Hackney

2018/19 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (JANUARY 2019)

KEY DECISION NO. FCR P29

CABINET MEETING DATE 2018/19	CLASSIFICATION:
25 March 2019	OPEN

WARD(S) AFFECTED: ALL WARDS

CABINET MEMBER

Councillor Rebecca Rennison

Cabinet Member for Finance and Housing Needs

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams: Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the eighth Overall Financial Position (OFP) report for 2018/19 and is based on detailed January 2019 monitoring data from directorates. We are forecasting an overspend of £5,551k at year end – a decrease of £282k from the previous month.

1.2 This overspend will be substantially funded by the application of the unspent 2017/18 Council Tax and NNDR Collection Fund surpluses carried forward into 2018/19. It must be noted that there is no guarantee that these surpluses will continue in future years and so they must be regarded as one-off funding streams only.

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

1.4 Our projected overspend primarily reflects severe spending cuts by central government since 2010 and increasing cost pressures in services which remain underfunded by the Government. These include social care, homelessness and special educational needs (SEN). The government's failure to provide any additional funding to date to address the inherent increasing demands and cost pressures within these services, and to support wage increases for local government staff makes our financial position next year and in the following years, extremely challenging.

1.5 I commend this report to Cabinet.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £5,551k overspend which is equivalent to 0.5% of the total gross budget. At year end, this overspend will be substantially funded by the application of the unspent 2017/18 Council Tax and NNDR Collection Fund surpluses carried forward into 2018/19. As there is no certainty that these surpluses will continue in future years they must be regarded as one-off funding streams that can be used in 2018/19 only.

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

2.3 We are proposing a disposal by way of granting a 10-year Lease to 110 Church Street, Stoke Newington N16 (the Property). The Property is the former Sea Cadets building that was occupied by Annexed Ltd on a caretaker basis between 2004 and 2018. It will now be let commercially as part of the Council's ongoing work to maximise rents and increase capital values in its commercial investment estate. The Property was widely marketed by Allsop and an acceptable proposal has been received from a

Hackney based private nursery - N is For Nursery Ltd, trading as N Family Club. The detailed terms of the lease remain to be negotiated and agreed, but the lease term will be for ten years at a rent of £68,000pa with a guaranteed uplift at the end of the fifth year.

2.4 We are also proposing a freehold disposal. The Education and Skills Funding Agency (EFA) have assembled a site consisting of 21-27 Hackney Grove to develop the site as The Boxing Academy – 'providing an alternative education pathway for students between the ages of fourteen and sixteen who are at risk of exclusion'. The scheme has secured planning permission. However they had missed the fact that a small (land-locked) part of the site is owned by the Council. The EFA approached the Council to purchase the land. At the EFA's cost we had an independent section 123 of the Local Government Act 1972 compliant 'Red Book' valuation undertaken by Lambert Smith Hampton with liability to both parties. The Valuation reported a disposal price of £10,000.00 (ten thousand pounds) and we in addition negotiated that the EFA pays the Councils Legal and surveyor's costs of the transaction.

2.5 Finally, the Council is the owner of a small parcel of land extending to approximately four-square metres adjacent to 8 – 10 Long Street London E2 8HQ. Originally acquired from the GLC in 1962 for the purposes of development the land once formed part of the long since disappeared Axe Place but has never been part of the neighbouring open space at Fairchilds Gardens. In implementing their scheme the developer of 8 – 10 Long Street has encroached onto the subject land and is now seeking to acquire it. This situation represents an opportunity by the Council to dispose of an otherwise undevelopable left over and liability. The sale will be for £300,000. In consultation with the Mayor and Cabinet we are exploring how to ensure that this unanticipated funding is used to support investment in Fairchild Garden, as well as nearby Parks and play facilities that require improvements.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JANUARY 2019

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
88,203	Children's Services	413	232
89,118	ASC & Commissioning	4,282	-444
33,596	Community Health	-	-
210,915	**Total CACH**	**4,695**	**-212**
37,361	**Neighbourhood & Housing**	**279**	**6**
13,816	**Finance & Corporate Resources**	**308**	**-49**
8,593	**Chief Executive**	**269**	**-27**
33,737	**General Finance Account**	**0**	**0**
304,424	**GENERAL FUND TOTAL**	**5,551**	**-282**
	Application of One-Off Funding	-5,551	n/a
	FORECAST END YEAR POSITION	**0**	**n/a**

3.0 RECOMMENDATIONS

3.1 To update the overall financial position for January 2019, covering the General Fund and the HRA, and the earmarking by the Group Director of Finance and Corporate Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme.

3.2 To authorise the letting of 110 Church Street ("the Property") as is shown edged red on the plan attached at Appendix 1, for a term of 10 years.

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

3.4 To delegate authority to the Group Director of Finance and Corporate Resources to enter into a lease of 10 years, and to agree all other terms of the lease provided that the requirements of S123 Local Government Act 1972 are met.

3.5 To authorise the sale of Land to Rear of 27 Hackney Grove as is shown edged red on the plan attached at Appendix 2.

3.6 To authorise the Director of Legal Services to prepare, agree, settle and sign the necessary legal documentation to affect the disposal.

3.7 To authorise the freehold disposal of the land at Long Street edged red on the plan attached at Appendix 3

3.8 To authorise the Group Director of Finance and Resources to agree the commercial terms for this disposal.

3.9 To authorise the Director of Legal to prepare, agree, settle and sign the sale agreement and transfer and any other legal documentation required to complete the transaction.

4. REASONS FOR DECISION

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

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

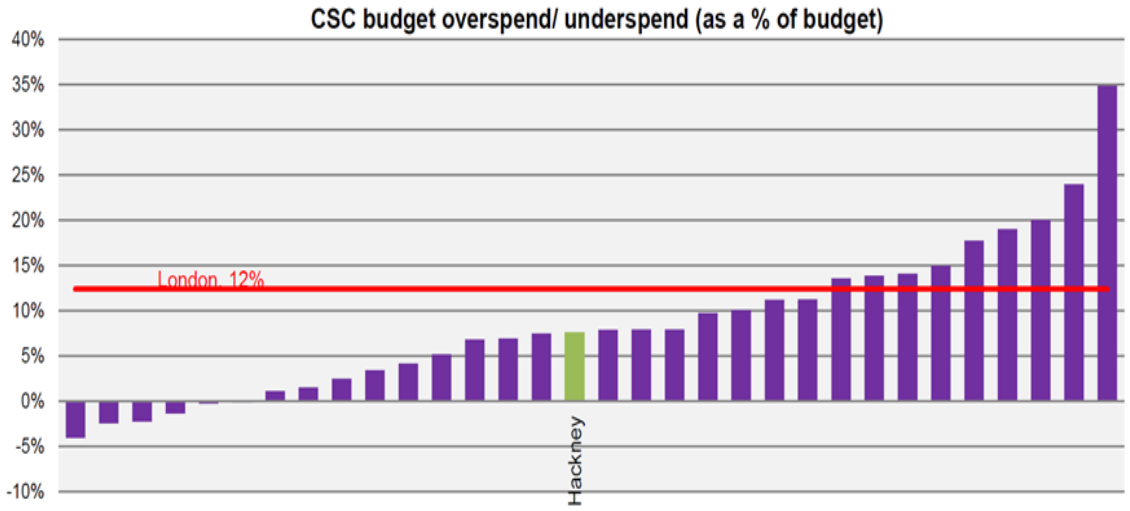
The CACH directorate is forecasting an overspend of £4,695k after the application of reserves and drawdown of grant.

Children & Families Service

Children & Families Service (CFS) is forecasting a £413k variance against budget after the application of reserves and grants. This variance is after a

£3,000k draw down from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget. Additionally, £1,000k is drawn down from the Housing Costs reserve for families the Council is supporting who have no recourse to public funds (NRPF).

The sustained pressure on CFS budgets is a position that is not unique to Hackney, as shown by the results of a recent survey on Children's Social Care spend carried out jointly by the Society of London Treasurers (SLT) and the Association of Directors of Children's Services (ADCS). The graph below shows how Hackney's year end position for 2017/18 (before the use of reserves) compared to other London boroughs for Children's Social Care. The main budget pressures in CFS are in relation to Corporate Parenting (which incorporates budgets for looked after children placements), the Children in Need service and the No Recourse to Public Funds (NRPF) Team.



Corporate Parenting is forecasting to overspend by £691k after the use of £3,000k of commissioning reserves. Spend on Looked After Children (LAC) and Leaving Care (LC) placements is forecasted at £18,300k compared to last year's outturn of £16,800k – an increase of £1,500k. As was the case last year, one of the main drivers for this increase is the rise in the number of children in costly residential placements, however more recently we are also seeing a rise in the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Ten of the current semi-independent cohorts – or around 27% - are in placements costing between £1,100 and £1,500 per week. As at January, semi-independent under 18 placements have increased by 15 to 39 from 24 at the end of 2017/18.

In summary, Hackney had 341 Looked After Children and 27 Unaccompanied Asylum Seekers Children (UASC) placements at the end of January. At the end of 2017/18 there were 324 LAC and 28 UASC placements. The financial position is sensitive to the profile of looked after children - particularly residential and semi-independent under 18

placements - so spend increases tend to be disproportionate to the increase in placement numbers.

The No Recourse to Public Funds (NRPF) Team is forecast to break even after the use of £850k of reserves and is supporting 83 families who have no recourse to public funds – a decrease of 6 since last month. The main area of spend is Section 17 payments on accommodation and subsistence of £1,900k in the current year against a budget of £1,100k. The service continues to work to ensure that services are targeted to those in need. When the cost of supporting these families first arose the Government did not provide any additional funding through revenue support grant nor special grants and still doesn't, even after it became apparent that the cost was significant for some Councils (primarily in London)

Children in Need is forecast to overspend by £352k after use of reserves. The overspend is mainly due to staffing overspends relating to supernumerary social worker posts to meet service pressures, maternity cover, agency premiums associated with covering vacant posts and these items collectively total £215k. There is an overspend in LAC incidental costs in relation to support to children in care proceedings of £345k. A contribution from the Clinical Commissioning Group (CCG) towards LAC Healthcare of £150k and a National Assessment and Accreditation System (NAAS) contribution of £50k partly offsets this overspend.

The Adoption Team is forecast to overspend by £105k mainly due to commissioning. The Inter Agency and allowance costs are projected to overspend by £229k. There is an overspend in staffing due to one supernumerary post, long term sick cover and undelivered savings from the delay of the Regionalisation Adoption Agency of £76k. Projected over-collection of income due to estimated Inter Agency fees and accrued Adoption Support Fund grant of £183k, and other small underspends totalling £17k partly offset this pressure.

Disabled Children Services is forecast to overspend by £107k. The overspend is attributed to a £192k overspend in homecare, a £132k overspend in direct payments, and a £54k overspend in residential respite. This is offset by a £52k underspend in Short Breaks and a staffing underspend of £22k. This is further offset by a £198k reserve drawdown.

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

Clinical Services is forecast to underspend by £395k. The underspend is primarily attributed to staffing due to two vacant posts, and non-recurrent Public Health funding towards eligible expenditure within the service.

The Directorate Management Team is forecast to underspend by £200k. This is due to maximisation of non-recurrent funding in the service.

Young Hackney is forecast to underspend by £125k. The underspend is mainly due to staffing, which are the result of a combination of factors such as late recruitment to vacant posts, some of which are covered by agency

workers, staff who have opted out of the pension scheme and staff who are not at the top of their grade. These items collectively total to a staffing underspend of £97k. Essential CCTV work at the Concorde Youth Hub including repairs and maintenance works at Shoreditch Adventure Playground has led to an overspend in premises of £90k. Commissioned expenditure is underspent by £54k due to uptake for Youth Opportunity Fund and small underspends on Connecting Young Hackney projects in the borough. There is favourable £64k of income generated from projects.

Access & Assessment is forecast to underspend by £59k. This underspend is attributed to a reduction in Section 17 activity of £88k, a staffing overspend of £60k due to two over-established staff and other underspends of £31k in transport and printing.

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the Children and Families position. As part of the delegated arrangements for HLT, any overspend or underspend at year end will result in a drawdown-from or contribution-to the HLT reserve and expenditure is reported 'on budget.'

HLT are forecasting a significant drawdown on the HLT reserve (between £2,500k and £3,500k), mainly due to pressures in special educational needs. Special educational needs activities are forecast to spend around £9,000k in excess of agreed budgets. Within the HLT forecast some of the SEND overspend is offset with savings made across other HLT departments. Costs associated with special educational needs have complex cost drivers and senior leadership across HLT and the wider Council continue to investigate ways where the Council might be able to bring expenditure under control. Recent reports submitted to HLT SLT estimate that HLT reserves will be fully utilised sometime in 2019/20.

The SEN cost pressure is attributable to the increase in the number of SEN statements and Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and the growing demands on the system since the reforms introduced by the Children and Families Act 2014. The impact of these factors is that, in Hackney, the number of SEN statements/EHCP plans have increased by over a third since 2011. Except for SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant– however, despite the significant rise in numbers and costs there has been minimal increase to this funding source.

This forecast of £2,500k-£3,500k reserve drawdown, is significantly more favourable than the previous forecast of £4,500k-£5,000k. This is as a result of additional government funding announced in December 18 (£700k) and new favourable forecasts of contingency budgets (£1,300k).

Adult Social Care & Community Health

The January forecast for Adult Social Care is a £4,282k overspend.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a

£3,970k pressure. Within the forecast there is Adult Social Care Winter Pressures funding of £1,147k, and this drawdown has increased by a further £57k this month to reflect additional costs resulting from hospital discharges. The intention is that the remaining funding will continue to be released over the next few months to offset additional pressures from hospital discharges.

Service type	2018/19 Budget	November 2018 Forecast	Full Year Variance to budget	Full Year Variance to December 2018
	£k	£k	£k	£k
Learning Disabilities	14,357	18,338	3,982	2
Physical and Sensory	11,846	11,907	61	(50)
Memory, Cognition and Mental Health ASC (OP)	7,000	6,977	(23)	(190)
Occupational Therapy Equipment	740	658	(82)	-
Asylum Seekers Support	170	203	33	1
Total	34,112	38,083	3,971	(238)

The Learning Disabilities (LD) service remains the most significant area of pressure with a £3,982k overspend, which reflects a slight adverse movement of £2k on the December position.

Detailed work is ongoing with CCG colleagues on proposals for a joint funding agreement to contribute to high cost learning disabilities packages which will benefit service users in preventing the escalation of need and reduce costs for the CCG in terms of reductions in the number of Continuing Healthcare (CHC) cases. £1,900k of CCG income in respect of this is reflected in the forecast but this could increase or decrease depending on the outcome of the work being undertaken with health colleagues. In addition, the application of the Care Funding Calculator (CFC) is expected to reduce spend during this financial year. The LD Budget Review Meetings will continue to look at the service area in further detail to attempt to manage these pressures.

The Physical & Sensory Support is forecasting a £61k overspend, which reflects an improvement of £50k on the December position, primarily due to a reduction in activity due client passing away. The Memory/Cognition & MH (OP) position has improved by £190k, to a budget underspend of £23k. This is primarily due to intermediate/interim care costs being miscoded to Long term care services, this has been rectified and costs have been journaled to preventative services. In addition, there has been further growth in client numbers due to hospital discharges which has been fully mitigated by a release of winter pressures funding of £57k.

Discussions have been held with the service in order to develop a set of management actions to mitigate the ongoing cost pressure as a result of increased clients being discharged from hospital with more complex needs.

Please see the table below which provides further details on the growth in client numbers due to Hospital Discharges:

Hospital Discharges			
Care Package	No's of New Clients	Full year Impact £k	Weekly Home Care Hours
Home Care	66	733	1,772
Nursing Care	23	637	
Residential Care	20	287	
Total	109	1,657	1,772

The Care Management & Adults Divisional Support is forecasting a £704k overspend. The overall budget pressure breakdown is made up of staffing pressures of £773k within the Integrated Learning Disabilities due to additional staffing capacity to manage demands within the service and improve annual review performance. The overall pressure has been partially mitigated by underspends of £69k across other Care Management Teams within the subdivision.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to underspend by £113k. The overall position is made up of two main elements - a £232k pressure on external commissioned care services and £345k underspend across staffing related expenditure.

Provided Services position reflects a £12k overspend which is largely attributed to:

- Housing with Care underspend of £52k. The service is currently under strategic review to seek efficiencies and reduce costs without impacting negatively on service provision. The forecast includes additional resources to respond to issues raised in the recent CQC inspection, however there could be further pressures above the budget next year in relation to the inspection.

- Day Services and transport is overspent by £149k, which reflects the delayed opening of Oswald Street day centre to September 2018. In addition, the position has adversely moved by £51k this month as a result of security costs for the vacated premises at Trowbridge & Marie Lloyd.

- Meals on Wheels is underspending by £77k which reflects the incremental reduction in demand for the service. The service is currently being reviewed to look at possible options available in redesigning the service.

Preventative Services. The forecast net position remains unchanged from previous month with a £940k underspend. The variance is mainly accounted for by Median Road position of £773k underspend, with a further in year savings of £167k driven by Concessionary Fares underspend and staff related movements within the service area. The Hospital Social Work Team recognises non-recurrent funds towards supporting staffing levels needed to ensure hospital discharge targets are met.

ASC Commissioning. The Forecast position this month improved by £250k thus reducing projected overspend to £647k. The improved position recognises contribution from Public Health grant to support the Voluntary Sector mental health provision. Whilst the agreed funding provides a one-off improvement to ASC Commissioning budget position, there is ongoing challenges around Housing Related Support (HRS) service redesign and cost pressures associated with Telecare equipment costs.

HRS procurement plans are however on track to meet future savings through close working with Providers to manage expectations around delivery timelines. The savings target was revised to incorporate savings attributed to telecare charging. The decision not to go ahead with telecare charging was taken after benchmarking against other local authorities which highlighted the planned charging proposals would only yield a small amount of additional income which would not be enough to meet the agreed savings target. New proposals around assistive technology are now being looked at and is expected to inform the charging model for service users going forward.

It is emphasised that it remains unclear whether iBCF funding will be replaced and at what level post 2019/20 as this funding was announced pending proposals for a sustainable adult social care funding solution. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council's financial plans. This will include ensuring that it is clear what funding is required to continue to run safe services for adults.

Public Health

Public Health is forecasting a breakeven position.

The Sexual health service is delivering progress as expected to support the financial sustainability of the wider Public Health service. Current level of activity remains within budget and the competitive pricing achieved through the Pan London contract is beginning to show better value for money. There is also a progressive uptake of e-services alongside clinical service provision and both activities are subject to continuous review with commissioners to ensure sustainable future provision.

Substance Misuse prescribing cost pressures have increased as a result of supply shortages of opioid substitutes. The Public Health forecast recognises the possible cost pressure of c£80k whilst a further review with commissioners provide definitive unit cost charges due in this financial year.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at January is a £279k - an adverse movement of £6k from the December 2018 position. The forecast includes the use of £2,700k of reserves, the majority of which are for one off expenditure/projects.

The major area of overspend continues to be in Environmental Operations which is forecast to overspend by £375k. This has been offset by an increase in income levels from highways licensing activities. £255k of the overspend relates to the cost of including overtime and other enhancements in operatives holiday pay. From May 2018 the law changed on how pay for employees who are on annual leave must be calculated. It is now a requirement that holiday pay should include not only basic pay, but also an average of regular additional hours, overtime, standby, callout and commission/bonus. Costs of overtime, standby and callout will increase the pay bill by an estimated 7-9% as a result. Currently payments have been made for holiday top up for existing staff as well as staff who have left; the latest forecast is £255k and it is not expected to change significantly by year end.

Within Environmental Operations there is another cost risk which may increase the forecast expenditure as the year progresses, this is related to Vehicle Repairs and Maintenance. The contract with the current provider ended October 2018. A contract extension has been agreed for 12 months with a break out clause in month 9. Indications are that the re-procurement will result in higher costs and therefore our vehicle maintenance costs are going to increase significantly by the end of the year. The service has estimated the costs to increase by around £200k annually.

Planning is forecast to overspend by £158k as at the end of January. The reasons for the overspend are short term costs of £22k while Land Charges

systems are being updated, and a Building Control service deficit £80k. There is also a risk that Planning application fees may not cover the cost of the Development Management service (£56k Shortfall). Income in Planning and Building control is highly dependent on development activity in the Borough. The service expects the risk to be lessened by expected increases in the volume of major applications and related Community Infrastructure Levy (CIL) receipts during the latter part of the year. Where demand for planning and building control services does not improve then management the level of staffing within the service as activity is linked to income generating work. The Building Control service is also looking at resources employed in chargeable work, ensure costs are fully recovered.

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

Streetscene is forecast to under spend by £177k as there is additional income from Highways related activities. This is due to the increasing number of developments across the borough and increasing number of Highways licenses.

The Housing General Fund is forecast to underspend by £52k. This is due to staff savings within the Travellers team and additional income relating to dwelling rents, which have been forecast based on actuals received to date.

Regeneration is forecast to underspend by £24k which is mainly due to staff vacancies within the Housing Strategy and Policy team earlier in the year. All posts are now occupied.

Income relating to the new Private Sector Housing Licensing scheme is forecast to be higher than initial expectations for this financial year, but the overall estimated income figure the 5-year licensing period remains unchanged. This year's surplus will be used in future years where income levels are expected to reduce.

The directorate forecast includes the use of £2,700k reserves. £946k of this is using grants and/or income received in previous years and £1,503k is funding one off expenditure predominantly in planning services to resource the Local Development Framework, Area Action Plans and clearance of a backlog of planning enforcement cases.

4.4 FINANCE & CORPORATE RESOURCES

There is a forecast overspend of £308k after reserves, which reflects pressures in Facilities Management and Property Services, partially offset by savings elsewhere in the directorate. Cost pressures continue in revenues and benefits, business rates on council properties and temporary accommodation

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £269k after forecast reserves usage.

Policy, Strategy & Economic Development is projecting an underspend of £164k against budgets relating to contribution to Hackney Healthwatch and London Council Grant Subscription.

Venues overspend has improved from last month. It now has an overspend of £110k. This has been due to utility costs associated with Hackney House which had previously been estimated, being charged in January at a lower cost than the estimate (£20k) and an improvement of income generated by Clissold House (£10k). The service is looking at options to improve the profile of Hackney House and generate more income. It is also expected that continued business growth at Hackney Town Hall will improve the situation further in this and future financial years. However, some of this overspend is due to an increase in business rates at Hackney House, which is currently subject to Transitional Relief but is facing steep annual increases. In the light of this, an options appraisal is being carried out looking at the Council's future tenancy of Hackney House

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

The drawdown from reserves will be used to cover the costs of apprentices and to contribute to overspends in Clissold House.

The combined Legal & Governance Service are forecasting to overspend by £173k on their budget after reserves drawdown of £56k from the Legal Services Childcare Lawyer reserves which was set up to help with increase in childcare cases.

The overspend reported in Governance is primarily due to Internal Printing Recharges estimated at £36k which has no budget and £73k is for two over-establishment Governance Services Officers needed due to increase in activities and with the other covering for maternity and an unfunded Team Manager's post previously funded by HRA.

Human Resources & Elections is projected to overspend by £102k after a reserve drawdown of £942k and additional Matrix Rebate of £129k which is unbudgeted.

The overspend mainly relates to issues with unbudgeted expenses of data provision work of £102k by Equiniti for the 2017/18 pension benefit statements

4.6 HRA

The HRA is forecast to come in on budget.

<u>Income</u>

Dwelling rents additional income of £444k is due to lower RTB's than expected and additional rents from the extension of Housing Association leases. Income from Leaseholder charges for services and facilities is

projected to be £422k over budget but this is offset by the increase in leaseholder insurance within supervision and management.

Additional income within charges for services and facilities is due to the recovery of the installation charges of digital TV, however this is the last year that the income will be collected.

Expenditure

There is a repairs and maintenance overspend of £818k which is due to an increase in reactive repairs and client (staff) function which is the subject of a restructure and Delegated Powers Report. This is compensated for by an underspend in the painting programme. Special services are forecast to underspend by £250k, which is due to a reduction in utility costs and Supervision and management is underspending due to a reduction in pension charges. However, this is largely offset by an increase in leaseholder insurance.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position and there are no alternative options here.

On the property lease proposal (set out at 2.3), Strategic Property Services explored development options for the site in 2016. Due to a) the physical nature of the building, b) the restricted site area and c) planning restrictions on use and massing, any proposed development was considered too risky and of insufficient financial benefit to take on as a project, particularly in light of already stretched resources. The Council could have considered a sale of the Property and an offer was received from a developer for the freehold. However, this would not have assisted with the Council's strategy to increase income. Further, if the proposed letting proceeds, the value of the Property as an investment asset will be higher than the development value that was offered.

The Council also received a proposal for a joint venture, where the developer would add and retain two or three residential stories to the building and hand back the lower commercial floors to the Council upon completion of the works. This option was rejected, as it would have brought risk around the potential to let the lower floors in 2/3 years' time, reduced the commercial floor space, and would have removed any future potential for the Council to develop the site itself if the commercial market conditions dramatically change.

With regards to the proposed property disposal (set out at 2.4), if the Council does not sell the land, this will probably lead to a situation where the Boxing Academy Scheme would have been compromised but could have proceeded. However, there is nothing else that the Council can practically do with the land and so if we don't sell, we would lose the capital receipt

With regards to the proposed property proposal (set out at 2.5), if the Council does not sell the land, we will be left with land which is otherwise undevelopable left over and liability.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of January 2019. Full Council agreed the 2018/19 budget on 1st March 2018.

6.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving, the Mayor, the Member for Finance, HMT, Heads of Finance and Assistant Directors of Finance.

6.5 Risk Assessment

The risks associated with the schemes Council's financial position are detailed in this report.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

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

8. COMMENTS OF THE DIRECTOR OF LEGAL

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's constitution although full Council set the overall budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision

8.5 The property lease proposal as set out at 2.3 above, must be for the best consideration that can reasonably be obtained in order to comply with Section 123 of the Local Government Act 1972. The Council's Strategic Property Services have evidenced the benefits of the disposal in financial terms and, with regard to comparables in the area of similar types of buildings, the anticipated financial benefits to the Council clearly represent the best consideration attainable at this point

8.6 On the proposed property disposal set out at 2.4, the terms of the transaction are acceptable with the independent valuation ensuring the Council's best consideration obligations under section 123 of the Local Government Act 1972 have been complied with. There is also the risk that after 10 years of continuous use The Boxing Academy would be able to prove possessory title of the land without a requirement to make any payment to the Council.

8.7 With regards to the property disposal set out at 2.5, This is a disposal of land acquired for development purposes within the General Fund and the Interim Director of Strategic Property Services has confirmed that the disposal will comply with the best consideration provisions of s.123 of the Local Government Act 1972.

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

9.1 The proposed letting as set out in 2.3 is the result of a comprehensive three months marketing campaign by an established agency in the East London property market. The proposal is the best all round offer the Council has received as a result of this campaign. A minimum ten-year lease is required by the proposed tenant due to the level of investment that will be made in

the fit out of the building and set up costs of the business. The key benefits of the letting are:

1. **Income.** The offer of £68,000 per annum is the best achievable rent having openly marketed the property through a reputable letting agent. The lease is for 10 years, without a break, securing a sustained rental income stream with a fixed increase at the end of the fifth year.

2. **Asset value.** The tenant is well financed and expected to provide a good covenant once its business becomes further established. The tenant will invest substantial capital funds into the property to provide a high-class nursery fit out, with extended floor area and roof play area. This will substantially increase the investment value of the asset.

3. **Non-commercial opportunities.** The tenant has submitted a report to the Council's Economic Regeneration team in response to the Menu of Opportunities. This sets out its intentions around creating job opportunities and providing apprenticeships for Hackney residents; working towards London Living Wage; engaging with schools and colleges; working with the community; and respecting the environment.

9.2 With regards to the disposal set out in 2.4, this small rectangle of (garden) land approximately 15 m2 is land-locked with no independent access by the Council. I recommend to cabinet the disposal of the Land to the rear of 27 Hackney Grove in the sum of £10,000.00 plus costs accordingly.

9.3 On the disposal set out at 2.5, The sale price agreed must meet the best consideration requirements of s.123 of the Local Government Act 1972 however as this sale will be by necessity by private treaty to the encroaching developer the sale price agreed will be verified for compliance with statute by an external valuer

Appendices:

- Appendix 1 - Map of 110 Church Street, Stoke Newington N16
- Appendix 2 - Map of 21-27 Hackney Grove
- Appendix 3 - Map of 10_Long Street London E2 8HQ

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