

**2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS
AND ACQUISITIONS REPORT (NOVEMBER 2019)
KEY DECISION NO. FCR Q4**

CABINET MEETING DATE 2019/20 20TH JANUARY 2020	CLASSIFICATION: OPEN with EXEMPT APENDIX 1 By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972 appendices A & B are exempt because they contain information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
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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 sixth Overall Financial Position (OFP) report for 2019/20 and is based on detailed November 2019 provisional outturn monitoring data from directorates. We are forecasting an overspend of £6,202k 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. We do now though, have some clarity about our funding position for 2020/21, although we will not receive our final funding allocations for this year until early February 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 £6,202k overspend which is equivalent to 0.5% of the total gross budget and 1.95% of the net 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 property proposal as discussed at **Exempt Appendix 1**. The Council has been approached by the owners of 2 Right to Buy properties in Council blocks to buy back their properties. Due to the high demand for affordable housing in the borough it is recommended to acquire these properties and return them to Social Housing (rented). The properties will be allocated to families in most need on the housing waiting list. The cost of the purchases is not directly viable to the HRA, however the combination of future rental income, saving from temporary accommodation and the value protection from future sale, justifies their purchase. The cost of the purchases will be funded from existing Housing Capital budgets. This proposal is considered in detail in attached Exempt Appendix 1.
- 2.4 On 20th December 2019, the Government published the 2020/21 Settlement. The main points are as follows: -
1. The announcement confirmed the funding announcements that were made following the publication of the 2019 SR.
 2. The Secretary of State confirmed the £1bn additional funding for adults and children's social care in 2020-21 and the continuation of existing grants. However, it is continuing to use Adult Social Care Relative Needs Formula only as the basis for distributing the Social Care Support Grant which disadvantages Hackney. These grants are likely to continue over the next four years, but the distribution could change.
 3. He confirmed that a 2% increase in council tax for social care and an increase of 1.99% for the core principle will be allowable before a referendum is required. This gives an allowable total of 3.99%
 4. The Business Rates element of the funding and Revenue Support Grant will increase by CPI.
 5. The New Homes Bonus Grant will be paid in 2020/21 but the baseline, which reduces all councils grant entitlements, will continue. The Government is not sure that the scheme in its current form is achieving the aims it was designed to and it will, therefore, consult on the future of the housing incentive in the Spring.
 7. The Independent Living Fund will continue
 8. The Government will eliminate the negative RSG in 2020-21 that affected some councils (but not Hackney) through use of forgone business rates.
 9. The Consultation period will be 4 weeks and the Government hopes to publish the final settlement before February recess.

10. Impact on Hackney

We have only just begun work on analysing the Settlement but based on an initial review of the main elements, the funding estimates are in line with those in the latest 2020/21 budget forecast. What is more important now is that we start to mobilise and lobby for the resources local government needs for future across the Board, including multiyear settlements, and where additional responsibilities are passed on, they come fully funded.

- 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 NOVEMBER 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	1,777	215
91,094	ASC & Commissioning	3,873	174
32,764	Community Health	-	-
210,481	Total CACH	5,650	389
36,338	Neighbourhood & Housing	-147	-183
14,957	Finance & Corporate Resources	303	-67
8,938	Chief Executive	396	-17
49,338	General Finance Account	0	0
320,052	GENERAL FUND TOTAL	6,202	122
	Application of One-Off Funding	6,202	122
	Forecast End Year Position	0	n/a

3.0 RECOMMENDATIONS

- 3.1 To update the overall financial position for November, 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 the property proposal as set out in Exempt Appendix 1.

4. REASONS FOR DECISION

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

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

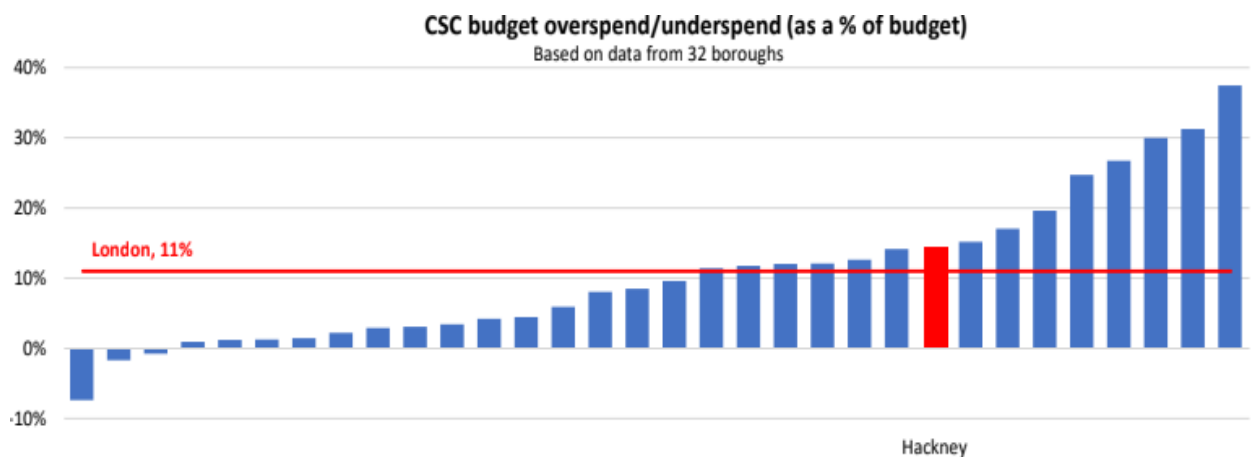
The CACH directorate is forecasting an overspend of £5,650k after the application of reserves and drawdown - an increase of £389k from the previous month.

Children & Families Service

Children & Families Service (CFS) is forecasting a £1,777k overspend after the application of reserves and grants and is an increase of £215k from the previous month. 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.
- £330k 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 2018/19 (before the use of reserves) compared to other London boroughs for Children's Social Care.



The main budget pressures in CFS are in relation to 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 £1,360k after the use of commissioning reserves and 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 £20,500k compared to last year's outturn of £18,300k – an increase of £2,200k.

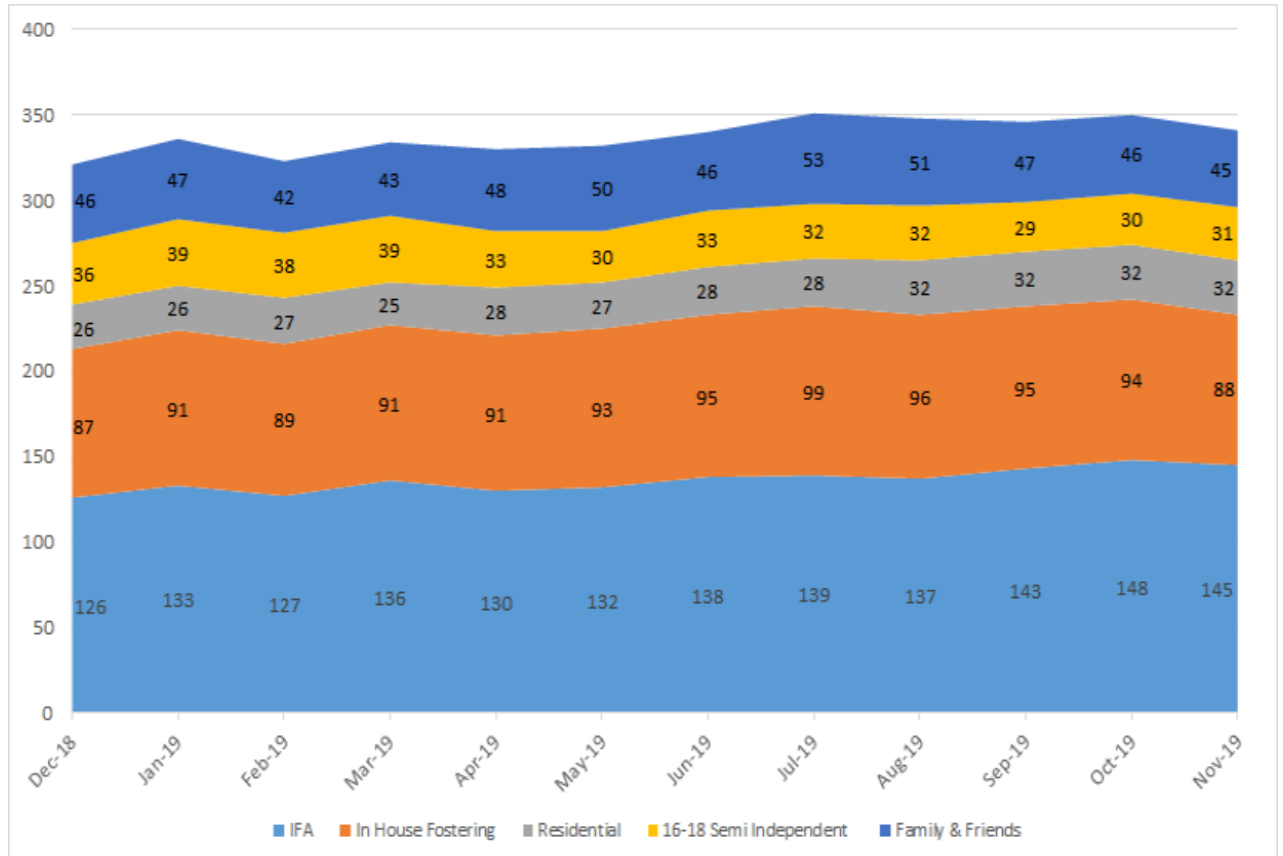
Table 2: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Budgeted Placements*	Current Placements	Management Actions
Residential	4,331	5,315	984	22	31	<p>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.</p> <p>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.</p>
Secure Accommodation (Welfare)	-	140	140	-	1	
Semi-Independent (Under 18)	1,570	1,914	344	25	31	
Other Local Authorities	-	181	181	-	6	
In-House Fostering	1,800	2,134	334	76	88	
Independent Foster Agency Carers	6,488	6,998	510	134	145	
Residential Family Centre (M&Baby)	-	289	289	-	2	
Family & Friends	569	826	257	30	45	
Extended Fostering	-	30	30	-	1	
Staying Put	200	374	174	12	24	
Overstayers	290	495	205	16	23	
Semi-independent (18+)	1,370	1,847	477	112	110	
Total	16,618	20,543	3,925	428	507	

*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



LAC and Leaving Care placements have increased by £144k and £87k respectively since October and these are primarily due to increases in Residential Family Centre and Semi-independent placements. Since this time last year there has been an adverse movement in the ratio between IFA and in-house placements. There was a brief improvement during the year, however this has declined in recent months. The improvement was 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 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 placements is rising again.

This year we have seen significant pressures on staffing. This is mainly due to posts additional to those in the establishment which have been recruited to meet increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit earlier in the year, cover for maternity/paternity/sick leave and agency premiums.

The Children in Need Service is forecast to overspend by £497k. The overspend is mainly due to staffing, relating to supernumerary social worker posts to meet service pressures from high caseloads and response to the Ofsted focused visit, maternity cover, and agency premiums associated with covering vacant posts. These items collectively total £510k. Underspends in non-staffing expenditure total £13k.

The Disabled Children's Service is forecast to overspend by £509k. Staffing is projecting an overspend of £213k due to additional staff brought in to address increased demand in the service. The remaining overspend is attributed to care packages (£408k, including Home Care, Direct Payments and Residential respite) and £35k on other expenditure. This is offset by a £148k reserve drawdown.

The Adoption Service is forecast to overspend by £266k. Primarily the overspend relates to the Regional Adoption Agency with our neighbouring boroughs, which has incurred transitional costs in staffing, inter-agency services, and on IT. A projected overspend of £36k from Adoption Support fund expenditure related to high cost cases that requires match funding contributions from the Council.

Parenting Support Services is forecast to overspend by £107k which relates to staff covering maternity, long term sick and one family support practitioner additional to the number of established posts.

Overspends across the service are partly offset by an underspend in the Directorate Management Team, Access & Assessment and Youth Justice Service.

The Directorate Management Team is forecasted to underspend by £602k. 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 referred to above.

Access and Assessment is forecast to underspend by £72k. This is primarily from a lower forecast cost in Section 17 expenditure which is £58k less than the previous year's outturn.

The Youth Justice Service is forecasted to underspend by £68k from delays in recruiting Youth Justice practitioner posts. £425k from a combination of remand reserves and grant funding is used to offset pressure in the service due to a major incident resulting in three young people held on remand earlier this 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 £4.0m and £5.0m), 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. The forecast will continue to 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 over-spend 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 has 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.

There is a risk of overspend in children’s centres due to the uncertain impact on demand for childcare following the September 2019 childcare fee increases. The financial impact is currently being assessed in detail and will be finalised after analysing occupancy-level reports from the centres. There is an estimated forecast overspend of £0.4m in this area incorporated into the overall HLT forecast.

Adult Social Care & Community Health

The forecast for Adult Social Care is a £3,873k 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.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £2,900k 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.

Service type	2019/20 Budget	November 2019 Forecast	Full Year Variance to budget	Variance from Oct 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,287	16,521	1,234	(49)	<ul style="list-style-type: none"> - ILDS transitions/demand management and move on strategy - Multi-disciplinary review of care packages (delivered £720k) - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	12,843	13,559	716	(25)	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,367	657	4	
Occupational Therapy Equipment	740	1,028	288	84	
Asylum Seekers Support	170	210	41	(1)	
Total	36,749	39,684	2,935	13	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,234k overspend, which reflects a small improvement of £49k on the October position. The movement results from an additional one-off application of non-recurrent funding which has partly offset increased care package costs - these increases are primarily driven by increasing complexity of care needs for Learning Disability clients. 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 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 £1,900k - £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. 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 try to ensure the 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.

Physical & Sensory Support is forecasting an overspend of £716k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £657k. The cost pressures in both service areas have been driven by the significant growth in client numbers as a result of hospital discharges, which has been partially mitigated by one-off funding from the Winter Pressures grant of £1,400k. There is an increased forecast in the cost of Occupational Therapy Equipment resulting in a forecast overspend of £288k increasing by £84k from the previous period.

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 £757k (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 £675k. The overall overspend is made up of two main elements - a £815k overspend on externally commissioned care services and £140k underspend across staffing-related expenditure. The increased overspend is mainly as a result of new care packages and an increase in the estimated number of home care hours being commissioned across the year.

Provided Services is forecasting a £91k overspend which is largely attributed to:

- A Housing with Care overspend of £191k. 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 £99k, primarily due to the current staff vacancies across the service.

Preventative Services is forecast to underspend by £595k which represents an underspend on the 'Concessionary Fares' budget due to a reduction in demand of £150k plus an on-going underspend of £220k within Median Road Resource Centre budget which supports wider Care Management service expenditure. Cost pressures of £77k are linked to staffing challenges for which the Hospital Social Work Team includes IBCF non-recurrent funds towards supporting staffing levels necessary to ensure hospital discharge targets are met. The remaining £350k decrease represents a virement from Commissioning to establish the Carers Redesign budget.

ASC Commissioning is forecasting a £880k budget overspend which reflects an increase of £368k on the previous position. £350k of this increase represents a virement to Preventative Services to establish the Carers Redesign budget. The remaining £18k increase in the overspend results from the need for additional resources to be allocated to the brokerage service. Delays in savings delivery from the Housing Related Support (HRS) service are still forecast at £634k.

Public Health

Public Health is forecasting a breakeven position. There are pressures in the service due to the delay with implementing 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 which commenced from 1 October 2019 across London following the recent Integrated Sexual Health Tariff (ISHT) review. There has been a 5% increase in sexual health costs, which is associated with PrEP activity (PrEP is Pre-Exposure Prophylaxis, which is the use of anti-HIV medication that keeps HIV negative people from becoming infected) and a progressive uptake of e-services alongside clinical service provision. Both activities are subject to continuous review with commissioners to ensure sustainable future provision remains within the allocated sexual health budget in future financial years

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at November 2019 is a £147k underspend - a reduction of £183k from the October position. The forecast includes the use of £2,000k of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in the Planning Service of £312k which is due to a projected shortfall against the planning application fee income target of £2,300k. The total shortfall £423k against the income budget is partly mitigated by additional income from other parts of the service.

The Planning Service is currently re-modelling staff expenditure in the Major Applications Team, with an opportunity for Team Leaders to take on additional case load work for major applications whilst achieving cost savings. This will reduce staffing costs to mitigate the impact of reduced income. However, it must be noted that the construction cycle is very consistent, with the planning and building control experiencing falls in income every 5 years as the construction industry periodically slows before recovering.

The Building Control service is forecast to overspend by £63k, though it is important to note that Building Control income is significantly higher than in 2018/19. The service has proposed a new staffing and fee structure that will improve income generation and achieve full cost recovery without losing share of the Building Control market.

Streetscene is forecast to under spend by £544k which is an improvement of £198k from the previous month which is due to additional income. There is ongoing analysis of Streetscene 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, Streetscene 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, 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 is forecast to be marginally under budget at this stage, mainly due to underspends within staffing.

Regeneration is forecast to be slightly over budget, a variance of less than 0.5%.

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £303k.

Financial Management and Control are forecasting an underspend of £400k due to vacancies across all services, while the Directorate Finance Teams are projecting an underspend of £103k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£370k) 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.

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 £396k after forecast reserves usage, which is a decrease of £17k from October.

Communications, Culture & Engagement

The service is forecasting an overspend of £210k.

£150k of this relates to Hackney Today. Hackney Today was published fortnightly for the first quarter of the year but following a court order is now only published once every 3 months with a new information publication 'Hackney Life' published in the months in between. Due to this, advertising income has dropped significantly, from around £33k pcm to £6k pcm. Although distribution and print costs have halved, these only save £14k pcm. Staff costs are largely unaffected by the change in publication but have increased due to maternity leave. This projection does not include any legal costs which are not yet charged to the service (and will be funded from reserves) nor does it include the impact of this decision on other services such as Planning which will now have to place statutory notices in other publications.

The remaining £60k is in relation to venues, primarily due to costs relating to Hackney House, which the council is no longer responsible for.

The Culture team have spent a higher amount on the carnival this year due to increasing numbers of attendees and the moving of the main stage to a new location to take account of this. It has been agreed for the funding to come from Neighbourhood CIL.

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

The reserves usage is in relation to Hackney Young Futures Commission which is a manifesto commitment and Dalston Engagement. The Dalston engagement reserve is made up of income received by the service last year and set aside for this purpose.

Legal & Governance

The combined Legal & Governance Service are forecasting an overspend of £186k 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 £36k is for an unfunded Team Manager's post previously funded by HRA.

Recharge income and recharges to Capital are forecast to be under budget by £260k. The management team is also reviewing current and future income to establish sources of additional income for the 2020/21 financial year. The overspends are partially offset by underspend in Legal salaries (£35k) and external legal advice (£60k) There is an additional income from Traded Services £19k and HLT £30k.

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 £369k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. The other major variances are a surplus of £948k 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; and a surplus of £777k on Additional Leaseholder income which is due to the closing of accounts and the release of actual leaseholder service charges. 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; but 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 £1,306k 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 £986k 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 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 Revenue Contribution to Capital (RCCO).

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.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of November 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 With regards to the Exempt Property proposal attached at Appendix 1, the legal considerations are contained within the appendix.
- 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 property proposal in Exempt Appendix 1, the comments are included in the appendix.

Appendices

1. Exempt Appendix 1 – Property Proposal

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