benefits, business rates on council properties and temporary accommodation

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £170k after forecast reserves usage. This overspend is contained wholly within Communications, Culture & Engagement. This is broadly in line with the overspend in 2017/18, but a significant part of it has shifted from the town halls to Hackney House.

Now the refurbishments have been completed, the performance in Hackney Town Hall has improved with the income projection up by £60k compared to 2017/18. This has meant a transfer of staffing resource from Hackney House to the Town Hall which has reduced the volume of enquiries at Hackney House, a number of which were passing callers. Advertising of the council venues has primarily been aimed at the weddings market which has contributed to the increase in events at the town halls, but Hackney House is not a wedding venue and more suited to the corporate events market. There is high competition in Shoreditch for potential customers to choose from which makes enquiries more challenging to convert. These factors have resulted in a reduced projection in Hackney House income of £45k compared to 2017/18 which when combined with an anticipated increase in costs for NNDR and repairs have offset the improved income position at the town hall. The service is looking at options to improve the profile of Hackney House and generate more income.

The rest of Communications including Hackney Today, Design, Film and Culture are projected to break even overall at this point.

4.6 HRA

The HRA is forecast to come in on budget.

Income

Dwelling Rents are forecast to be £142k below budget which is due to lower Right to Buy sales than expected while Other Charges for Services & Facilities are forecast to be £765k above budget. This is due to the recovery of the installation charges of digital televisions, but this is the last year that the income will be collected. Non-Dwelling rents are forecast to be under budget by £114k which is due to a small reduction in income from garages and commercial properties, and Leaseholder charges for services and facilities are projected to be £411k under budget but this will be reviewed when the final bill is produced later in the year.

Expenditure

There is a Repairs and maintenance overspend of £1,000k which is due to an increase in reactive repairs and client (staff) function which is the subject of a restructure and DPR. This is compensated by an underspend in the painting programme. Special services are forecast to underspend by £407k, this is due to a reduction in utility costs and Supervision and management is underspending due to a reduction is pension charges.

4.7 CAPITAL

This is the first OFP Capital Programme monitoring report for the financial year 2018/19. The actual year to date capital expenditure for the four months April 2018 to July 2018 is £37.1m and the forecast is currently £323.3m, £130m below the revised budget of £453.3m. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary

Table 1 – London Borough of Hackney Capital Programme – Q1 2018/19	Revised Budget Position	Spend as at end of Q1	Forecast	Variance (Under/Over)
	£'000	£'000	£'000	£'000
Chief Executive	87	0	87	0
Children, Adults & Community Health	55,906	550	16,865	-39,040
Finance & Corporate Resources	119,370	17,955	108,935	-10,436
Neighbourhoods & Housing (Non-Housing)	48,431	1,960	27,022	-21,410
Total Non-Housing	**223,794**	**20,466**	**152,909**	**-70,886**
AMP Capital Schemes HRA	81,786	7,425	81,735	-51
Council Capital Schemes GF	1,728	373	1,542	-186
Private Sector Housing	2,501	156	1,550	-951
Estate Renewal	99,869	7,260	57,346	-42,523
Housing Supply Programme	32,398	540	20,985	-11,413
Other Council Regeneration	11,268	911	7,268	-4,000
Total Housing	**229,549**	**16,665**	**170,425**	**-59,124**
Total Capital Expenditure	**453,344**	**37,130**	**323,334**	**-130,010**

CHIEF EXECUTIVE SERVICES

The current forecast is in line with the revised budget of £0.87m. The planned spend for this project will continue throughout 2018/19.

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £16.9m, £39m below the revised budget of £55.9m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	£'000	£'000	£'000
Adult Social Care	3,834	114	734	-3,100
Education Asset Management Plan	5,835	-100	3,788	-2,046
Building Schools for the Future	853	118	551	-302
Other Education & Children's Services	911	-55	31	-879
Primary School Programmes	17,250	93	4,096	-13,154
Secondary School Programmes	27,223	379	7,664	-19,559
TOTAL	**55,906**	**550**	**16,865**	**-39,040**

Adult Social Care

The main variance in Adult Social Care relates to the £2.5m budget set aside for a potential project at Median Road Resource Centre. A CPRP bid will go to September 2018 Cabinet to resource the first phase of the project for £0.60m for the development of concept designs and will cover architect, engineering and cost consultancy fees. This will lead to a business case setting out the range of options and the recommended approach for a more extensive capital project.

Education Asset Management Plan

The main variance relates to Betty Layward School Early Years and Comet Nursery School Early Years which are showing underspends. Both schemes will no longer go ahead as the parameters have been deemed unattainable. This is due to the time set for completing the works not being in line with the Education Funding Agency (EFA) timeline.

Primary School Programmes

Woodberry Down Relocation is reporting an underspend of £0.60m. The variance is a result of planning decisions and the scheme is now under review. The budget may be re-profiled if no decisions are made this financial year.

Shacklewell School is reporting an underspend of £0.75m against the respective in-year budget of £1.6m. The project is in the procurement stage and any underspend will be re-profiled at the next re-profiling exercise to enable the scheme to proceed through into 2019/20.

Secondary School Programme

The main variance relates to the budget set aside to resource additional secondary school provision which is showing an underspend of £18.5m against the respective in-year budget of £19m. The first phase of works is complete and work will be continuing into 2021 with any underspend to be re-profiled at the next re-profiling exercise to better reflect delivery of the programme.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £109m, £10.4m under the revised budget of £119.4m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	**£'000**	**£'000**	**£'000**
Property Services	8,265	398	8,922	657
ICT	7,499	970	3,490	-4,008
Financial Management	1,084	-132	483	-602
Other Schemes	205	16	174	-31
Mixed Use Development	102,318	16,703	95,865	-6,452
TOTAL	**119,370**	**17,955**	**108,935**	**-10,436**

Strategic Property Services - Strategy & Projects

Vacant possession is now granted for Flat 16 and 17 Cranwood Court and once the property is checked the purchase will move along should come in on budget.

ICT Capital

End-User Devices is showing an underspend of £2.1m. This project relates to the roll out of the device refresh model for council staff and meeting room devices across the core Hackney campus. The device refresh model will be based on a mix of desktop and laptop devices for staff depending on job role, and different equipment for meeting rooms depending on the size of the room. Any variance will be re-profiled at the next re-profiling exercise.

Mixed Used Development

Tiger Way Development and Nile Street are forecasting to come in line with the revised budget of £84m. There was a delay on the contract programme but currently there is no impact on the overall budget.

BSF PRU is reporting an underspend of the revised budget of £6.4m. This budget is the contingency budget for which there is currently no call. The variance will be re-profiled to next year in line with the anticipated scheme delivery timetable.

Britannia Site is reporting to come in line with the revised budget of £11.8m. Phase 1 procurement stage 1 has been completed and the standstill period has ended. It is now progressing to Stage 2 of the procurement. A planning re-consultation will take place and the planning committee date is estimated for September 2018.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING):

The overall forecast in Neighbourhoods and Housing (Non) is £27m, £21.4m under the revised budget of £48.4m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	£'000	£'000	£'000
Museums and Libraries	1,522	30	583	-939
Leisure Centres	1,750	0	1,750	0
Parks and Open Spaces	6,535	740	3,615	-2,920
Infrastructure Programmes	14,388	690	13,672	-716
EHPC Schemes	3,308	97	427	-2,881
TFL	4,361	384	4,361	0
Parking and Market Schemes	305	0	221	-83
Other Services	450	0	450	0
Regulatory Services	79	0	79	0
Safer Communities	1,078	20	1,078	0
Regeneration	14,656	0	786	-13,870
Total	**48,431**	**1,960**	**27,022**	**-21,410**

Museums & Libraries

The main variance relates to the overall Library Capital Works management system, security and capital works programme which is showing an overall underspend of £0.84m against the respective in-year budget of £1.4m. The planned spend is likely to be in 2019/20 and the variance will be re-profiled in the next re-profiling exercise.

Environmental and Health Committee (EHPC) Schemes

The main variance relates to the budget held for the replacement of the Council's Waste and Fleet Vehicles which is showing an underspend against the respective budget of £2.6m. A business case will be done to set out the options for spend for 2018/19.

Regeneration

The main variance relates to Hackney Wick Regeneration and Dalston Regeneration. In this quarter there is currently no planned spend. An update will be provided in quarter 2 and depending on this review any variance will be re-profiled to next year in line with any revised scheme delivery timetable.

HOUSING:

The overall forecast in Housing is £170.4m, £59.1m below the revised budget of £229.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance	Comments
	£'000	**£'000**	**£'000**	**£'000**	
AMP Capital Schemes HRA	81,786	7,425	81,735	-51	There are a number of projects active within Asset Management, spend and progress to be reviewed in Q2
Council Capital Schemes GF	1,728	373	1,542	-186	Historic underspend of budget to refurbish properties to be used for temporary accommodation. Any underspend at year end will be carried over for the acquisition of new properties and for the conversion of existing stock.
Private Sector Housing	2,501	156	1,550	-951	Due to a reduction in grant applications Private Sector Housing is likely to underspend therefore the budget will be reviewed for re-profiling in next quarter
Estate Renewal	99,869	7,260	57,346	-42,523	Contracts have been awarded and expenditure has started for Tower Court, St Leonards, Frampton Arms and Lyttleton House. The completion of KER and Aitkin Court have slipped and will be reviewed over the financial year.
Housing Supply Programme	32,398	540	20,985	-11,413	Design development cost (architects and Employers Agents/Cost consultants) continue to be incurred. 2 schemes have moved to procurement stage; however, the majority of the scheme has not reached tender stage.
Other Council Regeneration	11,268	911	7,268	-4,000	There has been limited progress on Phase 3 leaseholder buybacks. However, negotiations with remaining leaseholders and progress to CPO continues.
Total Housing	**229,549**	**16,665**	**170,425**	**-59,124**	

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. Regarding the increase in the value of the Section 75 Agreement with the HUHT by £336k, if we do not enter the partnership we will not have the £336k to help further deliver the programme of integration of information relating to users of health and social care services.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of July 2018. Full Council agreed the 2018/19 budget on 1st March 2018.

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, Finance and Corporate Resource's 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 must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision. The recommendation in paragraph 3 in relation to the arrangements in paragraphs 2.3 to 2.6 is pursuant to s75 National Health Service Act 2006 which allows a local authority and an NHS body to enter into arrangements in relation to the exercise of their functions if the arrangements are likely to lead to an improvement in the way in which those functions are exercised.

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

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