Hackney

2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (SEPTEMBER 2019)
KEY DECISION NO. FCR P99

CABINET MEETING DATE 2019/20	CLASSIFICATION:
18TH NOVEMBER 2019	OPEN with an Exempt Appendix 1

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 third Overall Financial Position (OFP) report for 2019/20 and is based on detailed September 2019 provisional outturn monitoring data from directorates. We are forecasting an overspend of £5,645k 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 reductions in external funding over time and increasing cost pressures in services, including social care, homelessness and special educational needs (SEN). Despite the publication of the 2019 Spending Review, significant uncertainty still remains about our future funding and in particular, its sustainability. Even for 2020/21 we won't know our funding envelope with certainty until the Government announces it in December, and it is unlikely that we will know our funding level for 2021/22 until December of next year.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £5,645k 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 only be used in 2019/20.

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 Cabinet is asked to approve the acquisition of a leasehold interest as discussed at **Exempt Appendix 1.**

2.4 **Proposed Acquisition of Ivy House, 279 Seven Sisters Road, N4 for Temporary Accommodation**. Housing Needs held a lease of Ivy House, dated 6 June 2013 which expired on 5th June 2018. The property provided 93 rooms of Hostel type temporary accommodation adjacent to Manor House Tube Station. The property was returned to the Landlord despite efforts to negotiate a new lease with the landlord on behalf of Housing Needs by Property Services. The Landlords served a dilapidation's claim in the sum of £789,000 further to the previous lease obligations that Hackney held on the property. Property Services have been able to negotiate with the landlord on the basis that the Council takes a new lease and management agreement whilst settling the outstanding dilapidation's claim for no payment. Regarding the new lease, the building is to be comprehensively refurbished, part reconfigured and furnished to an agreed specification, including Wi-Fi and laundry facilities. Originally the Landlord was going to provide 92 units, but this has been revised to 93 following further work on the reconfiguration. Finalisation of the lease will be subject to a final site inspection by the Directors of Strategic Property and Customer Services. The annual rent will be £1,090,007 and the pertinent terms of the new lease (subject to an agreement) are set out in Appendix 2.

In order for the landlord to agree to take on the repairing and decoration responsibilities for the new lease, it will have its own management company take on the hostel management. They have provided references and Housing Needs have undertaken appropriate due diligence including visiting a site they currently manage and reviewing third party recommendations. In addition, Housing Needs have reviewed the costs break down for the proposed onsite team which are considered to be within market norms. Housing Needs are supportive of the landlord's management company providing the management service to this property and the benefits this brings to the wider transaction. The annual fee will be £204,376 and the pertinent terms of the new service charge (subject to an agreement) are set out in Appendix 2.

The Housing Needs Service is facing a shortage in the supply of Council owned and/or leased accommodation for use as emergency/temporary accommodation, especially within the borough. This has resulted in the increased use of more expensive nightly paid annex accommodation, plus the increasing use of out of borough accommodation. The proposed lease on Ivy House gives access to cheaper per unit alternatives within the Borough based on the terms negotiated. Moreover, the landlord has agreed to totally refurbish the property to a much higher standard without any additional cost to the Council; the Council has thus avoided a dilapidations bill and retained accommodation in the borough.

Finally, the lease costs are budgeted for within the Housing Needs Direct Cost of Temporary Accommodation budget and most will be recovered via housing benefits and rent charged to the occupants. It is, therefore, an affordable option especially when compared to the more expensive nightly paid annex accommodation. We estimate the total net cost of the property will be £115,000 per annum which represents an average cost of £1,250 per unit and is low in comparison to the average nightly paid net cost which is around £3,300 per annum per unit.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT SEPTEMBER 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	1,452	443
91,094	ASC & Commissioning	3,811	567
32,764	Community Health	-	-
210,481	**Total CACH**	**5,263**	**1,010**
36,338	**Neighbourhood & Housing**	**-95**	**-172**
14,957	**Finance & Corporate Resources**	**381**	**-21**
8,938	**Chief Executive**	**96**	**-4**
49,338	**General Finance Account**	**0**	**0**
320,052	**GENERAL FUND TOTAL**	**5,645**	**813**
	Application of One-Off Funding	5,645	813
	Forecast End Year Position	**0**	**n/a**

3.0 RECOMMENDATIONS

3.1 To update the overall financial position for September, 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 approve the recommendations for acquisition of the leasehold as set out in Exempt Appendix 1.

3.3 Subject to final inspection of the reconfigured works at Ivy House, 279 Seven Sisters Road, N4 for Temporary Accommodation by Property and Customer Services; to agree the lease rent of £1,090,007p.a. equating to £7,630,049 over the 7-year term and the management agreement fee of £204,376 p.a. equating to £1,430,632 over the 7-year term.

3.4 To agree the settlement of the Landlord's dilapidations claim in the sum of £789,000 arising from the lease dated 6 June 2013 for nil consideration.

3.5 To pay the stamp duty (SDLT) due for the 7-year lease less a day, is expected to be £81,750.

3.6 To delegate to the Director of Strategic Property and the Director for Customer Services any variation to the rent and management agreement fee from any further reconfiguration of the units and any associated impact on the SDLT payment.

4. REASONS FOR DECISION

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

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

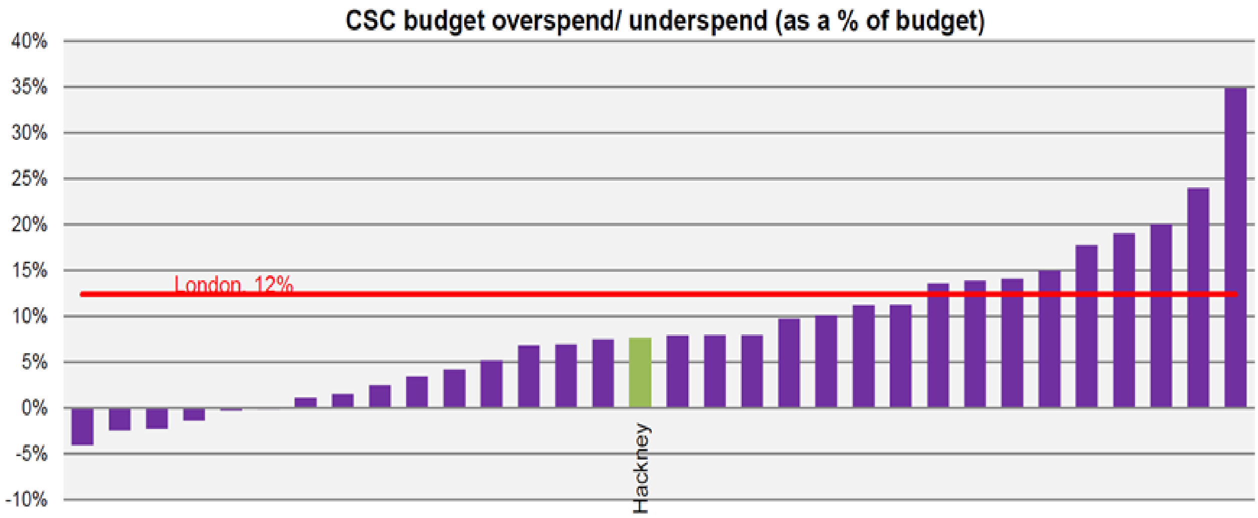
The CACH directorate is forecasting an overspend of £5,263k after the application of reserves and drawdown - an increase of £1,010k from the previous period.

Children & Families Service

The Children & Families Service (CFS) is forecasting a £1,450k variance against budget after the application of reserves and grants. 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 focused 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 £1,125k after the use of £2,300k of commissioning reserves and £280k one-off staffing reserves. This position also includes the use of £1,200k of non-recurrent Social Care funding that was announced in the October 2018 Budget. Spend on LAC and Leaving Care (LC) placements (as illustrated in the table below) is forecasted at £20.2m compared to last year's outturn of £18.3m – an increase of £1.9m.

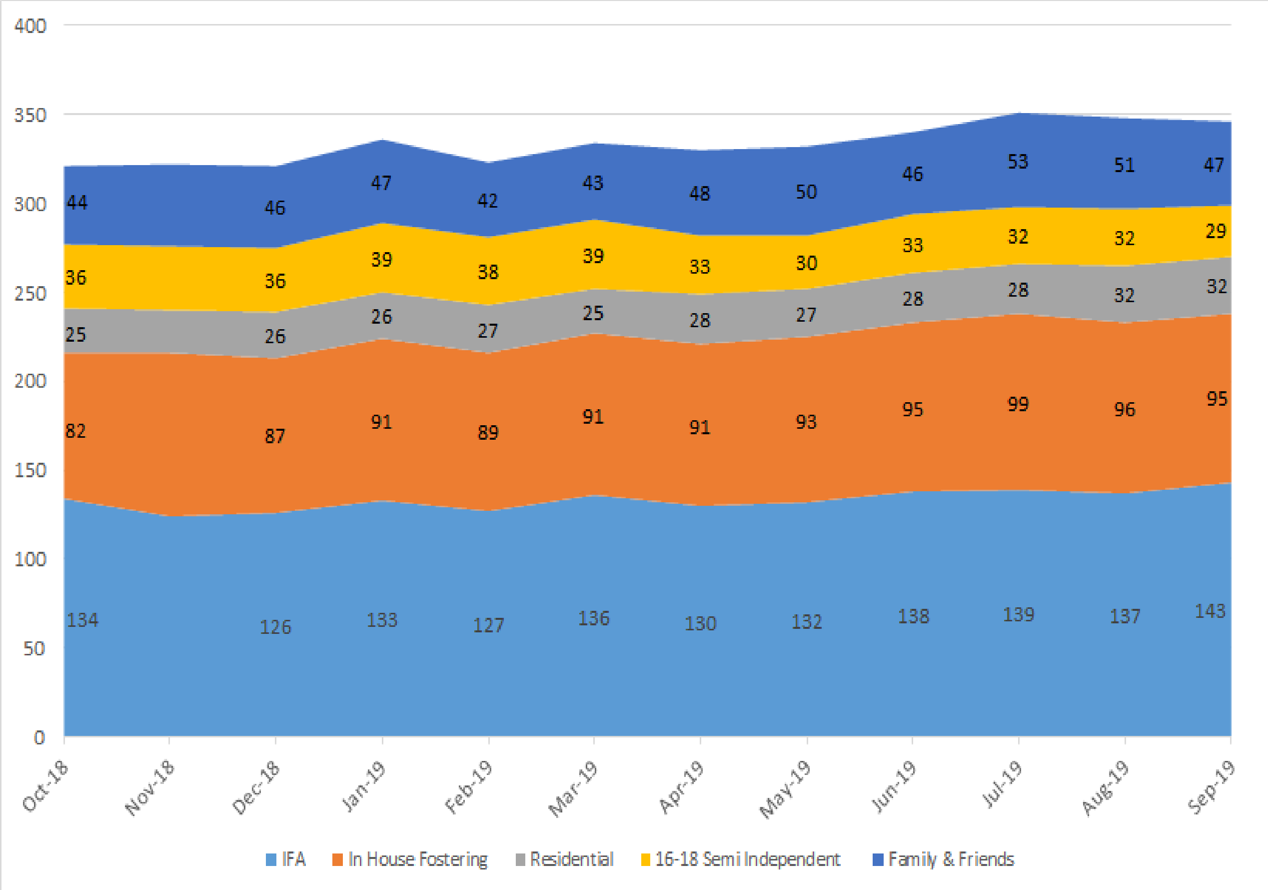
Table 1: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Budgeted Placements*	Current Placements	Management Actions
Residential	4,331	5,329	998	22	31	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. We will continue to monitor residential placement moves and the resulting effect on other placement types across future periods. 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.
Secure Accommodation (Welfare)	-	131	131	-	1	
Semi-Independent (Under 18)	1,570	1,857	287	25	29	
Other Local Authorities	-	230	230	-	6	
In-House Fostering	1,800	2,151	351	79	95	
Independent Foster Agency Carers	6,488	6,789	301	133	143	
Residential Family Centre (M&Baby)	-	203	203	-	1	
Family & Friends	569	816	247	31	47	
Extended Fostering	-	29	29	-	-	
Staying Put	200	365	165	12	23	
Overstayers	290	502	212	11	25	
Semi-independent (18+)	1,370	1,836	466	48	107	
Total	16,618	20,238	3,620	361	508	

**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 Independent Foster Agency placements (IFAs) since August (net increase of six), which has led to an additional pressure of £160k in the forecast this month. As illustrated in Table 3 above, since this time last year there has been a favourable movement in the ratio between IFA and in-house placements (although this has declined in the last month). 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 been 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. We are also noticing the number of IFA placement is rising again.

This year we have seen significant pressures on staffing. This is mainly due to the fact that we have had to recruit staff over and above the established number of posts to meet increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit earlier in the year and cover for maternity/paternity/sick leave, and agency premiums.

Children in Need is forecasting to overspend by £455k. The overspend is mainly due to staffing overspends relating to supernumerary social worker posts to meet service pressures from high caseloads and response to the Ofsted focused visit, maternity cover, agency premiums associated with covering vacant posts and these items collectively total £470k. Underspends in non-staffing expenditure totals £15k.

The Disabled Children's Service is forecasting to overspend by £440k. Staffing is projecting an overspend of £218k due to additional staff brought in to support backlogs in the service. The remaining overspend is attributed to placements (£326k, including Home Care, Direct Payments and Residential respite) and £43k on other expenditure. This is offset by a £148k reserve drawdown.

The Parenting Support Services is forecasting to overspend by £66k which relates to staff covering maternity leave and long-term sick leave in the service.

The Youth Justice Service is forecasting a balance position after the use of £434k of remand reserves and an additional £83k 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.

The Domestic Abuse Intervention Service (DAIS) is forecasted to overspend by £51k due to long term sick being covered by agency staff.

Overspends across the service are partly offset by an underspend in the Directorate Management Team. The Directorate Management Team is forecasting to underspend by £648k. 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.

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 forecast has been updated following the latest funding updates announced by the government in July 2019. 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 EHCPs 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 and 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 £3,810k overspend. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£1,989k), Social Care Support Grant (£1,200k), and Winter Pressures Grant (£1,400k).

Recent announcements on social care funding as part of the Spending Review 2019 has provided further clarity on funding levels for 2020/21, however, it is still unclear what recurrent funding will be available for Adult Social Care post 2020/21. 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 continues to take forward actions to contain cost pressures. These are outlined in table 1 below.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £3,000k pressure. The forecast includes £1,400k of the Winter Pressures grant to fund additional costs resulting from hospital discharges. It was anticipated that the grant funding would be released through the year to offset additional pressures from hospital discharges, however an analysis of information on discharge levels and care packages has identified that the full £1,400k has already been committed. In addition, the forecast position this month reflects a reduction in funding of £120k from the Better Care Fund (BCF) due to the late announcement & clarification of funding available from the regional team.

Table 1: Management Actions

Service type	2019/20 Budget	September 2019 Forecast	Full Year Variance to budget	Full Year Variance to Aug 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,000	16,426	1,147	65	- 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 - Personalisation and direct payments - increasing uptake
Physical and Sensory	12,843	13,474	632	120	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,445	735	229	
Occupational Therapy Equipment	740	945	205	57	
Asylum Seekers Support	170	184	15	3	
Total	36,462	39,195	2,733	474	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,100k overspend. This forecast has increased by £65k compared to the previous period. Costs of new service users (£266k) are reflected this period - the cost of which has been mitigated by the use of one-off funds. The pressure is still 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 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 £1.9m - £2.7m within their financial planning for 2019/20 and £1.9m has been factored into the forecast above. The partners also acknowledge 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. Progress has been slow in embedding the joint funding model which has resulted in fewer than expected cases going through the panel process to date. This is being closely monitored by all partners and measures have been taken to ensure completion of all joint funding assessments by the end of the year, which includes having dedicated project support in adult services to ensure the smooth day to day operation of the process, given its high priority and funding risk.

The Memory, Cognition and Mental Health ASC (OP) forecast reflects increased pressures related to a revised home care forecast of £122k and an accounting adjustment of £92k needed to delete an old credit note setting out a payment due from a Provider which won't now be paid.

Physical & Sensory Support is forecasting an overspend of £632k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £735k. The cost pressures being faced in both service areas has 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 of £1,400k.

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 £677k (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.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £536k against a budget of £7,679k. The overall position is made up of two main elements - a £683k overspend on externally commissioned care services and £146k underspend across staffing-related expenditure.

Provided Services is forecasting a £86k overspend, which is largely attributed to:

- Housing with Care overspend of £186k. The forecast includes additional resources to respond to issues raised from the CQC inspection in December 2018. The service has recently been re-inspected in July 2019, and the service has now been taken out of ‘special measures’ and our rating has changed to ‘requires improvement’.
- Day Care Services are projected to underspend by £100k, primarily due to the current staff vacancies across the service.

Preventative Services. The service forecast moved from a £421k underspend to a £257k underspend. The in-month movement of £163k mainly represents the adjustment to include the Manor Farm costs to take account of revised payment arrangements from spot purchase to a block contract arrangement. A total of 20 beds are commissioned with the provider at a unit cost of £675 per bed. The Hospital Social Work Team forecast includes non-recurrent funds towards supporting staffing levels needed to ensure hospital discharge targets are met.

ASC Commissioning. ASC Commissioning is forecasting a £736k overspend with an improvement of £26k from the previous month. Delays in delivering savings from the Housing Related Support (HRS) service represents £774k, with some cost reduction this month of £38k arising from Voluntary sector activity savings. 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 the 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 forecast has been updated to reflect the agreed increase of tariffs across London as part of the recent Integrated Sexual Health Tariff (ISHT) review, and this new tariff has commenced from 1 October 2019. There has been a 5% increase in the first quarter of sexual health costs, and further work is ongoing with the service to establish the cause of the increase, and if this is likely to remain at this level throughout the year. There has been 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 remains within allocated sexual health budget in this financial year.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at September 2019 is a £95k underspend which is an improvement of £172k from the August forecast. The forecast includes the use of £1,800k of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in Planning services of £147k. The reason for the overspend is due to a projected shortfall of £147K against the planning application fee income budget (£2.3m), after offsetting higher than budgeted Planning Performance Agreement (PPA) receipts. 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 has 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-app 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 and reduce staffing costs within the service.

It is also important to note that Building Control income continues to show an upward trend, particularly income from large commercial developments in Shoreditch. 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.

Street scene is forecast to under spend by £229k which is an improvement of £166k from the previous month which is due to additional income. There is ongoing analysis of Street scene income to determine potential improvements in the outturn position for 2019/20, as initial figures indicate that due to increasing numbers of developments across the borough Street scene is likely to over achieve its income budget for the year resulting in an increased underspend for the full year. This analysis will also consider the sustainability of the additional income received in-year.

Parking and Markets, Leisure, Green Spaces and Libraries and Community Safety, Enforcement, and Business Regulation are forecasting break-even positions, with Directorate Management continuing to forecast a marginal underspend.

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

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £381k.

The overspend in Facilities Management (£460k) 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 £393 due to vacancies across all services

Directorate Finance Teams are projecting an underspend of £103k.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 over time 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, expected to result in significantly higher accommodation costs over time.

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £96k after forecast reserves usage.

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 spent 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 £64k on their budget.

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £34k which has no budget and £41k 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 £135k in relation to under spends on salaries budget. There is also an additional income from Traded Services and HLT of £49k. This is used to fund an additional cost of £11k on Supplies & Services, a forecast under-recovery of £28k on External Income, and other minor overspends on Overheads and Commissioning.

All other services are forecast to come in at budget.

4.6 HRA

The projected outturn on the HRA is at budget.

Income

There is a surplus of £391k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. The other major variance is a surplus of £952k for Other charges for services and facilities which is mainly due to the extension of LBH collection of water rates on behalf of Thames Water. The commission earned on the Thames Water contract is to pay for the staff that collect the money. We currently only need to collect rent from about 60% of tenants, as about 40% are on full HB; as we collect Thames Water charges from all tenants and leaseholders, we need to have staff/process/systems to collect from the remaining 40% of tenants. This cost is paid for by the Thames Water commission. The surplus is due to the fact that the contract extension was negotiated after the HRA budget was set and so the income is not accounted for in the budget, but the income is accruing throughout the year.

Expenditure

Repairs and Maintenance is £1,151k 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 overspend on Supervision and Management which is due to an increase in recharges from housing needs.

There is an increased cost of capital is due to the interest costs on the returned 1-4-1 funding from the pooling of capital receipts, but this is offset by a reduction in the RCCO.

4.7 Capital

This is the second OFP Capital Programme monitoring report for the financial year 2019-20. The actual year to date capital expenditure for the six months April 2019 to Sept 2019 is £58.6m and the forecast is currently £270.3m, £87.7m below the revised budget of £358m. In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and therefore monitoring reflect the anticipated progress of schemes. The first phase of re-profiling for 2019-20 has been completed and November Cabinet will be asked to approve a total of £86.7m transferred into future years. 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 of the Capital

Table 1 – London Borough of Hackney Capital Programme – Q2 2019-20	Revised Budget Position	Spend as at the end of Q2	Forecast	Variance (Under/Over)	To be Re-profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	28,250	2,703	13,952	(14,298)	13,771
Finance & Corporate Resources	118,919	26,448	96,423	(22,496)	23,451
Neighbourhoods & Housing (Non)	39,566	2,895	31,469	(8,096)	6,696
Total Non-Housing	**186,734**	**32,046**	**141,844**	**(44,890)**	**43,918**
AMP Capital Schemes HRA	87,936	9,536	69,608	(18,328)	17,857
Council Capital Schemes GF	797	545	2,535	1,738	(244)
Private Sector Housing	2,717	591	1,695	(1,023)	0
Estate Renewal	59,669	11,542	34,665	(25,005)	25,005
Housing Supply Programme	16,922	593	8,289	(8,634)	8,634
Other Council Regeneration	3,197	3,712	11,665	8,467	(8,467)
Total Housing	**171,239**	**26,519**	**128,455**	**(42,784)**	**42,784**
Total Capital Expenditure	**357,973**	**58,565**	**270,299**	**(87,674)**	**86,702**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £13.9m, £14.3m below the revised budget of £28.3m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	2,110	41	270	(1,840)
Education Asset Management Plan	6,420	961	4,477	(1,942)
Building Schools for the Future	617	(41)	161	(457)
Other Education & Children's Services	1,320	391	522	(798)
Primary School Programmes	10,029	562	6,016	(4,013)
Secondary School Programmes	7,754	789	2,505	(5,249)
TOTAL	**28,250**	**2,703**	**13,952**	**(14,298)**

Adult Social Care

The overall scheme is forecasting an underspend of £1.8m against the budget of £2.1m. The main variance relates to the budget set aside for the Median Road Refurbishment programme. The feasibility study for Median Road is concluded and we are awaiting the full business case, therefore, the remaining variance will be re-profiled to 2020-21. This capital project is 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 £1.9m against a budget of £6.4m. The budget has been reviewed and no further capital works have been identified for 2019-20, therefore, the variance will re-profiled to future years to support works that take place in that period. Shoreditch Park School AMP is forecasting an overspend of £0.9m against a budget of £1.1m. The proposals for improving facilities at Shoreditch Park Primary School continue to be developed and, as such, the budget for funding these has been revisited as proposals are firmed up. This has meant that required budgets have to be increased where the final specifications have increased over the initial estimate. This includes the refurbishment of an area of road into a playground which will need additional expenditure, but the variance will be covered by underspends in other schemes.

Building Schools for the Future

The overall scheme is forecasting a minor underspend against budget of £0.6m. Mossbourne Victoria Park Academy is complete and on target to pay final accounts. Stormont House School SEN is complete, but the final accounts are being contested therefore the variance has been reprofiled to 2020-21.

Primary School Programmes

The overall Primary School Programme 2019/20 is forecasting an underspend of £4m against the budget of £10.1m. 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. There was a delay in agreeing the scope of work for a number of the Schools. This led to the tranche of work slipping. This scope has now been prepared and issued to School Heads. The consultants are currently in the process of completing the phasing, programme and segregation requirements and have commenced developing detailed designs and producing tender documents. The programme sets contractor appointment/mobilisation period between January 2020 and March 2020, hence the variance. Approximately 20% of the budget has been profiled towards initial mobilisation costs. The variance has been reprofiled to future years to reflect programme construction start date.

Secondary School Programmes

The overall scheme is forecasting an underspend of £5.2m against the budget of £7.8m. This largely relates to Urswick School Expansion which is reporting an underspend of £3.9m. At Q1 the capital project was put on hold as the contractor went into liquidation. A new contractor will be procured but we are hopeful that as we have the majority of drawn information and surveys undertaken by the previous contractor, that the project can start with immediate effect. The project is running 6-8 months behind schedule. We expect to still deliver the scheme for the original budget that has been set aside and will use the Education Funding Agency (EFA) framework to deliver the project. As the construction is now planned for next year, the variance has been re-profiled to 2020-21 to recognise this change.

July 2019 Cabinet approved the £1.2m budget for the refurbishment of the Drama Theatre and associated ancillary spaces at Stoke Newington School. The scheme has been reviewed and the spend of the scheme is lower than anticipated for 2019-20. The variance has been reprofiled to next year to reflect the actual spend for the works identified.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £96.4m, £22.5m under the revised budget of £118.9m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Property Services	13,447	600	11,274	(2,173)
ICT	7,818	1,894	5,805	(2,013)
Financial Management	929	(3)	374	(555)
Other Schemes	385	0	341	(45)
Mixed Use Development	96,339	23,957	78,629	(17,710)
TOTAL	**118,919**	**26,448**	**96,423**	**(22,496)**

Strategic Properties Services

The overall scheme is forecasting an underspend of £2.2m against the budget of £13.4m.   The main variance relates to the refurbishment of the Council Office building Christopher Addison House which is forecasting an underspend of £1m. The tendering process has commenced to procure the main contractor but is taking a little longer than expected. The variance has been re-profiled to 2020-21 to reflect this change.

ICT Capital

The overall ICT scheme 2019-20 is forecasting an underspend of £2.2m against the budget of £7.8m. This variance will be used to support future capital schemes and has been re-profiled to 2020-21. The rolling programme of the End-user and Meeting Room Device Refresh is on target for the anticipated spend of £2.2m. The project was expected to be complete by the end of October but there are still a few Council staff buildings that need to change to Chrome devices. The building occupied by Council's Parking Department has on-going construction. There is also an issue with changing the Council's Legal Team devices as their legal system (IKEN) only operates on a Microsoft Windows machine and not VDI. ICT are working to transfer this software to VDI before transferring them onto chrome devices.

Mixed Use Developments

Tiger Way is forecasting to come in line with the budget of £7.3m. The sales of apartments have commenced. The facilities management contractor Pinnacle is delivering full services, ManCo is trading as the building management company and the residential project has evolved from ‘building site’ to occupied housing. The void charges are now being claimed by the Otto Management company and this has been reflected in the total planned expenditure. Currently we are holding circa £2m of retention and milestones against the whole job. With the release of the residential phase the defect reporting process has grown to now also include the 89 apartments. The variance has been reprofiled to support the retention payments.

Nile Street is forecasting an underspend of £0.9m against the budget of £32.3m. New Regents College have settled into their new teaching term at the new site on Nile Street. The old site at Ickburgh Road has been vacated and passed back to the Council’s Education Property Team. The external works to the eastern playground KS2/4 of the PRU were handed over as planned. The Nile Street residential block (NSB) was due to complete in June 2019 but is currently 3 months behind on contract programme. Part of the recent delay is linked to a leak that occurred in one of the apartments that affected both its neighbouring apartments and some technical issues with the Duplex apartments on level 5. Mitigation strategies have been followed by the Contractor (MCL) and a new completion programme has been approved.

The Britannia Site is forecasting an underspend of £16.7m against the budget of £56.8m. Phase 1a (the Leisure Centre Contract) is 18 weeks into the programme. The bulk excavation works is 90% completed which includes the construction of the first section of the basement slab. Phase 1b (the School contract) is 14 weeks into the programme. The sheet piling works are completed, and the bulk excavation is now 90% complete. September 2019 Cabinet gave approval to commence the procurement of the main contractor for Phase 2a site Residential Project. This represents an opportunity to complete the affordable housing element of the Britannia Master Plan as well as delivering a new Early Years Centre. This has been passed to the Council’s Housing Regeneration Team to manage the construction phase. The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £31.5m, £8.1m under the revised budget of £39.6m. 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	63	528	(380)
Leisure Centres	750	0	750	0
Parks and Open Spaces	8,229	249	3,820	(4,409)
Infrastructure Programmes	12,920	2,250	12,329	(591)
EHPC Schemes	8,953	0	7,742	(1,211)
TFL	3,727	278	2,462	(1,266)
Parking and Market Schemes	373	55	373	0
Other Services	900	0	900	0
Regulatory Services	79	0	79	0
Safer Communities	1,363	0	1,363	0
Regeneration	1,363	0	1,123	(240)
Total	**39,566**	**2,895**	**31,469**	**(8,096)**

Parks and Open Spaces

The overall scheme is forecasting an underspend of £4.4m against the budget of £8.2m. The main variance relates to the Springfield Park Restoration which is forecasting an underspend of £1.6m. The Contractor started on site in September 2019 to construct the buildings and the landscape work. The variance has been re-profiled to next year to reflect the actual spend for the works. July 2019 Cabinet approved resource and spend for West Reservoir Improvements to improve the leisure with the site; improve the entrances to the reservoir; improve links to the wider public realm; and to open up the banks of the reservoir for the first time. The London Wildlife Trust (LWT) will be leading the Landscape Design Team and Greenwich Leisure Limited will be responsible for managing the Reservoir on behalf of the Council. The spend in 2019-20 in the main will be on fees and design and the variance will be reprofiled to 2020-21.

EHPC Schemes

The overall scheme is forecasting a £1.2m underspend against a budget of £9m. September 2019 Cabinet gave spending approval to install Hostile Vehicle Mitigation (HVM) to 8 sites across the borough that will help mitigate the chance of the use of vehicles for attack. The spend in 2019-20 in the main will be design costs. The construction to Ridley Road Market will be in 2020-21 and the variance re-profiled to the anticipated spend.

HOUSING

The overall forecast in Housing is £128.5m, £42.8m below the revised budget of £171.2m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	87,936	9,536	69,608	(18,328)
Council Schemes GF	797	545	2,535	1,738
Private Sector Housing	2,717	591	1,695	(1,023)
Estate Regeneration	59,669	11,542	34,665	(25,005)
Housing Supply Programme	16,922	593	8,289	(8,634)
Woodberry Down Regeneration	3,197	3,712	11,665	8,467
Total Housing	**171,239**	**26,519**	**128,455**	**(42,784)**

Asset Management Plan (AMP) Housing Schemes HRA

The overall scheme is forecasting an underspend of £18.3m against the budget of £87.9m. The variance mainly relates to the re-profiles and slippage from the previous financial year that were not be utilised within 2019-20. Total expenditure is close to the agreed budget for this year. Within the period there have been slight increases in spend on Commercial Properties and Commercial Vehicles, which are offset somewhat by reductions in expenditure on Drainage and Lateral Mains. The variance has been re-profiled to 2020-21.

Council Schemes GF

The overall scheme is forecasting an overspend of £1.7m against the budget of £0.8m. The variance relates to increase in spend to the fit out of 55 Albion Grove and Clapton Common, along with the ongoing expenditure on Regeneration voids which are being used as Temporary Accommodation prior to demolition, resulting in increased revenue for the HRA and a saving to the General Fund.

Private Sector Housing

The overall scheme is forecasting an underspend of £1m against the budget of £2.7m. The underspend mainly relates to a reduction in Disabled Facilities Grant expenditure.

Estate Regeneration

The overall scheme is forecasting an underspend of £25m against the budget of £59.7m. The underspend is due to a number of sites being delayed due to the procurement process. The retention on a number of sites is also due in the next financial year. It is common practice for organisations such as the Council to hold back part of the overall fee (the retention) payable to a developer until all works are finished. Often developers are required to put right minor defects or omissions (often referred to as snagging) after a development is completed and the retention is only paid to them after they have done this work. The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

Housing Supply Programme

The overall scheme is forecasting an underspend of £8.6m against the budget of £16.9m. This is largely due to a number of delays with Procurement owing to increasing prices within the market. Spend will still be incurred in future years and the budget has therefore been re-profiled.

Woodberry Down Regeneration

The £8.4m overspend on Woodberry Down against budget is mainly due to the CPO acquisition of Happy Man Public House located on Woodberry Grove and an increase in the number of Leaseholder Buybacks. All of this expenditure will be reclaimed from Berkeley Homes. The budget from 2020-21 has been re-profiled back to current year to cover this overspend.

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. The details of the exempt leasehold proposal are included in Exempt Appendix 1. Regarding the Ivy House proposal, the Housing Needs Service is facing a shortage in the supply of Council owned and/or leased accommodation for use as emergency/temporary accommodation, especially within the borough. This has resulted in the increased use of more expensive nightly paid annex accommodation, plus the increasing use of out of borough accommodation. The proposed lease on Ivy House gives access to per unit a cheaper alternative within the Borough and hence based on the lease terms negotiated Housing Needs considers it has no alternative options. The proposed hostel management agreement is integral to the property lease and no other provider is able to make the combined offer.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of September 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 Comments on the Exempt leasehold proposal are included in Appendix 1. On the Ivy House proposal, the Council's obligation to provide temporary accommodation under Part VII of the Housing Act 1996 is absolute. Where the Council is satisfied that the applicant is not intentionally homeless, eligible for assistance and has a priority need, they must secure accommodation. Additionally, the Homelessness Reduction Act 2017 (HRA 2017); implemented on 3 April 2018, places new duties on housing authorities to intervene earlier to prevent homelessness. The decision to approve this private sector lease for temporary accommodation for less than 7 years falls outside the remit of the Cabinet and has been delegated to the Directors specified under FR108 of the Finance and Corporate Resources Scheme of Delegation dated January 2017. The overall financial commitment, upon entering into the lease, will amount to a total of £9,032,286 plus SDLT. Given this value, it amounts to a key decision (as per 13.6 of Article 13, part 2 of the Constitution) and such expenditure can only be authorised by Cabinet.

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY

With regards to the Ivy House proposal, Legal services have advised that the governance in this matter falls between various schemes of delegation and their conclusion is that as the decision to approve the Agreement for Lease, lease and connected management agreement falls outside of Cabinet and is delegated to the Director of Property Services under FR108. I have therefore approved the Lease and connected management agreement terms in accordance with that delegated authority subject to Cabinet's approval of the financial commitments under the Lease and management agreement.

I recommend to Cabinet the rental commitment of £7,630,049 and management agreement value of £1,430,632 over the 7-year term, plus an SDLT payment on the lease of £81,750. The rental, lease terms and management agreement compare favourably to the terms negotiated on other blocks of Temporary Accommodation Property Services have negotiated working closely with the Housing Needs Team

Appendices

Exempt Appendix 1 - Property Proposal

Appendix 2 - Lease Details Ivy House

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