Hackney

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

CABINET MEETING DATE 2019/20 **24TH FEBRUARY 2020**	**CLASSIFICATION:** **OPEN**

WARD(S) AFFECTED: ALL WARDS

CABINET MEMBER

Deputy Mayor 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 seventh Overall Financial Position (OFP) report for 2019/20 and is based on detailed December 2019 provisional outturn monitoring data from directorates. We are forecasting an overspend of £6,436k at year end - an increase of £234k since November.

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 Our Sustainable Procurement Strategy commits to all staff, whether employed directly by the Council or indirectly through third party providers, to be paid, as a minimum, the London Living Wage (LLW). As part of achieving this for all staff delivering Hackney services, we have successfully renegotiated our existing Hackney Learning Trust PFI contract, ensuring all facilities management staff employed by the provider will be paid LLW. In addition, this renegotiation will save the Council an estimated £1.8m over the remainder of the contract period. Whilst our ultimate aim is to be in a position to withdraw from the contract, we will continue to work to seek improvements to the arrangement until this time.

1.4 On a related matter, Kier, acting as the Local Education Partnership, announced in July 2019 that it intended to withdraw from the contract to deliver facilities management services to 10 Hackney schools on 17 January. The services affected are caretaking and cleaning. After a period of consultation, it was decided that caretaking staff should be directly employed by schools going forward. With regards to cleaning, the services provided to 8 schools have been insourced to the Council with Cardinal Pole and Urswick choosing to employ cleaners directly.

1.5 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 2020 Provisional Local Government Finance Settlement, which confirmed what has previously been announced in the 2019 Spending Review, significant uncertainty still remains about our future funding and in particular, its sustainability. But 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.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £6,436k 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 The Council intends to enter into a contract variation to vary the Hackney Learning Trust (HLT) PFI contract. The HLT facility was designed, built, funded and operated via a PFI contract which was entered into in 2000. Aviva owns the Special Purpose Vehicle (SPV), which in turn is responsible for delivering the services at the HLT. It is this agreement the Council and the SPV are looking to vary.

The Soft Facilities Management (FM) service provider went into liquidation in Jan 2018 and as part of the process of the SPV appointing a new Soft FM service provider, the Council has been able to improve the terms of the contract. Soft FM covers services such as house reception, cleaning and setting up rooms and furniture for various uses. The changes are summarised below.

a. The London Living Wage (LLW) will now be paid to all Facilities Management staff employed at the HLT

b. The annual cost of the Soft FM service is to be reduced

c. The Soft FM service benchmarking process due to take place in 2023 has been amended as set out below

It has been agreed that the payment of the LLW will be at no cost to the Council and it will be paid to the FM staff until the end of the contract period. This benefit equates to approximately £65,000 per annum.

The reduction to the cost of the Soft FM service equates to approximately £97,000 per annum, or nearly 20% of the Soft FM Service cost. The overall saving between now and the end of the contract period is approximately £1.8m. Note that there is no change to the scope or to the specification of services. This is purely a financial saving.

The change to the Soft FM service benchmarking process which is due to take place in 2023 has been agreed to ensure that the Council does not pay for the increase in cost associated with the LLW now being paid.

The drafting of the variation has been overseen by the Council's external legal adviser, Bevan Brittan, and by the Council's legal department and has been agreed in principle

2.4 In a related matter, Kier, acting as the Local Education Partnership, announced in July 2019 that it intended to withdraw from the contract to deliver FM services to 10 Hackney schools (Stoke Newington, Urswick, Cardinal Pole, Clapton Girls, Haggerston, Our Ladys, The Garden, Ickburgh, Stormont and Thomas Fairchild). An exit date was agreed as 17 January 2020. After a period of consultation with the schools, it was decided that caretaking staff should be directly employed by schools going forward. This was accepted and c. 30 staff TUPE transferred to the schools on 18th January 2020. The schools managed this process supported by their HR advisors, primarily a bought in service from the HLT. The other service element where existing Kier staff would transfer to a new provider was cleaning, with approximately 80 posts to transfer. Another 5 management posts were transferred to the Council. Various options were considered and discounted but the timeframes were such that the only remaining practical route was to insource the school cleaning service. The service was to be managed by the Council, with the exception of Cardinal Pole and Urswick, who chose to manage cleaning services directly. Specifically, the Education Property Team will be managing the service - it had an existing positive and open relationship with schools to build upon as well as extensive knowledge and experience of the performance issues with the Kier contract. On the 18th January, therefore, circa 80 cleaning staff TUPE transferred to the Education Property Team of the Council for the provision of cleaning services to 8 schools, with Cardinal Pole and Urswick choosing to employ cleaners directly. The Council’s HR service supported the team in ensuring that staff transition was as smooth as possible. In addition to the cleaners a further c.6 posts transferred to the Education Property Team from Kier’s central FM management team, to assist with the delivery of the operational side of the contract including the management of the PPM services, lifecycle and cleaning.

2.5 In addition to the caretakers and cleaners, the remaining FM operation is largely focused on ensuring schools meet their statutory obligations in respect of compliance checks and the safety of existing equipment. These services are, by definition, specialist and will continue to be delivered by third party contractors with the relevant expertise (areas such as electrical and asbestos testing). Procurement colleagues supported the service in ensuring that the full range of contractors were available to enable the team to provide a continuous service

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT DECEMBER 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	1,783	6
91,094	ASC & Commissioning	4,012	144
32,764	Community Health	-	-
210,481	**Total CACH**	**5,795**	**150**
36,338	**Neighbourhood & Housing**	**-12**	**137**
14,957	**Finance & Corporate Resources**	**257**	**-53**
8,938	**Chief Executive**	**396**	**0**
49,338	**General Finance Account**	**0**	**0**
320,052	**GENERAL FUND TOTAL**	**6,436**	**234**
	Application of One-Off Funding		234
	Forecast End Year Position	**0**	**n/a**

3.0 RECOMMENDATIONS

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

3.2 It is recommended that the Council enter into the contract variation proposed as this will secure the payment of the London Living Wage to the FM employees at the HLT for the remainder of the contract period, at no cost to the Council, and it will also result in a significant reduction to the cost of the Soft FM Services.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the HLT PFI variation.

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

The CACH directorate is forecasting an overspend of £5,795k after the application of reserves and drawdown - an increase of £150k from the previous month.

Children & Families Service

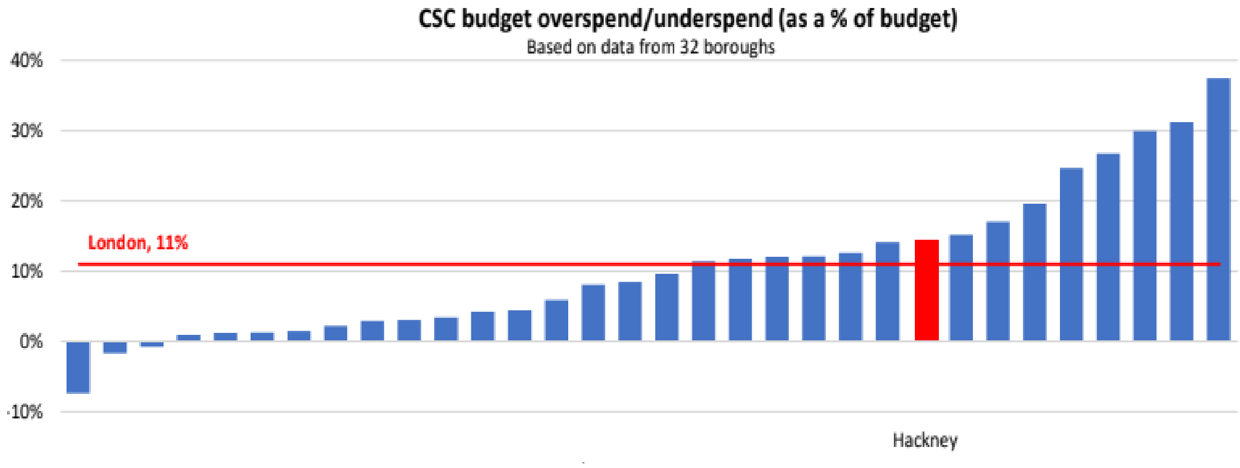
The Children & Families Service (CFS) is forecasting a £1,783k overspend against budget after the application of reserves and grants. The draw down from reserves includes:

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

- £1,300k for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.
- £300k is drawn down to offset pressures in relation to the increase in young people currently held on remand.

The Children and Families Service was inspected by Ofsted in November, and the service was rated as *requiring improvement*. A Children's Leadership and Development Board has been set up, which is accountable to a Children Members Oversight Group, to ensure that all service areas within the department are delivering to a consistently high standard for all children and families and that the recommendations arising from the Ofsted inspection are addressed. A resourcing plan with the objective of responding to increased demand in the service and addressing these recommendations is currently being developed.

The sustained pressure on the CFS budget 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 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 £2,300k of commissioning reserves and £300k one-off staffing reserves. This position also includes the use of £1,200k of Social Care funding that was announced in the October 2018 Budget. Spend on LAC and LC placements (as illustrated in the table below) is forecasted at £20.7m compared to last year's outturn of £18.3m – an increase of £2.4m.

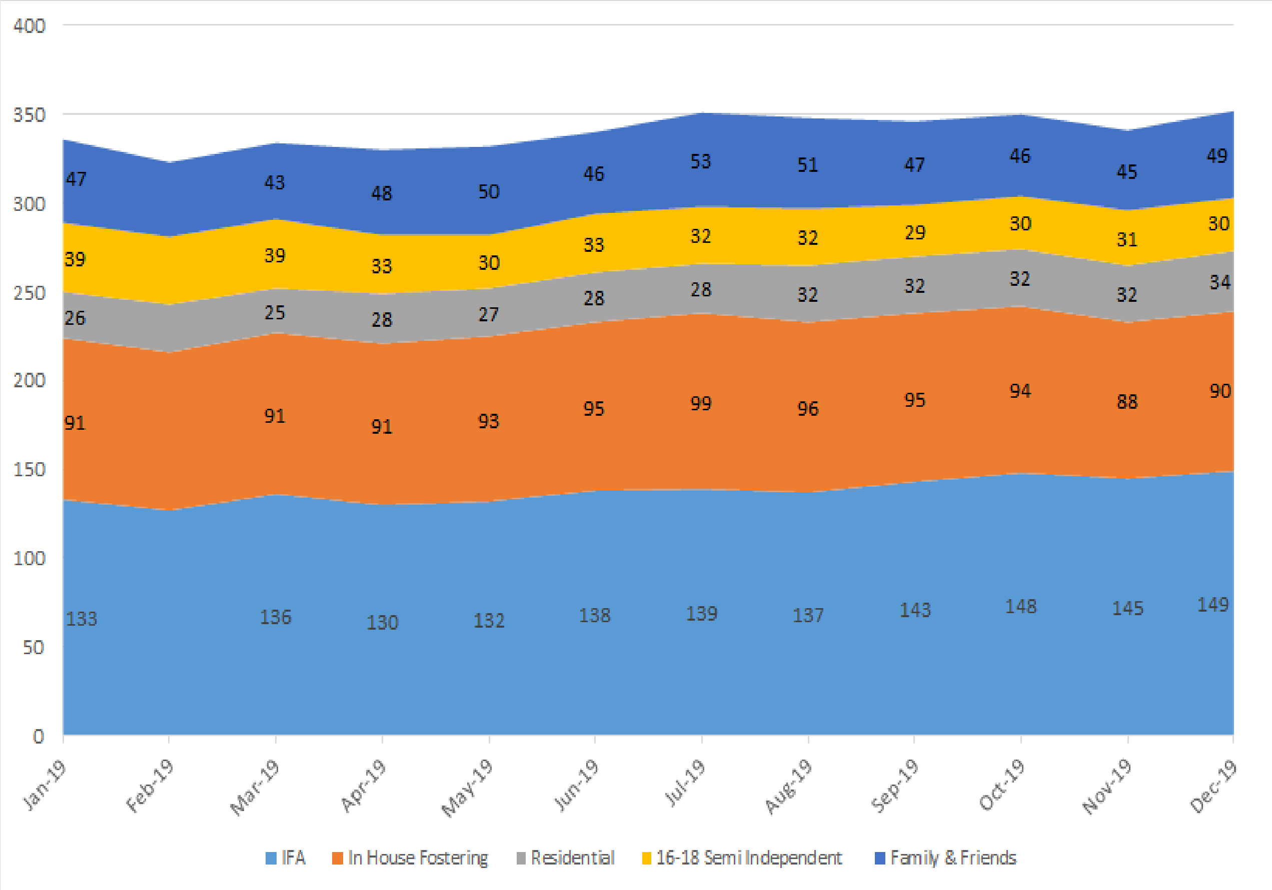
Table 2: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	**Budgeted** Placements	Current Placements	Management Actions
Residential	4,331	5,336	1,005	22	33	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)	-	140	140	-	1	
Semi-Independent (Under 18)	1,570	1,901	331	25	30	
Other Local Authorities	-	181	181	-	5	
In-House Fostering	1,800	2,154	354	77	90	
Independent Foster Agency Carers	6,488	7,074	586	139	149	
Residential Family Centre (M&Baby)	-	312	312	-	4	
Family & Friends	569	863	294	28	49	
Extended Fostering	-	30	30	-	1	
Staying Put	200	386	186	12	23	
Overstayers	290	495	205	16	23	
Semi-independent (18+)	1,370	1,848	478	113	112	
Total	16,618	20,719	4,101	431	520	

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

The table on the following page shows the trend in LAC placements over the past 12 months.

Headcount Data for LAC



<u>LAC and Leaving Care</u> placements have increased by £164k and £13k respectively, since last month and these are primarily due to increases in Independent Fostering Agency (IFA), residential and semi-independent placements. As illustrated in Table 3 above, 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. IFAs have increased by 16 placements since January 2019 which corresponds to an increase in the forecast of £800k, and this is the single most significant year-on-year increase in the service. This is despite in-house foster carer recruitment which has seen some success and the matching officer post which has been in the structure since 2018. At approximately £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. Residential care (including secure accommodation) placements have increased by one this month to 34, and this area as a whole faces a budget pressure of £1,000k. Management actions are being developed by the service to reduce placements, and given that the average cost is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we have seen significant pressures on staffing. This is mainly due to posts over and above the number of posts in the establishment recruited 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. Given the outcome of the more recent inspection referred to above, alongside further increased demand in the system, it is likely that staffing costs will rise still further.

Children in Need is forecast to overspend by £495k. 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 £480k. Other minor overspends in non-staffing expenditure total £15k. Reserves of £80k are being utilised to fund additional social work capacity in response to the recent Ofsted inspection.

The Disabled Children's Service is forecast to overspend by £611k. Staffing is projecting an overspend of £229k due to additional staff brought in to address increased demand in the service. The remaining overspend is attributed to care packages (£494k, including Home Care, Direct Payments and Residential respite) and £35k on other expenditure. This is partially offset by a £148k reserve drawdown.

The Adoption Service is forecast to overspend by £308k. Primarily the overspend relates to the Regional Adoption Agency with our neighbouring boroughs, which has incurred transitional costs in staffing, inter-agency services and IT. There is also a projected overspend of £46k 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 £59k which relates to staff covering maternity leave, long term sick cover and one over-established family support practitioner within the service.

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 £621k. 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. Reserves of £233k are being utilised to fund additional social work and management capacity in response to the recent Ofsted inspection.

Access and Assessment is forecast to underspend by £44k. This results primarily from lower forecast cost in Section 17 which is £58k less than the previous year's outturn. Reserves of £71k are being utilised to fund additional social work capacity in response to the recent Ofsted inspection.

Youth Justice Service is forecasted to underspend by £92k from delays in recruiting Youth Justice practitioner posts. £289k 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 EHCP 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 & 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 on the basis of an analysis of occupancy-level reports from the centres, although the full impact of the large rise in fees this year will not be measurable until autumn 2020. There is an estimated forecast overspend of £0.4m in this area incorporated into the overall HLT forecast.

Adult Social Care & Community Health

The December 2019 revenue forecast is an £4,001k 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 have 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 £2,970k pressure (as shown in the table below). 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	December 2019 Forecast	Full Year Variance to budget	Variance from Nov 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,287	16,400	1,113	(120)	- 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	13,726	884	168	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,625	915	258	
Occupational Therapy Equipment	740	740	0	(288)	
Asylum Seekers Support	170	228	58	17	
Total	36,749	39,719	2,970	35	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,100k overspend, which reflects a small improvement of £120k on the November position. The downward movement results primarily from revised cost assumptions of clients that were previously separately receiving housing related support (this cost is now incorporated within their care package) and a revised forecast of partner contributions towards Transforming Care package costs. There continues to be increased pressures related to new clients and the cost of 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 Clinical Commissioning Group (CCG) colleagues to embed the joint funding model for high cost Learning Disability packages as business as usual. The CCG have committed to ringfence £1,900k to £2,700k within their financial planning for 2019/20 and a contribution of £1,900k has been factored into the forecast. 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. Following the implementation of acceleration measures including dedicated support from the Performance Management Staff in Adult Services and enhanced quality assurance processes, throughput has picked up along with the number and value of joint funding packages agreed. Progress will continue to be closely monitored by all partners given its high priority and funding risk.

Physical & Sensory Support is forecasting an overspend of £884k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £915k. The cost pressures in both service areas have been driven by the significant growth in client numbers as a result of hospital discharges in 2018/19, which has been partially mitigated by one-off funding from the Winter Pressures grant of £1,400k. The increased cost pressure also relates to revised estimates of income from service users towards their care packages. Non-recurrent funding has been applied to mitigate the previously reported £288k overspend on the cost of Occupational Therapy equipment.

Discussions were 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 included the creation of a multi-disciplinary team (MDT) to facilitate the review of care packages, and this has delivered savings to date of £755k (full year effect). The MDT project will end at the end of Jan 2020 with the aim of lessons learnt, particularly around double-handed care packages, being embedded into business as usual.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £731k. The overall position is made up of two main elements - a £872k overspend on externally commissioned care services and £141k underspend across staffing-related expenditure. The increased overspend is primarily a result of new care packages this period combined with the ongoing impact of the estimated number of home care hours being commissioned across the year

Provided Services is forecasting a £61k overspend against a budget which represents a reduction in the overspend of £31k since the last reporting period. This is largely attributed to:

- Housing with Care overspend of £184k. The forecast includes additional resources to respond to issues raised from the CQC inspection in December 2018. The service was 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 £123k, primarily due to the current staff vacancies across the service.

The Preventative Service outturn reflects a revised underspend of £380k against a budget which mainly represents the underspend on Concessionary Fares' due to a reduction in demand of £150k plus an on-going underspend of £204k within Median Road Resource Centre budget which supports wider Care Management service expenditure. This underspend is partly offset by a £77k cost pressure in the Hospital Social Work Team which is due to additional staffing to ensure that hospital discharge targets are met. The adverse movement in-month of £219k results from a virement from Commissioning to establish the Carers Redesign budget.

The variance to budget for ASC Commissioning is forecast at a £635k overspend which is directly linked to the Housing Related Support (HRS) in-year savings gap. Delays in savings delivery from HRS service are still forecast at £634k. Other budget pressure of £18k results from the need for additional staff resource required within the brokerage service and this is contained from an underspend in voluntary sector services.

Public Health

Public Health is forecasting a breakeven position.

There are pressures in the service due to the delay with implementing 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 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, this 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 allocated sexual health budget in future financial years.

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at December 2019 is a £12k underspend, an increase of £137k in net expenditure from the November position. The forecast includes the use of £2.1m of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in the Planning Service of £386k which is due to a projected shortfall against the planning application fee income target of £2.3m. 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 and that planning and building control experience falls in income every 5 years as the construction industry periodically slows before recovering. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes.

The cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. It should also be noted that a new planning back office system is in the process of being launched and this will result in efficiencies especially within the planning application registration and validation process, these efficiencies will also help offset any underachievement of income.

The Building Control service is forecast to overspend by £60k, 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 underspend by £425k which is an adverse movement of £119k from the previous month due to confirmation of additional expenditure. 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 overachieve 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.

Markets have seen an improvement of £42k from previous month due to review of non-essential expenditure. Further reviews are being carried out to identify additional reduction in expenditure and new income opportunities.

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 favourable to budget, which is mainly due to underspends within staffing.

There are no material variances within Regeneration at this stage.

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £257k.

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 £143k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£435k) 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 temporary accommodation costs over time.

4.5 CHIEF EXECUTIVE

Overall the Directorate is forecasting to overspend by £396k after forecast reserves usage, which is unchanged from November.

Communications, Culture & Engagement

The service is forecasting an overspend of £210k in total.

£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 actually 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). 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 due to this. It has been agreed for the funding for the event 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 (£150k) which is a manifesto commitment and Dalston Engagement (£57k). The Dalston engagement reserve is made up of income received by the service last year and set aside for this purpose. There is also an increase in reserves usage to fund the core team in Culture (£147k). This is a change of funding as they were previously being funded by CIL.

Legal & Governance

The combined Legal & Governance Service are forecasting an overspend of £186k.

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £34k and £36k is for an unfunded Team Manager's post previously funded by HRA.

External recharges and Recharge to Capital are forecast to underachieve 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 £400k 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 £989k 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; 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 £1,216k 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 £1,068k 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).

4.7 CAPITAL

This is the third OFP Capital Programme monitoring report for the financial year 2019-20. The actual year to date capital expenditure for the nine months April 2019 to December 2019 is £128.9m and the forecast is currently £244.8m, £42.3m below the revised budget of £287.1m. 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 second phase of re-profiling for 2019-20 has been completed and January Cabinet will be asked to approve a total of £41.4m 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 – London Borough of Hackney Capital Programme – Q3 2019-20	Revised Budget Position	Spend as at end of Q3	Forecast	Variance (Under/Over)	To be Re-profiled Phase 2
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	14,002	6,139	10,002	(4,000)	4,201
Finance & Corporate Resources	111,410	60,368	89,195	(22,214)	20,891
Neighbourhoods & Housing (Non)	33,193	7,381	19,197	(13,996)	14,198
Total Non-Housing	**158,605**	**73,888**	**118,394**	**(40,211)**	**39,290**
AMP Capital Schemes HRA	69,608	20,734	60,894	(8,714)	8,714
Council Capital Schemes GF	2,535	1,487	2,976	441	(441)
Private Sector Housing	1,695	860	1,454	(241)	241
Estate Renewal	34,668	19,306	38,856	4,188	(4,188)
Housing Supply Programme	8,289	1,103	6,594	(1,694)	1,694
Other Council Regeneration	11,665	11,509	15,591	3,927	(3,927)
Total Housing	**128,459**	**55,000**	**126,365**	**(2,093)**	**2,093**
Total Capital Expenditure	**287,063**	**128,888**	**244,759**	**(42,304)**	**41,383**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The overall forecast outturn for Children, Adults and Community Health is £10m, £4m below the revised budget of £14m. More detailed commentary is set out below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Adult Social Care	270	132	271	0
Education Asset Management Plan	4,477	2,720	3,310	(1,167)
Building Schools for the Future	161	(32)	66	(94)
Other Education & Children's Services	572	395	546	(26)
Primary School Programmes	6,016	1,329	3,424	(2,592)
Secondary School Programmes	2,505	1,595	2,385	(120)
TOTAL	**14,002**	**6,139**	**10,002**	**(4,000)**

Education Asset Management Plan

The overall scheme is reporting a forecast underspend of £1.2m against an in-year budget of £4.5m. The most significant variance relates to Shoreditch Park Primary School which is now reporting a forecast £0.7m underspend. The proposals for improving facilities at Shoreditch Park Primary School continue to be developed and, as such, the budget for funding these keeps on being revisited through the year as proposals are firmed up. This has required budgets to be increased and reprofiled to 2020-21 to support these works at the school as they are delivered. The refurbishment of an area of road into the playground includes additional expenditure factored into it which will reduce the level changes from existing playground into the new area created. The variance has been reprofiled to 2020-21 to resource the works as they roll into the new financial year.

Building Schools for the Future

The overall scheme is forecasting an underspend of £0.09m against the in-year respective budget of £0.2m. Final accounts for Mossbourne Victoria Park Academy have been re-profiled to 2020-21. The work to Ickburgh will continue into 2020-21 due to the delay in procurement and the budget has already been reprofiled to 2020-21 to reflect this.

Primary School Programmes

The overall scheme is reporting a forecast underspend of £2.6m against an in-year budget of £6m. 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 so at the last reprofiling exercise £4m was re-profiled. The budget has been reviewed again and a further £2m has been re-profiled to 2020-21 to reflect programme delay and continued delay in procuring consultants. The Gainsborough Facade variance has been reprofiled to support the final account in 2020/21. London Fields, Queensbridge and Randal Cremer Facade variance relates to retention forecast and has been reprofiled to support the anticipated payments. Final accounts for

Shacklewell School are due in 2020-21 and the budget reprofiled to reflect this. Orchard School has some issues with the doors at the school and investigative works are being carried out. There may be possible payments this year and next financial year and the budgets have been reprofiled to reflect that.

FINANCE AND CORPORATE RESOURCES

The overall forecast outturn in Finance and Corporate Resources is £89.2m, £22.2m under the revised budget of £111.4m. More detailed commentary is set out below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Property Services	10,239	1,050	4,735	(5,504)
ICT	5,827	2,448	4,360	(1,467)
Financial Management	374	7	274	(100)
Other Schemes	341	14	231	(110)
Mixed Use Development	94,629	56,848	79,596	(15,034)
TOTAL	**111,410**	**60,368**	**89,195**	**(22,214)**

Strategic Property Services – Strategy & Projects

The overall scheme is reporting a forecast underspend of £5.5m against an in-year budget of £10.2m. The main variance relates to Christopher Addison House which is reporting a forecast underspend of £1.7m. This programme is part of the Corporate Estate Rationalisation (CER) Programme and the need to consolidate the Council's buildings to make better use of the space. The project has faced numerous delays particularly relating to stakeholder review, sign off and the time taken to procure and award the main contract. The main contractor is now appointed and the building is programmed to be reoccupied in the summer of 2020. The variance will be reprofiled into 2020-21 in line with the anticipated spend.

ICT Capital

The overall scheme is reporting a forecast underspend of £1.5m against an in-year budget of £5.8m. The main variance relates to a number of ICT projects where the spend will be in future years and have been reprofiled. The Network Refresh project is progressing well with the majority of the high value items to be ordered and received in the current year, including firewalls, switches and wireless access points. The remaining items will be ordered in 2020-21 and the variance has been re profiled to reflect this. Devices for Hackney Residents, which is the Council's plan to replace devices in libraries and other public facing devices, continues with user research. Once concluded this will inform the device choices. The variance has been reprofiled into 2020-21 in line with the anticipated spend.

End-user Mtg Rm Device Refresh is on target to spend the £2.2m budget with a minor underspend. This project is rolling-out provision of new ICT equipment for staff and members, and new ICT equipment for meeting rooms to enable on-screen display and video meetings across all Council buildings. The project is close to finishing although there are issues with rolling out devices to the legal team due to specific software currently used in their area. There is a project underway to change their software to a cloud hosted software but there have also been issues relating to testing and meeting expectations of the service. Any variance will fund overspends in other projects.

Mixed Use Developments

Tiger Way Development is forecasting an underspend of £1.1m against the in-year budget of £7.1m. Defects processes as defined in the governing body agreement liaison procedure have been initiated with the school by the project team and specific defect meetings have been held with the school. With the residential element, two new show flats are now being used as part of the promotional activities and sales remain strong with approximately 20 remaining unsold. The team attendance at Nightingale residents committee has now ceased. The works with Hackney Highways to discharge S278 street and pavement works on the school elevation are complete. The S278 works on the residential pavements are also complete. The variance relates to retention element which will be released after all defects have been rectified and sign off complete. The variance has been reprofiled to 2020/21.

Nile Street is forecasting an underspend of £3.9m against the in-year budget of £31.4m. Completion of the 2nd Phase Tower is due in February 2020. The School and Nile Street Block is complete and handed over. Development is in the 2-year contract defects period in the Design and Build contract. The remaining project works to phase 1 and 2 of the Residential were delayed on Nile Street Block and the Tower was delayed but is now progressing well. A revised completion programme has been issued following the resolution of various issues relating to missing cladding panels on the Tower and handover is now expected in February 2020 following completion of remaining works. The fit out of the Nile Street Show flat was completed in November 2019. The Nile Street block was behind programme due to a number of issues including the stick and glazing system and a subsequent leak to apartment 20.02. The damage and investigative work resulted in abortive work that delayed completion of the Nile Street block hence the variance. The variance has been reprofiled to 2020-21.

Britannia Site is forecasting an underspend of £10m against the in-year budget of £40.1m. Phase 1a (Leisure) is progressing well with completion on target for March 2021. Phase 1b (CoLASP) is also progressing well with completion on target for May 2021. Both Phase 1a and 1b have held start on site events and a successful jobs fair was held in November 2019. The project has also been shortlisted for Best Mixed-Use Scheme at Building London Planning Awards 2020. Client-side resourcing for the construction phase of the Phase 1 project is finalised for the Leisure Centre and the School. There has been a transfer of £2.4m to start Phase 2a. Phase 2b is currently under review. The variance has been reprofiled to 2020-21.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £19.2m, £14m under the revised budget of £33.2m. More detailed commentary is set out below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Museums and Libraries	528	154	350	(178)
Leisure Centres	750	0	375	(375)
Parks and Open Spaces	3,812	855	2,688	(1,124)
Infrastructure Programmes	14,061	3,818	10,016	(4,046)
EHPC Schemes	7,742	1,651	3,542	(4,200)
TFL	2,462	674	1,524	(938)
Parking and Market Schemes	373	106	196	(177)
Other Services	900	0	0	(900)
Regulatory Services	79	0	0	(79)
Safer Communities	1,363	0	189	(1,174)
Regeneration	1,123	123	317	(806)
Total	**33,193**	**7,381**	**19,197**	**(13,996)**

Parks and Open Spaces

The overall scheme is forecasting an underspend of £1.1m against the in-year budget of £3.8m. The main variance relates to Springfield Park Restoration which is forecasting an underspend of £0.7m. The budget for this financial year is made up of the main contractor cost and the design team fees. The main contractor, Borras, started work on site at the beginning of October 2019. The soft strip out (non-structural) of Springfield House and Stables has been completed. The stable yard wall, and fences and walls surrounding the new community venue building site, have been taken down. The old extension on the House has been removed and enabling works have begun in preparation for the excavation of the foundations for the new extension. The foundations have been built and the slab for the new community events building has been poured. Scaffolding has gone up around the House and Stables. The internal structural strip out of the House and Stables has been completed. The agreed tree felling and shrub clearance has taken place. The variance has been reprofiled to 2020-21.

Infrastructure

The overall scheme is forecasting an underspend of £4m against the in-year budget of £14.1m. A number of Highways Schemes originally planned for 2019-20 will take place in 2020-21 and the variance has been reprofiled to 2020-21.

EHPC Schemes

The overall scheme is forecasting a £4.2m underspend against the in-year budget of £7.7m. The vehicles have been ordered but will not be delivered until 2020-21 therefore the variance has been reprofiled to the anticipated spend.

Safer Communities

The main variance relates to Shoreditch CCTV Cameras which is reporting a forecast underspend of £1.3m. There have been delays in obtaining sign off to progress the scheme on the TfL routes. The majority of sites will be on red routes and will require significant coordination with TfL to meet their requirements. Without absolute TfL approval, the Council cannot order the works without risk of incurring abortive costs. The variance has therefore been reprofiled to 2020-21.

Regeneration (Non-Housing)

The overall scheme is forecasting a £0.8m underspend against the in-year budget of £1.2m. The Hackney Wick Regeneration plan to commission a public realm strategy this financial year, with public realm improvement works is being undertaken during 2020-21 and the budget reprofiled accordingly. Dalston Regeneration will now take place in 2020-21 and the budget reprofiled. 80-80a Eastway (GLA) 2 Pods and a CNC machine will be purchased this year with the remaining expenditure reprofiled to future years. The Trowbridge (GLA) budget this year will be mainly design work and remaining budget to be utilised in 2020-21. The variance has been reprofiled to 2020-21 to support the anticipated spend.

HOUSING

The overall forecast in Housing is £126.4m, £2.1m below the revised budget of £128.5.5m. More detailed commentary is set out below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	69,608	20,734	60,894	(8,714)
Council Schemes GF	2,535	1,487	2,976	441
Private Sector Housing	1,695	860	1,454	(241)
Estate Regeneration	34,668	19,306	38,856	4,188
Housing Supply Programme	8,289	1,103	6,594	(1,694)
Woodberry Down Regeneration	11,665	11,509	15,591	3,927
Total Housing	**128,459**	**55,000**	**126,365**	**(2,093)**

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £8.7m against the in-year budget of £69.6m. The largest variance relates to the Fire Risk Works SCA for £1.9m which were approved later than anticipated and installations are not now expected to start until mid to late February 2020. The programme of works for Lift Renewals and Housing Improvement Programme (HiPs) South West have also been pushed back to 2020-21. Therefore, the variance has been re-profiled to 2020-21.

Council Schemes GF

The overall scheme is forecasting an overspend of £0.4m against the in-year budget of £2.5m. The variance relates to Borough Wide Housing Under Occupation where the Regeneration voids continue to be used as Temporary Accommodation. Alongside this, there has been significant expenditure on 111 Clapton Common which required the budget from 2020-21 to be reprofiled back to the current year to cover this spend.

Private Sector Housing

The overall scheme is forecasting to come largely in line with the budget with only a minor underspend. Disabled Facilities Grant expenditure is progressing well and on target to spend £1.05m representing a minor underspend. The variance has been reprofiled. General repairs grants are on target to spend the full budget as a large payment relating to Hackney leaseholders is expected before the end of the year. Landlord Grants applications are now on hold and expenditure is unlikely this year. The variance has been re-profiled to 2020-21.

Estate Regeneration

The overall scheme is forecasting an overspend of £4.2m against the in-year budget of £34.7m. The main overspend relates to two sites. Construction at Tower Court has started and accelerated compared to previous expectations. Coville Phase 2 Site is now handed over with the final account and retention still to be paid. The budget from 2020-21 has been re-profiled back to the current year to cover this expenditure.

Housing Supply Programme

The overall scheme is forecasting an underspend of £1.7m against the in-year budget of £8.3m. Gooch House Site is now live again and options are currently being considered. The Whiston Road Site is now handed over with only retention still to be paid. The Shaftesbury Street Site is currently on hold and no costs are expected to be incurred this year. The Pedro Street Construction contract award is going to CPC this financial year and start on site is forecast for early 2020-21. Mandeville Street is progressing well. Tradescant House and Woolridge Way design works are ongoing and start on site is planned for 2021-22. The Daubeney Road Construction contract award is nearing completion after a slight delay and start on site is early 2020-21. Buckland Street, Downham Road 1 and 2, Balmes Road and 81 Downham Road have ongoing Design works and a planning application is expected to be submitted in 2020-21. The EA and Architect procurement for Lincoln Court and Rose Lipman Projects are nearing completion. The variance has been re-profiled to 2020-21.

Woodberry Down Regeneration

The overall scheme is forecasting an overspend of £3.9m against the in-year budget of £11.7m. The main overspend relates to additional Buybacks expected compared to Q2 (another 6 more before the end of March 2020). Costs will be reimbursed from Berkeley Homes. The next claim is due either late 2019-20 or early 2020-21, depending on Planning approval. The budget from 2020-21 has been re-profiled back to the current year to cover this expenditure.

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. With regards to the HLT proposal, there were a number of options discussed with both the SPV, and internally within the Council, to improve the terms of the contract. These options included restructuring the debt repayment and changing the indexation rates applied. These options were worked through in detail, however they were either not acceptable to the SPV or to the Council.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of December 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 HLT PFI proposal, on 28th March 2000 the Council decided to enter into a Project Agreement to govern the relationship between the Council and the PFI provider of the Hackney Technology Learning Centre. Such Project Agreement was executed by the parties on 23rd August 2000. The savings to the Project Agreement proposed in this Report are significant in scope and therefore meet the description of a key decision. The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 states that a key decision is an Executive decision which is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decisions relates.

8.6 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY

This variation delivers worthwhile financial saving over the remaining life of the PFI contract and ensures that the FM Service provider is obligated to pay the LLW to the FM staff employed at the HLT at no cost to the Council.

The development of the contractual drafting has been overseen by both LBH Legal and the specialist adviser Bevan Brittan and is acceptable.

The financial implications have been reviewed by the Head of Finance who confirms that the anticipated savings are realistic.

On this basis, I therefore recommend that the Council gives its approval to enter into the proposed variation.

Appendices: None

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