Hackney

2019/2020 BUDGET AND COUNCIL TAX REPORT **KEY DECISION NO. FCR P21**	
CABINET MEETING DATE **25 February 2019** **COUNCIL MEETING DATE** **27 FEBRUARY 2019**	**CLASSIFICATON:** **OPEN**
WARD(S) AFFECTED **All Wards**	
CABINET MEMBER **Mayor of Hackney**	
KEY DECISION **Yes** **REASON** **Spending or Savings**	
GROUP DIRECTOR **Ian Williams Finance and Corporate Resources**	

1. MAYOR'S INTRODUCTION

1.1 This is my third budget as the Mayor of Hackney, and while it gets harder and harder every year, this budget comes at the end of a three year funding period. We made difficult decisions early on, which means that this year there are no new headline savings and we continue to invest in the borough and protect vital frontline services.

1.2 Over the period 2010/11 to 2019/20 our core government funding has shrunk by £140 million -- a cut of 45% of government grant income. This is not unique -- cuts to local government mean councils across the country have lost 60p out of every £1 that the last Labour Government was spending in 2010. In Hackney, per head of population we have seen the biggest funding cut of any London borough at £529

1.3 As the effect of cuts to other public services impact on people's lives, the demand for our services increases. We have faced additional costs from increasing demands for services, particularly from older people, children in need, residents with disabilities, and those who find themselves homeless or in housing need; and from increases in uncontrollable costs such as levies. To put this into context, the net cost of providing temporary accommodation in Hackney has gone up from £1 million in 2010 to £13 million in 2019/20.

1.4 Hackney has gone through a long-journey to get to the high standard of services that our residents rightly expect and now experience today. The priority of the administration and the Council has been to maintain these standards of frontline services despite the impact of nearly a decade of austerity and cuts. This has resulted in the Council having to make some tough decisions since 2010, as well as streamline service and processes, to keep services running at the high levels that our residents expect.

1.5 We have done this in a number of ways, such as: reducing layers of management throughout the organization, investing in services to reduce costs in the long term e.g. Children's Social Care, Service reviews and transformation e.g. Adult Social Care Personalisation and Co-mingling; streamlining the procurement function, performance management of staff with the aim of increasing productivity, improved Corporate Estate Asset Management, consolidating the Council's Estate including co-locating services, growing commercial income, and the rationalisation of directorate support. We have also been successful in reducing costs through contract renegotiation, through streamlining back office functions and bringing services back-in-house (ICT and Audit for example). Where savings can be realised through in-sourcing, it continues to be a priority for this administration. Other specific measures worth noting include taking steps to reduce our management bill from £18.4 million to £9.7 million, and other back office efficiencies, which saved £40 million.

1.6 We always approach these challenges strategically. The 2019/20 Budget is the final year of a four year budget, based around the Government's last four-year Local Government Finance Settlement. This year we will begin our strategic planning for the next spending review, set to last another three to four years.

1.7 Despite the cuts, Hackney Council does transformational work to improve the lives of our residents. We have: through continuing to invest in Hackney Works helped over 4,500 residents into employment or training, paid all of our staff and contractors the London Living Wage, secured 12,390m2 of new affordable workspace through our planning policies, ranked first in the country for GCSE A* - C for Looked After Children. We want to build on these achievements to make Hackney a place for everyone by bridging the gap between growth in the borough and local residents, and by investing in our communities and building the homes they need. Through the decisions made in this Budget we are starting to fund and invest in the priorities we set out in our 2018 Hackney Labour Manifesto which outlined how we would build a fairer, safer and more sustainable Hackney.

1.8 But the challenge moving forward is greater still. Austerity is not over for local government, despite Theresa May's conference spin. We will need to find an additional £30 million of savings by 2022 and we will need to make more tough decisions in the coming year to achieve this and ensure the Council is on sustainable financial footing, as outlined in Appendix 6. Despite taking a long-term approach, the financial challenge still means taking yearly decisions to ensure financial sustainability of the Council. One of those in 19/20 is the decision to increase Council Tax by 4.99%. Increasing Council Tax is always a difficult decision, and after a decade-long freeze we first had to increase Council Tax in 2016. We know that while the Council faces financial challenges, so do our residents and we need to find a balance between raising vital income to fund services and keeping bills as low as possible. For the average household in Hackney, the increase will add less than £1 a week to their bill. Despite this increase, it is expected that Hackney will remain the ninth lowest Council Tax in London, with the average bill £300 lower than the average bill in England.

1.9 This paper sets out the rationale behind the decision to increase Council Tax, how it will help the budget gap in 2019/20 and future years and enable us to invest in the priorities set out in our manifesto and crucially continue our sound financial management of the Council and its finances.

1.10 In this budget, we are benefiting from having taken difficult decisions in previous years. The 19/20 budget will protect frontline services for the most vulnerable and also invest in building a fairer, safer and more sustainable borough, using the resources we have to target support at residents and local businesses. This is a budget for a stronger and more sustainable Hackney.

1.11 It is a budget that will help bridge the gap between Hackney's economic growth and local people, who might have otherwise been left-behind by change. That is why, in this budget, we will be protecting the £1.5 million we spend on our employment service, to help local people access the opportunities that Hackney's new economy has brought. This will build on the work the Council has already done in this area -- more than 4,500 residents have been helped into work or training through Hackney Works. We will continue to invest in our award winning apprenticeship programme which now sees more than 100 local residents paid the London Living Wage and working across the Council - three times the number in 2016. We have also created work experience opportunities for young people through the Hackney 100 programme and supported employment schemes.

1.12 We are starting plans to invest £5 million of capital resources in converting unused council-owned garages into affordable workspace for local businesses. As well as that, we will invest in just over £1 million to support inclusive growth. This will go into Hackney Wick to protect this as a hub of creative enterprise and into Dalston town centre, preserving this as a space for the community and protecting the much loved Ridley Road Market. Both of these are also benefiting from funding made available by the Mayor of London - Good Growth investment into Dalston and Ridley Road Street Market which the Council is matching; Culture Enterprise Zone funding into Hackney Wick to help protect it as a hub of creativity.

1.13 Our recently approved new Sustainable Procurement Strategy will ensure not only the highest environmental and social standards, but also that more of the money spent by the Council is spent in Hackney, using local businesses and tradespeople wherever possible. This is on top of the investment in our workforce -- making sure all our contracts pay the London Living Wage as a minimum, bringing more services back in house, and launching a new campaign to employ more Hackney residents at the Council. Later this year we will be bringing forward more proposals on insourcing.

1.14 This is a budget that will show Hackney is Building, as we work to reprofile our house building schemes to maximise the social rent element thanks to our £45 million grant from the Mayor of London and the scrapping of the HRA debt cap. We will deliver 800 homes for social rent by 2022, and in this budget we are allocating £85 million of capital resources into regeneration to achieve this.

1.15 We are investing tens of millions of pounds into our existing Council homes and estates, ensuring that thousands of residents across the borough have the benefit of new and modern roofs, windows, kitchens and bathrooms, as well as ensuring blocks are well-decorated and in good repair. Millions more will also be spent on ensuring homes in blocks meet modern fire safety standards.

1.16 In this budget we are also investing in the everyday services that matter to our residents. We are protecting £4.9 million for streetscene to continue to build and improve the borough's roads, cycle paths and streets. We are protecting our £5.9 million spend on keeping the borough's libraries open and well-maintained, on top of the £4.45 million capital expenditure to improve libraries and the Museum as part of our manifesto pledges.

1.17 I am also pleased to have set plans in motion for the Young Futures Commission, which has a £250k budget to support it, which will only add to our protected spend on young people -- £6.7 million for Young Hackney for targeted support and universal services through our Young Hackney hubs. We are also investing £20 million into improving our older school buildings, as pledged in our manifesto, ensuring children in Hackney are learning in an environment fit for the 21st century, building on the fantastic achievements of our schools. We also spend £16m (net) a year to help over 31,000 people on low incomes to pay their Council Tax through our Council Tax Reduction Scheme.

1.18 But this budget also shows how we will continue to invest outside our organisation -- in the volunteering and charity sector, as we maintain and protect our £2.6 million grants programme for volunteering and community organisations, social enterprises and co-operatives. The sector has a vital role to play in helping to transform public services, with its diversity being a real strength that can bring creative solutions to identifying and addressing inequalities, and providing a much needed tier of preventative support. I am proud that we continue to show how much we value the sector's contribution in Hackney by continuing this investment. Our funding has resulted in: 404 play sessions and 234 trips benefitting over 3,290 children; over 3,830 youth activity sessions benefiting over 4,490 young people; nearly 2,250 education sessions with over 2,320 attendances; 1,160 hours of employment support for over 610 residents, directly supporting 120 people into employment; advice provided to 7,000 households; 1,275 health and wellbeing support and advice sessions for 1,800 people reporting an increase in their health and wellbeing; 2,410 volunteers contributed around 30,000 hours to help run these services and projects.

1.19 I am pleased to recommend this report to Cabinet, so that we can continue to build a stronger and more sustainable Hackney despite the cuts and £30 million of savings we will have to make by 2022. However, on the horizon there may be more challenges still, and this £30 million gap could grow. The government is carrying out its Fair Funding Review of local government finance this year. There is a risk that this 'review' turns into a stitch-up, meaning more funding taken out of boroughs like Hackney. We will be campaigning in the months to come to raise awareness of this review to our residents and ensure their voices are heard. We cannot allow a situation where austerity for communities like Hackney continues deep into the next decade.

1.20 I would like to take the opportunity to thank everyone from across the Council that has helped to draw up and shape this ambitious budget. Hackney Council is only the engine of social change that it has become because of the people that work here and the values we share.

1.21 This is an extremely challenging time for councils up and down the country (even without the potential impact of a hard or no deal Brexit), and Hackney is no exception, and over the next three years we will have some hard decisions to make, but I am determined that we should keep our ambitions high, build and shape a more inclusive economy, keep on investing in what matters to local people, and in making Hackney fairer, safer, and more sustainable.

2.0 GROUP DIRECTOR'S INTRODUCTION

2.1 This report asks Cabinet to agree and recommend to Council for approval, the 2019/20 General Fund budget estimates, a 4.99% increase in the Hackney element of Council Tax made up of 2% in respect of adult social care and 2.99% in respect of other services, and a series of recommendations relating to the Council finances in respect of the 2019/20 financial year.

2.2 I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, colleagues on the Hackney Management Team and Officers within my own and the other Directorates throughout the budget setting process, my eleventh whilst Group Director, which is now a continual process.

2.3 The 2019/20 Revenue Budget was put together against the backdrop of £140m funding cuts since 2010/11 and the need to make further savings to offset further funding losses and the additional cost pressures we will experience over the next two years.

2.4 Turning to Council Tax, this report proposes to set an increase of 4.99% in the Hackney element of the Tax in 2019/20. Given the significant reduction in external funding since 2010/11 which has risen to at least 45% by 2019/20, I believe such an increase is essential to protect the Council's funding position in both the short and medium term whilst balancing the demands it places on local taxpayers. Moreover, the increase must be viewed not just in the context of the external funding losses but also against the backdrop of significant cost pressures in services such as Children's Services, Adult Social Care, Temporary Accommodation and Special Education Needs as well as the ongoing impact of the introduction of Universal Credit.

2.5 Turning to the 2019/20 revenue budget proposals set out in this report, they are underpinned by several efficiency proposals approved throughout the current and previous financial years. We have developed proposals that achieve expenditure reductions primarily through service transformation, further back office savings throughout the Council and the restructuring of services. We have also sought to maximize income opportunities from the considerable asset base the Council holds to protect and sustain universal services and those to the most vulnerable. As has been reported throughout the financial year, 2019/20 will be the second year of the London Business Rates Devolution Pilot.

2.6 In order to meet the financial challenges ahead, it will be necessary to continue the Council's proven record in relation to tight financial management and control. We will continue to adopt financial solutions that increase financial sustainability, with an emphasis on our customers, residents and businesses.

2.7 The scale of the challenge has meant that in preparing this budget and developing proposals for future years, attention has been paid to ensuring the Council has in place, appropriate staffing arrangements and controls to manage the risks and impacts. These include: -

(a) Extensive Financial Management, Monitoring and reporting. Regular progress updates are already embedded in the Overall Financial Performance (OFP) report to continue to provide updates against savings allowing issues to be managed as appropriate and regular reports to Scrutiny Panel.

(b) Risk Management. The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations from Scrutiny Panel.

(c) Prioritising Resources to Corporate Plan Objectives.

(d) Equality. Members should also be aware that the Hackney Management Team makes sure that equality underpins all that we do. The Management Team looks to ensure that all equality impact assessments on employment matters have been undertaken and details of these are available for review by Members and are published on the Council Website.

2.8 The council continues to operate within a background of austerity measures and is experiencing increased budget pressures due to central Government grant reductions as well as continuing increases in demand for local services. However, it is also important not to forget that in 2019/20 the Council will spend in the region of £1.1bn on the revenue side, have an ambitious and extensive Capital Programme for 2019/20 and following years – investing in new homes, our school buildings and leisure centres, and the public realm. It should also be noted that Hackney Pension Fund continues to perform well in challenging market conditions with asset values having increased to c £1.5bn. Despite this, the latest indicative funding level remains at 77% due to the increasing value of liabilities.

2.9 However, it is important that, in considering the proposals set out in this report that Members also have regard to the future indicative budgetary position that has been set out throughout the year of the General Fund needing to find a further £30m up to 2021/22 due to the combination of continuing financial pressures, service demands and funding reductions. It is vital therefore that the work already underway to bridge this gap intensifies so that innovative plans and proposals for future years can be set out and progress on early implementation achieved to ensure that we continue to maintain our strong track record of sound financial management.

3. RECOMMENDATION(S)

3.1 Cabinet is recommended to consider the report and make the following recommendations to Council for approval:

3.2 Council is recommended:

3.2.1 To bring forward into 2019/20 the Council's projected General Fund balances of £15.0m and to note the Housing Revenue Account (HRA) balances of £10.2m

3.2.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 1, below.

3.2.3 To note that the budget is a financial exposition of the priorities set out within the Corporate Plan.

3.2.4 To note that in line with the requirements of the Local Government Act 2003, the Group Director, Finance and Corporate Resources, is of the view that:

The General Fund balances of £15.0m and the level of reserves, particularly in relation to capital, are adequate to meet the Council's financial needs for 2019/20 and that considering the economic uncertainty they should not fall below this level. This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2018, the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA to maintain the balance at £10.2m by 31 March 2018 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA.

The General Fund estimates are sufficiently robust to set a balanced budget for 2019/20. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2018/19 budget with the projected spend identified in the December 2018 OFP. The overall level of the corporate contingency has been set at £2m.

3.2.5 To approve the proposed General Fund fees and charges as set out in Appendix 8 for implementation from 1st April 2019.

3.2.6 To continue the policy requiring the Group Director, Finance and Corporate Resources to seek to mitigate the impact of significant changes to either resources, such as Top Up Grant changes, or

expenditure requirements.

3.2.7 To note the summary of the HRA Budget and Rent setting report agreed by Cabinet on 21st January 2019.

3.2.8 To authorise the Group Director, Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.

3.2.9 To approve:

The allocation of resources to the 2019/20 Non-Housing capital schemes referred to in Paragraph 24 and Appendix 7.

The allocation of resources to the 2019/20 Housing indicative capital programme referred to in Paragraph 24 and Appendix 7, including the HRA approvals previously agreed by Cabinet on January 21st 2019.

3.2.10 To note that the new capital expenditure proposals match uncommitted resources for the year 2019/20.

3.2.11 To agree the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability prudential indicators and the Treasury Management Prudential Indicators for 2019/20 as set out in paragraph 25, and Appendix 7.

3.2.12 To confirm that the authorised limit for external debt of £687m agreed above for 2019/20 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.

3.2.13 To continue to support the approach of using reserves to manage emerging risks and liabilities and to note the latest reserve position.

3.2.14 To note that at its meeting on 21 January 2019 the Council agreed its Council Tax Base for the 2019/20 financial year as 72,552 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D properties.

3.2.15(1)To agree that the following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

(a) £1,149.154m being the expenditure which the authority estimates it

will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) £nil being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

(f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

3.2.16(2) The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)

(a) £1,149.154m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2.543m make it being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.

(c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and

(d) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.

3.2.17 £82.299m being the amount by which the aggregate calculated under subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.

3.2.18 £1,134.35 being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, as the basic amount of its council tax for the year

3.2.19 That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2019/20 for each part of its area and for each of the categories of dwellings.

VALUATION BANDS								
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
	756.23	882.27	1008.31	1134.35	1386.43	1638.51	1890.58	2268.70

3.2.20 That it be noted that for 2019/20 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

VALUATION BANDS								
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
	213.67	249.29	284.90	320.51	391.73	462.96	534.18	641.02

3.2.21 That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2019/20 for each of the categories of dwellings as shown below.

VALUATION BANDS								
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
	969.90	1131.56	1293.21	1454.86	1778.16	2101.47	2424.76	2909.72

Note: Subject to GLA confirmation of precept on 25th February 2018

3.2.22 To agree, subject to the decision of Members on recommendations 3.2.16 to 3.2.18 that Hackney's Council Tax requirement for 2019/20 be £82.299m which results in a Band D Council Tax of £1,134.35 for Hackney purposes and a total Band D Council Tax of £1,454.86 including the Greater London Authority (GLA) precept. An analysis of the tax base total Band D Council Tax across Council Tax Bands is shown in 3.2.21 above and an exemplification of the taxbase and discounts by band, is

shown in Appendix 5.

3.2.23 To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council's Council Tax requirement for 2019/20 as shown at Appendix 9 is not excessive (5% or above) and therefore does not require the Council to hold a referendum.

3.2.24 To agree the Treasury Management Strategy for 2019/20 to 2021/22, set out at Appendix 3.

3.2.25 To agree the criteria for lending and the financial limits set out at Appendix 3.

3.2.26 To approve the MRP statement setting out the method of calculation to be used, as set out in Appendix 3

4.0 REASONS FOR DECISION

4.1 The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2019/20 budget

4.2 Previous decisions in this context relate to:

- The Council Budget and Council Tax Report for 2018/19 agreed by Council on 21st February 2018
- Savings previously agreed and summarised in reports to Cabinet in 2015, 2016, 2017 and 2018/19
- The Overall Financial Position reports presented monthly to Council during 2018/19

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.

5.2 The detail of the budget, including savings have been the subject of many reports to Cabinet and consideration by the Hackney Management Team at meetings throughout 2017 and 2018.

5.3 As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 27th February.

6.0 BACKGROUND

Policy Context and Prioritising Resources to deliver the Corporate Plan

6.1 This report sets out the Council's Budget Revenue Proposals for 2019/20.

6.2 The Mayor's budget proposals set out in this report show the position in relation to the development of the 2019/20 Revenue Budget including the effect of savings proposals which were agreed by Members as part of the 2016/17, 2017/18 and 2018/19 budget setting processes.

6.3 The annual budget decisions are among the most important of those which local authorities are called upon to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a Committee or to Officers. They affect every household and service user and the manner in which decisions must be made, is closely prescribed by law. **Appendix 1** of this report sets out the relevant legal considerations which affect the budget process of which Members must be aware. Members are required therefore to give careful consideration to the information and advice set out in this report. It is also important in taking this decision for Members to take into account the Medium-Term financial forecast (which is attached at **Appendix 6**) and recognise that the scale of reductions set out will impact significantly on the services the Council provides beyond 2019/20.

6.4 In addition, the Local Government Act 2003 placed a specific personal duty on the Group Director, Finance and Corporate Resources to report to Council on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. Members are advised that due regard has been given to the requirement of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of the General Fund reserves in paragraph 21.4. The position on the HRA reserves includes a projected level of balances of £10.2m by 31 March 2020. This level of balances is in-line with the Council's policy on reserves and balances. However, he advises that this is a matter that Members should keep under review.

6.5 It should also be noted that there is an ongoing requirement to review limits and indicators in accordance with the Prudential Code. There is a requirement to agree these indicators and limits are set in conjunction with the Council's overall budget.

Priorities for the Corporate Plan

6.6 'A place for everyone', Hackney's Corporate Plan 2018 to 2022 was published in October 2018 and the budget has been prepared with this in mind.

6.7 The challenge that underpins the Corporate Plan is how the Council – in partnership with residents, other agencies and different sectors – can harness economic growth in a way that benefits all local citizens against a background of steeply declining Government funding.

6.8 The Council is looking at various ways to meet this challenge head on. We cannot meet this without continuing to make fundamental changes to the way we do business – changes to make us more creative and more robust than ever. We need to continue to design and implement different ways of working. This will involve consideration of the role that local citizens can play in the life and work of the council to assist us to develop new ways of working and new solutions to help us deliver our priorities. We need to continue to take every opportunity to stimulate economic growth, create jobs and opportunities for our residents and to protect services and continue to place emphasis on initiatives to generate income to reduce the reliance on Government funding.

6.9 Under Section 149 of the Equality Act, the Public Sector Equality Duty, the Council has a duty to eliminate unlawful discrimination, harassment and victimisation and advance equality of opportunity between people who share a protected characteristic and those who do not. The Council should also foster good relations between people who share a protected characteristic and those who do not. The protected characteristics cover age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief and sexual orientation. The Cabinet is required to consciously consider this duty at every stage of the decision making process. In order to fulfil these obligations full Equality Impact Assessments (EIA) are completed for key decisions that have a material impact on groups of employees, residents or service users. Work has been undertaken to ensure that all savings proposals have had the appropriate Equality Impact Assessments undertaken, where applicable. All Equality Impact Assessments which have been completed as part of the decision making exercise are available online. Where proposals do not require an Equality Impact Assessment because there is no impact on staff, residents or service users, HMT has been clear about the reasons why no assessment is required.

6.10 A large proportion of the savings that will be implemented in 2019/20 relate to efficiencies. There are some impacts from the proposals for recommissioning and retargeting of public health services and activities and these impacts have been identified and considered as an integral part of the decision making process.

6.11 Guidance from the Equality and Human Rights Commission advises the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. For this reason, the Council considers savings as a whole group of decisions rather than taking a more piecemeal approach and where possible considers service redesign. Officers also engaged with relevant scrutiny commissions at an early stage to discuss proposals. For 2016/17 a cumulative impact assessment was carried out in order to understand the compounding impacts on a specific equality or vulnerable groups that arise from changes across a set of services. The Group Director and Head of Policy discussed the findings from this assessment at Governance and Resources Scrutiny Commission in December 2015.

The assessment found that where savings proposals have had impacts, they are achieved through plans to integrate, redesign or transform services, against policies agreed in previous years. In doing so the goal has been to make services more responsive to need, to give service users greater agency and choice and to focus on greatest need. However even though savings plans are achieved through integration, redesign, fairer charging or transforming services people will still experience and find change difficult. The continued pace and intensity of change management is also likely to have a cumulative impact on staff and service users. The recommendations in response to these findings therefore include continuing to support transformational service redesign and engage residents and people who are directly impacted. Savings proposals for 2017/18, 2018/19 and 2019/20 followed similar principles to 2016/17 and therefore the cumulative impacts identified for 2016/17 were the same. There are no additional cumulative impacts identified in 2019/20, as a large proportion of savings proposed relate to efficiencies. We continue to use the cumulative impact assessment from 2016/17 to inform strategic planning, corporate planning, community engagement and partnership working.

7.0 COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

7.1 The Group Director's comments are set out in section 2 of this report

8.0 COMMENTS OF THE DIRECTOR OF LEGAL

8.1 Under the Local Government Act 2003 calculation of the Council Tax and adoption of an annual budget must be carried out by full Council on the recommendation of the Mayor and Cabinet.

8.2 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix 1.** When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

9. THE COUNCIL'S GENERAL FUND FINANCIAL PERFORMANCE IN 2018/19

9.1 Based on Directorate returns, the General Fund forecast for 2018/19 at the end of December 2018 is for the outturn to be an overspend against the revenue budget of £5.8m. This is equivalent to around 0.5% of the total revenue budget.

9.2 This reflects the position part way through the year and as with all forecasts, there is always a possibility of unforeseen circumstances changing things but assuming the position remains unchanged to the end of the financial year 2018/19 unallocated General Fund reserves of £15.0m brought into 2018/19 will be unchanged going into 2019/20, and the deficit will be substantially funded by the application of the unspent 2017/18 Council Tax and NNDR Collection Fund surpluses carried forward into 2018/19 with any residual being funded by one-off resources included within the 2018/19 budget, but assumed used as part of the ongoing budget monitoring process.

9.3 The maintenance of corporate contingencies continues to be an important element of the Council's Financial Strategy and the inclusion of adequate contingencies in the base budget going forward is essential. However, this must be balanced between holding back contingencies to mitigate unforeseen circumstances with the recognition that in an environment of budget reductions, contingencies at too high a level could result in reductions to other budgets. The Group Director, Finance and Corporate Resources is comfortable to maintain the total level of corporate contingencies at £2m for 2019/20. This will however be reviewed on an annual basis. It should be noted however, that contingencies are a buffer against unforeseen and exceptional circumstances and there is still the same requirement for Group Directors to ensure they keep within their base budget allocation.

9.4 It is recommended that similar reporting arrangements for contingencies apply for 2019/20, as those that apply to 2018/19, i.e. that the commitment of these sums in-year should continue to be permitted only on the agreement of Cabinet after it has considered a written report from the Group Director, Finance and Corporate Resources setting out the circumstances of each case and with a full justification provided by the relevant Group Director.

10.0 THE GENERAL FUND BUDGET STRATEGY 2019/20

Background and context

10.1 Planning for the 2019/20 budget has been set against the continuing backdrop of on-going significant reductions in funding from Central Government in the next three years and continuing uncertainty over all but one of the main funding streams in 2019/20. Whilst the Government's 3-year funding offer, which we accepted, gave certainty over Revenue Support Grant allocations over the period 2017/18 to 2019/20, we had little certainty or control over other major funding streams such as Additional Better Care Fund Grant and the New Homes Bonus Grant.

10.2 The Local Business Rate retention scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012. The scheme allowed Local Government to keep 50% of any Business Rate growth from its baseline position. For Hackney and all other London Boroughs the remaining 50% share was split on a 60/40 basis with the Greater London Authority (GLA). In 2017/18 these proportions were amended to: - the GLA 37%; Central Government 33% and London Boroughs 30%.

10.3 A further change to the system was made in 2018/19 with the introduction of the London 100% Business Rates Retention and Pooling Pilot scheme. Under this scheme Hackney retains 64% of the rates raised and the GLA keeps 36% with no Government share. This includes a share of any growth achieved in the London taxbase.

10.4 Another change will be made in 2019/20 with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney will retain 48% of the rates raised, the GLA will retain 27% and Central Government 25%. Despite the reduction in the retained percentage, there is still a significant financial advantage in remaining in the pool.

10.5 Since 2010, when looking at savings options for the following year's budget, importance has also been attached to not just the year in question but also following years. As such, savings plans developed in one year often had an element which related to and impacted on future years.

10.6 This proactive approach meant that savings plans for 2019/20 were agreed during 2016/17 and 2017/18 as well as 2018/19.

10.7 These savings together with further corporate savings has allowed the Council to propose a balanced budget despite further significant reductions in financial support from Central Government.

10.8 Of course identifying savings to offset a reduction in financial support is only part of the budget setting process. For 2018/19, as has been the case for many years, there have been emerging cost pressures and areas of unavoidable growth. These have been addressed, in the same way as previous years, by a combination of reallocating existing resources and additional savings. The following paragraphs set out some of the cost pressures and growth in more detail.

Cost Pressures and Growth

10.9 The Council's preferred strategy to manage growth and cost pressures has for the last 5 years been for service areas to manage pressures within their budgets wherever possible. A similar approach has been taken for managing non-pay inflation (see paragraph 12). This strategy will continue for 2019/20. However, it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable e.g. Levies and Concessionary Fares.

10.10 For 2019/20 whilst again most cost pressures have been contained within existing budgets the following have been added to the budget and to address corporate priorities.

- Pay inflation - £3.7m (see paragraph 12)
- Other inflation - (see paragraph 12)
- Directorate Cost pressures (see paragraph 19)

Funding for Directorate cost pressures will be held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director, Finance and Corporate Resources and after there has been set out a clear business case showing that the pressure cannot be managed from within the current directorate cash limits.

Summary

10.11 To summarise, this strategy produces a balanced budget for 2019/20. However, there are numerous further potential cost pressures on the horizon attributable to a variety of factors including increased demand for services and changes in Central government policy. These are dealt with in detail at paragraph 19 below.

11. THE LOCAL GOVERNMENT SETTLEMENT 2019/20 AND EDUCATION FUNDING

11.1 MHCLG published the 2019/20 Final Local Government Finance Settlement on 29 January. The resource allocations are broadly in line with expectations.

11.2 For the most part, the 2019-20 Settlement announcement simply confirmed what we already knew. No additional significant funding allocations were announced in addition to those set out in the Autumn Budget. Moreover, the grant cut announced for 2019/20 (£1.3bn) as part of the 4-year Settlement published in 2016, will be introduced despite all the representations that the Government has received.

11.3 The Secretary of State confirmed the £650 million funding for adults and children's social care in 2019-20, which was announced in the Budget. As we know, of this, £240 million will go towards easing winter pressures, with the councils having the flexibility to use the remainder - £410 million for either adult or children's services and, where necessary, to relieve demands on the NHS. Hackney will get £3.8m from this. This is on top of the £240 million announced in October to address winter pressures this year. Of this Hackney has got £1.4m.

11.4 The Secretary of State confirmed the Budget pledge for an extra £84 million over the next five years to expand its Children's Social Care programmes to support more councils with high or rising numbers of children in care. No indication was given of what Councils will receive the funding

11.5 He also confirmed the Budget commitment to provide support for high streets via a £1.5 billion package of support; including a business rates discount worth almost £900 million and a £675 million Future High Streets Fund to help them "adapt and thrive in changing times"; and confirmed the Budget announcement that there will be a further £420 million to repair and improve roads this year.

11.6 On a slightly positive note the New Homes Bonus baseline is being kept at 0.4% in 2019-20. The baseline reduces all councils grant entitlements and the Government was threatening to put it up in the Technical Consultation.

11.7 There will also be no change to the Council Tax Referendum limits published in the Technical Consultation and so London boroughs will have the flexibility to increase their core Council Tax requirement by up to 2.99% and can draw on the Adult Social Care precept to meet demand for services. Police and Crime Commissioners will be able to increase the police precept to £24.

11.8 The Secretary of State announced that the Government intends to directly eliminate the £152.9 million “negative Revenue Support Grant” in 2019-20 using foregone business rates. This will prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups’ that could act as a disincentive for growth. No council will lose funding.

11.9 The Secretary of State announced that there was a surplus of £180m on the Government’s Business Rates levy account because of the growth in business rates in 2019/20 and the Government is proposing to distribute this to all authorities based on needs.

11.10 After extensive consultation, the NFF commenced on 1st April 2018 with 2018/19 and 2019/20 being labelled as ‘soft years’ - essentially transition years where local authorities had some continued discretion on the local formula. 2020/21 was labelled a ‘hard year’ where final school budgets would be set by central government using the new national formula and it could not be altered by local authorities.

11.11 On 24th July 2018, the Minister of State for School Standards made a further announcement on school funding for the year 2019/20. The announcement confirmed many commitments made by the Secretary of State in July 2017, such as confirming the funding formula for 2019-20, which will mean all schools will have received at least a 1% per pupil increase over their 2017/18 baseline, i.e. 0.5% in 2018-19 & 0.5% in 2019-20. However, the uplift will not cover the continuing additional cost pressures on schools as a result of pay and non-pay inflation. The announcement also confirmed that the discretion awarded to local authorities in setting local formula in 2018/19 and 2019/20, is now going to continue in 2020/21 which <u>may</u> result in a further ‘soft’ year in 2020/21. There has not been any announcement or commitment to maintain or increase school per pupil budgets in 2020/21. This is a concern as it creates great uncertainty for those local authorities where per pupil funding levels are higher than the national formula per pupil funding levels. So further pressures on school’s budgets are possible in 2020/21, when the current protections associated with the new NFF for schools are not certain to continue.

11.12 There is an increase to high needs funding, which is welcome but not at a level which would cover the current cost pressure.

11.13 The Early Years National Funding Formula has now been fully implemented. No further significant funding changes are expected in respect of Early Years.

12. GENERAL FUND PRINCIPLES 2019/20

Inflation and Local Government pay

12.1 The Government's preferred measure of inflation for economic management purposes is the Consumer Price Index (CPI). CPI is also the measure that the Bank of England's Monetary Policy Committee must target when setting the Bank Rate. The Office for Budget Responsibility (OBR) published its inflation expectations, on November 2017 for the next 3 years and these are as follows:

	CPI
· 2018	2.6%
· 2019	2.0%
· 2020	2.1%

12.2 There will inevitably always be some costs which don't correlate with CPI e.g. Levies and Concessionary Fares and care contracts which are aligned to more local indices. As mentioned at Paragraph 10, where known to be unmanageable within existing cash limits, specific provision has been made in the budget proposals.

12.3 In October 2018, a pay deal was agreed for 2018/19 and 2019/20. The main elements are as follows:

The Greater London settlement relates to the Outer and Inner London pay spines and comprises:

- A headline rate minimum 2% increase in 2018 and 2019
- Bottom loading with higher than 2% increases for the lowest grades in 2018 & 2019
- A new pay spine in 2019 with even increment increases of 1.8% up to old spinal point 28 (currently increment differences are very small up to this point)
- Remains within the National Joint Council (NJC) national bargaining arrangements
- Inner London spinal points 20 and above increase by two percent

From 1 April 2019 the Greater London pay spines increase based on the following principles.

- No one gets less than 2% in either year
- Bottom loading in both years with higher than 2% increases each year up to old spine point 20, and in 2019 better than 2% increases for old spine points 20–30 on the Outer London spine and better than 2% increases for old spine points 20–32 on the Inner London spine
- The new 2019 spines each have even increment increases of 1.8% up to at least old spine point 28.

12.4 The estimated cost of the pay award to Hackney in 2019/20 (excluding the HRA) is £3.7m

Concessionary Fares Update

12.5 The method of calculating Hackney's contribution to the Concessionary Fares Scheme in 2019/20 has been advised by London Councils. This includes the contribution to Transport for London (TfL), National Rail, Non-TfL bus and survey and re-issue costs. The charge has risen dramatically in recent years – in 2007/08 it was £5.308m, rising to circa £12.5m in 2016/17.

12.6 For 2019/20, the overall charge will reduce from £12.151m to £11.957m – a reduction of £0.194m. Although it is impossible to predict the charges in future years it is worth noting that at a base cost of over £12m even very small fare increases or other percentage increases in the cost of providing Concessionary Travel could equate to significant increases in the charge to Hackney. Whilst there is no requirement to increase the budget for 2019/20, further modest increases in Concessionary Fares have been included in the Council's Medium-Term Budget planning.

North London Waste Levy

12.5 The North London Waste Authority (NLWA) charges Hackney, by way of a levy for the disposal of the Borough's waste from residents and businesses. The levy in 2019/20 will be £7.0m, which is only marginally higher than the previous year.

12.6 As has been documented for some time, NLWA's existing waste management infrastructure at Edmonton is reaching the end of its operating life and options for a replacement facility are being developed. The plant processes in excess of 500,000 tonnes per annum of waste arising from the seven constituent boroughs, including Hackney. This is waste which has been diverted away from landfill. The establishment of a new plant will increase the annual cost to all seven boroughs in the medium to long term. Indicative estimates suggest that during the period that construction is being financed, in seven years' time, Hackney's annual levy could exceed £12m. We therefore need to think about how we mitigate this additional cost as much as possible and diverting waste from landfill is the most significant factor in this. One initiative which is being pursued is the Estates Recycling Project which is probably the most sustained approach of all constituent NLWA boroughs looking at improvements on estates, both in communications and physical waste and recycling infrastructure aimed at increasing recycling performance

Use of Reserves

12.7 Other than planned use of reserves already agreed by Members as part of previous reports, these budget proposals do not include any further planned usage.

Pension Fund

12.8 In the 2015/16 Budget Report, Members were provided with updates on the impact on the Pension Fund of auto-enrolment, the new benefit structure from the LGPS 2014 Scheme and the changes coming through to the State Pension Scheme and how these might impact on Council budgets.

12.9 Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. As previously mentioned, for budget setting purposes all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there is no financial impact on the 2019/20 budget. The introduction of freedom and choice in pensions, which has given pension savers the opportunity to access pension benefits early and withdraw cash from pension schemes, has to date continued to have minimal impact on LGPS members, with very little interest to transfer benefits out of the secure defined benefit structure offered by the LGPS.

12.10 2016/17 saw changes to State Pensions via the introduction of flat rate state pensions from April 2016 and this resulted in changes to the contribution rebates which both employers and employees receive for national insurance where they previously operated a contracted-out scheme such as the LGPS and the Teachers' Pension Scheme. The additional cost to the Council of the reduced rebate was in the region of £2.5m. Employees also saw a reduction in the pay they take home from April 2016 as a result of increased national insurance contributions.

12.11 31st March 2016 also saw the next triennial valuation process for the Pension Fund. The Fund's actuarial advisers review the changes since the last valuation taking into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and assess the assets that the Fund holds to meet these liabilities. At the previous valuation at 31 March 2013, the Fund was 70% funded i.e. it held 70p worth of assets to meet every £1 of liabilities. Over the 3-year period the assets of the Fund have increased significantly due to a mix of the contributions paid by the Council and other employers and employees, but also the investment income and capital growth in the investments held. However, whilst the assets had increased to almost £1.2bn as at the end of March 2016, liabilities also showed large increases to £1.5bn. However, the overall monetary deficit reduced by £55m to £350m representing an overall funding level of 77%. Following the receipt of the valuation data, discussions took place with employers in the fund in order to determine appropriate contribution rates. Given the position of the Council as a long-term stable employer, we were able to agree a reduction in the Council's overall contribution rate of 2% in 2017/18 followed by further reductions of 1% in both 2018/19 and 2019/20 and this has been accounted for in the budget setting process. This is a result of the use of a realistic approach to funding the Council's pension scheme in recent years.

12.12 As was mentioned in last year's report, the Pension Fund has been working hard to collaborate with other LGPS funds both through national procurement frameworks and through a collective investment vehicle in London (LCIV). The government published criteria and guidance for all LGPS funds in England and Wales to pool all the investment assets into 6 pools of around £25bn a piece and asked each fund to come forward with proposals on how funds will deliver against the criteria and guidance. There are 4 criteria, namely economies of scale, governance, reduced costs and an improved capacity to invest in infrastructure. The LCIV was officially confirmed as one of the 6 pools, having already received FCA registration, established an authorised contractual scheme and already bringing assets into the sub-funds. The Council continues to work closely with colleagues in London to ensure the success of the London CIV, and has during 2018/19, transferred a significant portion of the Fund's assets onto the CIV platform, through implementation of its agreed investment strategy. Undoubtedly over time such changes will deliver significant benefits in terms of cost savings and opportunities to benefit from investment opportunities. Such benefits will however take time to flow through to the Pension Fund and ultimately the Council and therefore are not able to contribute to budget savings at this time.

13.0 GROWTH AND EFFICIENCY SAVINGS

13.1 A number of specific pressures have been addressed within the overall budget strategy see paragraph 10. The Group Director, Finance and Corporate Resources will in liaison with other Group Directors seek to manage any further pressures if/when they emerge during 2019/20.

13.2 As mentioned at paragraph 10.6, the agreed 2019/20 Savings proposals were summarised in the OFP reports to Cabinet in 2015/16, 2016/17 and 2017/18.

14.0 COUNCIL TAXBASE, COLLECTION RATE AND COLLECTION FUND SURPLUS

14.1 In his Autumn Spending Review in 2015, the former Chancellor announced that all Local Authorities with responsibility for providing adult social care would be able to, annually for the life of this Parliament, increase their Council Tax rate by up to 2% in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. The only condition of any increase is that all additional revenue raised must be used solely for adult social care services. This increase is in addition to the up to 2% increase in Council Tax that all Local Authorities could charge without triggering a referendum. This meant that for 2016/17 Local Authorities with adult social care responsibility could have effectively increased their Council Tax by up to 4% without triggering a referendum.

14.2 In the 2017/18 Local Government Finance Settlement, the Government amended the rules - Local authorities with responsibility for social care such as Hackney must hold a referendum if council tax is to be increased by 5% or more. This consists of a 1.999% threshold for general spending purposes plus a maximum 3% ‘social care precept.

14.3 In the 2018/19 Local Government Finance Settlement, the Government again amended the rules. It increased the general spending council tax referendum limit from 1.999 per cent to 2.999 per cent for 2018/19 and 2019/20. The 2019/20 limit was confirmed in the 2019/20 Provisional Local Government Finance Settlement where it was also confirmed that the increase in the social care precept could not exceed 6% over the period 2017/18 to 2019/20.

14.4 In recognition of the significant pressures on adult social care budgets, both in terms of increased cost of provision and increased demand for the service; and significant cost pressures in other services; this budget proposes to increase the Band D Council Tax rate by 2% in respect of adult social care and 2.99% in respect of other services giving a total increase of 4.99% for 2019/20. This proposal will generate around £4m additional resource which will help protect adult social care services and other services.

14.5 To determine the total amount of income to be raised from Council Tax for 2019/20, both the amount expected to be collected (the collection rate) and the physical number of properties in the Borough (the taxbase) must be considered.

14.6 In these proposals an assumed collection rate of 95% has been used. We will continue to use this rate until such time as the Group Director, Finance and Corporate Resources is confident that a higher collection rate is sustainable in the medium term.

14.7 The calculation of the taxbase for 2019/20 was finalised and the subject of a report to Members in January 2019. At the meeting members agreed a taxbase of 72,552 Band D equivalent properties.

14.8 In preparing the 2019/20 budget, assumptions were made about the Council Tax collection performance for both in-year collection and for arrears of Council Tax. The assumed overall collection rate for 2018/19 was set at 95%. As at the end of December 2018, the collection rate was c. 80% of the total amount due. In light of this it has been estimated the budgeted collection rate of 95% will be achieved and that, in the main due to collection of prior year debt, there will be a Collection Fund surplus of £2.5m attributable to the Council for the year.

14.9 The Collection Fund surplus will be used to support expenditure within the capital programme.

15. OVERALL POSITION ON THE GENERAL FUND

15.1 The overall 2019/20 proposed budget position is summarised in the table below.

15.2 Please note that the income total includes £21.5m of one-off income which will not be available to fund on-going expenditure. This is balanced off in the General Finance Account

TABLE 1: PROPOSED NET EXPENDITURE BUDGETS 2019-20

Table 1	2019/20 Budget £m	2018/19 Budget £m
Net Expenditure Budgets		
Children Adults and Community Health Education	140.596	135.093
Public Health	32.764	33.695
Education	19.910	19.273
Education – Schools Budget (estimate)	210.000	209.000
Less Dedicated Schools Grant (estimate)	-210.000	-209.000
Neighbourhoods and Housing	25.711	25.068
Chief Executives	15.054	14.518
Finance & Resources – Support	27.597	28.769
Finance & Resources - Front Line Services	17.402	16.316
HRA Recharge	-8.000	-8.000
Directorate Cash Limits	**271.034**	**264.739**
General Finance Account (1)	41.975	34.285
RCCO in base budget	4.500	3.500
Collection Fund surplus used to fund capital	2.543	1.900
Net Expenditure Budget	**320.052**	**304.425**
Revenue Support Grant Allocation	n/a	n/a
Business Rates Grant Top up	-83.421	-72.766
Retained Business Rates	-75.309	-79.856
Collection Fund surplus	-2.543	-3.900
Public Health Grant	-32.320	-33.196
New Homes Bonus Grant	-8.395	-8.577
Better Care Fund	-7.700	-7.700
Additional Better Care Fund	-12.753	-7.710
Education Services Grant	0.000	0.000
Other Income including S31 Grants (1)	-15.312	-13.852
Council Tax Requirement	**82.299**	**76.868**
(1) The 2019/20 GFA is adjusted to reflect one-off grants received which are included in the Other Income line. This accounts for the year on year significant increase in the GFA and the increase in net budgeted spend		

16.0 LEVIES

16.1 The Council receives levies from a variety of other bodies, which it must meet from within its total budget requirement. The levies include those from the North London Waste Authority [NLWA], the Environment Agency, the Lee Valley Regional Park Authority [LVRPA], and the London Pensions Fund Authority. In addition, the Council also pays into the London Borough Grants Scheme (LBGS).

16.2 Other than the NLWA levy, which is apportioned on a different basis, the levies are apportioned on the basis of taxbase.

16.3 As mentioned at Paragraph 14.7 above, the taxbase for Hackney for 2019/20 was agreed at 72,552 Band D equivalent properties and this figure has been used for apportionment of the applicable levies.

16.4 The following table summarises the 2019/20 levies and the 2018/19 levies for comparison.

Levying Authority	2019/20 Levy £m	2018/19 Levy £m
North London Waste Authority	7.00	6.77
London Pensions Fund Authority	1.06	1.05
Lee Valley Regional Park	0.17	0.17
Environment Agency	0.17	0.16
London Borough Grants Scheme	0.21	0.21
Total	**8.61**	**8.36**

17.0 PRECEPTS

17.1 The only body which issues a precept to the Council is the Greater London Authority [GLA]. Payments to the GLA will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of Council Tax this equates to. The precept will be net of government support. The amount of Council Tax required as calculated by the GLA, is added to the Council's own calculation to give the total Council Tax to be charged.

17.2 The GLA Group Budget Proposals and Precepts were published in December 2018. The final consolidated draft budget was published on 24th January 2019 and will be presented to the London Assembly for final decision on 25th February 2019.. The final consolidated budget requires a precept of £320.51 per Band D property, which is a 9% increase from 2018/19. The total GLA precept for Hackney will be £23.254m. This will result in a total Band D Council Tax for Hackney of £1,454.86, which will be an increase of £80.19 per band D equivalent property from 2018/19.

18. HACKNEY'S COUNCIL TAX FOR 2019/20

18.1 A description of the Council Tax regime is set out in **Appendix 4** as background information for Members. The Council Tax figures set out below are based on a three percent increase in the Council Tax and a collection rate of 95%. The collection rate is in line with the Council's Medium-Term Planning Forecast and supports Mayoral Priority 2, to ensure the Council delivers high quality services, financial stability and first-class local facilities, by ensuring that everyone pays what they owe and that the Council spends the money in the most effective way.

Table 2: Council Tax Income

2019/20 COUNCIL TAX TO BE RAISED	**2019/20**
	£m
Net Expenditure requirements	313.009
Revenue financing of capital expenditure	4.5
One off expenditure funded from Collection Fund surplus	2.543
Net Budget Requirement	**320.052**
External Support	-159.901
Retained Business Rates	-75.309
Collection Fund Surplus	-2.543
Council Tax requirement for Hackney	**82.299**
Council Tax requirement for the Greater London Authority (GLA)	**23.254**
Overall Council Tax Requirement	**105.553**
No. of Band D equivalent properties (the Council's Taxbase)	72,552
Basic amount of Council Tax for Hackney	**1134.35**
Basic amount of Council Tax for GLA	**320.51**
Total Basic amount of Council Tax (per Band D property)	**1454.86**

18.2 Members should note that decisions around the level of Council Tax increase must be made with reference not only to local political and financial considerations but also taking into account the Government's controls over Local Government spending such as the use of local referendum powers. In addition, the Council has to formally consult with representatives of the local business community. Local business representatives were invited to a consultation meeting held on the 22nd February 2019 to discuss the final budget proposals.

18.3 The amount of the Council's General Fund revenue expenditure to be funded from Council Tax is £82.299m

18.4 The formal resolutions by Council to agree the budget and Council Tax rate are set out in the recommendations to this report. These can only be agreed by Council. The decisions cannot be delegated

19.0 FUTURE YEARS COST PRESSURES AND BUDGET PLANNING

19.1 As mentioned at Paragraph 10 above, although this report sets out the annual budget for 2019/20 the finance strategy is and will remain to be that the budget is not looked at solely in isolation of the year in question but also in terms of the issues that may affect the budget in future years.

19.2 The Council produces its Medium-Term Planning Forecast and the Group Director, Finance and Corporate Resources also updates HMT and Cabinet on the future year's indicative budgets on a regular basis throughout each year. This report does not revisit the overall forecast position as to do so would be a duplication of the information already provided.

19.3 There are cost pressures in:

(a) Adult Social Care spending, arising from increased demand for complex packages of care across client groups but particularly in Learning Disabilities. There has also been an increase in people being discharged from hospital with intensive support packages. These pressures will be partially offset by the proposed 2% rise in Council Tax to directly contribute to adult social care and additional one-off funding for social care announced by the Government, however this additional revenue is significantly below the additional cost pressures forecast.

(b) Concessionary Fares and the NLWA levy. As mentioned in paragraph 10 these are expected to continue to rise in future years and are broadly outside of the control of the Council.

(c) The Welfare Reforms which have led to an increase in homeless applicants which has increased costs and may impact on care costs and revenues.

(d) Increases in the London Living Wage which is now paid to all council staff and to all/nearly all contractors.

(e) Looked After Children where there is a continuing financial pressure in the looked after children's service resulting from increases in the number of children and young people that have come into care since 2011/12, the increase in residential placements and the shortage of in-house foster carers. Although the position has stabilised on children and young people coming into care, there are ongoing pressures in fostering and residential placements that need to be monitored and addressed. Some of the additional social care funding announced can be spent on Children's Social Care, however, this falls a long way short of meeting the cost pressure.

(f) No Recourse to Public Funds where the Council supports vulnerable families who through their immigration status have no access to the benefit system in this country, and due to restrictions on their ability to work, require financial assistance to pay for accommodation and subsistence. This is a pressure we have in common with many of our London neighbours and which is exacerbated by delays in the determinations made by the Home Office

(g) Funding manifesto commitments. Additional resources required for delivering manifesto commitments has been modelled and built into the Council's financial planning in line with the expected delivery of individual commitments. Funding has been allocated within this year's budget to meet initiatives such as, Young Futures Commission, measures to improve our recycling rate and minimise waste especially across housing estates, additional support for new/starter businesses, ensuring our local and town centre plans put communities and local businesses at their heart so that everyone benefits from development in the borough, and installation of water fountains to reduce use of plastics. Other initiatives such as object lending library and re-use hubs will be factored into future years. Additional calls on the capital programme arising from the manifesto will be considered through the monthly Capital Update Reports to Cabinet as the Capital Strategy is further developed. These additional pressures on both the revenue and capital budgets will require prioritisation alongside existing and other commitments and pressures in light of the financial challenges set out elsewhere in this report.

(h) The costs arising from the legal requirement to include an average of regular additional hours, overtime, standby and callout in employee's holiday pay.

(i) Increases cost of cleansing services which reflect the increasing number of households across the borough – there has been a 9% increase since 2013/14 and predictions are that household numbers will continue to grow by 1.7% per year

(j) Special education needs due to the significant increase in young people with Education and Health Care Plans. A cost which is meant to be met by the High Needs Block of the Dedicated Schools Grant; a funding source which has seen minimal growth despite the increase in demand. This requires the Council to direct top up the resources available from reserves.

(k) Increased costs arising from the 2019 pay award

19.4 The above highlights that whilst the majority of efforts from Officers will be to manage existing services in the light of further reduced resources, there are also potentially big future demand and cost pressure issues that will need to be considered and any future planning strategy needs to look at managing these as part of any future plans.

20. COUNCIL INVESTMENT IN SERVICES

20.1 CACH

20.1.1 Adult Services

Adult Services plan to spend approximately £102m (gross expenditure) in 2019/20 and this encompasses expenditure on statutory Adult Social Care services from assessment of need, hospital discharge planning, commissioning and provision of care. We support people with learning disabilities, mental health conditions, people with physical disabilities, people with sensory impairments, older people and unpaid carers. Services provided include:

- Safeguarding vulnerable adults
- Providing information and advice
- Linking people to universal and preventative services including reablement
- Brokering and commissioning of individual packages of care for clients
- Commissioning residential and nursing placements
- Monitoring and quality assuring services being provided
- Provision of out of hours emergency service
- Support to vulnerable members of the community to attain or maintain a tenancy, via the provision of housing related-support

Adults Services work with a number of key stakeholders, most notably City and Hackney Clinical Commissioning Group (CCG), Homerton University Hospital Foundation Trust (HUHFT), the East London NHS Foundation Trust (ELFT), and a range of third sector partners as well as independent providers to deliver joined up care for people in Hackney.

Over the last five years Adult Services have focused on working with people in a personalised way, putting individuals at the centre and promoting people's independence. Promoting independence means where-ever possible supporting people to continue to live at home rather than going into institutional care settings. This has been achieved by utilising services like Reablement to support people to regain skills they may have lost as a result of a hospital admission and making use of aids, adaptations and care and support packages designed around the individual. This has been successful at reducing the number of people in expensive residential and nursing care provision and increasing the number of people supported to live at home within their own communities.

To support this agenda Adult Services have continued to invest in services that help prevent, delay and reduce the need for care and support. For example:

- In 2018/19 we opened a new in-house state of the art day centre at Oswald Street aimed at supporting those with complex physical and mental health needs to access day opportunities. Spend on this service in 19/20 will be approximately £2m.

- We recognise the importance of lunch clubs as an opportunity for older people to socialise, who would otherwise be socially isolated. As such, there is continued investment in this area with a new 3-year contract being awarded in 2018/19 for a Hackney CVS to provide and oversight to lunch clubs. The annual spend on the service is approximately £226k

- We invest in non-statutory support to help people maintain their tenancies and live independently whilst remaining connected to their communities. Although there have been reductions in spend on these ‘Housing Related Support’ services Hackney continues to be one of the highest investors in this area in London. Spend on this service in 19/20 will be approximately £8m

Adult Services continues to deliver in-house statutory services which many other areas have outsourced, including Oswald Street Day Centre, direct care provision through Housing with Care services and a Shared Lives service to support people with learning disabilities to live in a family home rather than in residential care.

Integration with health services remains a significant priority for Adult Services into 2019/20 with the ongoing Integrated Commissioning programme which sees Adult Services budgets pooled or aligned under a Section 75 agreement with the City and Hackney Clinical Commissioning Group. The focus of which to date has been about working together to look at joint commissioning and funding arrangements to find long term and sustainable solutions to budget pressures and to improve services to residents and patients, smoothing pathways and minimising duplication to ensure delivery is as efficient as possible.

Adult Services has continued to make significant contributions to the efficiency agenda of the Council. Over the previous eight years the service has delivered £26.9m savings with a further £2.3m being delivered in 2018/19.

20.1.2 Public Health

The ring-fenced grant funding allocation for 2019/20 is £32.3m, which has reduced year on year since transferring from the NHS. We are anticipating changes to the way the grant is allocated, along with significant funding reductions in the longer term.

The grant is currently ring-fenced for Public Health, conditions of which are that the local authority must take steps to ensure it is aware of, and has considered, what the health needs of its local population are, and what the evidence suggests would be the appropriate steps to take to address those needs. Local authorities have some freedom in terms of how they choose to invest their grant to improve their population’s health, though they must have regard to the national Public Health Outcomes Framework, ensure delivery of a number of mandated functions, and should consider the evidence regarding public health measures.

As referred to above the Public Health Grant is aligned with CCG funds as part of the integrated commissioning arrangements for services mainly within the Prevention and Children, Young People and Maternity workstreams.

The main public health service programmes and activities are:

- Mandated sexual health services for adults with an annual budget of £7.5m currently, largely spent on open access sexual health clinics provided by Homerton Hospital and Trusts across London. This has undergone transformational review in the way services are delivered and paid for across London, modernising the offer whilst delivering efficiencies through economies of scale. We anticipate the budget continuing to reduce in the medium term, though as an open access demand-led service it is tricky to manage.

- The health of 0 to 5-year-old children, incorporating the Healthy Child programme (predominantly the mandated health visiting service). Responsibility for this was transferred from the NHS in 2015/6, and we have recommissioned the service to better target support and to deliver efficiencies. Spend on the service in 2019/20 will be approximately £6m.

- Almost £1.5m per annum for a range of projects aimed at reducing adult and child obesity and increasing physical activity. The budget for this has stayed relatively stable over the past few years, though we have worked closely with the CCG and others to improve support across the ‘tiers’ of healthy weight, from universal services like the OneYou exercise and healthy eating programme on local housing estates, to weight management and exercise on referral.

- Substance misuse services (a council statutory service); total expenditure across adults and young people’s support for 2019/20 will be of the order of £5.3m. Over the past few years this budget has remained relatively stable, though introducing an integrated substance misuse treatment model did deliver some savings. The service will be recommissioned in 2020, and we intend to find further efficiencies in the way this operates.

- Up to £1m per annum to fund smoking cessation initiatives and tobacco control projects. Smoking in Hackney remains a significant cause of morbidity and mortality, and whilst we have slightly reduced the budget the service continues to operate effectively, and we have retained funding to support wider tobacco control activity (including funding for Trading Standards colleagues to better tackle the sale of illicit tobacco).

- Health promotion and prevention for children aged 5-19, including school nursing and young people’s sexual health services, at an overall cost of about £2m per annum. This includes services such as CHYPS+ and school safeguarding, and spend has increased slightly over the past 3 years.

- Public mental health services commissioned from a wide range of voluntary organisations, within an overall sum of about £1.5m per annum. This has remained stable over the past 3 years.

- Community Based Services such as the estate-based health activities, violence prevention services and the Healthier City and Hackney Fund, with an overall sum of around £1m.

Other public health services include affordable warmth advice, accident prevention (injury from falls etc.), NHS Health Checks, dental health etc. The Public Health grant also funds staffing for public health intelligence and strategy, commissioning and contract management.

The Council has entered into a service level agreement with the City of London to manage a number of public health services for City residents, for which the City pays agreed service contributions and management fees.

20.1.3 Children and Families

The Children and Families Services (C&FS) plan to spend approximately £57.5m (gross expenditure) in 2019/20. The Service encompasses statutory Children's Social Care Services and early help and statutory youth justice provision delivered by the Early Help and Prevention Service.

The Service works with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the Service will look after those children. The core focus is child protection, supporting families where their children are on the edge of care, securing positive long-term life chances of children looked after by the Council and providing universal and targeted early help and prevention services for Hackney's children and young people. The Council's Domestic Abuse and Intervention Service also sits within the Children and Families portfolio.

The Children Social Care service is made up of the following areas:

- The Family Intervention and Support Service includes referral and screening activity (through the multi-agency First Access and Screening Team) and statutory assessments for children in need. The Service safeguards children and young people assessed as being in need of social work intervention or protection through statutory processes. This includes child protection work, court proceedings and statutory family intervention to help children remain at home safely. The adoption and post-permanency teams provide support to children, adoptive parents, and birth family members during and after the adoption process.

- Corporate Parenting works with and provides statutory services to children and young people who are looked after, including those in foster care, semi-independent or residential placements, as well as those leaving care. The service also manages in-house foster carers and their training.

- Safeguarding and Learning incorporates the statutory work of Independent Reviewing Officers and child protection conferences, the quality assurance of all activities in CFS and holds responsibility for the professional training and development programme across the

Directorate, including the statutory social care workforce development. The service interfaces with the Department for Education, the Youth Justice Board, Ofsted and other inspectorates and ensures the business keeps abreast of legislative directions, government policy and guidance and research developments.

- The Disabled Children's Service provides specialist services to disabled children and young people and their families. The service is incorporated into the SEND provision located at Hackney Learning Trust.

- The Clinical Service is an integrated and specialist Child and Adolescent Mental Health Services (CAMHS) for children accessing Children's Social Care Services, the Family Support Service, Young Hackney and the Youth Justice Service. The Service provides family therapy, psychology and other specialist clinical input into the assessment and treatment of children and families, including for the purpose of legal proceedings and for young people on youth justice orders. The service also provides accredited systemic training for practitioners across CFS.

- The Early Help and Prevention Service consists of Young Hackney, Youth Justice, Parental Support and the Domestic Abuse Intervention Service (DAIS):

- Young Hackney incorporates the Council's early help, prevention and diversion service for children and young people aged 6-19 years old (and up to 25 if a young person has special educational needs, is disabled and/or engaged with the substance misuse team). The service works with young people to support their development and transition to adulthood by intervening early to address adolescent risk, develop pro-social behaviors and build resilience.

- The Youth Justice Service holds statutory responsibility for Youth Offending, including providing dedicated and specialist support to young people on statutory youth justice orders

- The Parenting Support Service aims to strengthen parenting capacity and reduce the risk of children unnecessarily entering care and includes the Council's Troubled Families programme, Family Support Units and other preventative programmes.

- The inhouse Domestic Abuse Intervention Service (DAIS) works with anyone in Hackney experiencing domestic abuse. The service assesses need; provides information and support on legal and housing rights; supports service users with court attendance; supports service users to obtain legal protection; and works with service users and other professionals to address their needs. The service also works with perpetrators of domestic abuse to try to reduce risk.

Some of the key planned activities and recent data for the Children and Families Service include:

- 4,438 statutory social work assessments were completed for children in 2017/18

- 384 looked after children (as at 30th September 2018)

- 199 child protection plans (as at 30th September 2018)

- Placement of 125 children with Hackney foster carers compared to 153 children placed with agency carers (as at 31st March 2018)

- Placement of approximately 20 children in residential care at any one time (25 children were in residential placements at 31st March 2018)

- Providing support and care packages for 241 disabled children in 2017-18

- Providing support to 261 care leavers aged 17-21 and 65 care leavers aged over 21 (as at 30th September 2018)

- Youth activities and support for 6-19-year olds provided through Young Hackney (up to the age of 25 if a young person has special educational needs, a disability and/or is engaged with the substance misuse team) with 165,283 attendances at universal services during 2017-18

- There were 8,044 attendances by children and young people in 2017-18 through the Young Hackney Sports Unit. This is a key area of Young Hackney's work and is linked to the wider work across the Council related to health and wellbeing and childhood obesity.

- Young Hackney work with approximately 600 young people at any one time through the Early Help team providing tailored individual support

- Activities for young people provided at 4 Young Hackney hubs, 6 adventure playgrounds and satellite-based community provision

- Additional activities provided for young people delivered by voluntary and community sector organisations commissioned by Young Hackney

- Planning and managing Hackney Youth Parliament Election and Young Speakers

- Providing support to 85 young people on statutory youth justice orders (as at 30th September 2018)

The Children and Families Service has been successful in bringing in significant additional funding in recent years to provide resources for projects that support vulnerable children and families. These projects include the Family Learning Intervention Programme, the Contextual Safeguarding Project, the North London Social Work Teaching Partnership, funding to provide additional support for unaccompanied asylum-seeking children, the Home Office Trusted Relationships Fund and Hackney was selected to join the Department for Education's Partners In Practice (PiP) programme.

The Children and Families Service has continued to make significant contributions to the efficiency agenda of the Council. Over the previous eight years the service has delivered £11m savings with a further £0.3m being delivered in 2018/19.

20.2.3 Education and Schools

Hackney Learning Trust (HLT) plans to spend around £262m (gross expenditure) in 2019/20, which includes around £157m delegated to schools. HLT runs all the education services for the London Borough of Hackney and is responsible for schools, children's centres, early years and adult education.

HLT also provides a range of educational services through delivery of a traded offer, operating in an increasingly competitive sector. As such, HLT has a trading relationship with all Hackney schools and is working with a number of schools outside of the borough.

HLT's vision continues to be the further acceleration of the pace of continuous improvement in order to ensure that all schools in the borough are graded good or better as soon as possible, and that every pupil is taught by good or better teachers with a curriculum that enables and promotes lifelong learning.

As at the end of the autumn term 2018, 72 of 76 schools (94.7%) schools (all phases) were rated as good or better by Ofsted for overall effectiveness.

At primary phase, 20 schools (35.7%) were judged outstanding and 33 schools (58.9%) were rated as good. Three primary schools (5.4%) were judged as requiring improvement and no schools were in the inadequate category. At secondary phase, 3 schools (21.4%) were outstanding and 10 schools were judged as good (71.4%). There were no secondary settings considered to be requiring improvement and one school was rated as inadequate (7.1%). All four special/PRU settings were rated either good of outstanding for overall effectiveness.

95.7% of pupils at Hackney schools, which have been inspected by Ofsted, now attend a good or outstanding school (all phases).

20.3 Neighbourhoods

The combined proposed budget (gross expenditure) for Environmental Operations, Waste and Recycling, Streetscene, Parking and Street Markets is £59.1m in 2019/20.

<u>Environmental Operations</u>

- 261km of Hackney's streets being cleaned at various frequencies, including at least twice weekly for all residential roads and daily or more often for zone 1 roads. Town centres and all high streets are swept and cleared of waste daily Monday – Sunday and up to 8 times a day.

- Four Graffiti and fly-posting removal teams and one additional wash down crew dedicated to removing graffiti, flyposting and staining from the public highway.
- A cleansing maintenance service delivered to all Hackney Markets including Saturday, with 70% of waste generated from Ridley Road being recycled.
- Domestic Waste collections provided to 55,000 estate-based dwellings with frequencies ranging from weekly to thrice weekly depending on the amount of waste generated and the estate’s needs. This equates to approximately 0.5m yearly waste and recycling collections from estate bin stores.
- Domestic waste and recycling collections provided to almost 55,000 street-based properties on a weekly basis. Collections of domestic and recycling waste are provided on the same day. Door-to-door weekly waste and recycling collections amount to some 6.4m collections per year.
- Domestic Waste collections provided to over 5,000 dwellings in Hackney’s commercial areas (predominantly flats above shops) with frequencies ranging from weekly to daily depending on the location.
- Recycling collections provided to both street and estate-based properties include, comingled (plastic packaging, plastic bottles, cartons, paper, cardboard, tins and cans and glass), food and garden waste collections.
- 24-hour management of Night Time Economy areas of the borough with the continuous removal of waste and litter 7 days a week.
- Delivery of commercial waste services to the borough’s businesses 7 days a week which includes commercial recycling at a significantly reduced cost to the business. Turnover exceeds £6.3 million per annum.
- Delivery of an integrated cleansing service across all Hackney estates and streets which delivers services in a more cost effective, efficient and high performing manner.
- Daily check and rectify of all housing estate blocks where every building and landing is inspected, and any rectification required is undertaken.
- A scheduled cleaning service for blocks of flats whereby regular scheduled cleansing takes place in addition to the daily checks. This service is backed up by a deep (steam) cleanse of all internal block surfaces, as required.
- Delivery of a subsidised door-to-door bulky waste service 5 days per week to all residents in the borough. This includes collection, processing and disposal of up to 5 items per collection.
- The operation of a waste transfer facility 6 days a week for street cleansing waste and bulky household items. The facility operates a recycling service separating recyclable material and non-recyclable waste.
- Around 24,000 tonnes of material recycled from Hackney households each year, including approximately 13,500 tonnes of commingled recycling, 3,500 tonnes of food and 2,800 tonnes of garden waste.
- Approximately 1.5m commercial waste and recycling collections per year, generating around 4,500 tonnes of dry recycling and 900 tonnes of food for composting.

- Approximately 24,160 mattresses collected annually and sent for recycling.

<u>Waste Strategy and Recycling</u>

- Ongoing strategic development of the waste management and recycling services.
- Submission of all statutory data returns to Central Government.
- Publicity and promotion of waste management and recycling services.
- Management and delivery of the Ward Improvement Programme and formal monitoring of street cleansing standards.
- Lead on advising architects and planners at the pre-planning stage as well as formally commenting on full applications with regard to waste and recycling storage provision for all residential, commercial and mixed-use developments.
- Provision of around 600 ‘Recycling on the Go’ bins across the borough which contribute approximately 240 tonnes of recycling over the year.
- Delivery of the Environmental Education contract with Ecoactive to engage and promote recycling and waste prevention to around 7,000 primary and secondary school students per year; and collect around 800 tonnes of commingled recycling from schools.
- Maintain the furniture re-use collection service delivering over 1,100 re-use collections and avoiding around 100 tonnes of furniture from disposal.
- Development and implementation of estates interventions to improve performance across all estates recycling (not limited to the Council’s Housing estates), including additional recycling collections at busy sites, introducing new design recycling bins with larger lid apertures, introducing c160 additional recycling bins at the Council’s Housing sites and reviewing Waste Planning Guidance.
- Planning and roll out of a new Green Champions scheme focused on estate-based residents, to improve recycling on estates.
- Introduction of Hackney’s first reverse vending machine to reward residents for depositing single use drinks containers, on one estate.
- Ongoing corporate programme (the Estates Recycling Programme) working to improve recycling on the Council’s Housing estates. Most notably the closure of waste chutes and building replacement bin stores on seven estates to improve recycling infrastructure for estate-based residents.
- Deliver the first Object Lending Library in the borough to enable residents to hire tools instead of purchasing to reduce waste.
- Launch three Re-use Hubs to enable residents to re-use their household items, to fix their bikes, textiles and electrical goods.
- Deliver a campaign to reduce single use plastics via social media and local outreach events.
- Work with Hackney Real Nappy Network to encourage residents to ditch 100 tonnes of disposable nappies for reusable cloth nappies and to engage with over 2,000 parents.
- Deliver the first ‘Zero Waste Hackney’ summer large event to encourage residents and businesses to reduce their waste.
- Attend over 30 local resident events to promote recycling and waste prevention and to engage with face to face with over 1,000 residents.

Land, Water, Air (LWA) & Asbestos Pollution Control Teams

- Develops policy and advises Council on land water and air issues.
- Manages and/or delivers all LWA Team project work, including schools, and air quality monitoring.
- Delivers more complex air quality and contaminated land planning issues.
- Sources external funding, for example through the London Mayor's Air Quality Fund.
- Day to day Environmental Permitting duties for the Council.
- Developing, implementing and coordinating projects for the Air Quality Action Plan.
- Contracting and managing Refurbishment and Demolition Asbestos Surveys.

Parking and Street Markets

- The launch of e-vouchers in 2019/20, which will enable residents arrange parking for their visitors in seconds.
- Effective enforcement of controlled parking areas within Hackney, that ensure road safety, support traffic flow, and protect parking for those who most need it.
- The continued management of parking places, pay & display equipment, signs and lines, car park facilities and the CPZ review programme for over 70% of the borough, including 87 Council Estates and 6 off street car parks.
- Consultation with uncontrolled areas where there is demand for parking controls to be introduced from local residents.
- The management of Hackney's six street markets and their 6.1m annual customers, delivering continued growth across our markets and providing support and training to service users and customers, which supports business growth and entrepreneurialism.
- The licensing and management of shop front trading, with a focus on achieving growth, which supports regeneration and economic growth in Hackney, and facilitate effective enforcement to ensure effective trader compliance.

Streetscene

- Management of the public highway network that includes inspecting and repairing 240 km of carriageways, 480km of footways.
- Inspecting and repairing 11,214 street lights, 9,670 gullies and 20 bridges.
- Maintenance of around 9,000 street trees on the borough's roads and footpaths and trees within parks.
- During the winter period Streetscene are responsible for precautionary gritting of 30% of the road network. This includes all the main roads (inclusive of all bus routes & access to all emergency services) and susceptible routes (roads near water courses, steep gradients and problem sites)

- Maintenance of lining and signing on the road network (including at signal junctions, zebra crossings and yellow box markings) to ensure compliance with current regulations
- Provision of cycle training for more than 1,800 people including 1,400 school children, 300 individual adults, and we also provide cycle training for community groups and all ability groups.
- Promotion of walking and cycling across the borough including events such Pit Stops and the world record breaking Bike around the Borough.
- Road Safety education and publicity including the school crossing patrol service
- Managing skip and other highway licenses
- Coordinating and managing Council, utility and developer works on our roads

Libraries, Leisure & Green Spaces

The Libraries and Heritage Service plans to spend around £6m (gross expenditure) in 2019/20 across Hackney's libraries, museum and archives functions.

Hackney has eight libraries and a community library service and works with a range of partners to deliver a service which aims to connect with all sectors of the community. The service provides opportunities and support for learning, leisure, information, health related information and activities, helping people to gain paid employment and combating social exclusion. A range of innovative activities are provided for children and have been successful in encouraging reading skills and the pleasure of reading. The service is the largest provider of free internet access in the borough. The Community Library Service delivers books, DVDs and CDs to those who are unable to visit the libraries due to sickness or disability. The number of library visits has grown steadily over the last ten years, bucking national trends.

In 2017/18, the library service delivered the following:

- 1.67 million visits by members of the public
- 682,031 issues of books, CDs and DVDs
- 498,193 hours of free PC use in addition to free Wi-Fi in each library

Hackney Museum is recognised as one of the best community museums in the capital. Following its move to a state-of-the-art facility in Dalston, Hackney Archives has increased visitor numbers threefold. The two service elements offer a joint Community Education service which works with every state primary school in the borough.

Together, the museum and archives delivered the following in 2017/18:

- 31,263 visits in person
- 31,674 collection online enquiries
- 7,307 school pupils took part in learning activities
- Three major exhibitions and four platform exhibitions at the Museum

Supported our cross Council Black History Season and Windrush Celebrations.

The Leisure and Green Spaces service plans to spend around £4.9m in 2019/20, managing and maintaining Hackney's 58 parks, gardens and open spaces and its seven sport and leisure centres.

Hackney's green spaces total approximately 283 hectares and range from the largest concentration of football pitches in Europe at Hackney Marshes, to Springfield and Clissold parks. There are now 25 Green Flag Parks in Hackney – the national quality standard for parks.

The Sports and Physical Activity service works with partners to improve the health and wellbeing of local residents and support the development of sports and physical activity. In addition to providing a significant range of opportunities for individuals and groups to be involved in sport and physical activity, it also works in close partnership with Greenwich Leisure Limited (GLL), the organisation which manages leisure facilities in Hackney on the Council's behalf. All of Hackney's leisure centres (7) are QUEST accredited, the national quality mark for leisure facilities, and they attract over 2 million visits each year.

Planning Services

The Planning Service expects to spend around £4.4m (gross expenditure) in providing services across the borough. This investment is in the following service areas:

The Planning Service is formed of five teams: Strategic Policy, Growth Team, Development Management & Enforcement, Building Control, and Technical Support & Land Charges.

The Strategic Policy Team leads the preparation of the Council's Local Plan, the local authority's key planning document setting out how growth and change will be managed across the Borough over a 15-year period. They also prepare accompanying Area Action Plans, Supplementary Planning Documents, the Authority Monitoring Report and a broad range of evidence and research documents to justify/inform the plans and ensure effective implementation.

Development Management & Enforcement implements policies set out in the Local plan documents by providing the Council's statutory responsibilities in respect of processing and determining planning applications, representing the Council at planning appeals, and carrying out the planning enforcement function. The Service processes, consults on and determines over 4,000 planning applications per annum, generating approximately £1.8m income per annum. Furthermore, the Planning Enforcement team investigate over 600 planning breaches per annum.

The Growth Team collects and monitors Section 106 income and Community Infrastructure Levy funding, delivers master plans and capital projects for areas of growth and change, leads on design and conservation issues, and determines major planning applications, with larger more complex applications being subject to Planning Performance Agreements, which typically generate upwards of £400k income per annum.

Both Development Management and the Growth Teams are supported by the Technical Business team who facilitate and service the planning application process.

The Building Control team's primary function is to ensure that buildings are properly designed and constructed to meet regulatory requirements that guarantee the health, safety and welfare of people in or around buildings.

Community Safety, Enforcement and Business Regulation function

The Community Safety, Enforcement and Business Regulation Service has a gross annual budget of £7million. The Community Safety service area includes Prevent, Civil Protection, Community Engagement, Integrated Gangs Unit, the Intelligence Hub and the Community Safety Partnership. The Business Regulation and Enforcement service area includes Environmental Health, Environmental Protection, Licensing, Bereavement, Trading Standards, Environmental Enforcement and Anti-Social Behaviour.

The service includes:

Integrated Partnership Unit and Intelligence Hub – This unit brings together all strategy, partnership and intelligence capabilities and will undertake and coordinate the strategy and partnerships actions for the entire service creating a consistent joined up approach to strategy development and delivery.

Integrated Gangs Unit (IGU)- This unit is a multi-agency team which delivers a prevention, intervention and enforcement approach to known street gang members. The IGU has the capacity to work with 150 gang affiliates in Hackney. The aim of the team is to reduce gang related violence and to encourage them to leave the gang lifestyle. There is a focus upon risk assessment and risk management to ensure that both victims and perpetrators are kept safe as per safeguarding requirements. The unit is made up of staff from the Council, Police, Probation, DWP and voluntary organisations.

Civil Protection - This service is responsible for the strategic and tactical management of the Council's CCTV systems, Emergency Planning and Response and various engineering functions such as optical fibre cabling networks and radio voice systems.

The Civil Protection Service is an important component of the Council's work countering crime, disorder, terrorism and anything that disrupts the normal fabric of Hackney's life and wellbeing. It also provides the Borough with a centralised CCTV capability with experience, expertise, and knowledge of systems, as well as operational, management and legislation oversight for other council Public Spaces Surveillance systems.

Business Regulation Unit – This Unit brings together Food Safety, Health and Safety, Environmental Protection, Licensing, Bereavement Services, Trading Standards and all the main business engagement enforcement specialisms into one place under a single management structure. It captures and delivers what's best about specialist service delivery, but also enhances this with greater joint working and flexibility. This creates greater capacity to address demand and solves entrenched and complex issues and problems.

Enforcement – The team brings together all the various frontline enforcement response services. This is an integrated area-based enforcement service with officers empowered to enforce a range of legislation, including street scene enforcement, anti-social behaviour (ASB), noise nuisance. The service integrates with and enhance the activities of staff within the other specialised legislative areas enforced; licensing, trading standards and environmental health.

The service provides a casework system that sees complaints through from inception and through to resolution, including enforcement action with Officers working closely through a targeted process with other officers from other sections of the Council particularly Housing, Waste, Highways and Street Scene, Police and other emergency services.

20.3 Housing Regeneration

Hackney is building. Through its innovative cross-subsidy approach, the Council will deliver nearly 2,000 homes by 2022, with the majority for genuinely affordable social rent and shared ownership.

The Regeneration Division is responsible for leading the Council's core housebuilding programmes, which in total will deliver more than 9,000 new homes for social rent, shared ownership and outright sale through a mixture of direct delivery and partnership with housing associations and developers. The Division is also responsible for the development of the Council's Housing Strategy and policy, liaison with the borough's Registered Providers, and working to improve housing conditions and management in private sector housing.

The Regeneration Division plans to spend £0.9m in revenue, £2.1m in capital grants, and is leading the Council's regeneration programmes with a planned capital spend of £85m in 2019/20. It should be noted that the bulk of this expenditure is funded by the Housing Revenue Account and not the General Fund and it follows that such revenue expenditure is not included in the revenue budget estimates contained within this report.

The Council has three main regeneration programmes; the Estate Regeneration Programme (ERP), Housing Supply Programme (HSP), and the Woodberry Down Programme (WDP).

The vision for the ERP is '*Council led housing regeneration which promotes mixed tenure sustainable communities with quality new homes in well-designed neighbourhoods'*. The team takes an innovative portfolio approach rather than approaching redevelopment on a site by site basis. By packaging sites together, the Council has been able to develop both a planning compliant programme which will deliver at least 50% social rent and shared ownership and a financially viable programme which is therefore deliverable.

In summary the principle benefits of the ERP are:

- Over 2,826 high quality homes;
- Improved space and sustainability standards;
- Wider range of housing types;
- Wider range of housing tenures (including 50% social rent and shared ownership);
- Improved amenity spaces and play spaces;
- Improved public realm and a more legible environment;
- Improved commercial and retail facilities;
- Reprovision of community facilities; and
- Wider community benefits e.g. employment and training opportunities.

The HSP will deliver additional new build homes by redeveloping underused Council-owned sites such as offices, depots and other buildings. It will deliver over 500 new homes on 16 sites across the borough. The HSP is a self-financing programme which will deliver a final tenure mix of around two-third of the completed units for Council social rent and shared ownership.

The regeneration of Woodberry Down is one of the Council's highest profile projects. It is one of the largest and most complex regeneration projects in the country. Unlike the Council's direct delivery programmes, the project is being developed in partnership with Berkeley Homes, Notting Hill Genesis Housing Association and the Woodberry Down Community Organisation. The Woodberry Down regeneration team is responsible for the delivery of the programme which will see the replacement of the 1,981 homes on the existing estate with up to 5,584 new homes, of which 41% will be affordable. As well as the physical regeneration of the estate the team works with partners including Manor House Development Trust to facilitate the social and economic regeneration of the area.

The Private Sector Housing Team provides a responsive complaints service for residents in the private rented sector regarding poor housing conditions - responding to service requests, assessing housing conditions, liaising with landlords/agents and where necessary undertaking enforcement action to achieve resolutions. The team are also responsible for raising standards in Houses in Multiple Occupation (HMOs) through the Council's HMO licensing scheme. The service carries out a range of activities to engage with landlords and agents with the aim of supporting them to raise standards of management and improve housing conditions in the PRS. The service also delivers a range of financial support, through a programme of grants, to vulnerable residents to enable them to remain living independently in safe and healthy homes that are suitable for their needs.

In a typical year the service will:

Respond to over 700 residents service requests concerning poor housing conditions;

Bring 20 long term empty homes back into residential use;
Improve 250 private sector dwellings (i.e. significant hazards removed);
Through the Disabled Facilities Grants programme, enable over 100 vulnerable residents to remain living independently in safe and healthy homes that are suitable for their needs;
Through the discretionary grants programme support over 30 residents maintain secure, warm homes in good repair; and
Support Hackney landlords to become accredited under the London Landlord Accreditation Scheme

In 2019, the service will move to a more proactive model by beginning enforcement of licensing conditions of privately rented homes to include all Houses in Multiple Occupation (HMOs) across the Borough and to all private rented homes in the three wards of Brownswood, Cazenove and Stoke Newington. This will be supplemented by an intelligence-led, targeted enforcement programme for homes not covered by the expanded licensing schemes. To facilitate ease of access to these expanded services the Council has invested in online services including licence application and payment systems and on-line service requests.

The Housing Strategy and Policy Service is responsible for developing, monitoring and implementing housing policy in line with the Council's strategic objectives and manifesto commitments, developing and overseeing the implementation of the Council's Housing Strategy, and maximising the housing resources and opportunities available to the Council through its enabling function with Housing Associations; as well as lobbying work with Central and Regional Government.

The Service also oversees the new Mayor of London's grant-funded housing development programme in Hackney undertaken by Housing Associations, as well as managing the Mayor of Hackney's Housing Challenge, which is seeking to leverage additional Housing Association backed resources into a £50m housing pot to fund the development of genuinely affordable rented housing in Hackney.

Through its policy development and lobbying work the Housing Strategy and Policy Service has successfully:

- Achieved a major Government policy change, in cooperation with other councils and organisations, with the removal of the Housing Revenue Account borrowing cap,
- Influenced the indefinite delay of measures in the Housing and Planning Act that would damage the Council's housing policies.
- Successfully campaigned for a range of Government policy initiatives with respect to improving standards, security of tenure and affordability in the private rented sector (PRS).

The Service supports the Mayor and Lead Members in influencing and shaping the external housing policy environment in accordance with Hackney's housing policy imperatives; promotes and supports the Council's housing regeneration and PRS enforcement successes; and forward scans, risk assesses and mitigates housing policy and resource threats to the Council's housing and regeneration services. It is the Council lead for facilitating and supporting Housing Association development and other activities within Hackney.

20.4 Area Regeneration

The Area Regeneration Service is responsible for delivering and coordinating activity related to growth areas across the borough and through cross-borough strategic programmes and projects. Working across the Regeneration Division, the wider Neighbourhoods and Housing Directorate – and in collaboration with key corporate functions – the Area Regeneration Service focuses on:

- Guiding development in major growth areas that align with the new Local Plan
- Developing strategic partnerships with public and private sector partners involved in the transformation of local growth areas and sectors in the borough
- Place management, including matrix management of local services; for example, street cleansing, public realm or markets, to foster local improvements to major town centres and growth corridors

- Creating and managing cross-borough programmes that deliver economic benefits, for example converting disused garages for use as affordable workspace or supporting the fashion sector
- Developing local policies that promote and safeguard economic regeneration benefits, for example affordable workspace policy
- Contract management for major regeneration-related projects and programmes, including GLA and EU funded initiatives

20.6 Strategy and Economic Development

In 2018/19, the Council sought to progress faster, a range of socio-economic outcomes, including the delivery of an increasingly inclusive approach to economic growth. In effect, we are committed to building a more inclusive economy and ensuring that the benefits of inclusive growth are seen and experienced as widely possible across the borough.

Our approach aims to bring together three areas of economic development – access to employment and opportunities; area regeneration; and the Council's relationship with business – and to ensure these strategic areas are all fully aligned and mutually supportive. In terms of business we are bringing forward proposals and initiatives to make it easier for SMEs as well as larger business to get things done, to get established, to grow and to flourish. In championing, supporting and advocating for the business sector, we are also encouraging them to play a meaningful and active role where appropriate in the delivery of those wider outcomes we are committed to including quality jobs (including for those from harder to reach groups), local apprenticeships and work experience opportunities, London Living Wage, affordable workspace, and sustainable practices.

Access to employment and opportunities is a key priority and ensuring that economic growth creates real, meaningful and high quality employment opportunities is at the heart of everything the Council is doing around economic development. Over the past few years, the Council has made a conscious decision to significantly broaden its employment opportunities offer. The overarching aim is to provide borough residents with a range of different employment pathways including work placements, volunteering, apprenticeships and ring-fenced job opportunities.

The Council is adopting a new approach to managing growth and development; a new focus on area regeneration involves working alongside the community and stakeholders at a local level to identify a clear vision and priorities for different places. Projects and initiatives are identified based on the vision and priories and better places and more inclusive growth can be delivered as a result. Area regeneration can deliver more benefits for people and places by ensuring that all initiatives in an area are holistic and aligned, partnership working is improved, and the benefits of growth are maximised for the local community.

An example of this new approach to area regeneration is the Dalston Conversation which was launched in 2018 to gather the community's views on the town centre and ensure that any future development in Dalston is based on identified local priorities. As a result of this engagement and feedback received on the importance of Ridley Road market to the community, the Council has secured funding to invest in the market to ensure it thrives for years to come.

In 2018/19, Hackney Works (the Council's employment support and job brokerage service) has continued to deliver a personalised employment support service across three hubs. The team has continued to build internal partnerships to support residents, particularly for those who are part of the Troubled Families Programme and those affected by welfare reforms. Following the introduction of a new digital service for Hackney Works - focused on delivering a more user-focused experience for disadvantaged residents - the service has a renewed focus on the quality of the *journey* towards employment, as well as the quality of the job roles residents are moving into. This is demonstrated in a new set of metrics for the service included below, which includes tracking progression interventions.

Hackney Works has started delivering Hackney Late sessions, providing an opportunity for those in work to engage with the service during out of office hours. Effective external partnerships have been developed to deliver new training opportunities to residents, including a three-way partnership between Hackney Works, ELBA and blue chip private sector companies.

Hackney's Supported Employment Team has recently launched it's Supported Internships, aimed at young people aged 16-24 with Special Educational Needs and Disabilities (SEND). Working in partnership with HLT, the service has devised an innovative pathway for young people, which also includes early access to meaningful work experience linked to their interests and aptitudes, whilst in school. The new Supported internships, using the Project Search Model, are based onsite at the Homerton Hospital and in line with the Council's ongoing efforts to lead by example, steps are now being taken to launch a similar programme based at the Council later this year.

In April 2018, Hackney Council was named the Top Employer - Public Sector at the School Leaver Awards, based on the direct, anonymous feedback provided by our apprentices through an online survey run by All About School Leavers. We have increased the number of apprentices at the council to over 100 currently employed. We worked with ICT to create 21 new apprenticeships in areas including Data, Digital Design, Infrastructure, Software, and ICT support, giving young people vital digital skills. We have also worked with Amazon to promote digital apprenticeships to tech SMEs in the borough, and in 2019 will be launching the Hackney Apprenticeship Network, which will support and celebrate the creation of high quality apprenticeships in the borough.

During 2018/19, we have offered paid work placements to Hackney young people through the Hackney 100 scheme in businesses including Amazon, the Geffrye Museum, and a range of construction employers, using our section 106 leverage. We have also hosted 25 paid placements at the council, and worked with WeWork to establish Future Hackney - a programme which saw over 50 Hackney young people completing work placements with entrepreneurs and start-ups based at the workspace provider.

Below are the Employment & Opportunities programme outputs from April 2018 - December 2018 (Q1/2/3):

Sign- Ups	1329
Progression Interventions *(includes volunteering; employability support; training)*	*2460*
Paid Work Placement starts	*87*
Apprenticeship starts	*97*
Council	*54*
External	*43*
Job Starts	*327*

20.7 Benefits and Housing Needs Service, and Revenues

The Benefits and Housing Needs Service is a mixture of statutory service and local provision. Functions consist of:

- Supporting those on low incomes in the borough to meet their housing rental costs through the administration of Housing Benefit
- Supporting those on low incomes to meet their Council Tax obligations through the administration of Council Tax reduction
- The administration of discretionary awards; Discretionary Housing Payments, the Hackney Discretionary Crisis Support Scheme (the Hackney Local Welfare Provision scheme), and Council Tax Discretionary Scheme
- Advice and homelessness prevention assistance to residents in housing need including the use of private sector lets, and supported accommodation
- Providing emergency and temporary accommodation where necessary
- Providing downsizing for those who are under-occupying their properties to make best use of housing stock
- Management of the Councils Housing Register and all social housing lettings for the borough
- Assessment of medical conditions and disability with regard to housing suitability
- Procurement of properties for temporary and settled tenancies within/without the borough
- Management and maintenance of temporary accommodation hostels
- Rent collection for temporary accommodation
- Rough sleeping response

The impact of welfare reform and the housing crisis continues to significantly impact residents and therefore the demand on the Service continues to rise, especially with the introduction of the Homeless Reduction Act from April 2018. A YTD increase of 31% of residents approaching the Service for housing advice and support and 11% of those requiring temporary accommodation has been recorded. Additional demand has been forecast at £3m for 2018/19 alone, however, DCLG have only granted a total of £1.3m in additional administration grant for 2017/18, 18/19 and 19/20. From this date the anticipation is that Councils will absorb the costs.

The Housing Benefit/ Council Tax Reduction caseload of 40,000 (the highest in London) has only decreased by less than 1000 claims. The service has seen the number of residents registering for social housing increase to nearly 13,000 households on the housing register, however the 3000 households in temporary accommodation have remained broadly stable, with 1000 of these placed outside the borough. The number of lets afforded to the Council continues to decrease due to the Council's regeneration scheme and the need to decant households and allocate housing units to those non-tenants affected by the regeneration activities on the estates.

It is anticipated that around £300m will be paid out in Housing Benefit and £26m via the Council Tax Reduction Scheme for 18/19 with similar figures projected for 2019/20. However, administrative funding from the Department for Work and Pensions is reduced year on year, with a 38% cut evidenced since 2013 against a caseload reduction of only 4%. Funding announcements are yet to be made for the forthcoming year, albeit with the roll out of Universal Credit in October 2018, it is expected that the decrease will be significant.

The majority of Housing Needs' planned £39m gross budget is spent on providing temporary accommodation and is recovered through Housing Benefit subsidy and rental income. Income collection rates for temporary accommodation achieved the highest ever out turn at 96.5% for 17/18.

The Service has been working with a developer to develop a new build temporary accommodation hostel which will be ready in December 2018, with a lease for 15 years occupation. This will enable the reduction in the usage of costly and often challenging bed and breakfast properties.

The specialist move on team has had success with encouraging households in temporary accommodation to bid for social housing and re-locate and because of increased demands and the housing crisis resettle into the private rented sector out of London. The team has been funded for an additional year and is being reviewed to embed in the front end of the Service to avoid the usage of temporary accommodation.

Rough sleeping has remained stubbornly high increasing from c.18 to 23 individuals at the last November 2018 count, despite the opening of the pan-London No Second Night Out hub in the borough. Bids have been submitted to MHCLG for the Rough Sleeping Initiative Fund for more provision for 18/19 and 19/20.

In addition to Benefits and Housing Needs, the division is also responsible for the administration and collection of Council Tax (around 110,000 households) and Business Rates (around 10,000 local businesses).

20.8 Central Services

To support the front-line services the Council has a number of support service functions e.g. Human Resources, Financial Management, Insurance, ICT, Property Services and Legal Services, but there are also a number of services e.g. Corporate and Democratic Core, Governance Services for Councillors and Registrars which are unique to Local authorities and other governmental organisations.

In addition to the above there is also, included within Finance and Corporate Resources, the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; NWLA Levy, Pension Back funding and Revenue Contributions to Capital Outlay.

21. ROBUSTNESS OF THE ESTIMATES, ADEQUACY OF RESERVES AND CONTINGENCY

21.1 All local authorities face a number of corporate risks. Risks identified as emerging after the period of this budget will be dealt with through the risk register contained within the MTPF and are not repeated in this report.

21.2 Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer (The Group Director, Finance and Corporate Resources) to report on the following matters; the robustness of the estimates and the adequacy of the proposed financial reserves.

21.3 The Council has taken a long term and strategic approach to managing the budget gap over a number of years and this has allowed and continues to allow proposals to be developed to cover a range of years to enable services to be properly and fully reviewed. The authority enjoys a high measure of financial stability and has over a number of years managed its finances well. Inevitably there are several risks to the budget, and these have been set out in this report including the challenges around delivery of savings proposals and the measures in place to mitigate these risks. The clear advice of the Group Director, Finance and Corporate Resources is that the current level of General Balances should be held at the existing position of £15m which is in line with our current policy to not allow the general balance to drop below £15m and to hold earmarked reserves for a range of specific purposes.

21.4 To summarise, based upon the measures in place to manage the delivery of the savings, the provisions made in relation to contingency sums, levels of reserves and balances the Group Director, Finance and Corporate Resources is of the view that the estimates are sufficiently robust and reserves adequate on the basis that no allocations unless already planned are undertaken.

22. HOUSING REVENUE ACCOUNT

22.1 Formal proposals for the Housing Revenue Account Budget including Tenants Rent and Service Charges for 2019/20 were included in a report to Cabinet in January 2019.

22.2 The rent decrease of 1% in the 2019/20 budget is in line with the Government's requirement to reduce rents by 1% for a period of 4 years. This is the last year of the rent reduction policy - from 2020/21 rents will increase by CPI+1% for a period of 5 years.

22.3 Fees and charges remain frozen at 2018/19 levels and service charges will also remain frozen at 2018/19 levels with the exception of concierge charges, which are in line with the increase agreed in last year's report, and the cost of garage and parking spaces which are increasing by £1 per week to reflect the fact that these rents have not been increased for five years, to reflect the cost of maintaining them at a lettable standard and to bring them more in line with the local rental market.

23. RECHARGES

23.1 The budgets shown at paragraph 15 are before central recharges. The majority of central services cost centres will be fully or partially recharged to front line services in accordance with CIPFA Service Reporting Code of Practice.

23.2 This will be carried out in March 2019, after consideration of the budget by full Council but this has no impact on the Council's overall budget.

24.0 CAPITAL

24.1 This Section and Appendix 7 present the Council's indicative three-year capital budget, for 2019/20 to 2021/22, although it should be noted that formal resource approval is sought only for 2019/20. Future years will be subject to change, as schemes are developed more fully. Robust business cases are required before formal resource and spend approvals are sought. The three-year programme is included as it is used to inform the calculation of the prudential indicators, which are required to be set out for the next three financial years. The 2018/19 forecast outturn position has been included as well to provide better understanding of the whole capital programme and put into context the increase in capital investment.

24.2 The Council's programme for 2019/20 is currently budgeted at £304m, of which £157m relates to Housing and Regeneration, and £95m relates to the three Education mixed-use schemes we are progressing. This will change throughout the year as new schemes are developed and approved by Cabinet, e.g. conversion of unused garages to affordable workspace. There are of course risks associated with the three-year capital programme, particularly as it requires substantial upfront investment financed by increased borrowing, to be repaid as capital receipts are realised from the sale of assets developed in mixed-use schemes and via the substantial regeneration programme. This requirement arises from the significant funding cuts to Local Authorities including reduced capital grants, which have significantly reduced reserves and cash balances as they are used to finance the extensive capital programme. In turn, it will increasingly be the case that the overall borrowing requirement will be met from external borrowing rather than internal, as has been the case up until now.

24.3 The Council has options in the financing of its housing regeneration programmes, including the potential to appropriate the costs incurred in cashflowing the construction of outright sale properties on certain schemes from the Housing Revenue Account (HRA) to the General Fund (GF), in order to most effectively deliver these ambitious. Progress has also been made on the establishment of a wholly owned housing company structure that will purchase properties for private renting at market and at London living rent levels, though the impact of that will not be seen in the capital programme immediately.

Schemes

24.4 Full details of the three-year indicative Capital Programme are presented in Appendix 7. The programme provides a breakdown for each directorate with a further analysis summarising the Housing and Non- Housing requirements. The 2019/20 budget incorporates the re-profiling work carried out in 2018/19 during September and December and includes schemes which have already been approved through previous decisions of the Cabinet and Council. As already stated, all schemes where spend approval is not already in place will require robust business cases before any further resource and/or spend approval is given. Such schemes cannot proceed until this has been completed. Details of the new resource approvals being sought as part of this budget setting process are included in the schedules at Appendix 7.

24.5 The indicative programme incorporates schemes that will deliver the following:

- An ongoing and ambitious regeneration programme which will bring homes of different tenures to the market, whilst at the same time ensuring that any borrowing required within the HRA is affordable;
- Enough school places to keep pace with the increased demand for Hackney schools, including indicative estimates for the requirement for a new secondary school, alongside ensuring our existing school estate is kept in a suitable state of repair.
- Regeneration of our town centres.
- Ongoing maintenance of the corporate property estate and the maintenance of the ICT infrastructure going forward following the current investment in upgrades to the Council's main ICT platforms.
- A highways maintenance programme retained at the current level of £4m pa and associated programmes in respect of ongoing street lighting, surface water drainage and road safety engineering schemes also maintained at current levels.
- The ongoing maintenance of the Council's parks and green spaces and libraries.

24.6 Last year's budget report made reference to Nile St and Tiger Way, which were already progressing. Nile Street will have a Pupil Referral Unit with 150 pupil capacity (New Regents College), Tiger Way will deliver a new building for Nightingale Primary, plus private residential dwellings on both sites, which effectively fund the schemes. Construction is due to conclude on both schemes during 2019/20.

24.7 Cabinet agreed to proceed with the procurement of contractors for the Britannia scheme in December 2017. This project goes one step further than Nile/Tiger – it delivers a replacement leisure facility for the existing ageing Britannia Centre, six new forms of entry (940 pupils) and a 200 place sixth form secondary school, and up to 481 new homes, of which 81 will be onsite genuinely affordable.

24.8 All three mixed-use schemes are funded primarily by sale of on-site private residential accommodation, and therein lies a significant element of risk. The current challenges around Brexit means there is less certainty in the housing market than previously, and there is considerable work happening to monitor and manage the risk that has been brought to bear in this new era. There are separate project boards and governance processes for Britannia and Nile/Tiger, in terms of ongoing project management and the relevant financial scrutiny.

24.9 The HRA debt cap was finally removed during 2018/19. While the debt cap adversely impacted the ability of the HRA to cashflow estate regeneration, it did provide a standard level of protection against the risk of imprudent borrowing. With this somewhat artificial protection removed, it provides substantial opportunities to improve the delivery of genuinely affordable council housing, but it alone doesn't provide enough financing for new homes and it is now more important than ever that HRA borrowing is undertaken judiciously and that a keen oversight of debt levels and viability is maintained through reporting to Housing Delivery Board.

Hackney Capital Programme

Non-Housing	**18/19**	**19/20**	**20/21**	**21/22**
	Forecast	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Children, Adults & Community Services	16	17	17	6
Neighbourhoods and Housing	23	27	13	8
Finance/Corp Resources - mixed-use schemes	87	95	70	64
Finance/Corp Resources - other	13	9	5	5
Non-Housing budget	**139**	**147**	**105**	**83**
Housing				
Asset Management Plan	84	69	72	81
Estate Renewal Programme	55	63	76	91
Housing Supply Programme	9	16	39	60
Other Regeneration Schemes	8	5	15	7
Other	4	3	3	3
Housing budget	**160**	**157**	**205**	**242**
Total Annual Capital Budgets	**299**	**304**	**310**	**325**

Resources

24.9 The Capital Programme is funded through various sources including;

1) Specific & non-specific government grants
2) Capital receipts
3) Council Reserves
4) Revenue contributions to capital
5) Other one-off funding sources e.g. S106 developer contributions
6) Borrowing

24.10 The indicative resources available for each year of the Capital Programme is set out below. It is important to note that these are based upon the work done as part of the development of the Capital Strategy, taking account of the progression of various negotiations with Developers and other External Parties. They are therefore best estimates using the information currently available and will be subject to change. Any change in resources available will result in changes to the associated expenditure and/or financing plans in order that a net balanced position for the capital budget is maintained.

Non - Housing Financing	18/19	19/20	20/21	21/22
	£m	£m	£m	£m
Capital Receipts – mixed-use	76	71	68	64
Capital Receipts – other	1	-	-	0
Reserves/Discretionary	25	29	25	13
Grants	16	36	7	1
RCCO	4	7	5	5
S106/CIL	17	4	-	-
Borrowing				
TOTAL	**139**	**147**	**105**	**83**

24.11 The detailed resource position reflects the following:

- The “capital receipts - mixed-use” line reflects expenditure on the mixed-use schemes that is funded by sales of dwellings, and which in large part will happen post-construction. The timing of the cash inflows is different to the financing need, meaning there will be a short-term borrowing requirement. Further, where actual sales are lower than anticipated, and/or where they are later than expected, there may then become a longer-term financing requirement.

- The Grants & Contributions incorporates resources announced by the government for 2019/20 and the figure for the following two years captures our forecast based on initial agreements with various governmental Departments. These largely relate to the education programme where we are expecting some limited, albeit not sufficient, Government support for the delivery of additional school places and ongoing maintenance.

- The 2018/19 Collection fund surplus available to finance capital expenditure is estimated at £2.543m and will be used to support the Non-Housing Capital Programme. This is included within revenue contributions in the table above.

24.12 The resources available to finance the Housing capital programme are summarised in the table below.

Housing Financing	18/19	19/20	20/21	21/22
	£m	£m	£m	£m
Capital Receipts	37	50	33	90
Grants	6	11	3	15
RCCO	10	5	6	6
Reserves	45	46	47	48
S106	0	0	0	0
Borrowing	61	45	116	83

Total		**160**	**157**	**205**	**242**

24.13 The detailed resource position reflects the following:

- The reserves allocation includes the Major Repairs Reserve (MRR), which is the depreciation calculation on the housing stock recycled to create resource for re-investment. The amount of MRR for 2018/19 is £45.2m and this rises to £49m by 2021/22.

- The remainder of the Revenue Contributions include the Revenue Contributions to Capital Outlay (RCCO) and leaseholder contributions.

- The Capital Receipts line incorporates the Council's projected share of brought forward Right to Buy disposals. We anticipate additional RTB receipts for 2018/19, however for prudential measure these have not been included as it is difficult to estimate the number of RTB sales in future years.

- The Capital Receipts indicated for future years includes the projected Regeneration receipts for sale of land from various current and future schemes including Woodberry Down and Colville Estate. These figures are in line with those included in the approved HRA business plan.

- With the allocation of all expected and known resources, the Housing Capital Plan is projecting a significant and rising borrowing requirement through this three-year programme. A surplus in capital receipts of £95m is anticipated for 2022/23, which will reverse the trend and repay borrowing, however long-term affordability of the Housing programme remains the focus.

24.14 One-off funding forms a significant proportion of the sources available to fund the capital programme, however these are by no means guaranteed. As set out above, where we are most likely assured of receipt of these funds, a prudent approach, both in terms of potential receipt and timeline, has been taken and incorporated within the programme. Where ultimate realisation is more difficult to predict, they have not yet been included in the forecasts. These additional resources will be applied to the programme as and when received in order to optimise the financing of the Capital Programme and to reduce the overall level of borrowing required. Where appropriate, they will be used to provide additional resources for schemes to be developed.

24.15 Examples where we do not include one off funding relate to the following:

- The level of interest on balances earned by the Council continues to remain low and is likely to decline further as reserves and cash balances are utilised. This coupled with continued historic low interest rates available makes the return on such funds one of diminishing nature and nothing has been assumed from this source within the Capital Programme presented here.

- The number of Right to Buy Properties is highly cyclical and difficult to predict. As a result, as part of the Capital Receipts figure included, no future forecast of RTB sales receipts have been incorporated.

24.16 To avoid reliance on one-off funding sources and to continue to build a truly sustainable budget, which will counteract the reductions outlined above, the Council has maintained a significant level of Revenue Contributions to Capital outlay (RCCOs). In 2019/20 this amounts to £4.5m in respect of the General Fund and £4m in respect of the Housing Revenue Account. This level of contribution, particularly in the General Fund may not be feasible in future years as the Council continues to deal with significant reductions in revenue funding from the government.

24.17 Government resources have been incorporated in line with the most recent announcements but may be subject to change, particularly in later years. Apart from known amounts of receipt of one-off Capital Receipts, no assumptions have been made in respect of other housing and non-housing capital receipts as these are highly subjective to market movements and policy changes by Central Government. The Council's property portfolio is continually under review to ensure optimum use and appropriate sales where possible. Additional receipts that become available will be included in the capital programme as these are identified.

Capital Overall Summary

24.18 This report sets out an indicative three-year programme which is designed to deliver an ambitious Capital plan in order that the objectives set out earlier are met. It also details the impact of reduced supported funding for the Capital schemes and that the Council will need to borrow in order to ensure it has sufficient resources to deliver the ambitious plan. Having a longer-term outlook of the Capital programme, as presented here, will allow for better financial management of the resources as this captures requirements over the life of the projects which can then effectively be fed into the Council's Treasury Management.

24.19 Due consideration continues to be given, through the governance structures already in place, to how the UK's changing economic position is impacting on key parts of the capital programme as it currently stands. Adjustments to plans will be made where it is deemed in the best interests of the borough's long-term financial sustainability.

25.0 PRUDENTIAL CODE

Background

25.1 The Prudential Code for Capital Finance in Local Authorities (the Code) was originally implemented in 2004/05 and the latest version is 2017. This is a professional Code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable.

25.2 Hackney's capital investment is limited by the Code's requirement that borrowing is sustainable, affordable and prudent and the overarching requirement that local authorities set balanced revenue budgets. The Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority's borrowing.

25.3 Under section 3(1) of the Local Government Act 2003 Local Authorities are required to maintain the prudential indicator for the authorised limit for external debt for the current year. Regulation around local authority borrowing and capital investment is subject to change by Government at any point and dependent on macroeconomic circumstances.

25.4 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which for housing authorities are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation.

25.5 The indicators from both Codes are purely for internal use by the Council because any comparisons with other Councils would not be meaningful. However, comparing the level of the indicators over time does add value to the capital and treasury management process. The codes require projections for the next three financial years up to 2021/22.

Capital Expenditure and the Capital Financing Requirement

25.6 The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.

25.7 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes (which may have previously been limited by the credit approval system) or take decisions to direct resources from revenue to capital to enable service enhancements. However before using unsupported borrowing the authority must be satisfied that the additional borrowing costs can be afforded within future year's revenue budgets, for both General Fund and HRA.

25.8 Once again, the Council anticipates the potential need to undertake unsupported borrowing to fund both its Housing and non-Housing capital programme, given the nature of the programme set out, particularly in respect of the provision of new schools and housing projects that will require forward funding before realisation of capital receipts.

25.9 The capital expenditure set out in the tables below is based on the level of capital resources that can be realistically estimated over the next three years. Decisions on the actual financing of capital expenditure are taken each year during the year-end closure of accounts process on the basis of all the relevant information available at that time. It is therefore possible that the balance of the resources used in a particular year, for example, between capital receipts and Major Repairs Reserve (MRR), may change, although the totals over the three-year period are expected to remain broadly the same.

25.10 The capital expenditure, resources and CFR set out below allow for additional expenditure on New Build Affordable Homes, “Decent Homes” and other related schemes. The increase in the Council‘s borrowing requirement to enable the ongoing financing of such schemes has also been allowed for in assessing an appropriate level for the borrowing limits.

25.11 Following Royal Assent of the Localism Act 2011, HRA Self Financing started in April 2012. The subsidy system was replaced, and the Council now retains all rent and service charge income in return for it delivering housing services to tenants and taking on investment in its housing assets based on a 30-year business plan. A “once and for all settlement” between Government and local authorities, in the form of a “one off” reallocation of debt was also undertaken. Government may reopen the settlement in very limited circumstances for major policy changes making a “substantial and material impact on the landlord business”. For the Council, this equated to a reduction in debt and DCLG settled this by repaying a proportion of each of the Council’s PWLB loans. As a result, Hackney was debt free although it has since taken on limited external borrowing linked to a specific communal heating scheme within the HRA.

25.12 The International Financial Reporting Standards (IFRS) require the Council to review all operational leases to ensure that they are correctly classified as operational leases in accordance with strict criteria. Reclassification of a lease as a finance lease means that the assets are recognised on the Council’s balance sheet and matching long term liabilities are also recognised. The CFR figures within this report have been adjusted to reflect these reclassifications.

25.13 IFRS also required PFI schemes to be brought onto the balance sheet, however, the Council’s PFI scheme was already on the balance sheet and included in the calculation of its CFR and is shown in Table 2 as “Other long-term liabilities”.

25.14 Tables 1 and 2 summarise the proposed level of capital expenditure, the means of funding that expenditure and projections of the CFR over the next three years. The Council is asked to approve these projections.

Table 1: Capital Expenditure and Financing 2018/19 to 2021/22

	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Programme:				
Housing	139	147	105	83
Non-Housing	160	157	205	242
Total spend	**299**	**304**	**310**	**325**
Financed by:				
Capital Receipts	114	121	100	154
Government Grants	38	51	10	16

Reserves	72	75	74	62
Revenue	14	12	10	10
Borrowing	61	45	116	83
Leasing and PFI	-	-	-	-
Total Financing	**299**	**304**	**310**	**325**

Table 2: Capital Financing Requirement and External Debt 2016/17 to 2019/20

	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Financing Requirement At Year End					
CFR – Non-Housing	299	402	413	407	393
CFR – Housing	100	162	206	322	406
Total CFR	**399**	**564**	**619**	**729**	**799**
Net CFR movement		165	55	110	70
External Debt					
Borrowing	33	104	206	352	461
Other long-term liabilities	14	13	13	12	11
Total Debt 31 March	**47**	**118**	**219**	**363**	**472**

Limits to Borrowing Activity

25.15 The first key control over the Council's activity is to ensure that over the medium-term debt is only for a capital purpose. The Council needs to ensure that external debt (i.e. borrowing for any purpose, plus other long-term liabilities) does not, except in the short term, exceed the total of the capital financing requirement in the previous year plus the estimates of any increase in the capital financing requirement at the end of the current and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 3: Gross Debt Compared to Capital Financing Requirement

	2018/19 Approved £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Gross Debt	253	118	219	363	472
CFR	532	564	619	729	799

25.16 The Group Director, Finance Corporate Resources confirms that the Council will comply with the requirement to keep gross debt below the Capital

Financing Requirement over the next 3 years. The estimated movement in gross debt and the CFR is set out in Table 3 and takes into account current commitments, existing plans, and the proposals in the budget report. The increase in gross debt over the period reflects both the anticipated increase in the CFR and prudent assumptions on the future movement of revenue reserves and balances.

25.17 A further two Prudential Indicators assist in exercising control of the overall level of borrowing which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.
- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

25.18 The authorised limits and operational boundary need to be set at a level which will allow for borrowing to support the delivery of the capital programme as set out earlier in this report. Increases in the HRA CFR arise from HRA Unsupported Borrowing undertaken to support the HRA Business Plan. The increases in the General Fund CFR arise from GF Unsupported Borrowing undertaken to fund the capital programme as reserves and cash balances held by the Council reduce, and shorter term cashflowing of our mixed-use schemes, where there is a lag in the receiving of capital receipts from residential sales.

25.19 The Council is asked to approve the following Authorised and Operational Limits, which have been calculated in the case of the Operational Limit on the basis of anticipated cash flow and the potential increase in the Capital Financing Requirement, and in the case of the Authorised Limit allowing a margin for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts:

Authorised Limit and Operational Boundary

	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Authorised limit for external debt				
Borrowing	582	669	779	849
Other long-term liabilities	18	18	17	16
Total	600	687	796	865
Operational boundary for external debt				
Borrowing	552	639	749	819

Other long-term liabilities	18	18	17	16
Total	570	657	766	835

Affordability Prudential Indicators

25.20 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

- **Actual and Estimates of the ratio of financing costs to net revenue stream** This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream, separately for housing and non-housing services. The higher ratio for the HRA reflects the high depreciation charges which are included as financing costs in the HRA and represent a significant proportion of the HRA revenue budget. The increase in the Non-HRA indicator is largely the result of the requirement to replace internal borrowing with external as cash reserves reduce in future years. The estimates of financing costs allow for the level of borrowing set out in the capital expenditure plans.

Ratio of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	**2018/19 Approved**	**2018/19 Revised**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Non-HRA	1.96%	0.4%	0.9%	1.2%	1.4%
HRA	3.65%	2.8%	3.9%	5.7%	7.8%

MRP Statement

25.21 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017 place a duty on local authorities to put aside resources to repay debt that has been used to finance capital expenditure in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision.

25.22 In November 2017, the Department for Communities and Local Government published a consultation on proposed changes to the prudential framework of capital finance, including the statutory guidance on Minimum Revenue Provision. This guidance and the resulting clarification suggested a number of changes to the guidance on MRP. The most important of these are:

- The definition of prudent MRP provision has been updated – it should “cover the gap between the Capital Financing Requirement (CFR) and grant income/capital receipts”.
- Any planned overpayments in MRP must be recorded clearly as a separate section in the MRP Statement. These can then be used to offset charges future years.
- The guidance is explicit that MRP cannot be a negative charge and can only be zero if there is the CFR is nil or negative, or if the charge is fully reduced by reversing previous overpayments.
- A change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.
- The guidance on asset lives has been updated, making a maximum asset life used in an MRP calculation 40 years, except freehold land where the maximum is 50 years. This applies to any calculation method using asset lives.

25.23 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP, although it does not preclude other prudent methods.

25.24 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

25.25 The MRP Statement must be submitted to Council before the start of the relevant financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

25.26 The following statement incorporates options recommended in the Guidance:

25.27 For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets.

25.28 For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

25.29 For assets acquired by finance leases or Private Finance Initiative (PFI), MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

25.30 No MRP will be charged in respect of assets held within the Housing Revenue Account

25.31 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

APPENDICES

The following are appended to this report

Legal framework governing budget decisions	Appendix 1
Gross and Net budgets by Directorate 2019/20	Appendix 2
Treasury Management Strategy 2019/20 to 2021/22	Appendix 3
The Council Tax regime	Appendix 4
The Council Tax base 2019/20	Appendix 5
Medium Term Financial Forecast	Appendix 6
Proposed Capital Schedules	Appendix 7
Proposed Fees and Charges 2019/20	Appendix 8
Referendum Calculation. 2019/20	Appendix 9
Capital Strategy 2019/20	Appendix 10

Report Author	Russell Harvey – Tel: 020-8356-2739 Senior Financial Control Officer russell.harvey@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
Comments for and on behalf of the Director of Legal and Governance Services	Dawn Carter-McDonald – Tel: 0208-356-4817 Deputy Monitoring Officer - Head of Legal and Governance dawn.carter-mcdonald@hackney.gov.uk