2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (JULY 2019)
KEY DECISION NO. FCR P95

CABINET MEETING DATE 2019/20	CLASSIFICATION:
16 SEPTEMBER 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 second Overall Financial Position (OFP) report for 2019/20 and is based on detailed July 2019 provisional outturn monitoring data from directorates. We are forecasting an overspend of £4,560k at year end.

1.2 This overspend will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. 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 As with 2018/19, 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.

This update predates announcements made by the Chancellor on 4 September.

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 £4,560k 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 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. 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 2019/20 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 There is still significant uncertainty about our external funding sources post 2019/20. Whilst the Government has published a one-year Spending Review (for 2020/21 only), we will still not get robust estimates of our funding for 2020/21 until early December when the 2020/21 Settlement is published

2.4 Attached at Appendix 1 is a schedule of business as usual savings for 2020/21 to 2022/23, which Cabinet is asked to approve.

The General Fund savings by directorate are summarised below

Directorate	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
CACH	210	190	400	400
F&R	760	450	0	1,210
N&H	824	55	150	1,029
TOTAL	**1,794**	**695**	**150**	**2,639**

In addition, Cabinet is asked to approve £300k of HRA business as usual savings, and should note that a further £150k of phase 2 HLT fees and charges for children's centres has been proposed but this is subject to a review of the impact of phase 1. This is included at the end of the Appendix for information and not for approval.

2.5 I am advising Cabinet, of a proposal to enter into a lease of 7-years less 1 day, of the Market Nursery building at Wilde Close, with London Early Years Foundation (LEYF). Since the letting is within policy and for a term of less than 7 years, it does not require formal Cabinet approval. However, the lease would be on standard VCS terms (provided that LEYF establish their eligibility) and, since VCS leases are generally for a term of not more than 5 years, it is appropriate to inform members of the proposed letting.

2.6 The Market Nursery is a community nursery that has operated from the property on Wilde Close since 1979. Throughout this time it appears that they occupied without a formal lease but, in

2018, the Council entered into a 2-year lease at a rent of only £1 sq ft (£3600 pa). This was to give the Market Nursery time to address areas of weakness, with a view to moving onto a full VCS lease. It subsequently became clear that the nursery was not going to be able to address some of these weaknesses, and that they faced closure. However, the trustees approached the Council, in June 2019, with a proposal for the London Early Years Foundation (LEYF) to take over the nursery. Their proposal included a major repair and renovation project, including essential repair and compliance works (with appropriate contribution from the Council) and additional improvements required to reconfigure the space; increasing the capacity of the nursery from circa 40 to circa 70 children, with up to 50% funded spaces (LEYF would work with the Council to ensure that these funded spaces were offered to local children).

2.7 Around 28 people are currently employed by Market Nursery on a full or part time basis and all of these employees would TUPE across to LEYF. LEYF would also create up to an additional 30 full and part time posts which they would offer to Hackney residents, working with the Council's Employment and Skills Service. They plan to move to London Living Wage for all staff in 2020.

2.8 For these reasons, there is a clear rationale for leasing the property to LEYF. However, to justify the significant capital investment that they plan to make, they require a minimum lease term of 7 years less a day. Provided that they demonstrate that they are an eligible organisation (which we believe they will be able to do), this would be a VCS lease at a rent of £4 sq ft. This is longer than would usually be agreed under the VCS lettings strategy approved by Cabinet in March 2011 (VCS leases are generally for a term of 5 years or less). However, the VCS lettings strategy provides latitude to enter into longer leases; particularly where this is required to secure external funding. The letting would therefore be within existing policy. Furthermore, the Council is able to enter into leases at below market rent where the lease is for less than 7 years; particularly where there are clear social, economic or environmental benefits, as is the case with this letting. The letting is therefore within the best consideration requirements set out in s.23 of the Local Government Act 1972.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JULY 2019

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
		£k	£k
86,623	Children's Services	696	383
91,094	ASC & Commissioning	3,240	107
32,764	Community Health	-	-
210,481	**Total CACH**	**3,936**	**490**
36,338	**Neighbourhood & Housing**	**176**	**112**
14,957	**Finance & Corporate Resources**	**381**	**1**
8,938	**Chief Executive**	**67**	**-71**
49,338	**General Finance Account**	**0**	**0**
320,052	**GENERAL FUND TOTAL**	**4,560**	**532**
	Application of One-Off Funding	-4,560	532
	Forecast End Year Position	**0**	**n/a**

3.0 RECOMMENDATIONS

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

3.2 To approve the business as usual savings noted at 2.4 and set out in Appendix 1.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the business as usual savings.

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

The CACH directorate is forecasting an overspend of £3,936k after the application of reserves and drawdown of grant.

Children & Families Service

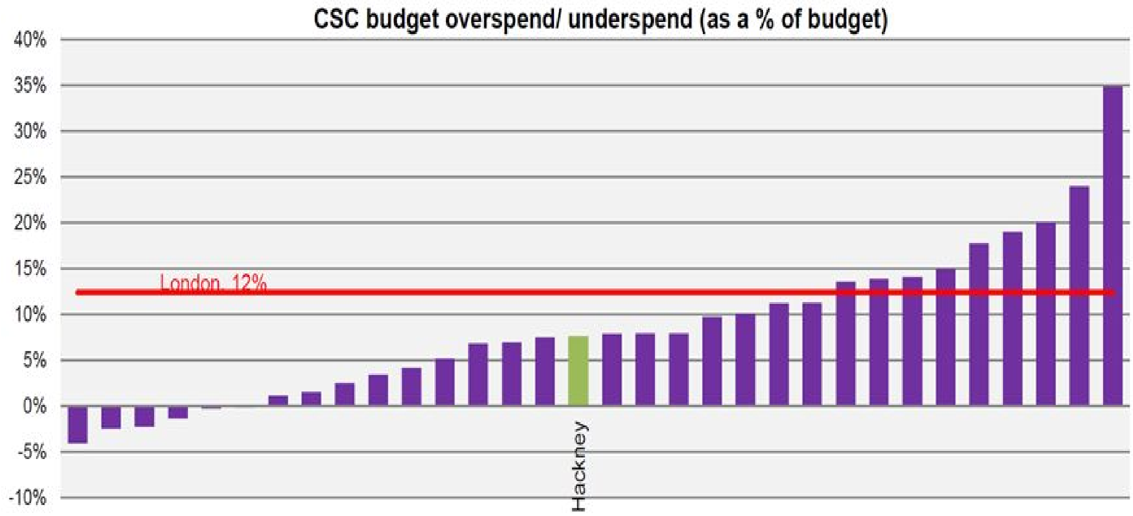
The Children & Families Service (CFS) is forecasting a £696k overspend against budget after the application of reserves and grants totalling £5,796k. The draw down from reserves includes:

- £2,300k from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.

● £1,100k for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted focussed visit earlier in the year.

● £600k is drawn down to offset pressures in relation to the increase in young people currently held on remand.

The sustained pressure on CFS budgets is a position that is not unique to Hackney, as shown by the results of a 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.



A similar survey is currently underway in relation to 2018/19 outturn and this will be reported as soon as it is available.

The main budget pressures in CFS are in relation to looked after children (LAC) placements within Corporate Parenting, young people held on remand within Youth Justice and staffing in several areas across the services. Further details are set out below.

Corporate Parenting is forecasting to overspend by £453k after the use of the commissioning reserves as noted above. This position also includes the use of £1,200k of non-recurrent social care funding that was announced in October 2018 national budget. Spend on LAC and Leaving Care (LC) placements (as illustrated in the table below) is forecasted at £19,500k compared to last year's outturn of £18,300k – an increase of £1,200k.

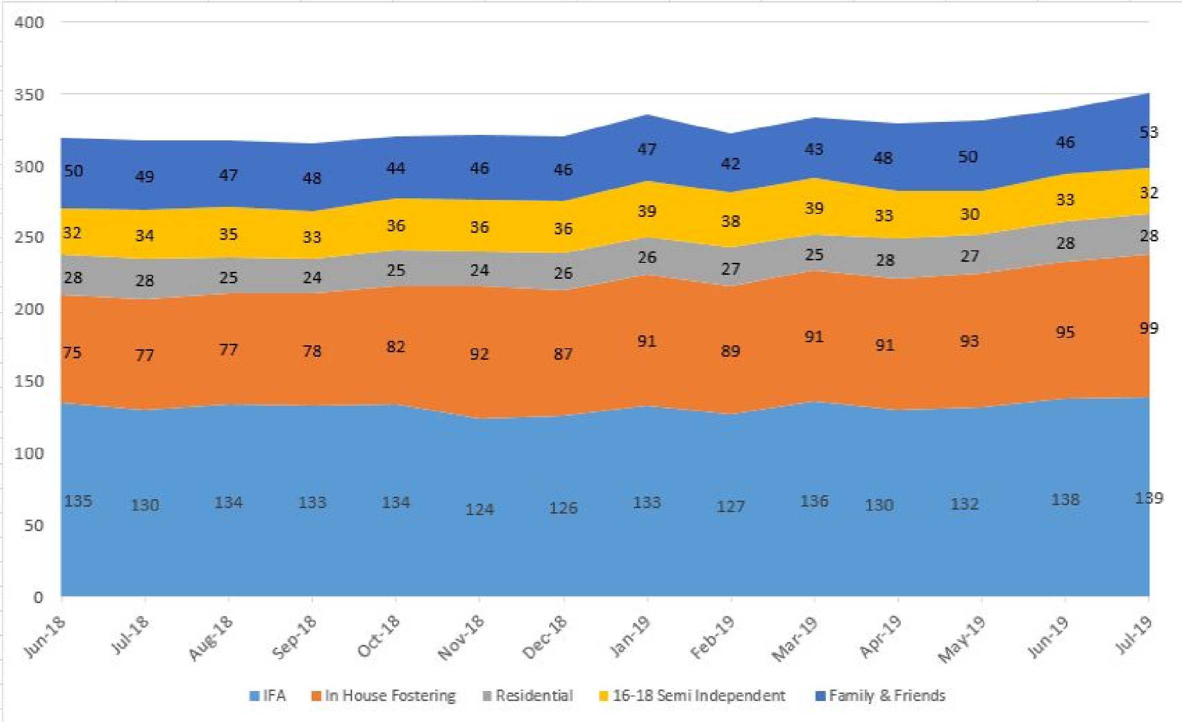
Table 2: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Budgeted Placements *	Current Placements	Management Actions
Residential	4,331	5,069	738	21	28	There are a number of initiatives in place to seek to contain these cost pressures, for example the Family Learning Intervention Project (FLIP), the Edge of Care workers, the Residential project and re-negotiation of high cost placements. The first two of these have been in train for some time and tracking of the financial impact is undertaken on a case by case basis. Evidence from this tracking suggests significant costs avoided suggesting the cost pressure would be significantly greater if these were not in place. The impact of Mockingbird, the extended family model for delivering foster care with an emphasis on respite care and peer support, and new arrangements for implementing Supported Lodgings will also be reviewed going forwards.
Semi-Independent (Under 18)	1,570	1,916	346	24	32	
Other Local Authorities	-	230	230	-	6	
In-House Fostering	1,800	2,138	338	153	99	
Independent Foster Agency Carers	6,488	6,608	120	132	139	
Residential Family Centre (M&Baby)	-	262	262	-	1	
Family & Friends	569	804	235	62	53	
Extended Fostering	-	29	29	-	1	
Staying Put	200	340	140	13	23	
Overstayers	290	433	143	11	23	
Semi-independent (18+)	1,370	1,639	269	46	105	
Total	16,618	19,468	2,850	462	510	

**based on average cost of placements. Residential budget also includes one-off social care funding of £1.2m)*

The table below shows the trend in LAC placements over the past 12 months.

Table 3: Headcount Data for LAC



There has been a significant increase in the number of LAC placements since May (a net increase of 20 placements, which represents a 6% increase overall), and this has led to an additional pressure of £705k. As can be seen from Table 3 above, since this time last year there has been a favourable movement in the ratio between Independent Fostering Agencies and in-house placements. This is driven primarily by the in-house foster carer recruitment which has seen some success and the matching officer post which has been in the structure since 2018. At around £50k per annum the cost of a child placed in independent foster care is double that of a placement with one of our own foster carers.

One of the main drivers for the cost pressure in Corporate Parenting continues to be the rise in the number of children in costly residential placements which has now sustained for the past year and 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.

This year we have seen significant pressures on staffing totalling £295k. This is mainly due to unbudgeted posts recruited to meet increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focussed visit earlier in the year and cover for maternity/paternity/sick leave and agency premiums.

Following growth in the base budget this year the No Recourse to Public Funds (NRPF) Team is forecast to breakeven after use of £70k legal reserves. We are currently supporting 76 families who have no recourse to public funds. The main area of spend is Section 17 payments on accommodation and subsistence, with spend forecast at £1,600k in the current year which is in line with the budget and is unfunded by Government. This position has improved significantly from the previous year, and the service continues to work to ensure that services are targeted at those in need.

Children in Need is forecasted to overspend by £418k. 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 £444k. Underspends in non-staffing expenditure totals £26k.

The Disabled Children's Service is forecasted to overspend by £367k. Staffing is projecting an overspend of £219k due to additional staff brought in to support backlogs in the service. The remaining overspend is attributed to placements (£105k, including homecare, direct payments and residential respite) and £43k on other expenditure. This is offset by a £148k reserve drawdown.

Parenting Support Services is forecasted to overspend by £128k. The overspend relates to staffing due to an unbudgeted post, two staff covering maternity leave and two staff covering long term sick leave.

The Youth Justice Service is forecasting a balanced position after the use of £434k of remand reserves and an additional £200k of reserve which has been repurposed from an existing reserve to offset pressure in the service due to a major incident resulting in three young people currently being held on remand.

Overspends across the service are partly offset by underspends elsewhere in the Directorate Management Team and Safeguarding and Learning Services.

Directorate Management Team is forecasted to underspend by £544k. This is due to the utilisation of additional reserves within the service to offset staffing pressures, including those in Children in Need and Parenting Support service.

Safeguarding and Learning Service is forecasted to underspend by £106k. This is due to vacant posts that will not be filled this financial year.

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 £3.5m and £4.5m), mainly due to pressures in special educational needs. This is an early forecast that will be adjusted as data on any new demands on HLT services become known throughout the year.

Special educational needs activities cost £9.5m in excess of agreed budgets 2018/19; and expenditure is currently expected to increase by a further £2.0m in 2019/20. Within the HLT forecast, the SEND overspend is mostly 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 look into 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 in 2019/20.

The SEND cost pressure is attributable to the increase in the number of Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and there are 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 EHCP's have increased by more than 50% since 2011. With the exception of SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant– however, despite the significant rise in numbers & costs there has not been an adequate increase to this funding source.

Adult Social Care & Community Health

The forecast for Adult Social Care is a £3,240k overspend. The position for Adult Social Care last year was an overspend of £4,083k and this has improved through adjustments for corporate growth items and additional use of non-recurrent funding. The revenue forecast includes significant levels of non-recurrent funding including Improved Better Care Fund – iBCF- (£1,989k), Social Care Support Grant (£1,200k), and Winter Pressures Grant (£1,400k).

It is unclear what funding will be available in Adult Social Care post 2019/20 to support a sustainable Adult Social Care funding solution. The non-recurrent funding was only intended to be a 'stop-gap' pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. 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 run safe services for adults. Alongside this the service continue to take forward actions to contain these cost pressures.

<u>Care Support Commissioning</u> (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £2,100k pressure, which includes £1,400k of the Winter Pressures grant to fund additional costs resulting from hospital discharges (an increase in £700k since May).

Service type	2019/20 Budget	July 2019 Forecast	Full Year Variance to budget	Full Year Variance c/to May 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,000	15,988	988	1	- ILDS transitions/demand management and move on strategy - Multi-disciplinary review of care packages (delivered £667k) - Three conversations - Review of homecare processes - Review of Section 117 arrangements
Physical and Sensory	12,843	13,316	474	(3)	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,299	589	(29)	
Occupational Therapy Equipment	740	813	73	(37)	
Asylum Seekers Support	170	174	4	(29)	

					- Personalisation and direct payments - increasing uptake
Total	36,462	38,589	2,127	(99)	

The Learning Disabilities service is the most significant area of pressure with a £988k overspend. £290k of this pressure arises from the estimated costs of new transition clients in the year. This is significantly less than last year due to the application of both budget growth and one-off funds in this service area.

Work is ongoing with Clinical Commissioning Group (CCG) colleagues to embed the joint funding model for high cost Learning Disability packages as business as usual. There is an agreement between both parties for all packages to be reviewed for joint funding. A process of quarterly reconciliation and financial reimbursement will be managed through the Learning Disability Section 75 review group on behalf of the Planned Care Workstream. The CCG have committed to ring-fence £1,900k - £2,700k within their financial planning for 2019/20 and £1,900k has been factored into the forecast above. The partners also acknowledged that by implementation of the joint funding policy the amount paid for health need will be based on the assessment of patient/residents and that health needs for individuals could be potentially less or more than the initial identified range. In light of this uncertainty, it will be important for partners to manage proactively the quarterly reconciliation in order to provide adequate lead-in time to address any significant gap in financial forecasting.

Physical & Sensory Support is forecasting an overspend of £474k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £589k. The cost pressures being faced in both service areas have been driven by the significant growth in client numbers as a result of hospital discharges in 2018/19, which has been partially mitigated by one-off funding from the Winter pressures grant. The risk is that this funding is non-recurrent, and the pressures will remain in the service going forward.

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. These actions include the creation of a multi-disciplinary team (MDT) to facilitate the review of care packages, and this has delivered savings to date of £667k (full year effect). As a result of the savings achieved the MDT project has been extended for a further six months to the end of Jan 2020.

Care Management & Adults Divisional Support is forecasting an overspend of £23k which is a significant decrease on the overspend of £700k reported in 2018/19. The decrease, in particular, reflects the drive by the service and Learning Disabilities, to recruit permanent staff and minimise the use of agency staff.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT), and is forecast to overspend by £498k.The overall position is made up of two main elements - a £663k overspend on externally commissioned care services and a £165k underspend across staffing-related expenditure.

Provided Services is forecasting a £124k overspend which is largely attributed to:

- Housing with Care overspend of £209k. The forecast includes additional resources to respond to issues raised in the recent CQC inspection. The service is currently under strategic review to seek efficiencies and reduce costs without impacting negatively on service provision.

- Day Care Services are projected to underspend by £97k, primarily due to the current staff vacancies across the service.

Preventative Services is forecasting a £317k underspend against budget, which is primarily accounted for within the Median Road position. The Hospital Social Work Team forecast includes non-recurrent funds towards supporting staffing levels needed to ensure hospital discharge targets are met.

ASC Commissioning is forecasting a £785k overspend due to delays in delivering savings from the Housing Related Support (HRS) service. Plans have been developed and the service is confident they will deliver these savings next year as part of the ongoing redesign. 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 sufficient 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.

Public Health

Public Health is forecasting a breakeven position.

There are pressures in the service due to the delay in implementation of the Public Health restructure and the review of physical activity for adults. However, this pressure is being managed within the overall budget and it is not anticipated to result in an overall overspend.

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.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at July 2019 is a £176k overspend, an increase of £112k from the May forecast. The forecast includes the use of £1,500k of reserves, the majority of which are for one off expenditure/projects.

Planning services are forecasting an overspend of £188k, which is a worsening of £102k since the May forecast. The reason for the overspend is due to a projected shortfall of £200k income against the planning application fee income budget. A detailed review of major applications and potential income has been undertaken and those 25 major developments currently at pre-application stage with a target submission date this financial year have been reflected in the forecast, alongside trend-based forecasts for income from minor applications which continue to be stable. The position on these developments will be closely monitored and changes reflected in the forecast going forward. There has been no assumption of income from proposed developments where pre-application advice has not recently been requested. In order to mitigate the income shortfall, the Head of Service is re-modelling staffing in the major applications team to enable Team Leaders to take on additional case load work for major applications. This will reduce staffing costs within the service.

There is a further mitigation possible from an improved position within the Building Control service. Building Control income is on an upward trend with an additional income source through the inspection of boiler replacements on housing estates. £50k income has been assumed in the forecast as at July and there is the potential for a further £90k this year – this will be confirmed and reflected in the forecast next month. In addition, the Council has been advised that several private sector 'Approved Inspectors' for Building Control work have had their insurance indemnity removed, which is expected to result in more local authority Building Control chargeable work over the coming months. It is anticipated that continued improvements in the Building Control position will off-set any shortfalls against Planning's wider income targets.

Community Safety, Enforcement and Business Regulation (CSEBR) is forecast to overspend by £38k due to the need to maintain the enforcement cover across the borough and also within our busy parks throughout the summer. The Head of Service will identify efficiencies from across the whole CSEBR to bring the service back within budget.

Streetscene is forecast to underspend by £31k which is due to additional income from Highways licenses reflecting the increasing number of developments across the borough and increasing number of Highways licenses being issued.

Parking and Markets, Leisure, Green Spaces & Libraries, are forecasting break-even positions, with Directorate management and Streetscene showing a marginal underspend.

Housing General Fund is forecast to be just below budget at this stage, with marginal variances within both Housing and Regeneration.

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £381k.

The overspend in Facilities Management (£400k) is primarily due to increases in business rates costs on council owned buildings in the borough which are partially offset by reserves. The largest increases are in Hackney Town Hall, Hackney Service Centre and Florfield Road.

In Property services, the cost pressure primarily results from: - providing additional staffing resources within the service to address essential works; and the re-classification of a significant revenue item as a capital receipt. The service is currently reviewing their operations to address the former and the allocation of overall budget, both capital and revenue, needs to be reviewed to address the latter.

Financial Management and Control are forecasting an underspend of £347k due to vacancies across all services

Directorate Finance Teams are projecting an underspend of £96k.which mainly relates to salaries and projected additional income from service fees

Revenues and Benefits and Business Support, Registration and Audit and Anti-Fraud are forecast to come in at budget.

Housing Needs is forecast to come in at budget after the application of the Flexible Homeless Grant and Homelessness Reduction Act Grant. Whilst we will continue to receive the Flexible Homeless Grant, it is probable that this grant will reduce overtime and there may be other calls on the Grant. Further, since April 2018 when the Homelessness Reduction Act was introduced there has been a 33.4% increase in approaches for housing advice, which could result in significantly higher accommodation costs over time.

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £67k after forecast reserves usage – a reduction of £71k since May.

Communications, Culture & Engagement

The service is forecasting an overspend of £160k. This partly reflects residual costs relating to Hackney House and partly reflects an estimate of the advertising revenue that may be lost as a result of the Government's decision to prohibit the fortnightly publication of Hackney Today and a recent court case which upheld this decision.

The rest of Communications including Design & Film are forecast to break even.

The Culture team will be spending a higher amount on the carnival this year due to increasing numbers of attendees and the need to move the main stage to a new location due to this. It has been agreed for the funding to come from Neighbourhood Community Infrastructure Levy.

Legal & Governance

The combined Legal & Governance Service are forecasting an underspend of £93k on their budget.

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £30k which has no budget and £55k is for an unfunded Team Manager's post previously funded by HRA. The management team is reviewing current and future income to establish sources of additional income for the 2019/20 financial year.

Internal Legal is projecting an underspend of £178k in relation to under spends on salaries budget. The £133k salary underspend is mainly due to vacancies and there is also additional income from Traded Services and HLT £49k.

All other services are forecast to come in at budget.

4.6 HRA

The projected outturn on the HRA is at budget.

Income

The only significant variation on income is Other charges for services and facilities which is over budget by £960k and is mainly due to the extension of LBH collection of water rates on behalf of Thames Water. The income was negotiated to continue throughout 2019/20 after the budgets had been set.

Expenditure

Repairs and Maintenance is £1,282k over budget which is mainly due to reactive repair costs and an increase in legal disrepair expenditure. This is currently partly offset by vacant posts within the new R&M structure.

The Special services overspend of is due to agreed increased costs within estate cleaning, but this is expected to reduce in 2020/21 as the effects from restructuring of the service are realised.

There is an underspend on Supervision and Management which is due to a reduction in consultancy staff which is partly offset by an increase in recharges from Housing Needs which is currently under review due to increased workloads from Homeless Reduction Act.

4.7 CAPITAL

This is the first OFP Capital Programme monitoring report for the financial year 2019/20. The actual year to date capital expenditure for the four months April 2019 to July 2019 is £26.4m and the forecast is currently **£302.6m**, **£54.2m below the revised budget of £356.9m**. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1: Summary Table

Table 1 – London Borough of Hackney Capital Programme – Q1 2019/20	Revised Budget Position	Spend as at end of Q1	Forecast	Variance (Under/Over)
	£'000	£'000	£'000	£'000
Children, Adults & Community Health	28,267	291	20,487	(7,781)
Finance & Corporate Resources	118,481	14,746	116,987	(1,493)
Neighbourhoods & Housing (Non)	38,831	659	37,911	(920)
Total Non-Housing	**185,579**	**15,696**	**175,385**	**(10,194)**
AMP Capital Schemes HRA	87,976	3,829	69,004	(18,972)
Council Capital Schemes GF	797	150	1,173	376
Private Sector Housing	2,717	434	2,164	(553)
Estate Renewal	59,669	4,370	33,842	(25,827)
Housing Supply Programme	16,922	225	9,427	(7,495)
Other Council Regeneration	3,197	1,685	11,639	8,441
Total Housing	**171,279**	**10,693**	**127,249**	**(44,030)**
Total Capital Expenditure	**356,858**	**26,389**	**302,634**	**(54,224)**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £20.5m, £7.8m below the revised budget of £28.3m. More detailed commentary is set out below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Adult Social Care	2,110	27	2,110	0
Education Asset Management Plan	6,420	120	4,353	(2,067)
Building Schools for the Future	618	(48)	617	(1)
Other Education & Children's Services	1,320	5	779	(541)
Primary School Programmes	10,046	101	9,392	(654)
Secondary School Programmes	7,754	86	3,235	(4,518)
TOTAL	**28,267**	**291**	**20,487**	**(7,781)**

Adult Social Care

The overall scheme is forecasting to fully spend the in-year budget of £2.1m. The two main capital projects in this area are Oswald Street and Median Road Day Resource Centre. The works at Oswald Street Day Centre are complete and the minor variance relates to final accounts. The new day centre was officially opened back in October 2018 and brings all existing day centre services together under one roof and will be used by people with a range of complex needs including dementia, learning disabilities, physical disabilities and autism. The building is a state-of-the art facility laid out over two floors and also includes a sensory garden. The feasibility study for Median Road is concluded and we await the cost projection setting out the range of options and recommended approach. This capital project is the first phase of the Council's proposal to transform the current configured Median Road Resource Centre into a new facility which provides interim care services, intermediate care services and residential nursing care accommodation to adults with learning disabilities.

Education Asset Management Plan

The overall scheme is forecasting an underspend of £2.1m against an in-year budget of £6.4m. The main variance relates to the budget set aside for the overall programme. The budget will be reviewed at quarter 2 and if no further works identified the variance will re-profiled to future years. Shoreditch Park AMP forecast is on target to spend the in-year budget of £1.1m. The roof and kitchen alterations are completed. The next round of capital works includes the first-floor internal alteration, music room, playground and toilet refurbishment. All are due to be completed by the end of the year.

Building Schools for the Future

The overall scheme is forecasting a full spend of the in-year budget of £0.6m. The works at Stormon College SEN and Mossbourne Victoria Park Academy are complete and awaiting final account and ICT payments.

Primary School Programmes

The overall Primary School Programme 2019/20 is largely in-line with the budget of £10.1m with a minor underspend. The main scheme relates to Phase 3A of the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. This is on target to meet the anticipated spend for this budget. January 2019 Cabinet approved a further virement of £1.8m to fund Phase 3A of delivery of the works to all four tranches of the 'Priority 1' works. This builds upon the existing budget of £4.6m approved in December 2017 Cabinet and the £6.3m s106 funding approved in December 2018 Cabinet. This third capital funding phase will involve works at nine schools plus associated party wall, legal and project management services. This will ensure that the full 'Priority 1' scope will be completed, with the exception of Harrington Hill, Southwold and

Springfield. A consultant has been procured and works are being reviewed.

Secondary School Programmes

The overall scheme is forecasting an underspend of £4.5m against the in-year budget of £7.8m. This largely relates to the Urswick School Expansion which is reporting an underspend of £3.9m. The capital project is on hold as the contractor went into liquidation. This capital project is to support the increased pupil growth the 6th Form Entry to include the additional three general classrooms, two seminar rooms, science studio, ICT room, general stock room and ICT equipment store. The scheme will be reviewed, and the budget will be re-profiled in Quarter 2.

July 2019 Cabinet approved the £1.2m budget for the refurbishment of the Drama Theatre and associated ancillary spaces at Stoke Newington School. During the BSF programme, Stoke Newington was one of the three schools that was partially refurbished rather than rebuilt and as a result there were certain areas that still require upgrading to BSF standards. This drama theatre is one such area. It is crucial for the delivery of the drama curriculum, as well as for use as an assembly hall and for general teaching. There will be update at Quarter 2 as this will reflect the actual spend of the budget.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £117m, £1.5m under the revised budget of £118.5m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Property Services	13,109	(200)	11,853	(1,256)
ICT	7,818	884	7,580	(238)
Financial Management	929	(9)	929	0
Other Schemes	286	0	286	0
Mixed Use Development	96,339	14,072	96,339	0
TOTAL	**118,481**	**14,746**	**116,987**	**(1,493)**

Strategic Properties Services

The overall scheme is forecasting an underspend of £1.3m against the budget of £13.1m. The main variance is the refurbishment of the Council Office building Christopher Addison House which is forecasting an underspend of £1.2m. November 2018 Cabinet approved a further £4.5m to fund the next stage of this capital project. This follows and builds upon the preceding Phase 1 and 2 works which comprised of feasibility studies for the entire building, facilitating the moving of circa 150 additional Council staff and setting up the infrastructure for this site. The project is currently in RIBA Stage 4 and out to tender. The works are expected to begin in Quarter 3 of this year and the construction works are expected to be completed by the end of the financial year. Following the proposed refurbishment works, it is anticipated that the building will be able to accommodate circa 420 Council staff with new ways of working, a potential increase of circa 140. This programme is part of the wider Corporate Estate Rationalisation (CER) Programme and the need to consolidate the Council's buildings to make better use of the space.

ICT Capital

The overall ICT scheme 2019/20 is forecasting to come in at the budget of £7.8m with a minor underspend. The main capital scheme is the rolling programme of the End-user and Meeting Room Device Refresh which is on target for the anticipated spend. This project relates to the roll out of the device refresh model for council staff and meeting room devices across the core Hackney campus. The costs include staff working on roll out recharged to capital, purchase of devices, overtime for device roll out on weekends and installation of Google 'hangouts' in meeting rooms.

Mixed Use Developments

Tiger Way and Nile Street is forecasting to fully spend the in-year budget of £39.6m. Nightingale School held their official opening ceremony on 11 July 2019. The residential apartments were not completed until June 2019, as a result, the contractor was fined for the delay (81 working days) to the original programme. The reported planned expenditure is to cover the final retention costs and should be applied once all defects are rectified and snagging is complete.

The Nile Street residential block was due to complete on 17 June 2019. The delay was reported by contractor as logistical difficulties and delayed dismantling of hoist. Mitigation strategies are now in place and a new completion programme scheduled. The School decant date began on 17 July 2019 and the full decant was completed on 23 July 2019. External works to the Easter playground KS2/4 of the PRU is on the programme for handover in September 2019.

The Britannia Site is forecasting to fully spend the in-year budget of £56.8m. The Phase 1 project has now reached contract close. The Phase 1a (Leisure Centre) award of contract was approved by Cabinet on 25 March 2019, and the contract was sealed on 29 May 2019. The Phase 1b (School) award of contract was approved by Cabinet on 29 April 2019 and the contract was sealed on 16 July 2019. Phase 2a has now completed RIBA Stage 4 and is being prepared for an OJEU tender. Phase 2b is currently under review.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £37.9m, £0.9m under the revised budget of £38.8m. More detailed commentary is outlined below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Museums and Libraries	908	9	546	(362)
Leisure Centres	750	0	750	0
Parks and Open Spaces	7,814	102	6,599	(1,215)
Infrastructure Programmes	12,605	826	12,600	(5)
EHPC Schemes	8,953	0	8,953	(0)
TFL	3,723	(278)	3,723	0
Parking and Market Schemes	373	0	373	0
Other Services	900	0	900	0
Regulatory Services	79	0	655	576
Safer Communities	1,363	0	1,363	(0)
Regeneration	1,363	0	1,450	86
Total	**38,831**	**659**	**37,911**	**(920)**

Parks and Open Spaces

The overall scheme is forecasting an underspend of £1.2m against the in-year budget of £7.8m. The main variance relates to Springfield Park Restoration which is forecasting an underspend of £0.80m. The Springfield Park restoration project is underway following the successful grant application to the Heritage Lottery Fund and s106 funding was approved in November 2018 Cabinet. This capital funding will restore Springfield House and the stables, replace the derelict glasshouses with a new community events building, create new landscaping, install new play facilities and create activity and volunteering programmes for the wider community. The Contractor is due to start on site in September 2019 to do the building work and landscape work. There will be an update at Quarter 2 to reflect the actual spend of the budget.

Infrastructure

Wick Road is forecasting to come in largely at the budget of £1.1m with a minor overspend. Wick Road reverted back to two-way traffic on Sunday 4 August 2019 completing the transformation of the road. The capital works also include resurfacing of existing footways, better crossing points for pedestrians, off-road cycle tracks, advance stop lines, new bus stops, new LED streetlights and new trees. These measures will improve safety for cyclists and pedestrians, reduce current rate of road accidents, improve bus journey times, reduce congestion and improve air quality.

HOUSING

The overall forecast in Housing is £127.3m, £44m below the revised budget of £171.3m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	87,976	3,829	69,004	(18,972)
Council Schemes GF	797	150	1,173	376
Private Sector Housing	2,717	434	2,164	(553)
Estate Regeneration	59,669	4,370	33,842	(25,827)
Housing Supply Programme	16,922	225	9,427	(7,495)
Woodberry Down Regeneration	3,197	1,685	11,639	8,441
Total Housing	**171,279**	**10,693**	**127,249**	**(44,030)**

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £18.9m against the in-year budget of £87.9m. This reduction in spend will be reviewed in Quarter 2 with a view to re-profile the budget into future years.

Council Schemes GF

The variance relates to Borough-wide Housing under occupation and Hostel Major Repairs. All regeneration void works will be used as Temporary Accommodation. The forecast will change during the year depending on how many units become vacant.

Private Sector Housing

The main variance relates to the Disabled Facilities Grant which is forecasting an underspend of £0.5m against the budget of £2.7m. The applications get made throughout the year so forecast will become more accurate as the year progresses.

Estate Regeneration

The overall scheme is forecasting an underspend of £25.8m against the in-year budget of £59.7m. This is largely due to a number of sites being delayed due to various issues but often it is around the procurement of contracts leading to later start on site dates. The budget for these will be reviewed and re-profiled in Quarter 2.

Bridge House Phase 2 is due for handover late 2019. Retention will be due next financial year. There has been a delay to the ER1 Tower Court due to Japanese knotweed works but construction will accelerate during 2019/20. On Kings Crescent Phase 1 & 2, there is minimal spend left. The Final account will be settled, and retention will be paid later in the year. The Colville Phase 2 site has been handed over. Retention to be paid towards the end of 2019/20. St Leonard's Court is due for handover in late 2019 and retention will be paid in 2020/21. On the Frampton Park Regeneration, works will be ongoing for the whole of this financial year. The Aikin Court, Great Eastern Building and King Edwards Road site has been handed over and retention will be paid this financial year. The Nightingale site is not due to start this financial year, but design work and planning expenditure is expected to be incurred this year. The Marian Court Phase 3 start has been delayed due to procurement issues relating to the main contractor. The Demolition contract may now be procured separately.

<u>Housing Supply Programme</u>

The overall scheme is forecasting an underspend of £7.5m against the in-year budget of £16.9m. The Gooch House site is now live again and options are currently being considered. The Whiston Road site will be handed over in the coming months. The Shaftesbury Street site is currently on hold and minimal costs expected to be incurred. Ongoing design works continue for Wimbourne Street, Buckland Street and Murray Grove. Planning is expected to be submitted this year. Pedro Street is currently out for main contractor re-procurement after a delay to the first procurement. The Contract will be awarded towards the end of 2019. Mandeville Street contractors started on site in July 2019, slightly later than expected but works will accelerate during this financial year. The Lincoln Court and Rose Lipman Project EA and Design Team are to be procured imminently. Design work and consultation will continue during 2019/20. The Frampton Park Community Hall plans will be submitted in late 2019/20. The Downham Road 1 and 2, Balmes Road and 81 Downham Road plans will be submitted in late 2020/21. Daubeney Road main contractor bids are currently being analysed. Contractors are expected to be on site in late 2019.

<u>Woodberry Down Regeneration</u>

The £8.4m overspend on Woodberry Down is based on an estimate of 12 Buybacks at £0.50m each and £4.6m for the CPO acquisition of Happy Man Public House located on Woodberry Grove. All costs will be reimbursed by Berkeley Homes.

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.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of July 2019. Full Council agreed the 2019/20 budget on 21st February 2019.

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 AND GOVERNANCE

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

Appendices

1. Business as Usual Savings

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