Hackney

TITLE OF REPORT 2020/2021 BUDGET AND COUNCIL TAX REPORT **KEY DECISION NO. FCR Q44**
CABINET MEETING DATE 2019/20   **CLASSIFICATION:** **24 February 2020**   **OPEN**
WARD(S) AFFECTED **All Wards**
CABINET MEMBER **Mayor Glanville**
KEY DECISION **Yes** **REASON** **Spending or Savings**
GROUP DIRECTOR **Ian Williams Finance and Corporate Resources**

1.0 MAYOR'S INTRODUCTION

1.1 Local government has heard that "austerity is over" before. We also know that despite promises in speeches by government ministers, or figures on the side of a big red bus, that spending cuts that started a decade ago continue today.

1.2 Since 2010, our core government funding has shrunk by £140 million ─ a cut of 45% of government grant income. This is not unique ─ cuts to local government mean councils across the country have lost 60p out of every £1 that the last government was spending a decade ago. In Hackney, per household we have seen the biggest funding cut of any London borough at £1,459.

1.3 We have faced additional costs from increasing demands for services, in part due to cuts to other public services and damaging welfare reform. In a Budget report these can be described as 'costs' or 'pressures', but what we are really highlighting is the lived experience of thousands of Hackney residents, whose lives have been made harder and harder by the rise in work poverty; a failure to regulate the private rented sector; the hostile environment; a labour market that all to often leaves those in work in poverty; universal credit; and wider welfare reform. This impacts the ability of the Council to respond and compounds the impact of austerity, for instance we spent £1 million per year on temporary accomodation in 2010. We now spend £13 million on TA, and if you add the cost of Housing Benefit, this figure is closer to £50m.

1.4 So austerity is not over for local government nor the citizens of Hackney. Whilst we will receive additional resources in 2020/21 as set out in the 2020/21 LGFS and 2019 Spending Review, these are of a one-off nature, barely covering the gaps in existing funding in services like social care and SEND; and we still need to find an additional £19 million of savings by 2022. We also need to ensure the Council is on sustainable financial footing as we approach the three Spending Review and Fair Funding.

1.5 In this budget we are proposing that Council Tax will increase by 3.99%, this is never an easy decision and we know that any rise can have an impact on those that are on fixed incomes. But as we enter the 11th year of austerity, it will raise £3.3 million to help cover our £30 million budget gap. For the average household in Hackney, the increase will add less than £1 a week to their bill. Despite this increase, it is expected that Hackney will still have one of the lowest Council Tax rates in London.

1.6 Through a decade of cuts to our budgets Labour councils like Hackney have protected our frontline services, invested in our workforce and protected our most vulnerable residents from the worst impacts of austerity, and the 2020/21 budget is no different. We are still ambitious and working to make Hackney fairer, safer and more sustainable. We are investing in Hackney despite our budget challenge, and seeking to help more of our residents with their own budget challenges.

1.7 We are explicitly investing more in making Hackney fairer, and this year we are pledging more money to help our residents in poverty. We will return funding to support the 27,000 low or no income families that will now receive 85% discount on their Council Tax bill, alongside pensioners and care leavers who are not being charged Council Tax at all. Council Tax is a regressive tax that hits the poorest residents the hardest, but government cuts mean we will rely more on our taxbase to fund our services in the future. So we will work towards ensuring all of the boroughs families on low or no incomes pay no Council Tax at all by 2030, and ensure that they benefit from at least a 90% discount by 2025/26. This year, we will also invest an extra £500,000 into projects to directly help our poorest residents, including help for families in food poverty to access fresh, healthy food.

1.8 We are also making our service delivery fairer, recognising our role as a key anchor institution in the borough and leading by example in line with our new Inclusive Economy Strategy. Rather than spending £2.5 million on the Keir school cleaners and facilities management contract covering 10 schools, this will now be spent on a newly in-sourced service which will see 30 caretaking staff be directly employed by the schools, five cleaning management roles and six central FM management staff transferred to Hackney Council along with 80 cleaning staff which will all now sit in the Council's Education Property Team. Overall, schools and the Council will have more control over their costs, as reactive maintenance budgets previously covered by the contract are now managed directly by schools, they are also directly employing premises staff while over 100 staff will now be on local authority contracts with all of the benefits that come with them. We have continued seeing the benefits of insourcing with ICT, where in-sourcing functions have saved the Council £1 million. We have also renegotiated the facilities management contract for the Hackney Learning Trust building in-line with our Sustainable Procurement Strategy which will see all staff uplifted to the London Living Wage while saving £1.8 million during the lifecycle of the contract. Both of these cases, where high numbers of the staff will also be Hackney residents, prove that whether through in-sourced services or procured contracts, anchor institutions like Hackney can use our services to benefit the local economy.

1.9 We will also continue to fund our award winning employment and apprenticeship schemes which are beating government department's at their own targets for apprenticeship recruitment and ensuring Hackney's local and vibrant economy provides direct opportunities for the borough's residents. Our Employment and Skills team will continue the £2.1 million invested in programmes such as Hackney Works and their Opportunity Hubs across the borough, the Hackney 100 paid work experience programme, Supported Employment and Project Search internships for residents with learning disabilities and the Hackney Apprenticeship Network to support local businesses to grow their own apprenticeships. These programmes have seen the Council support 4,500 local people into work or training, with over 40 job outcomes every year for residents with learning disabilities and 10 young people into internships at the Homerton hospital, two cohorts of Hackney 100 work experience placements at the Council. Across the Council we have over 120 award winning apprentices, triple the number we had in 2016 and across a far wider range of functions and levels.

1.10 We also know that crime and safety is a really important issue for many of our residents, especially given some of the tragic incidents that have taken place on our streets over the last year. This budget will help make Hackney safer, investing £7.3 million budget to fund programmes like the Integrated Gangs Unit — our unique partnership with the Police, Probation Service and other partners, aimed at supporting people out of gang involvement. We will also expand our CCTV network, maintain our enforcement team, fund extra police officers and safety initiatives in our night time economy, using contributions from the Late Night Levy and continue our #ReframeTheNight campaign to stamp out sexual harassment.

1.11 This budget will also help keep our children and families more safe. The Ofsted report report notes that “most social work units have manageable caseloads” and recommendations did not specifically refer to resources, but we will still be setting aside a one-off £1.6 million resource to meet any increased demand in the service for 2020/21. This will help create additional management capacity, project support and an external challenge partner to assist in the Council’s improvement programme for Children and Families’ Services. Our Children and Families Service continues to manage rising demand and pressures while improving outcomes, supporting 413 looked after children, implementing 276 child protection plans and completing 4,290 statutory social work assessments.

1.12 But we know keeping people safe, especially young people, also means providing opportunities and support. We will spend £13 million on youth services, including our four youth hubs, six adventure playgrounds and other satellite-based community provision. Over the last year these have seen 177,299 attendances at our universal youth services. Young Hackney also works with approximately 600 young people at any one time through the Early Help team providing tailored individual support, as well as providing support to 54 young people on statutory youth justice orders. We have seen the benefits of the new approaches we have pioneered around contextual safeguarding, community outreach from the IGU and the trusted relationships work.

1.13 We have a duty to keep our residents safe from the wider impacts of the ever nearing climate emergency. Last year the Council declared a climate emergency, and making our borough greener and more sustainable runs through the heart of this budget. We’ve committed significant funding for projects, including £5m over the next three years to switch all our street lights to energy efficient LED bulbs ─ saving energy costs and reducing our electricity consumption through our streetlights by 60%. This year, our municipal energy company Hackney Light and Power will also invest the £405K Green Homes Fund in rolling-out free home insulation, helping lower energy bills for thousands of local residents and significantly reduce the gases produced by heating our homes. We will also plant 35,000 new trees in our streets, parks and green spaces directly by the Council or through charitable partners, invest in more sustainable transport, make our parks and leisure centres greener and better for users, drinking water fountains and by the end of year we will have 22 School Streets throughout the borough.

1.14 This budget invests in Hackney, showing that despite Hackney’s budget challenge, Hackney Council continues to invest in our communities, fairness and transforming lives. Over the next year alone, Hackney Council will spend £322 million through capital projects like a new learner pool at London Fields Lido and refurbishing Stoke Newington Library and Hackney Museum. We own and manage over 30,000 council homes, and next year we’ll spend £69.9m on improving them. We will also continue to keep Hackney building, for those who desperately need new homes through our £60 million house building programme in 2020/21 which will complete or start on-site 251 genuinely affordable Council homes at social rent, shared ownership or living rent homes. We'll also invest £7m in managing and maintaining Hackney's 58 parks, gardens and open spaces and seven sport and leisure centres, and £5.8 million into the boroughs libraries which have seen 1.6 million visits over the past year. We will also maintain our investment in delivering the new Britannia Leisure Centre and new Secondary School at Shoreditch Park and will start exploring options to renew Kings Hall and develop new in-house options for residential care.

1.15 But we can only achieve all of this through careful and sound financial management. If we do not pass a balanced budget, and plan an illegal deficit budget, the result would be handing over budget and service management to Whitehall civil servants. We will need to continue passing prudent budgets, particularly given future risks such as Brexit, and the upcoming "Fair Funding Review". Many residents may have seen the recent press stories of the government's Fair Funding Review which could see inner-city councils budgets lose-out in favour of districts and shires. The latest analysis of FFR plans could see inner-London boroughs like Hackney lose 25% of our remaining government grant, which result in our remaining budget gap of £18 million by 2023/24 doubling to over £36 million. We will stand with others in local government in opposing these plans and stand-up for our staff and frontline services that protect our most vulnerable residents.

1.16 I would like to thank Deputy Mayor Rennison, my Cabinet and councillor colleagues, the Group Director for Finance and Corporate Resource Ian Williams and his entire team for their work on the budget report, as well as the continued work to maintain the financial resilience of the Council. I would like to echo his thanks to two members of his team that are retiring ─ Michael Honeysett and Kay Brown ─ two dedicated public servants that have contributed to our mission for a fairer, safer and more sustainable Hackney.

1.17 This is an ambitious and Labour values driven Budget that protects universal services, invests in our priorities, creates more opportunities and supports the most vulnerable and I am proud to commend this report and my fourth Budget to Cabinet.

2.0 GROUP DIRECTOR'S INTRODUCTION

2.1 This report asks Cabinet to agree and recommend to Council for approval, the 2020/21 General Fund budget estimates, a 3.99% increase in the Hackney element of Council Tax made up of 2% in respect of adult social care and 1.99% in respect of other services, and a series of recommendations relating to the Council finances in respect of the 2020/21 financial year.

2.2 I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, colleagues on the Hackney Management Team and Officers within my own and the other Directorates throughout the budget setting process, my twelfth whilst Group Director, which is now a continual process. In particular I would also like to put on record my thanks to two members of my team who have been with me throughout this time but have chosen to retire after many years service, Michael Honeysett - Director of Financial Management and Kay Brown - Director of Customer Services.

2.3 The 2020/21 Revenue Budget was put together against the backdrop of £140m funding cuts since 2010/11 and the need to make further savings to offset further funding losses and the additional cost pressures we will experience over the next two years.

2.4 Turning to Council Tax, this report proposes to set an increase of 3.99% in the Hackney element of the Tax in 2020/21. Given the significant reduction in external funding since 2010/11 which has risen to at least 45% by 2020/21, I believe such an increase is essential to protect the Council's funding position in both the short and medium term whilst balancing the demands it places on local taxpayers. Moreover, the increase must be viewed not just in the context of the external funding losses but also against the backdrop of significant cost pressures in services such as Adult Social Care, Children's Services, Homelessness and Temporary Accommodation and Special Education Needs as well as the ongoing impact of the welfare reforms, the Homeless Reduction Act and the introduction of Universal Credit.

2.5 Turning to the 2020/21 revenue budget proposals set out in this report, they are underpinned by several efficiency proposals approved throughout the current and previous financial years. We have developed proposals that achieve expenditure reductions primarily through service transformation, further back office savings throughout the Council and the restructuring of services. We have also sought to maximize income opportunities from the considerable asset base the Council holds to protect and sustain universal services and those to the most vulnerable.

2.6 In order to meet the financial challenges ahead, it will be necessary to continue the Council's proven record in relation to tight financial management and control. We will continue to adopt financial solutions that increase financial sustainability, with an emphasis on our customers, residents and businesses.

2.7 In preparing this budget we have ensured that the Council has in place, appropriate arrangements and controls to manage the risks and impacts. These include: -

(a) <u>Extensive Financial Management, Monitoring and reporting</u>. Regular progress updates are already embedded in the Overall Financial Performance (OFP) report to continue to provide updates against savings allowing issues to be managed as appropriate and regular reports to the Scrutiny Panel.

(b) <u>Risk Management.</u> The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations from Scrutiny Panel.

(c) <u>Prioritising Resources to Corporate Plan Objectives</u>.

(d) <u>Equality</u>. The Hackney Management Team makes sure that equality underpins all that we do. It also looks to ensure that all equality impact assessments on employment matters have been undertaken and details of these are available for review by Members and are published on the Council Website.

2.8 In considering the proposals set out in this report that Members have regard to the future indicative budgetary position that has been set out throughout the year of the General Fund needing to find a further £19m in 2021/22 and 2022/23 due to the combination of continuing financial pressures, service demands and funding reductions. The Medium Term Financial Plan, at Appendix 6, sets out in detail the challenges we face including the Fairer Funding Review. It is vital therefore that the work already underway to bridge this gap intensifies so that innovative plans and proposals for future years can be set out and progress on early implementation achieved to ensure that we continue to maintain our strong track record of sound financial management. To this end also set out in Appendix 12 to this report following the release of the CIPFA Financial Management Code, which whilst still awaiting the detailed technical guidance we have undertaken an initial self assessment of how we shape up as well as having regard to the resilience indices.

3. RECOMMENDATION(S)

3.1 Cabinet is recommended to consider the report and make the following recommendations to Council for approval:

3.2 Council is recommended:

3.2.1 To bring forward into 2020/21 the Council's projected General Fund balances of £15.0m and to note the Housing Revenue Account (HRA) balances of £15m

3.2.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 1, below.

3.2.3 To note that the budget is a financial exposition of the priorities set out within the Corporate Plan attached at Appendix 11.

3.2.4 To note that in line with the requirements of the Local Government Act 2003, the Group Director, Finance and Corporate Resources, is of the view that:

The General Fund balances of £15.0m and the level of reserves, particularly in relation to capital, are adequate to meet the Council's financial needs for 2020/21 and that considering the economic uncertainty they should not fall below this level. This view takes account of the reserves included in the Council's latest audited Accounts as at 31 March 2019, the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA to maintain the balance at £15m by 31 March 2020 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA.

The General Fund estimates are sufficiently robust to set a balanced budget for 2020/21. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of

the 2019/20 budget with the projected spend identified in the December 2019 OFP. The overall level of the corporate contingency has been set at £2m.

3.2.5 To approve the proposed General Fund fees and charges as set out in Appendix 8 for implementation from 1st April 2020.

3.2.6 To continue the policy requiring the Group Director, Finance and Corporate Resources to seek to mitigate the impact of significant changes to either resources, such as Top Up Grant changes, or expenditure requirements.

3.2.7 To note the summary of the HRA Budget and Rent setting report agreed by Cabinet on 20th January 2020.

3.2.8 To authorise the Group Director, Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.

3.2.9 To approve:

The allocation of resources to the 2020/21 Non-Housing capital schemes referred to in Section 24 and Appendix 7.

The allocation of resources to the 2020/21 Housing indicative capital programme referred to in Section 24 and Appendix 7, including the HRA approvals previously agreed by Cabinet on January 20th 2020.

3.2.10 To note that the new capital expenditure proposals match uncommitted resources for the year 2020/21.

3.2.11 To agree the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability prudential indicators and the Treasury Management Prudential Indicators for 2020/21 as set out in paragraph 25, and Appendix 3.

3.2.12 To confirm that the authorised limit for external debt of £552m agreed above for 2020/21 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.

3.2.13 To continue to support the approach of using reserves to manage emerging risks and liabilities and to note the latest reserve position.

3.2.14 To note that at its meeting on 20 January 2020 the Council agreed its Council Tax Base for the 2020/21 financial year as 74,386 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D

properties.

3.2.15(1)To agree that the following amounts be now calculated by the Council for the year 2020/21 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

(a) £1,157.900m being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) £nil being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

(f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

3.2.16(2) The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)

(a) £1,069.036m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £3.118m being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.

(c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and

(d) **£nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.**

3.2.17 £87.746m being the amount by which the aggregate calculated under subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.

3.2.18 being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, £1,179.61 as the basic amount of its council tax for the year

3.2.19 That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2020/21 for each part of its area and for each of the categories of dwellings.

VALUATION BANDS - LONDON BOROUGH OF HACKNEY							
A	B	C	D	E	F	G	H
£786.40	£917.48	£1,048.54	£1,179.61	£1,441.74	£1,703.88	£1,966.01	£2,359.22

3.2.20 That it be noted that for 2020/21 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

VALUATION BANDS - GLA							
A	B	C	D	E	F	G	H
£221.38	£258.28	£295.17	£332.07	£405.86	£479.66	£553.45	£664.14

3.2.21 That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2020/21 for each of the categories of dwellings as shown below.

VALUATION BANDS - COMBINED HACKNEY AND GLA							
A	B	C	D	E	F	G	H
£1,007.78	£1,175.76	£1,343.71	£1,511.68	£1,847.60	£2,183.54	£2,519.46	£3,023.36

Note: Subject to GLA confirmation of precept on 24 February 2020

3.2.22 To agree, subject to the decision of Members on recommendations 3.2.16 to 3.2.18 that Hackney's Council Tax requirement for 2020/21 be £87.746m which results in a Band D Council Tax of £1,179.61 for Hackney purposes and a total Band D Council Tax of £1,511.68 including the Greater London Authority (GLA) precept. An analysis of the tax base total Band D Council Tax across Council Tax Bands is shown in 3.2.21 above and an exemplification of the taxbase and discounts by band, is shown in Appendix 5.

3.2.23 To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council's Council Tax requirement for 2020/21 as shown at Appendix 9 is not excessive (4% or above) and therefore does not require the Council to hold a referendum.

3.2.24 To agree the Treasury Management Strategy for 2020/21 to 2022/23, set out at Appendix 3.

3.2.25 To agree the criteria for lending and the financial limits set out at Appendix 3.

3.2.26 To approve the MRP statement setting out the method of calculation to be used, as set out in paragraphs 25.21-25.31 below.

4.0 REASONS FOR DECISION

4.1 The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2020/21 budget

4.2 Previous decisions in this context relate to:

- The Council Budget and Council Tax Report for 2019/20 agreed by Council on 27th February 2019
- Savings previously agreed and summarised in reports to Cabinet in 2016 to 2019.
- The Overall Financial Position reports presented monthly to Council during 2019/20
- The Calculation of the 2020-21 Council Taxbase & Local Business Rates report approved by Cabinet on 22nd January 2020

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.

5.2 The detail of the budget, including savings have been the subject of many reports to Cabinet and consideration by the Hackney Management Team at meetings throughout 2018 and 2019.

5.3 As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 26th February.

6.0 BACKGROUND

Policy Context and Prioritising Resources to deliver the Corporate Plan

6.1 This report sets out the Council's Budget Revenue Proposals for 2020/21.

6.2 The Mayor's budget proposals set out in this report show the position in relation to the development of the 2020/21 Revenue Budget including the effect of savings proposals which were agreed by Members as part of the 2017/18, 2018/19 and 2019/20 budget setting processes.

6.3 The annual budget decisions are among the most important of those which local authorities are called upon to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a Committee or to Officers. They affect every household and service user and the manner in which decisions must be made, is closely prescribed by law. **Appendix 1** of this report sets out the relevant legal considerations which affect the budget process of which Members must be aware. Members are required therefore to give careful consideration to the information and advice set out in this report. It is also important in taking this decision for Members to take into account the Medium-Term financial forecast (which is attached at **Appendix 6**) and recognise that the scale of reductions set out will impact significantly on the services the Council provides beyond 2020/21.

6.4 In addition, the Local Government Act 2003 placed a specific personal duty on the Group Director, Finance and Corporate Resources to report to Council on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. Members are advised that due regard has been given to the requirement of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of the General Fund reserves in paragraph 21.4. The position on the HRA reserves includes a projected level of balances of £15m by 31 March 2020. This level of balances is in-line with the Council's policy on reserves and balances. However, he advises that this is a matter that Members should keep under review.

6.5 It should also be noted that there is an ongoing requirement to review limits and indicators in accordance with the Prudential Code. There is a requirement to agree these indicators and limits are set in conjunction with the Council's overall budget.

Corporate Plan

6.6 In November 2018 the council published its Corporate Plan for 2018-22. The Corporate Plan committed the council to publishing an accessible Corporate Delivery Plan (CDP) update to show how the Corporate Plan is being delivered. The CDP update helps us to assess where we are strategically and informs staff and the public, in a concise and accessible way, how we have performed against the priorities we set out in our Corporate Plan. It also enables us to drive our work across the Council more proactively

6.7 The CDP update summarises where we have made progress against the vision set out in the Corporate Plan, in particular how we are dealing with the most challenging cross cutting issues we face as a borough. It is important that we are open and transparent about these challenges and set out how we plan to improve where required.

The cross-cutting challenges identified are:

1. Reducing poverty, inequality and building social cohesion
2. Continuing to deliver lasting solutions to London's housing crisis
3. Tackling homelessness
4. Supporting residents through the implementation of Universal Credit
5. Ensuring that Hackney is a sustainable borough, fit for the future
6. Improving recycling on our estates
7. Tackling gang crime and serious youth violence through working with community groups, other statutory agencies, and directly with young people
8. Responding to increased demand across adult and children's social care
9. Tackling key health inequalities whilst responding to major changes in the health sector and integrated commissioning.

6.8 The framework for the update is linked to 'Building a Fairer, Safer and More Sustainable Hackney'. Three key strands are:

1. Progress against cross cutting challenges as set out in the Corporate Plan including relevant manifesto updates, performance indicators and governance structures.
2. Progress against the mission set out in Corporate Plan, including - for example - demonstrating how we're embedding evidence led, user focussed transformation of key services.
3. Recommendations for changes needed to ensure that we are on track to deliver this plan - e.g. refocusing of activities, reprioritisation of resources, or proposed new areas for investment where opportunities are identified to

impact positively on the cross-cutting challenges. This section incorporates specific recommendations for investment in furtherance of work against the first challenge, reducing poverty, inequality and building social cohesion, which underpins so many of the other challenges identified.

6.9 It is proposed that the CDP update will be developed into a series of web pages within the council website, pulling in information from a variety of sources. The CDP update provides a reflective view of what we have achieved to date since the launch of the Corporate Plan in 2018 and will use interactive data tools to bring to life some of the information provided. We plan to have the final version of our first CDP update to be published following approval of the initial document by Council. We will be working with our communications team to ensure that its launch is celebrated and discussed with staff and residents.

6.10 Through the process of reviewing our progress against the Corporate Plan, we have been able to identify those areas relating to the cross-cutting challenges which need more focused activity and investment. Additional spend on Reducing poverty, inequality and building social cohesion, including tackling homelessness has been identified as a key priority. In prioritising this area for investment, we are recognising that poverty in Hackney is increasing and that there are growing inequalities. This is also driving many of the other challenges, particularly homelesness, Universal Credit, gang crime and serious violence, increased demand in social care and health inequalities. What is proposed for additional investment needs to be seen as *adding value* to wider work to reduce poverty and reduce inequality, rather than being considered in isolation. The CTRS reduction in contribution from 17% to 15% is also an integral part of our overall poverty reduction strategy.

6.11 *Poverty Reduction*: In London, poverty is largely driven by markets and austerity-unaffordable housing, the cost of living, the hollowing out of the labour market and national changes to the welfare system and support for the most vulnerable. We are developing a systematic approach that identifies what we can do to tackle these wider structural issues, through work to shape a more inclusive economy and our housing strategy, alongside better coordination of existing support and preventative work. However, given the level of poverty in Hackney, where one in three households are in poverty after housing costs and nearly half of children live in poverty, we cannot wait for this wider work to happen. We have to put more focus on the issues facing communities today and the supportive actions which are needed for individuals, families and communities - both those which are preventative and those which alleviate or avert a crisis or worsening situation. These include specific proposals which respond to the growing numbers of people who are vulnerable and have complex needs who are also in housing need.

6.12 *Tackling inequality*: The single equality scheme adopted by Cabinet in November 2018, includes an objective focused on tackling discrimination and disadvantage. The Scheme identifies the priorities for tackling key inequalities. Both the Scheme and the detailed analysis of inequalities which supports it can be found on the Council's equality webpages. There are broad areas of work which have progressed to a point where some investment could be impactful and where there is an opportunity to invest in the way we work with communities to co-design solutions.

6.13 All of these initiatives are to be funded by one off non recurrent funding and investment options are proposed which can have sustainable impacts beyond the funded period. The following types of investment options are therefore suggested:

1. Co-ordination that results in sustained changes in the way services / partners work together to address the challenge
2. Campaigns and awareness raising with clear measurable objectives
3. Service (re)design which lead to changes in the mainstream practice
4. Pilots that demonstrate longer term savings that can be continued by the mainstream

6.14 For investment to have an impact in a short time frame, there also needs to be some conditions for success:

- An existing analysis and understanding of needs and gaps
- Existing groupings that can own and take forward work beyond the funded period

6.15 Full details of proposed Investment in Reducing poverty, inequality and building social cohesion, are discussed in the Service Investment Section of this Budget Report at para 20.8.

6.16 A large proportion of the savings that will be implemented in 2020/21 relate to efficiencies. The Budget includes proposals agreed at Cabinet in January 2020 to an increase in Council Housing rent of 2.7% (Consumer Price Index Inflation + 1%). This is in line with The Social Housing Regulator's rent standard. Rents will increase on average by £2.67 from £98.97 per week to £101.64 per week with effect from Monday 1st April 2020. In considering the impacts of this rent increase, we are relying on the Government's impact assessment of September 2018 which concluded that they did not consider that any specific equalities impacts will arise. Furthermore, this increase will contribute to the budget for the capital resources required to improve and maintain the quality of the Council's housing stock. Good quality housing is a generally accepted key determinant of health and general well-being and investment in the housing stock will have a positive impact on tenants including some of the most deprived people in the borough.

6.17 The Budget also includes proposals agreed in January 2020 to review the Council Tax Reduction Scheme. The main driver for this has been to address the impact of welfare reform and austerity on the poorest households in Hackney. The proposals reduce the Minimum Contribution from 17% to 15% for all working age households. Occupants of larger, higher banded properties benefiting marginally more than those in smaller, lower banded property. This will be a positive outcome for Hackney's larger families. As applicants who are women form a large proportion of the CTRS caseload changes to the scheme will benefit more women than men, particularly lone parents. The Budget proposals include investment in some areas which support the first priority of our corporate plan: Reducing poverty, inequality and building social cohesion, although there is a direct link to tackling homelessness. In prioritising this area for investment, we are recognising that poverty in Hackney is increasing and that there are growing inequalities. Poverty, inequality and homelessness are underlying issues for many of our other corporate priorities.

6.18 Guidance from the Equality and Human Rights Commission advises the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. For this reason, the Council considers savings as a whole group of decisions rather than taking a more piecemeal approach and where possible considers service redesign. Officers also engaged with relevant scrutiny commissions at an early stage to discuss proposals. A cumulative impact assessment was carried out for 2016/17 in order to understand the compounding impacts on a specific equality or vulnerable groups that arise from changes across a set of services. We continue to use the cumulative impact assessment from 2016/17 to inform strategic planning, corporate planning, community engagement and partnership working. In November 2018 we adopted a new corporate plan and single equality scheme which responds to these risks.

7.0 COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

7.1 The Group Director's comments are set out in section 2 of this report

8.0 COMMENTS OF THE DIRECTOR OF LEGAL

8.1 Under the Local Government Act 2003 calculation of the Council Tax and adoption of an annual budget must be carried out by full Council on the recommendation of the Mayor and Cabinet.

8.2 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix 1.** When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

9. THE COUNCIL'S GENERAL FUND FINANCIAL PERFORMANCE IN 2019/20

9.1 Based on Directorate returns, the General Fund forecast for 2019/20 at the end of December 2019 is for the outturn to be an overspend against the revenue budget of £6.4m. This is equivalent to around 0.5% of the total revenue budget.

9.2 This reflects the position part way through the year and as with all forecasts, there is always a possibility of unforeseen circumstances changing things but assuming the position remains unchanged to the end of the financial year 2019/20 unallocated General Fund reserves of £15.0m brought into 2019/20 will be unchanged going into 2020/21, and the deficit will be substantially funded by the application of the unspent 2019/20 Council Tax and NNDR Collection Fund surpluses carried forward into 2020/21.

9.3 The maintenance of corporate contingencies continues to be an important element of the Council's Financial Strategy and the inclusion of adequate contingencies in the base budget going forward is essential. However, this must be balanced between holding back contingencies to mitigate unforeseen circumstances with the recognition that in an environment of budget reductions, contingencies at too high a level could result in reductions to other budgets. The Group Director, Finance and Corporate Resources is comfortable to maintain the total level of corporate contingencies at £2m for 2019/20. This will however be reviewed on an annual basis. It should be noted however, that contingencies are a buffer against unforeseen and exceptional circumstances and there is still the same requirement for Group Directors to ensure they keep within their base budget allocation.

9.4 It is recommended that similar reporting arrangements for contingencies apply for 2020/21, as those that apply to 2019/20, i.e. that the commitment of these sums in-year should continue to be permitted only on the agreement of Cabinet after it has considered a written report from the Group Director, Finance and Corporate Resources setting out the circumstances of each case and with a full justification provided by the relevant Group Director.

10.0 THE GENERAL FUND BUDGET STRATEGY 2020/21

Background and context

10.1 Planning for the 2020/21 budget has been set against the continuing uncertainty over the main funding streams in 2020/21, which primarily result from the delay in introducing the three-year Spending and Fair Funding Reviews until 2021/22. This uncertainty is considered in detail in the MTFP attached at Appendix 6.

10.2 The Local Business Rate retention scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012. In essence the scheme allowed Local Government to keep 50% of any Business Rate growth from its baseline position. For Hackney and all other London Boroughs the remaining 50% share was split on a 60/40 basis with the Greater London Authority (GLA). In 2017/18 these proportions were amended to: - the GLA 37%; Central Government 33% and London Boroughs 30%.

10.3 A change to the system was made in 2018/19 with the introduction of the London 100% Business Rates Retention and Pooling Pilot scheme. Under this scheme Hackney retained 64% of the rates raised and the GLA kept 36% with no Government share.

10.4 Yet another change was made in 2019/20 with the introduction of a 75% London

Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney retains 48% of the rates raised, the GLA retains 27% and Central Government 25%.

10.5 The Government has decided it will not provide for the continuation of the 75% London Business Rates Retention and Pooling Pilot scheme in 2020/21 and that the 2017/18 shares of business rates income will apply, i.e. GLA 37%; Central Government 33% and London Boroughs 30%. This will reduce the amount of business rates retained by Hackney from 48% to 30% but the losses in income will be mitigated to some extent by additional Government funding. In October 2019, the London Councils Leaders' Committee agreed to continue the London business rates pool in 2020/21, despite the loss of pilot status. The 2017/18 shares will still apply but London Councils have estimated that the anticipated financial benefit of the Pool is approximately £25 million, all of which will be distributed to boroughs following the Mayor's agreement to forego any financial benefit, and Leaders' agreement not to have a Strategic Investment Pot (SIP) next year. London Council's latest modelling estimates our share at £1.1m.

10.6 Since 2010, when looking at savings options for the following year's budget, importance has also been attached to not just the year in question but also following years. As such, savings plans developed in one year often had an element which related to and impacted on future years. This proactive approach meant that savings plans for 2020/21 were agreed during 2016/17, 2017/18 and 2018/19 as well as 2019/20.

10.7 These savings together with further corporate savings has allowed the Council to propose a balanced budget despite further significant reductions in financial support from Central Government.

10.8 Of course identifying savings to offset a reduction in financial support is only part of the budget setting process. For 2020/21, as has been the case for many years, there have been emerging cost pressures and areas of unavoidable growth. These have been addressed, in the same way as previous years, by a combination of reallocating existing resources and additional savings. The following paragraphs set out some of the cost pressures and growth in more detail.

Cost Pressures and Growth

10.9 The Council's preferred strategy to manage growth and cost pressures has for the last 5 years been for service areas to manage pressures within their budgets wherever possible. A similar approach has been taken for managing non-pay inflation (see paragraph 12). This strategy will continue for 2020/21. However, it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable e.g. Levies and Concessionary Fares.

10.10 For 2020/21 whilst again most cost pressures have been contained within existing budgets the following have been added to the budget and to address corporate priorities.

- Pay inflation - £3.7m (see paragraph 12)

- Other inflation - (see paragraph 12)
- Directorate Cost pressures (see paragraph 19)

Funding for Directorate cost pressures will be held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director, Finance and Corporate Resources and after there has been set out a clear business case showing that the pressure cannot be managed from within the current directorate cash limits.

Summary

10.11 To summarise, this strategy produces a balanced budget for 2020/21. However, there are numerous further potential cost pressures on the horizon attributable to a variety of factors including increased demand for services and changes in Central government policy. These are dealt with in detail at paragraph 19 below.

11. THE LOCAL GOVERNMENT SETTLEMENT 2020/21

11.1 The Provisional Local Government Finance Settlement was published on 20th December 2019 and confirmed on 6th February 2020. It sets out many of the funding allocations that local authorities will be awarded next year. This is discussed in detail in the MTFP attached at Appendix 6. In summary, in overall terms we will have more resources in 2020/21 than we were planning for during the year but almost all of this additional funding is one-off, applying to 2020/21 only.

12. GENERAL FUND PRINCIPLES 2020/21

Inflation and Local Government pay

12.1 The Government's preferred measure of inflation for economic management purposes is the Consumer Price Index (CPI). CPI is also the measure that the Bank of England's Monetary Policy Committee must target when setting the Bank Rate. The latest Office for Budget Responsibility (OBR) inflation expectations, are as follows:

	CPI
2019	2.0%
2020	2.0%
2021	2.1%
2022	2.1%

12.2 There will inevitably always be some costs which don’t correlate with CPI e.g. Levies and Concessionary Fares and care contracts which are aligned to more local indices. As mentioned at Paragraph 10, where known to be unmanageable within existing cash limits, specific provision has been made in the budget proposals.

12.3 Negotiations are currently underway on the 2020 pay award and the outcome is uncertain. We have assumed 2% in the budget which yields an estimated cost in 2020/21 (excluding the HRA) is £3.7m

Concessionary Fares Update

12.4 The method of calculating Hackney's contribution to the Concessionary Fares Scheme in 2020/21 has been advised by London Councils. This includes the contribution to Transport for London (TfL), National Rail, Non-TfL bus and survey and re-issue costs. The annual charge rose dramatically between 2007/08, when it was £5.308m, and 2016/17 when it peaked at £12.5m. In subsequent years we have seen a gentle decline in the cost, and for 2020/21 the charge is £11.756m, a £200k reduction on the previous year. We have continued to prudently provide for small year-on-year increases in concessionary fares for medium-term budget planning.

North London Waste Levy

12.5 The North London Waste Authority (NLWA) charges Hackney, by way of a levy for the disposal of the Borough's waste from residents and businesses. The levy in 2020/21 will be £7.08m, which is only marginally higher than the previous year.

12.6 As has been documented for some time, NLWA's existing waste management infrastructure at Edmonton is reaching the end of its operating life and options for a replacement facility are being developed. The plant processes in excess of 500,000 tonnes per annum of waste arising from the seven constituent boroughs, including Hackney. This is waste which has been diverted away from landfill. The establishment of a new plant will increase the annual cost to all seven boroughs in the medium to long term.

12.7 Our levy will now increase over the medium-term as construction, and the associated borrowing/capital expenditure, commences in 2020/21. We could see our annual levy increase to over £12m during the construction period and subsequently the repayment of borrowing will form a part of the levy over the long term.

12.8 We therefore need to think about how we mitigate this additional cost as much as possible and diverting waste from landfill is the most significant factor in this. One initiative which is being pursued is the Estates Recycling Project which is probably the most sustained approach of all constituent NLWA boroughs looking at improvements on estates, both in communications and physical waste and recycling infrastructure aimed at increasing recycling performance

Use of Reserves

12.9 Other than planned use of reserves already agreed by Members as part of previous reports, these budget proposals do not include any further planned usage.

Pension Fund

12.10 In the 2015/16 Budget Report, Members were provided with updates on the impact on the Pension Fund of auto-enrolment, the new benefit structure from the LGPS 2014 Scheme and the changes coming through to the State Pension Scheme and how these might impact on Council budgets.

12.11 Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. As previously mentioned, for budget setting purposes all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there is no financial impact on the 2019/20 budget. The introduction of freedom and choice in pensions, which has given pension savers the opportunity to access pension benefits early and withdraw cash from pension schemes, has to date continued to have minimal impact on LGPS members, with very little interest to transfer benefits out of the secure defined benefit structure offered by the LGPS.

12.12 2016/17 saw changes to State Pensions via the introduction of flat rate state pensions from April 2016 and this resulted in changes to the contribution rebates which both employers and employees receive for national insurance where they previously operated a contracted-out scheme such as the LGPS and the Teachers' Pension Scheme. The additional cost to the Council of the reduced rebate was in the region of £2.5m. Employees also saw a reduction in the pay they take home from April 2016 as a result of increased national insurance contributions.

12.13 31st March 2019 also saw the next triennial valuation process for the Pension Fund. The Fund's actuarial advisers review the changes since the last valuation taking into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and assess the assets that the Fund holds to meet these liabilities. At the previous valuation on 31 March 2016, the Fund was 77% funded i.e. it held 77p worth of assets to meet every £1 of liabilities. Over the 3-year period the assets of the Fund have increased significantly due to a mix of the contributions paid by the Council and other employers and employees, but also the investment income and capital growth in the investments held. However, whilst the assets had increased to almost £1.6bn as at the end of March 2019, liabilities also showed large increases to £1.7bn. However, the overall monetary deficit reduced by £218m to £131m representing an overall funding level of 92%. Following the receipt of the valuation data, discussions took place with employers in the fund in order to determine appropriate contribution rates. Given the position of the Council as a long-term stable employer, we were able to agree a reduction in the Council's overall contribution rate of 1.5% in 2020/21 and 2021/22 and this has been accounted for in the budget setting process. This is a result of the use of a realistic approach to funding the Council's pension scheme in recent years.

12.14 As was mentioned in last year's report, the Pension Fund has been working hard to collaborate with other LGPS funds both through national procurement frameworks and through a collective investment vehicle in London (LCIV). The government published criteria and guidance for all LGPS funds in England and Wales to pool all the investment assets into 6 pools of around £25bn a piece and asked each fund to come forward with proposals on how funds will deliver against the criteria and guidance. There are 4 criteria, namely economies of scale, governance, reduced costs and an improved capacity to invest in infrastructure. The LCIV was officially confirmed as one of the 6 pools, having already received FCA registration, established an authorised contractual scheme and already bringing assets into the sub-funds. The Council continues to work closely with colleagues in London to ensure the success of the London CIV, and has during 2018/19, transferred a significant portion of the Fund's assets onto the CIV platform, through implementation of its agreed investment strategy. Undoubtedly over time such changes will deliver significant benefits in terms of cost savings and opportunities to benefit from investment opportunities. Such benefits will however take time to flow through to the Pension Fund and ultimately the Council and therefore are not able to contribute to budget savings at this time.

13.0 GROWTH AND EFFICIENCY SAVINGS

13.1 A number of specific pressures have been addressed within the overall budget strategy (as set out in Appendix 6). The Group Director, Finance and Corporate Resources will in liaison with other Group Directors seek to manage any further pressures if/when they emerge during 2020/21.

13.2 As mentioned at paragraph 10.6, the agreed 2020/21 Savings proposals were summarised in the OFP reports to Cabinet in over the period 2016/17 to 2019/20.

13.3 A description and analysis of our savings plans, and strategies is set out in the MTFP and attached at Appendix 6

14.0 COUNCIL TAXBASE, COLLECTION RATE AND COLLECTION FUND SURPLUS

14.1 In his Autumn Spending Review in 2015, the former Chancellor announced that all Local Authorities with responsibility for providing adult social care would be able to, annually for the life of this Parliament, increase their Council Tax rate by up to 2% in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets. The only condition of any increase is that all additional revenue raised must be used solely for adult social care services. This increase is in addition to the up to 2% increase in Council Tax that all Local Authorities could charge without triggering a referendum. This meant that for 2016/17 Local Authorities with adult social care responsibility could have effectively increased their Council Tax by up to 4% without triggering a referendum.

14.2 In the 2017/18 Local Government Finance Settlement, the Government amended the rules - Local authorities with responsibility for social care such as Hackney must hold a referendum if council tax is to be increased by 5% or more. This consists of a 1.999% threshold for general spending purposes plus a maximum 3% 'social care precept.

14.3 In the 2018/19 Local Government Finance Settlement, the Government again amended the rules. It increased the general spending council tax referendum limit from 1.999% to 2.999% for 2018/19 and 2019/20. The 2019/20 limit was confirmed in the 2019/20 Provisional Local Government Finance Settlement where it was also confirmed that the increase in the social care precept could not exceed 6% over the period 2017/18 to 2019/20.

14.4 For 2020/21, the referendum limit is 2% for the social care precept and 1.99% for general spending.

14.5 In recognition of the significant pressures on adult social care budgets, both in terms of increased cost of provision and increased demand for the service; and significant cost pressures in other services; this budget proposes to increase the Band D Council Tax rate by 2% in respect of adult social care and 1.99% in respect of other services giving a total increase of 3.99% for 2020/21. This proposal will generate around £3.4m additional resources which will help protect adult social care services and other services.

14.5 To determine the total amount of income to be raised from Council Tax for 2020/21, both the amount expected to be collected (the collection rate) and the physical number of properties in the Borough (the taxbase) must be considered.

14.6 In these proposals an assumed collection rate of 95.5% has been used. This is an increase of 0.5% over the previous year and reflects the sustained increase in collection performance by the Revenue and Benefits service.

14.7 The calculation of the taxbase for 2020/21 was finalised and the subject of a report to Members in January 2020. At the meeting Council agreed a taxbase of 74,386 Band D equivalent properties.

14.8 The estimated Collection Fund surplus of £3.118m in 2019/20, which is of a one-off nature, will be used to support service expenditure in 2020/21.

15. OVERALL POSITION ON THE GENERAL FUND

15.1 The overall 2020/21 proposed budget position is summarised in the table below.

15.2 Please note that the income total includes £8.843m of one-off income which will not be available to fund on-going expenditure. This is balanced off in the General Finance Account.

TABLE 1: PROPOSED NET EXPENDITURE BUDGETS 2020-21

Table 1	**2020/21 Budget £m**	**2019/20 Budget £m**
Net Expenditure Budgets		
Children Adults and Community Health	144.323	140.596
Public Health	33.684	32.764
Education	19.910	19.910
Education – Schools Budget (estimate)	214.000	210.000
Less Dedicated Schools Grant (estimate)	-214.000	-210.000
Neighbourhoods and Housing	23.644	25.711

Chief Executives	15.788	15.054
Finance & Resources – Support	28.112	27.597
Finance & Resources - Front Line Services	17.604	17.402
HRA Recharge	-8.000	-8.000
Directorate Cash Limits	**275.066**	**271.034**
General Finance Account (1)	30.814	41.975
RCCO in base budget	3.880	4.500
Collection Fund surplus used to fund capital and other one-off spend	3.118	2.543
Net Expenditure Budget	**312.878**	**320.052**
Revenue Support Grant Allocation	-35.361	n/a
Business Rates Grant Top up	-72.526	-83.421
Retained Business Rates	-44.040	-75.309
Collection Fund surplus	-3.118	-2.543
Public Health Grant	-33.240	-32.320
New Homes Bonus Grant	-7.551	-8.395
Better Care Fund	-7.700	-7.700
Additional Better Care Fund	-12.753	-12.753
Education Services Grant	0.000	0.000
Other Income including S31 Grants (1)	-8.843	-15.312
Resources	**-225.132**	**-237.753**
Council Tax Requirement	**87.746**	**82.299**

Note(1): This primarily reflects a reduction in one-off funding including collection fund surpluses in 2020-21

16.0 LEVIES

16.1 The Council receives levies from a variety of other bodies, which it must meet from within its total budget requirement. The levies include those from the North London Waste Authority [NLWA], the Environment Agency, the Lee Valley Regional Park Authority [LVRPA], and the London Pensions Fund Authority. In addition, the Council also pays into the London Borough Grants Scheme (LBGS).

16.2 Other than the NLWA levy, which is apportioned on a different basis, the levies are apportioned on the basis of taxbase.

16.3 As mentioned at Paragraph 14.7 above, the taxbase for Hackney for 2020/21 was agreed at 74,386 Band D equivalent properties and this figure has been used for apportionment of the applicable levies.

16.4 The following table summarises the 2020/21 levies and the 2019/20 levies for comparison.

Levying Authority	2020/21 Levy £m	2019/20 Levy £m
North London Waste Authority	7.08	7.00
London Pensions Fund Authority	1.06	1.06
Lee Valley Regional Park (see Note 1)	0.17	0.17
Environment Agency	0.17	0.17
London Borough Grants Scheme	0.21	0.21
TOTAL	8.69	8.61

Note 1: The 2019/20 value is shown as we are awaiting notification of the 2020/21

17.0 PRECEPTS

17.1 The only body which issues a precept to the Council is the Greater London Authority [GLA]. Payments to the GLA will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of Council Tax this equates to. The precept will be net of government support. The amount of Council Tax required as calculated by the GLA, is added to the Council's own calculation to give the total Council Tax to be charged.

17.2 The GLA Group Budget Proposals and Precepts were published in December 2019. The final consolidated draft budget was published on 29th January 2020 and will be presented to the London Assembly for final decision on 24th February 2020. The final consolidated budget requires a precept of £332.07 per Band D property, which is a 3.6% increase from 2019/20. The total GLA precept for Hackney will be £24.701m.

18. HACKNEY'S COUNCIL TAX FOR 2020/21

18.1 A description of the Council Tax regime is set out in **Appendix 4** as background information for Members. The Council Tax figures set out below are based on a 3.99% increase in the Council Tax and a collection rate of 95.5%. The collection rate is in line with the Council's Medium-Term Planning Forecast and supports Mayoral Priority 2, to ensure the Council delivers high quality services, financial stability and first-class local facilities, by ensuring that everyone pays what they owe and that the Council spends the money in the most effective way.

Table 2: Council Tax Income

2020/21 COUNCIL TAX TO BE RAISED	2020/21
	£m
Net Budget Requirement	**312.878**
External Support	-177.974
Retained Business Rates	-44.040
Collection Fund Surplus	-3.118
Council Tax requirement for Hackney	**87.746**
Council Tax requirement for the Greater London Authority (GLA)	**24.702**
Overall Council Tax Requirement	**112.448**
No. of Band D equivalent properties (the Council's Taxbase)	74,386
Basic amount of Council Tax for Hackney	**1,179.61**
Basic amount of Council Tax for GLA	**332.07**
Total Basic amount of Council Tax (per Band D property)	**1,511.68**

18.2 Members should note that decisions around the level of Council Tax increase must be made with reference not only to local political and financial considerations but also taking into account the Government's controls over Local Government spending such as the use of local referendum powers. In addition, the Council has to formally consult with representatives of the local business community. Local business representatives were invited to a consultation meeting to be held on the 21st February 2020 to discuss the final budget proposals.

18.3 The amount of the Council's General Fund revenue expenditure to be funded from Council Tax is £87.746m

18.4 The formal resolutions by Council to agree the budget and Council Tax rate are set out in the recommendations to this report. These can only be agreed by Council. The decisions cannot be delegated

19.0 FUTURE YEARS COST PRESSURES AND BUDGET PLANNING

19.1 As mentioned at Paragraph 10 above, although this report sets out the annual budget for 2020/21, the finance strategy is and will remain to be that the budget is not looked at solely in isolation of the year in question but also in terms of the issues that may affect the budget in future years.

19.2 The Council produces its Medium-Term Planning Forecast and the Group Director, Finance and Corporate Resources also updates HMT and Cabinet on the future year's indicative budgets on a regular basis throughout each year. This report does not revisit the overall forecast position as to do so would be a duplication of the information already provided.

19.3 There are cost pressures in:

(a) Adult Social Care, arising from increased demand for complex packages of care across client groups but particularly in Learning Disabilities.

There has also been an increase in people being discharged from hospital with intensive support packages. These pressures will be partially offset by the proposed 2% rise in Council Tax to directly contribute to adult social care and additional one-off funding for social care announced by the Government, however this additional revenue is significantly below the additional cost pressures forecast and does not provide a sustainable settlement for social care.

Work to reduce cost pressures in this area includes:

- a collaborative project with CCG colleagues to determine a baseline contribution to reflect the health needs of service users. This project is currently well progressed in Learning Disabilities and plans are to adapt the approach for other client groups.

- a pilot multi-disciplinary approach where home care packages are reviewed jointly with social workers and occupational therapists to maximise opportunities to promote independence and put in enabling packages of care and reduce associated package costs.

- implementation of a new 'Three Conversations' model of care focussed on early identification of need, which takes account of an individual's strengths and assets and prevents escalation of crisis and delays longer term support. The model is integral to the services approach to managing demand in the medium and longer term and the impact of this will be monitored.

(b) Looked after children and leaving care, where there is a continuing financial pressure resulting from increases in the number of children and young people that have come into care since 2011/12, the increase in residential placements and the adverse ratio between independent foster care and in-house placements. There are a number of initiatives to reduce numbers in care and the unit costs of placements included the Family Learning Intervention Project (FLIP), specific edge of care workers, the cross-borough residential project and plans for a new supported accommodation pathway for young people.

(c) As well as increases in LAC numbers there is also a sustained increase in referrals into the children's social care system which is putting pressure on staffing budgets as the services ensure that caseloads remain at reasonable levels. Additionally, the Children and Families Service was inspected by Ofsted in November 2019, 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.

(d) Funding manifesto commitments. Additional resources required for delivering manifesto commitments have been modelled and built into the Council's financial planning in line with the expected delivery of individual commitments. Funding has been allocated within this year's budget to meet initiatives such as, Young Futures Commission, measures to improve our recycling rate and minimise waste especially across housing estates, additional support for new/starter businesses, ensuring our local and town centre plans put communities and local businesses at their heart so that everyone benefits from development in the borough, establishment of re-use hubs and installation of water fountains to reduce use of plastics. Other initiatives such as an object lending library will be factored into future years. Additional calls on the capital programme arising from the manifesto will be considered through the monthly Capital Update Reports to Cabinet as the Capital Strategy is further developed. These additional pressures on both the revenue and capital budgets will require prioritisation alongside existing and other commitments and pressures in light of the financial challenges set out elsewhere in this report.

(e) The costs arising from the legal requirement to include an average of regular additional hours, overtime, standby and callout in employee's holiday pay.

(f) Increases in the cost of cleansing services which reflect the increasing number of households across the borough will be factored in financial modelling – current predictions are that household numbers will continue to grow by 1.7% per year.

(g) Special education needs due to the significant increase in young people with Education and Health Care Plans. A cost which is meant to be met by the High Needs Block of the Dedicated Schools Grant; a funding source which until recently has seen minimal growth despite the increase in demand. Announcements last calendar year in respect of additional funding in this area will assist the position but will not be sufficient to address the full extent of this growing pressure and as yet it is unclear what the funding will be beyond 2020/21. The government is allocating £700m extra for high needs nationally in 2020-21 and Hackney will receive an additional £4.0m. This is only about half the sum required to meet this year's funding gap. As a result, a major issue facing the Council is the continuing escalation in unfunded SEND costs and the resulting overspend in DSG. This is considered in more detail in 19.4 below

(h) Increased costs arising from the forthcoming pay award.

(i) An assessment of the short-term resource requirement of the Children and Families service has been undertaken following the recent 'Requires

Improvement' judgement from Ofsted and the continuing increase in demand which has led to high caseloads in some areas despite the considerable resources that have gone in to support the service since 2016 primarily for looked after children placement costs. This assessment has been completed in advance of the development of a strategic response to the Ofsted report which will address the thematic issues in the report including those around consistency and management oversight and the requirement for a Council-wide response that encompasses the impact of other service areas such as Legal, ICT and Housing. The Ofsted report noted that "most social work units have manageable caseloads" and recommendations did not specifically refer to resources but referenced a very recent increase in demand which leaders were quick to address. In summary, a one-off resource of £1.6m will be set aside to meet both the increased demand in the service for 2020/21 and to fund additional management capacity, project support and and an external challenge partner to assist in the Council's improvement programme for Children and Families' Services. This is in addition to a proportion of the social care grant which has been earmarked to contribute to demand pressures in relation to looked after children placement costs and additional staffing already in place in response to the increased demand. Furthermore, some of the existing capacity currently provided by agency staff will be made permanent as it is clear that there is a sustained increase in demand. This will be funded by the social care grant and will be used flexibly to respond to shifting patterns of demand across the service. The application of this additional resource will be reported through the OFP.

19.4 **SEND Deficit.** Since 2006 the DSG has funded local authorities for their current expenditure on schools, early years and children and young people with high needs. This specific grant must be spent on the local authority's Schools Budget. At the end of each financial year, a local authority may have underspent or overspent its DSG allocation. Currently, the conditions of grant for the DSG provide that any underspend must be carried forward to the next year's Schools Budget. To date, the conditions of grant have provided three options for dealing with an overspend:

• the local authority may decide not to fund any of the overspend from its general resources in the year in question, and to carry forward all the overspend to the schools budget in future years. This requires the consent of the local schools forum, or if that is not forthcoming the authorisation of the Secretary of State.

• the local authority may decide to fund part of the overspend from its general resources in the year in question, and carry forward part to the schools budget in future years

• the local authority may decide to fund all of the overspend from its general resources in the year in question

Until the last few years, few local authorities were recording DSG overspends, and those overspends were small. However, pressures on the high needs budget have led to more and larger overspends in recent years. Further many local authority Chief Finance Officers have concluded that if their DSG account is in deficit, they need to be able to cover the deficit from the authority's general reserves – a view shared by organisations that audit local authority accounts. Given the size of some authorities' DSG deficits, and the other pressures on authorities' reserves, there is a risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make.

In response to this, the Government recently announced that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. No timescale has been set for the length of this process. DfE then held discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG) about changes that it might make to the DSG conditions of grant and the regulations in order to create certainty that local authorities will not have to pay for DSG deficits out of their general funds. Such changes have been written into regulations, which will apply to budget setting in 2020/21 and thereby apply to deficits held at the end of 2019/20.

Under the new regulations, effectively Local Authorities will not be permitted to fund any part of a DSG deficit from sources other than DSG itself. Should they wish to use core council funds then they will need to apply to the Secretary of State for permission.

The implications of what the DfE are doing are potentially very helpful – they are suggesting that the DfE needs to be responsible for the funding of the deficits. So, on the one hand, councils can simply provide for a DSG deficit that sits on the balance sheet with an assumption that some, as yet unspecified, amount of extra funding will come along to make it good at some point in the future. This may well come to pass but on the other hand at this stage we have got absolutely no clarity so this could be viewed as a risky financial judgement. The matter has been raised with DfE and MHCLG and we understand that conversations are taking place with CIPFA.

As part of the next iteration of the MTFP, we will look at possible ways of mitigating the potential risks implied by the regulations but it is worth noting that there is highly likely to be many more twists and turns over coming months with joint Cipfa/DfE guidance expected shortly, with external auditors coming to a view and release of the DfE SEN review.

19.5 The above highlights that whilst the majority of efforts from Officers will be to manage existing services in the light of further reduced resources, there are also potentially big future demand and cost pressure issues that will need to be considered and any future planning strategy needs to look at managing these as part of any future plans.

20. COUNCIL INVESTMENT IN SERVICES

20.1 Children, Adults and Community Health

20.1.1 Adult Services

Adult Services plan to spend approximately £108m (gross expenditure) in 2020/21 and this encompasses expenditure on statutory Adult Social Care services from assessment of need, hospital discharge planning and the commissioning and provision of care. We support people with learning disabilities, mental health conditions, people with physical disabilities, people with sensory impairments, older people and unpaid carers. Services provided include:

- Safeguarding vulnerable adults
- Providing information and advice
- Linking people to universal and preventative services including reablement
- Brokering and commissioning of individual packages of care for clients
- Commissioning residential and nursing placements
- Monitoring and quality assuring services being provided
- Provision of out of hours emergency service
- Support to vulnerable members of the community to attain or maintain a tenancy, via the provision of housing related support

Adults Services work with a number of key stakeholders, most notably the City and Hackney Clinical Commissioning Group (CCG), Homerton University Hospital Foundation Trust (HUHFT), the East London NHS Foundation Trust (ELFT), and a range of third sector partners as well as independent providers to deliver joined up care for people in Hackney.

Over the last five years Adult Services have focused on working with people in a personalised way, putting individuals at the centre and promoting people's independence. Promoting independence means where-ever possible supporting people to continue to live at home rather than going into institutional care settings. This has been achieved by utilising services like Reablement to support people to regain skills they may have lost as a result of a hospital admission and making use of aids, adaptations and care and support packages designed around the individual. This has been successful at reducing the number of people in expensive residential and nursing care provision and increasing the number of people supported to live at home within their own communities.

To support this agenda Adult Services have continued to invest in services that help prevent, delay and reduce the need for care and support. For example:

- In 2018/19 we opened a new in-house state of the art day centre at Oswald Street aimed at supporting those with complex physical and mental health needs to access day opportunities. Spending on this service in 2020/21 will be approximately £2m.

- We recognise the importance of lunch clubs as an opportunity for older people to socialise, who would otherwise be socially isolated. As such, there is continued investment in this area with a new 3-year contract being awarded in 2018/19 for a Hackney CVS to provide and oversight to lunch clubs. The annual spend on the service is approximately £226k

- We invest in non-statutory support to help people maintain their tenancies and live independently whilst remaining connected to their communities. Although there have been reductions in spend on these 'Housing Related Support' services Hackney continues, given the level of need, to be one of the highest investors in this area in London. Spend on this service in 2020/21 will be approximately £7.5m

Adult Services continues to deliver in-house statutory services which many areas have outsourced, including Oswald Street Day Centre, direct care provision through Housing with Care services and a Shared Lives service to support people with learning disabilities to live in a family home rather than in residential care.

Integration with health services remains a significant priority for Adult Services into 2020/21 with the ongoing Integrated Commissioning programme which sees Adult Services budgets pooled or aligned under a Section 75 agreement with the City and Hackney Clinical Commissioning Group. The focus of which to date has been about working together to look at joint commissioning and funding arrangements to find long term and sustainable solutions to budget pressures and to improve services to residents and patients, smoothing pathways and minimising duplication to ensure delivery is as efficient as possible.

Adult Services has continued to make significant contributions to the efficiency agenda of the Council, having delivered £30.1m savings over the previous nine years.

20.1.2 Public Health

The estimated ring-fenced grant funding allocation for 2020/21 is £33.2m (at the time of writing this report the Government had still not announced the actual allocations). We are anticipating changes to the way the grant is allocated and anticipate further clarification will be forthcoming in relation to funding allocation for future years.

The grant is currently ring-fenced for Public Health, conditions of which are that the local authority must take steps to ensure it is aware of, and has considered, what the health needs of its local population are, and what the evidence suggests would be the appropriate steps to take to address those needs. Local authorities have some freedom in terms of how they choose to invest their grant to improve their population's health, though they must have regard to the national Public Health Outcomes Framework, ensure delivery of a number of mandated functions, and should consider the evidence regarding public health measures.

As referred to above the Public Health Grant is aligned with CCG funds as part of the integrated commissioning arrangements for services mainly within the Prevention and Children, Young People and Maternity workstreams.

The main public health service programmes and activities are:

- Mandated sexual health services for adults with an annual expenditure of £7.5m currently, largely spent on open access sexual health clinics provided by Homerton Hospital and Trusts across London. This has undergone transformational review in the way services are delivered and paid for across London, modernising the offer whilst delivering efficiencies through economies of scale. We anticipate the budget continuing to reduce in the medium term, though as an open access demand-led service it is tricky to manage.

- The health of 0 to 5-year-old children, incorporating the Healthy Child programme (predominantly the mandated health visiting service). Responsibility for this was transferred from the NHS in 2015/16, and we have recommissioned the service to better target support and to deliver efficiencies. Spend on the service in 2020/21 will be approximately £6.5m.

- Almost £1.3m per annum for a range of projects aimed at reducing adult and child obesity and increasing physical activity. The budget for this has stayed relatively stable over the past few years, though we have worked closely with the CCG and others to improve support across the ‘tiers’ of healthy weight, from universal services like the OneYou exercise and healthy eating programme on local housing estates, to weight management and exercise on referral.

- Substance misuse services (a council statutory service); total expenditure across adults and young people’s support for 2020/21 will be of the order of £4.6m. Over the past few years this budget has remained relatively stable, though introducing an integrated substance misuse treatment model did deliver some savings. The service will be recommissioned in 2020, and we intend to find further efficiencies in the way this operates.

- Up to £1m per annum to fund smoking cessation initiatives and tobacco control projects. Smoking in Hackney remains a significant cause of morbidity and mortality, and whilst we have slightly reduced the budget the service continues to operate effectively and we have retained funding to support wider tobacco control activity (including funding for Trading Standards colleagues to better tackle the sale of illicit tobacco).

- Health promotion and prevention for children aged 5-19, including school nursing and young people’s sexual health services, at an overall cost of about £2.1m per annum. This includes services such as CHYPS+ and school safeguarding, and spend has increased slightly over the past 3 years.

- Public mental health services commissioned from a wide range of voluntary organisations, within an overall sum of about £1.4m per annum. This has remained stable over the past 3 years.

- Community Based Services such as the estate-based health activities, violence prevention services and the Healthier City and Hackney Fund, with an overall sum of around £1m.

Other public health services include affordable warmth advice, accident prevention (injury from falls etc.), NHS Health Checks, dental health etc. The Public Health grant also funds staffing for public health intelligence and strategy, commissioning and contract management.

The Council has entered into a service level agreement with the City of London to manage a number of public health services for City residents, for which the City pays agreed service contributions and management fees.

20.1.3 Children and Families

The Children and Families Services (CFS) plan to spend approximately £61.3m (gross expenditure) in 2020/21. The Service encompasses statutory Children's Social Care Services and early help and statutory youth justice provision delivered by the Early Help and Prevention Service.

The Service works with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the Service will look after those children. The core focus is child protection, supporting families where their children are on the edge of care, securing positive long-term life chances of children looked after by the Council and providing universal and targeted early help and prevention services for Hackney's children and young people. The Council's Domestic Abuse and Intervention Service also sits within the Children and Families portfolio.

The Children and Families Service is made up of the following areas:

- The Family Intervention and Support Service includes referral and screening activity (through the multi-agency First Access and Screening Team) and statutory assessments for children in need. The Service safeguards children and young people assessed as being in need of social work intervention or protection through statutory processes. This includes child protection work, court proceedings and statutory family intervention to help children remain at home safely. The Disabled Children's Service provides specialist services to disabled children and young people and their families and was part of the Special Educational Needs and Disability (SEND) service within Hackney Learning Trust until line management responsibility transferred to the Family Intervention and Support Service in April 2019.

- Corporate Parenting works with and provides statutory services to children and young people who are looked after, including those in foster care, semiindependent or residential placements, as well as those leaving care. The service also manages in-house foster carers and their training. The permanency team provides support to Special Guardianship cases and will be supporting connected persons carers from January 2020. Support for children, adoptive parents, and birth family members during and after the adoption process has moved to the regional adoption agency Adopt London North.

- Safeguarding and Learning incorporates the statutory work of Independent Reviewing Officers and child protection conferences, the quality assurance of all activities in CFS and holds responsibility for the professional training and development programme across the Directorate, including the statutory social care workforce development. The service interfaces with the Department for Education, the Youth Justice Board, Ofsted and other inspectorates and ensures the business keeps abreast of legislative directions, government policy and guidance and research developments.

- The Clinical Service is an integrated and specialist Child and Adolescent Mental Health Services (CAMHS) for children accessing Children's Social Care Services, the Family Support Service, Young Hackney and the Youth Justice Service. The Service provides family therapy, psychology and other specialist clinical input into the assessment and treatment of children and families, including for the purpose of legal proceedings and for young people on youth justice orders. The service also provides accredited systemic training for practitioners across CFS.

- The Early Help and Prevention Service consists of Young Hackney, Youth Justice, Parental Support and the Domestic Abuse Intervention Service (DAIS):

- Young Hackney incorporates the Council's early help, prevention and diversion service for children and young people aged 6-19 years old (and up to 25 if a young person has special educational needs, is disabled and/or engaged with the substance misuse team). The service works with young people to support their development and transition to adulthood by intervening early to address adolescent risk, develop pro- social behaviors and build resilience.

- The Youth Justice Service holds statutory responsibility for Youth Offending, including providing dedicated and specialist support to young people on statutory youth justice orders.

- The Parenting Support Service aims to strengthen parenting capacity and reduce the risk of children unnecessarily entering care and includes the Council's Troubled Families programme, Family Support Units and other preventative programmes.

- The inhouse Domestic Abuse Intervention Service (DAIS) works with anyone in Hackney experiencing domestic abuse. The service assesses need; provides information and support on legal and housing rights; supports service users with court attendance; supports service users to obtain legal protection; and works with service users and other professionals to address their needs. The service also works with perpetrators of domestic abuse to try to reduce risk.

Some of the key planned activities and recent data for the Children and Families Service include:

- 4,290 statutory social work assessments were completed for children in 2018-19
- 413 looked after children (as at 30th September 2019)
- 276 child protection plans (as at 30th September 2019)
- 762 children supported by Children in Need plans (as at 30th September 2019)
- 88 families and 169 children were supported during 2018-19 due to having No Recourse to Public Funds
- At 31st March 2019, 139 children were placed with Hackney foster carers
- 32 children were in residential placements at 30th September 2019.
- Providing support and care for 336 disabled children in 2018-19.
- Providing support to 296 care leavers aged 17-21 and 65 care leavers aged over 21 (as at 30th September 2019).
- Youth activities and support for 6-19 year olds provided through Young Hackney (up to the age of 25 if a young person has special educational needs, a disability and/or is engaged with the substance misuse team) with 177,299 attendances at universal services during 2018-19.
- Young Hackney work with approximately 600 young people at any one time through the Early Help team providing tailored individual support.
- Activities for young people provided at 4 Young Hackney hubs, 6 adventure playgrounds and satellite-based community provision.
- Additional activities provided for young people delivered by voluntary and community sector organisations commissioned by Young Hackney.
- Providing support to 54 young people on statutory youth justice orders (as at 30th September 2019).
- 1,322 referrals were received by the Domestic Abuse Intervention Service in 2018/19.

The Children and Families Service has been successful in bringing in significant additional funding in recent years to provide resources for projects that support vulnerable children and families. These projects include the Family Learning Intervention Programme, the Contextual Safeguarding Project, the North London Social Work Teaching Partnership, funding to provide additional support for unaccompanied asylum-seeking children, and the Home Office Trusted Relationships Fund.

The Children and Families Service has continued to make significant contributions to the efficiency agenda of the Council. Over the previous nine years the service has delivered £11.3m savings with a further £0.1m being delivered in 2019/20.

20.2.3 Education and Schools

Hackney Learning Trust (HLT) plans to spend around £263m (gross expenditure) in 2020/21, which includes around £160m delegated to schools. HLT runs all the education services for the London Borough of Hackney and is responsible for schools, children's centres, early years and adult education.

HLT also provides a range of educational services through the delivery of a traded offer, operating in an increasingly competitive sector. As such, HLT has a trading relationship with all Hackney schools and is working with a number of schools outside of the borough.

HLT's vision continues to be the further acceleration of the pace of continuous improvement in order to ensure that all schools in the borough are graded good or better as soon as possible, and that every pupil is taught by good or better teachers with a curriculum that enables and promotes lifelong learning.

As at the end of the autumn term 2019, 70 of 76 schools (92%) (all phases) were rated as good or better by Ofsted for overall effectiveness.

93% of pupils at Hackney schools, which have been inspected by Ofsted, now attend a good or outstanding school (all phases).

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20.3 Neighbourhoods

The combined proposed budget (gross expenditure) for Environmental Operations, Waste and Recycling, Streetscene, Parking and Street Markets is £61.1m in 2020/21

<u>Environmental Operations</u>

- 261km of Hackney's streets are being cleaned at various frequencies, including at least twice weekly for all residential roads and daily or more often for zone 1 roads. Town centres and all high streets are swept and cleared of waste daily Monday – Sunday, up to 8 times a day.
- Four Graffiti and fly-posting removal teams and one additional wash down crew dedicated to removing graffiti, flyposting and staining from the public highway.
- A cleansing maintenance service delivered to all Hackney Markets including Saturday, with 70% of waste generated from Ridley Road being recycled.
- Domestic Waste collections provided to 55,000 estate-based dwellings with frequencies ranging from weekly to thrice weekly depending on the amount of waste generated and the estate's needs. This equates to approximately 0.5m yearly waste and recycling collections from estate bin stores.
- Domestic waste and recycling collections provided to almost 55,000 street-based properties on a weekly basis. Collections of domestic and recycling waste are provided on the same day. Door-to-door weekly waste and recycling collections amount to some 6.4m collections per year.

- Domestic Waste collections provided to over 5,000 dwellings in Hackney's commercial areas (predominantly flats above shops) with frequencies ranging from weekly to daily depending on the location.
- Recycling collections provided to both street and estate-based properties include, co-mingled (plastic packaging, plastic bottles, cartons, paper, cardboard, tins and cans and glass), food and garden waste collections.
- 24-hour management of Nighttime Economy areas of the borough with the continuous removal of waste and litter 7 days a week.
- Delivery of commercial waste services to the borough's businesses 7 days a week which includes commercial recycling at a low cost to businesses. Turnover exceeds £6.4 million per annum.
- Delivery of an integrated cleansing service across all Hackney estates and streets which delivers services in a more cost effective, efficient and high performing manner.
- Delivery of food waste collection services on estates.
- Daily check and rectify of all housing estate block where every building and landing is inspected, and any rectification required is undertaken.
- A scheduled cleaning service for blocks of flats whereby regular scheduled cleansing takes place in addition to the daily checks. This service is backed up by a deep (steam) cleanse of all internal block surfaces, as required.
- In house service delivery of gully cleansing and winter maintenance.
- Delivery of a subsidised door-to-door bulky waste service 5 days per week to all residents in the borough. This includes collection, processing and disposal of up to 5 items per collection.
- The operation of a waste transfer facility 6 days a week for street cleansing waste and bulky household items. The facility operates a recycling service separating recyclable materials and non-recyclable waste.
- Around 24,000 tonnes of material recycled from Hackney households each year, including approximately 13,500 tonnes of commingled recycling, 3,500 tonnes of food and 2,800 tonnes of garden waste.
- Approximately 1.5m commercial waste and recycling collections per year, generating around 4,500 tonnes of dry recycling and 900 tonnes of food for composting.
- Approximately 24,160 mattresses collected annually and sent for recycling.

Waste Strategy and Recycling

- Ongoing strategic development of the waste management and recycling services.
- Submission of all statutory data returns to Central Government.
- Publicity and promotion of waste management and recycling services.
- Management and delivery of the Ward Improvement Programme and formal monitoring of street cleansing standards.
- Lead on advising architects and planners at the pre-planning stage as well as formally commenting on full applications with regard to waste and recycling storage provision for all residential, commercial and mixed-use developments.
- Provision of around 600 'Recycling on the Go' bins across the borough which contribute approximately 240 tonnes of recycling over the year.
- Delivery of the Environmental Education contract with Ecoactive to

engage and promote recycling and waste prevention to around 7,000 primary and secondary school students per year; and collect around 800 tonnes of commingled recycling from schools.

- Maintain the furniture re-use collection service delivering over 1,100 re- use collections and avoiding around 100 tonnes of furniture from disposal.
- Development and implementation of estates interventions to improve performance across all estates recycling (not limited to the Council's Housing estates), including additional recycling collections at busy sites, introducing new design recycling bins with larger lid apertures, introducing c160 additional recycling bins at the Council's Housing sites and reviewing Waste Planning Guidance.
- Planning and roll out of a new Green Champions scheme focused on estate-based residents, to improve recycling on estates.
- Introduction of Hackney's first reverse vending machine to reward residents for depositing single use drinks containers, on one estate.
- Ongoing corporate programme (the Estates Recycling Programme) working to improve recycling on the Council's Housing estates. Most notably the closure of waste chutes and building replacement bin stores on seven estates to improve recycling infrastructure for estate-based residents.
- Deliver the first Object Lending Library in the borough to enable residents to hire tools instead of purchasing to reduce waste.
- Deliver the Zero Waste Hubs to enable residents to re-use their household items, to fix their bikes, textiles and electrical goods.
- Deliver a campaign to reduce single use plastics via social media and local outreach events.
- Deliver the annual Christmas Toy Gift Appeal, collecting over 1 tonne of toys, or 2,000 toys worth more than £4,700. These are re-homed at various educational centers, refugee centres and other charitable organisations.
- Work with Hackney Real Nappy Network to encourage residents to ditch 100 tonnes of disposable nappies for reusable cloth nappies and to engage with over 2,000 parents.
- Launch the #ZeroWasteHackney campaign aiming to reduce, reuse, rent, refill, repair and swap households' items through the established waste prevention services offered to residents.
- Deliver the 'Zero Waste Hackney' summer large event to encourage residents and businesses to reduce their waste.
- Attend over 30 local resident events to promote recycling and waste prevention and to engage with face to face with over 1,000 residents.
- Launch the first Low Plastic Zone in Dalston with over 30 businesses signed up to reduce their single use plastics.

Land, Water, Air (LWA) & Asbestos Pollution Control Teams

- Develops policy and advises Council on land water and air issues.
- Manages and/or delivers all LWA Team project work, including schools, and air quality monitoring.
- Delivers more complex air quality and contaminated land planning issues.
- Sources external funding, for example through the London Mayor's Air Quality Fund.
- Day to day Environmental Permitting duties for the Council.
- Developing, implementing and coordinating projects for the Air Quality

Action Plan.
- Contracting and managing Refurbishment and Demolition Asbestos Surveys.

Parking, Markets and Street Trading

- The launch of e-vouchers in 2020/21, which will enable residents to arrange parking for their visitors in seconds.
- Effective enforcement of controlled parking areas within Hackney, that ensure road safety, support traffic flow, and protect parking for those who most need it.
- The continued management of parking places, pay & display equipment, signs and lines, car park facilities and the CPZ review programme for over 70% of the borough, including 87 Council Estates and 6 off-street car parks.
- Consultation with uncontrolled areas where there is a demand from local residents for parking controls to be introduced.
- The management of Hackney's six street markets and their 6.1m annual customers, delivering continued growth across our markets and providing support and training to service users and customers, which supports business growth and entrepreneurialism.
- The licensing and management of shop front trading, with a focus on achieving growth, which supports regeneration and economic growth in Hackney, and facilitate effective enforcement to ensure effective trader compliance.

Streetscene

- Management of the public highway network that includes inspecting and repairing 240 km of carriageways, 480km of footways.
- Inspecting and repairing 11,214 streetlights, 9,670 gullies and 20 bridges.
- Maintenance of around 10,500 street trees on the borough's roads and footpaths and trees within parks with a commitment to significantly increase this over the next few years.
- During the winter period Streetscene are responsible for precautionary gritting of 30% of the road network. This includes all the main roads (inclusive of all bus routes & access to all emergency services) and susceptible routes (roads near water courses, steep gradients and problem sites).
- Maintenance of lining and signing on the road network (including at signal junctions, zebra crossings and yellow box markings) to ensure compliance with current regulations.
- Provision of cycle training for more than 1,800 people including 1,400 school children, 300 individual adults, and we also provide cycle training for community groups and all ability groups.
- Promotion of walking and cycling across the borough including events such Pit Stops and the world record breaking Bike around the Borough.
- Road Safety education and publicity including the school crossing patrol service.
- Managing skip and other highway licenses.
- Coordinating and managing Council, utility and developer works on our roads.

Libraries, Leisure & Green Spaces

The Libraries and Heritage Service plans to spend around £5.9m (gross expenditure) in 2020/21 across Hackney's libraries, museum and archives functions.

Hackney has eight libraries and a community library service and works with a range of partners to deliver a service which aims to connect with all sectors of the community. The service provides opportunities and support for learning, leisure, information, health related information and activities, helping people to gain paid employment and combating social exclusion. A range of innovative activities are provided for children and have been successful in encouraging reading skills and the pleasure of reading. The service is the largest provider of free internet access in the borough. The Community Library Service delivers books, DVDs and CDs to those who are unable to visit the libraries due to sickness or disability.

In 2018/19, the library service delivered the following:

- Over 1.6 million visits by members of the public
- 600,000 issues of books, CDs and DVDs
- Over 457,000 hours of free PC use in addition to free Wi-Fi in each library
- 3,700 children took part in the Summer Reading Challenge

Hackney Museum is recognised as one of the best community museums in the capital. Following its move to a state-of-the-art facility in Dalston, Hackney Archives has increased visitor numbers threefold. The two service elements offer a joint Community Education service which works with every state primary school in the borough.

Together, the Museum and Archives delivered the following in 2018/19:

- Over 37,200 visits in person
- Over 3,700 collection online enquiries
- Nearly 8,000 school pupils took part in learning activities
- Delivered a number of well received and high-profile major exhibitions and platform exhibitions at the Museum
- Supported the Council's Black History Season and Windrush Celebrations.

The Leisure and Green Spaces service plans to spend around £7m in 2020/21, managing and maintaining Hackney's 58 parks, gardens and open spaces and its seven sport and leisure centres.

Hackney's green spaces total approximately 283 hectares and range from potentially the largest concentration of football pitches in Europe at Hackney Marshes, to Springfield and Clissold parks. There are now 27 Green Flag Parks in Hackney – the national quality standard for parks.

The Sports and Physical Activity service works with partners to improve the health and wellbeing of local residents and support the development of sports and physical activity. In addition to providing a significant range of opportunities for individuals and groups to be involved in sport and physical activity, it also works in close partnership with Greenwich Leisure Limited (GLL), the organisation which manages leisure facilities in Hackney on the Council's behalf. All of Hackney's leisure centres (7) are QUEST accredited, the national quality mark for leisure facilities, and they attract well over 2 million visits each year.

Planning Services

The Planning Service expects to spend around £4.6m (gross expenditure) in providing services across the borough. This investment is in the following five service areas:

The Strategic Planning Team leads the preparation of the Council's Local Plan, the local authority's key planning document setting out how growth and spatial change will be managed across the Borough over a 15-year period. They also prepare accompanying Area Action Plans, Supplementary Planning Documents, the Authority Monitoring Report and a broad range of evidence and research documents to justify/inform the plans and ensure effective implementation.

Development Management & Enforcement implements policies set out in the Local plan documents by providing the Council's statutory responsibilities in respect of processing and determining planning applications, representing the Council at planning appeals, and carrying out the planning enforcement function. The Service processes, consults on and determines over 4,000 planning applications per annum, generating approximately £1.8m income per annum. In addition, the Planning Enforcement team investigates over 600 planning breaches per annum.

The Growth Team collects and monitors Section 106 income and Community Infrastructure Levy funding, delivers master plans and capital projects for areas of growth and change, leads on design and conservation issues, and determines major planning applications, with larger more complex applications being subject to Planning Performance Agreements, which typically generates over £500k income per annum to cover the cost of the team.

The Building Control team's primary function is to ensure that buildings are properly designed and constructed to meet regulatory requirements that guarantee the health, safety and welfare of people in or around buildings.

The Business Technical team supports the Planning service in day to day processes which includes handling planning applications and validations, building control fees, land charges, Community Infrastructure Levy (CIL), Section 106 and Planning Performance Agreements (PPAs).

Community Safety, Enforcement and Business Regulation

The Community Safety, Enforcement and Business Regulation Service has a gross annual budget of £7m to provide community safety and enforcement services across the borough. This investment is in the following five service areas:

Integrated Partnership Unit and Intelligence Hub – This unit brings together all strategy, partnership and intelligence capabilities and undertakes and coordinates the strategy and partnerships actions for the entire service creating a consistent joined up approach to strategy development and delivery.

Integrated Gangs Unit (IGU) – This unit is a multi-agency team which delivers a prevention, intervention and enforcement approach to known street gang members. The IGU has the capacity to work with 150 gang affiliates in Hackney. The aim of the team is to reduce gang related violence and to encourage gang members to leave the gang lifestyle. There is a focus upon risk assessment and risk management to ensure that both victims and perpetrators are kept safe as per safeguarding requirements. The unit is made up of staff from the Council, Police, Probation, Department for Work and Pensions (DWP) and voluntary organisations.

Civil Protection - This service is responsible for the strategic and tactical management of the Council's CCTV systems, Emergency Planning and Response and various engineering functions such as optical fibre cabling networks and radio voice systems.

The Civil Protection Service is an important component of the Council's work countering crime, disorder, terrorism and anything that disrupts the normal fabric of Hackney's life and wellbeing. It also provides the Borough with a centralised CCTV capability with experience, expertise, and knowledge of systems, as well as operational, management and legislation oversight for other council Public Spaces Surveillance systems.

Business Regulation Unit – This Unit brings together Food Safety, Health and Safety, Environmental Protection, Licensing, Bereavement Services, Trading Standards and all the main business engagement enforcement specialisms into one place under a single management structure. It captures and delivers what's best about specialist service delivery, but also enhances this with greater joint working and flexibility. This creates greater capacity to address demand and solves entrenched and complex issues and problems.

Enforcement – The team brings together all the various frontline enforcement response services. This is an integrated area-based enforcement service with officers empowered to enforce a range of legislation, including street scene enforcement, anti-social behaviour (ASB) and noise nuisance. The service integrates with and enhances the activities of staff within the other specialised legislative areas enforced; licensing, trading standards and environmental health. The service provides a casework system that sees complaints through from inception and through to resolution, including enforcement action with Officers working closely through a targeted process with other officers from other sections of the Council particularly Housing, Waste, Highways and Street Scene, Police and other emergency services.

20.3 Housing Regeneration

Hackney is building. Through its innovative cross-subsidy approach, the Council will deliver nearly 2,000 homes by 2022, with the majority for genuinely affordable social rent and shared ownership.

The Regeneration Division is responsible for leading the Council's core housebuilding programmes, which in total will deliver more than 9,000 new homes for social rent, shared ownership and outright sale through a mixture of direct delivery and partnership with housing associations and developers. The Division is also responsible for the development of the Council's Housing Strategy and policy, liaison with the borough's Registered Providers, and working to improve housing conditions and management in private sector housing through its #BetterRenting campaign.

The Regeneration Division plans to spend £0.9m in revenue, £2.1m in capital grants, and is leading the Council's regeneration programmes with a planned capital spend of £60m in 2020/21.

The Council has three main regeneration programmes; the Estate Regeneration Programme (ERP), Housing Supply Programme (HSP), and the Woodberry Down Programme (WDP).

The vision for the ERP is '*Council led housing regeneration which promotes mixed tenure sustainable communities with quality new homes in well- designed neighbourhoods'*. The team takes an innovative portfolio approach rather than approaching redevelopment on a site by site basis. By packaging sites together, the Council has been able to develop both a planning compliant programme which will deliver at least 50% social rent and shared ownership and a financially viable programme which is therefore deliverable.

In summary the principle benefits of the ERP are:

- Over 2,826 high quality homes;
- Improved space and sustainability standards;
- Wider range of housing types;
- Wider range of housing tenures (including 50% social rent and shared ownership);
- Improved amenity spaces and play spaces;
- Improved public realm and a more legible environment; Improved commercial and retail facilities;
- Reprovision of community facilities; and
- Wider community benefits e.g. employment and training opportunities.

The HSP will deliver additional new build homes by redeveloping underused Council-owned sites such as offices, depots and other buildings. It will deliver over 500 new homes on 16 sites across the borough. The HSP is a self- financing programme which will deliver a final tenure mix of around two-thirds of the completed units for Council social rent and shared ownership.

The regeneration of Woodberry Down is one of the Council's highest profile projects. It is one of the largest and most complex regeneration projects in the country. Unlike the Council's direct delivery programmes, the project is being developed in partnership with Berkeley Homes, Notting Hill Genesis Housing Association and the Woodberry Down Community Organisation. The Woodberry Down regeneration team is responsible for the delivery of the programme which will see the replacement of the 1,981 homes on the existing estate with up to 5,584 new homes, of which 41% will be affordable. As well as the physical regeneration of the estate the team works with partners including Manor House Development Trust to facilitate the social and economic regeneration of the area.

The Private Sector Housing team is responsible for driving up standards in Hackney's privately rented homes by tackling rogue landlords, supporting private renters and encouraging the professionalisation of the sector, in line with the Council's #BetterRenting commitments. As well as providing a responsive complaints service, the team has introduced a more proactive approach over the last year through two new property licensing schemes. These ensure that landlords of every House in Multiple Occupation in Hackney and all privately rented homes in three wards where conditions are at their worst needs to hold a licence committing them to maintaining high standards and fair treatment of tenants, or risk tough penalties. The service also delivers a range of financial support, through a programme of grants, to vulnerable residents to enable them to remain living independently in safe and healthy homes that are suitable for their needs.

In a typical year the service will:

- *Respond to over 700 residents service requests concerning poor housing conditions;*
- *Bring 20 long term empty homes back into residential use;*
- *Improve 250 private sector dwellings (i.e. significant hazards removed);*
- *Through the Disabled Facilities Grants programme, enable over 100 vulnerable residents to remain living independently in safe and healthy homes that are suitable for their needs;*
- *Through the discretionary grants programme support over 30 residents maintain secure, warm homes in good repair; and*
- *Support Hackney landlords to become accredited under the London Landlord Accreditation Scheme*

The Housing Strategy and Policy Service is responsible for developing, monitoring and implementing housing policy in line with the Council's strategic objectives and manifesto commitments, developing and overseeing the implementation of the Council's Housing Strategy, and maximising the housing resources and opportunities available to the Council through its enabling function with Housing Associations; as well as lobbying work with Central and Regional Government.

The Service also oversees the new Mayor of London's grant-funded housing development programme in Hackney undertaken by Housing Associations, as well as managing the Mayor of Hackney's Housing Challenge, which is seeking to leverage additional Housing Association backed resources into a £50m housing pot to fund the development of genuinely affordable rented housing in Hackney.

Through its policy development and lobbying work the Housing Strategy and Policy Service has successfully:

- Achieved a major Government policy change, in cooperation with other councils and organisations, with the removal of the Housing Revenue Account borrowing cap,
- Influenced the indefinite delay of measures in the Housing and Planning Act that would damage the Council's housing policies.
- Successfully campaigned for a range of Government policy initiatives with respect to improving standards, security of tenure and affordability in the private rented sector (PRS).

The Service supports the Mayor and Lead Members in influencing and shaping the external housing policy environment in accordance with Hackney's housing policy imperatives; promotes and supports the Council's housing regeneration and PRS enforcement successes; and forward scans, risk assesses and mitigates housing policy and resource threats to the Council's housing and regeneration services. It is the Council lead for facilitating and supporting Housing Association development and other activities within Hackney.

20.4 Area Regeneration

The Area Regeneration Service is responsible for delivering and coordinating strategic regeneration in the borough. The Council has adopted the Inclusive Economy Strategy which sets out a new approach to regeneration and economic development aimed at maximising the local benefits of growth. The new focus on area regeneration involves the Council working in partnership alongside the community and stakeholders at a local level to identify and deliver on a clear vision and priorities for different places.

Area regeneration is able to deliver more benefits for people and places by ensuring that growth and development opportunities are unlocked, initiatives in an area are holistic and aligned, partnership working is improved, and the benefits of regeneration and growth are maximised for the community. Working across the Regeneration Division, the Neighbourhoods and Housing Directorate, and the Council, the Area Regeneration Service focuses on:

- Strategic area regeneration and placemaking in regeneration areas/growth corridors;
- Partnership working to deliver area regeneration and a more inclusive economy;
- Business engagement, communications and support; and
- Supporting the delivery of workspace (with a focus on affordable workspace).

The service focuses on town centres and areas of economic growth in the borough and identifies priorities for areas by working with local stakeholders including bringing forward development sites, transport infrastructure improvements, public realm schemes, new commercial space and affordable workspace, social and economic regeneration programmes, and initiatives to support town centres and businesses.

he Hackney Wick Masterplan provides a framework to guide future development around Hackney Wick station and will ensure that affordable workspace is prioritised in this location, including space aimed at existing businesses at risk of eviction or rising rents. In Dalston and Hackney Central, the service will use the feedback from the Dalston and Hackney Central Conversations to shape the future of these areas and bring forward projects and initiatives to support our town centres.

In Shoreditch the service is working in partnership with neighbouring boroughs, businesses, developers and landowners to deliver improvements to the area and maximise the benefits of economic growth for local residents and businesses. The service is working with Transport for London and the London Borough of Islington on the changes to Old Street roundabout and future physical and economic opportunities in this area. The service has launched the Shoreditch and Hoxton Art Fund which is delivering community focused arts and cultural projects via contributions from private development sites.

The service is working to deliver new affordable workspace both on Council-owned sites and in partnership with other landowners and businesses. Two Council-owned buildings in Hackney Wick are currently being converted to provide more affordable workspace in the area, new affordable workspace has been delivered in Woodberry Down. There is also a proposal to convert redundant garages at the ground floor of Council housing buildings to affordable workspace for local businesses. Work is currently underway to develop designs for the conversion of two pilot garage sites into workspace.

The Hackney Business Network is aimed at businesses of all sizes and provides business information, guidance, and support making it easier for small and medium-sized businesses, as well as larger businesses, to grow and to flourish in the borough. In championing, supporting and advocating for the business sector, the Council is encouraging businesses to take an active role in delivering a more inclusive economy – including providing high-quality jobs, local apprenticeships and work experience opportunities, paying the London Living Wage, and delivering affordable workspace and more sustainable business practices.

20.6 Strategy and Economic Development

In 2018/19, the Council sought to progress faster, a range of socio-economic outcomes, including the delivery of an increasingly inclusive approach to economic growth. In effect, we are committed to building a more inclusive economy and ensuring that the benefits of inclusive growth are seen and experienced as widely possible across the borough.

The approach aims to bring together three areas of economic development – access to employment and opportunities; strategic area regeneration; and the Council's relationship with business – and to ensure these strategic areas are all fully aligned and mutually supportive and that inclusive growth is delivered as a result of these activities and a more joined up and inclusive approach to economic development .

Access to employment and opportunities is a key priority and ensuring that economic growth creates real, meaningful and high-quality employment opportunities is at the heart of everything the Council is doing around economic development. Over the past few years, the Council has made a conscious decision to significantly broaden its employment opportunities offer. The overarching aim is to provide borough residents with a range of different employment pathways including work placements, volunteering, apprenticeships and ring-fenced job opportunities.

Hackney Works (the Council's employment support and job brokerage service) has continued to deliver a personalised employment support service across three hubs. The team has continued to build internal partnerships to support residents, particularly for those who are part of the Troubled Families Programme and those affected by welfare reforms. Following the introduction of a new digital service for Hackney Works - focused on delivering a more user-focused experience for disadvantaged residents - the service has a renewed focus on the quality of the *journey* towards employment, as well as the quality of the job roles residents are moving into. This is demonstrated in a new set of metrics for the service included below, which includes tracking progression interventions.

Hackney Works has started delivering Hackney Late sessions, providing an opportunity for those in work to engage with the service during out of office hours. Effective external partnerships have been developed to deliver new training opportunities to residents, including a three-way partnership between Hackney Works, ELBA and blue-chip private sector companies.

Hackney's Supported Employment Team has recently launched its Supported Internships, aimed at young people aged 16-24 with Special Educational Needs and Disabilities (SEND). Working in partnership with HLT, the service has devised an innovative pathway for young people, which also includes early access to meaningful work experience linked to their interests and aptitudes, whilst in school. The new Supported internships, using the Project Search Model, are based on site at the Homerton Hospital and in line with the Council's ongoing efforts to lead by example, steps are now being taken to launch a similar programme based at the Council later this year.

In 2018 and again in 2019, Hackney Council was named the Top Employer - Public Sector at the School Leaver Awards, based on the direct, anonymous feedback provided by our apprentices through an online survey run by All About School Leavers. We were also the winner of the Large Employer of the Year and the Recruitment Excellence Awards for the London region at the National Apprenticeship Awards 2019. We have increased the number of apprentices at the council to over 100 currently employed. We worked with ICT to create 21 new apprenticeships in areas including Data, Digital Design, Infrastructure, Software, and ICT support, giving young people vital digital skills. We have also worked with Amazon to promote digital apprenticeships to tech SMEs in the borough.

In 2019 we launched the Hackney Apprenticeship Network, which will support and celebrate the creation of high-quality apprenticeships in the borough. Since the launch of the Network, over 30 businesses have signed up. The Network provides an effective framework and vehicle for the Council to work in partnership with businesses across the borough, establishing high quality apprenticeships which are accessible to local residents. All network members pay apprentices at least the National Living Wage (£7.70 per hour); work with a high quality training provider; offer apprentices pastoral support throughout their apprentices; and are committed to recruiting locally with a focus on disadvantaged groups. Members of the network include organisations and businesses from sectors such as education, performing arts, engineering, insurance, digital and construction.

During 2018/19, we offered paid work placements to Hackney young people through the Hackney 100 scheme in businesses including Amazon, the Geffrye Museum, and a range of construction employers, using our section 106 leverage. We have also hosted 25 paid placements at the council and worked with WeWork to establish Future Hackney - a programme which saw over 50 Hackney young people completing work placements with entrepreneurs and start-ups based at the workspace provider.

Below are the Employment & Opportunities programme outputs from April 2018 - March 2019:

Sign- Ups	2067
Equalities Monitoring - *BAME* - *Care leavers* - *Disability/Health condition* - *Female*	 40% 1% 6% 29%
Progression Interventions *(includes volunteering; employability support; training)*	3352
Paid Work Placement starts	87
Apprenticeship starts	118

Council	61
External	62
Total Apprentices on the Council Apprenticeship Programme	100
Job Starts	460
Equalities Monitoring - *BAME* - *Care leavers* - *Disability/Health Condition* - *Female*	 *67%* *3%* *29%* *46%*

20.7 Benefits and Housing Needs Service, and Revenues

The Benefits and Housing Needs Service is a mixture of statutory service and local provision. Functions consist of:

- Supporting those on low incomes in the borough to meet their housing rental costs through the administration of Housing Benefit
- Supporting those on low incomes to meet their Council Tax obligations through the administration of Council Tax reduction
- The administration of discretionary awards; Discretionary Housing Payments, the Hackney Discretionary Crisis Support Scheme (the Hackney Local Welfare Provision scheme), and Council Tax Discretionary Scheme
- Advice and homelessness prevention assistance to residents in housing need including the use of private sector lets and supported accommodation
- Providing emergency and temporary accommodation where necessary
- Providing downsizing for those who are under-occupying their properties to make best use of housing stock
- Management of the Council's Housing Register and all social housing lettings for the borough
- Assessment of medical conditions and disability with regard to housing suitability
- Procurement of properties for temporary and settled tenancies within/without the borough
- Management and maintenance of temporary accommodation hostels
- Rent collection for temporary accommodation
- Rough sleeping response

The impact of welfare reform and the housing crisis continues to significantly impact residents and therefore the demand on the Service continues to rise, especially with the introduction of the Homeless Reduction Act (HRA) from April 2018. An increase of 31% of residents approaching the Service for housing advice and support and 14% of those requiring temporary accommodation has been recorded for 2018/19. The increase in demand since the introduction of HRA for 2019/20 is still evidenced at 34%. The Council has been instrumental in the research and modelling report conducted by the LSE on behalf of London councils to evidence the true cost of homelessness services in London and the gap in Central government funding.

Despite the rollout of Universal Credit, the Housing Benefit/ Council Tax Reduction caseload of 38,000 (the highest in London) has only decreased by 5.6% from 2018/19. The service has seen the number of residents registering for social housing increase to more than 13,200 households on the housing register, however the number of social lets available to the Council has reduced dramatically to c.400 for 2019/20. This has resulted in the 3200 households in temporary accommodation remaining there longer, with 1200 of these placed outside the borough. The waiting time for a two-bedroom social housing property is now 10 years and 8 years for a three-bedroom property. The waiting time for a wheelchair accessible property is currently 9 years.

It is anticipated that around £301m will be paid out in Housing Benefit and £26.7m discounts via the Council Tax Reduction Scheme for 2019/20 with similar figures projected for 2020/21. However, administrative funding from the Department for Work and Pensions is reduced year on year, with a 38% cut evidenced since 2013 against a caseload reduction of only 4%. Funding announcements are yet to be made for the forthcoming year.

The majority of Housing Needs' planned £45m gross budget is spent on providing temporary accommodation and is recovered through Housing Benefit subsidy and rental income. Income collection rates for temporary accommodation achieved so far in 2019/20 are in excess of 98%.

The Service has brought online two hostels in the last year, reducing the need for costly bed and breakfast accommodation. It is anticipated that a further two will come online in 2020/21. This will be the culmination of reducing the unit cost of temporary accommodation. However, the continued cost is due to the demand for temporary accommodation rather than the type used.

The specialist Settled Homes Team has had some success with encouraging households in temporary accommodation to bid for social housing and re-locate and because of increased demands and the housing crisis resettle into the private rented sector out of London. However, the team functions have now been embedded into the various permanent functions of the Service and have resulted in the release of 4 agency staff.

Rough sleeping has started to decrease from 23 to 14 individuals at the last November 2019 count, as a result of the successful bid to MHCLG for the Rough Sleeping Initiative Fund for more provision for 2018/19. The bid was one of 3 successful bids which enabled the Service to create its own Street Outreach Response Team, including an approved mental health practitioner.

In addition to Benefits and Housing Needs, the division is also responsible for the administration and collection of Council Tax (around 116,000 households) and Business Rates (around 11,000 local businesses).

20.8 Corporate Plan Cost Cutting Services - Cross Cutting Investment in Reducing poverty, inequality and building social cohesion

The total budget proposed is £500k to be financed from one off funding. An indicative breakdown of the Investment is provided below.

Reducing Poverty

Objective 1: improve the offer for families in food poverty to improve children's access to affordable fresh food

- Improve the take up of support which is available for children and families to tackle food poverty
- Develop a more coordinated approach to food banks / cook and eat / community meal activities including

Budget: £40k

Objective 2: Strengthening support for those with the most complex needs (including a specific focus on those in housing need)

- Develop a multi-disciplinary case work approach between adult social care, mental health and housing needs to provide support to vulnerable adults with complex needs
- Supporting the expansion and mainstreaming of the collaborative case work approach working with in Benefits and Housing Need, Adults and Mental Health and other Advice services / agencies.

Budget: £200k

Objective 3: Strengthening support for families through investing in work to improve early help for children and families

- Pilot new approaches to service design around early help

Budget: £70k

Objective 4: Poverty proofing policies

- Poverty proof Council and Partner policies and practices

Budget: £30k

Tackling key inequalities

Objective 3: Helping people to age well in Hackney -achieving some quick wins

- Investing in proposals once the Age Well Strategy is adopted that help make Hackney a more Age friendly borough

- Invest in older people continuing to shape and steer the developing of the Ageing Well Strategy once adopted by Cabinet - through training and further peer research as well as developing appropriate governance and oversight

Budget: £80k

Objective 4 Engaging and improving services for young people

- Upskilling young people to co-design of test and learn experiments which influence public service design - support the Improving Outcomes for Young Black Men Programme and Young Futures

Budget: £80k

20.9 Central Services

To support the front-line services the Council has a number of support service functions e.g. Human Resources, Financial Management, Insurance, ICT, Property Services and Legal Services, but there are also a number of services e.g. Corporate and Democratic Core, Governance Services for Councillors and Registrars which are unique to Local authorities and other governmental organisations.

In addition to the above there is also, included within Finance and Corporate Resources, the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; NWLA Levy, Pension Back funding and Revenue Contributions to Capital Outlay.

21. ROBUSTNESS OF THE ESTIMATES, ADEQUACY OF RESERVES AND CONTINGENCY

21.1 All local authorities face a number of corporate risks. Risks identified as emerging after the period of this budget will be dealt with through the risk register contained within the MTPF and are not repeated in this report.

21.2 Section 25 of the Local Government Act 2003 requires the Council’s Chief Finance Officer (The Group Director, Finance and Corporate Resources) to report on the following matters; the robustness of the estimates and the adequacy of the proposed financial reserves.

21.3 The Council has taken a long term and strategic approach to managing the budget gap over a number of years and this has allowed and continues to allow proposals to be developed to cover a range of years to enable services to be properly and fully reviewed. The authority enjoys a high measure of financial stability and has over a number of years managed its finances well. Inevitably there are several risks to the budget, and these have been set out in this report including the challenges around delivery of savings proposals and the measures in place to mitigate these risks. The clear advice of the Group Director, Finance and Corporate Resources is that the current level of General Balances should be held at the existing position of £15m which is in line with our current policy to not allow the general balance to drop below £15m and to hold earmarked reserves for a range of specific purposes.

21.4 To summarise, based upon the measures in place to manage the delivery of the savings, the provisions made in relation to contingency sums, levels of reserves and balances the Group Director, Finance and Corporate Resources is of the view that the estimates are sufficiently robust and reserves adequate on the basis that no allocations unless already planned are undertaken.

22. HOUSING REVENUE ACCOUNT

22.1 Formal proposals for the Housing Revenue Account Budget including Tenants Rent and Service Charges for 2020/21 were included in a report to Cabinet in January 2020.

22.2 The rent increase of 2.7% in the 2020/21 budget is in line with the Social Housing Regulator's recommendation of CPI+1%.

22.3 Fees and charges remain frozen at 2019/20 levels and service charges will also remain frozen at 2019/20 levels with the exception of concierge charges, which are in line with the increase agreed in 2019, and the cost of garage and parking spaces which are increasing by £1 per week for the 2nd year, also agreed in 2019/20, to reflect the cost of maintaining them at a lettable standard and to bring them more in line with the local rental market.

23..0 RECHARGES

23.1 The budgets shown at paragraph 15 are before central recharges. The majority of central services cost centres will be fully or partially recharged to front line services in accordance with CIPFA Service Reporting Code of Practice.

23.2 This will be carried out in March 2020, after consideration of the budget by full Council but this has no impact on the Council’s overall budget.

24.0 CAPITAL

24.1 This Section and Appendix 7 present the Council’s indicative three-year capital budget, for 2020/21 to 2022/23, although it should be noted that formal resource approval is sought only for 2020/21. Future years will be subject to change, as schemes are developed more fully. Robust business cases are required before formal resource and spend approvals are sought. The three-year programme is included as it is used to inform the calculation of the prudential indicators, which are required to be set out for the next three financial years. The 2019/20 forecast outturn position has also been included, to provide better understanding of the whole capital programme and put into the context the increase in capital investment.

24.2 The Council’s programme for 2020/21 is budgeted at £322m, of which £146m relates to Housing and Regeneration, and £107m relates to the three Education mixed-use schemes we are progressing. There are of course risks associated with the three-year capital programme, particularly as it requires substantial upfront investment financed by increased borrowing, to be repaid as capital receipts are realised from the sale of assets developed in mixed-use schemes and via the substantial regeneration programme. This requirement arises from the significant funding cuts to Local Authorities including reduced capital grants, which have significantly reduced reserves and cash balances as they are used to finance the extensive capital programme. In turn, it will increasingly be the case that the overall borrowing requirement will be met from external borrowing rather than internal, as has been the case to now. This has already commenced, with the commitment of £65m of Public Works Loans Board PWLB borrowing in 2019/20. This borrowing was taken prior to the 1% increase in borrowing rates in October, meaning we secured circa 2% interest rates. In the future, we will consider alternative sources for long-term borrowing, which may now undercut PWLB rates.

24.3 The Council has options in the financing of its housing regeneration programmes, including the potential to appropriate the costs incurred in cashflowing the construction of outright sale properties on certain schemes from the Housing Revenue Account (HRA) to the General Fund (GF), in order to most effectively deliver these ambitious plans. We have also taken the first step in acquiring properties via our wholly owned subsidiaries. Hackney PRS Housing Limited has acquired 25 properties developed as part of the Council's regeneration programme. A combination of £16m equity/loan was issued to the company to acquire the units at Hoxton Press, Colville Estate during the current financial year.

Schemes

24.4 Full details of the three-year indicative Capital Programme are presented in Appendix 7. The programme provides a breakdown for each directorate with a further analysis summarising the Housing and Non-Housing requirements. The 2020/21 budget incorporates the resource re-profiling work carried out in 2019/20 during September and December and includes schemes which have already been approved through previous decisions of the Cabinet and Council. As already stated, all schemes where spend approval is not already in place will require robust business cases before any further resource and/or spend approval is given. Such schemes cannot proceed until this has been completed. Details of the new resource approvals being sought as part of this budget setting process are included in the schedules at Appendix 7.

24.5 The indicative programme incorporates schemes that will deliver the following:

- An ongoing and ambitious regeneration programme which will bring homes of different tenures to the market.
- Enough school places to keep pace with the increased demand for Hackney schools, including indicative estimates for the requirement for two new secondary schools, alongside ensuring our existing school estate is kept in a suitable state of repair.
- Regeneration of our town centres.
- Ongoing maintenance of the corporate property estate and the maintenance of the ICT infrastructure going forward following the current investment in upgrades to the Council's main ICT platforms.
- A highways maintenance programme retained at the current level of £4m pa and associated schemes
- The ongoing maintenance of the Council's parks and green spaces and libraries, including refurbishment of Stoke Newington and Stamford Hill Libraries.
- An ongoing commitment towards delivering on our zero-carbon target, including LED streetlighting

24.6 Two of the three mixed use schemes will complete in full in 2020/21. New Regents College, a Pupil Referral Unit with 150 pupil capacity, at the Nile Street location became operational last summer, and the final stage of the residential element was completed in recent weeks. At Tiger Way, construction completed in February 2019, with Nightingale Primary school operational in February 2019, and residential units occupied from July. Cabinet agreed to proceed with the procurement of contractors for the Britannia scheme in December 2017. This project goes one step further than Nile/Tiger – it delivers a replacement leisure facility for the existing ageing Britannia centre, six new forms of entry (940 pupils) and a 200 place sixth form secondary school, and 481 new homes, of which 81 will be onsite affordable. Construction of the leisure centre and school has commenced in 2019/20.

24.7 All three mixed-use schemes are funded primarily by sale of on-site private residential accommodation, and therein lies a significant element of risk. The age of Brexit means there is less certainty in the housing market than previously, and there is considerable work continuing to monitor and manage the risk that has been brought to bear in this new era. There are separate project boards and governance processes for Britannia and Nile/Tiger, in terms of ongoing project management and the relevant financial scrutiny.

24.8 The HRA debt cap was removed in 2018/19. While the debt cap adversely impacted the ability of the HRA to cashflow estate regeneration, it did provide a standard level of protection against the risk of imprudent borrowing. With this somewhat artificial protection removed, it is now more important than ever that HRA borrowing is undertaken judiciously and that a keen oversight of debt levels and viability is maintained through reporting to the Housing Delivery Board.

Hackney Capital Programme

Non-Housing	**19/20**	**20/21**	**21/22**	**22/23**
	Forecast	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Children, Adults & Community Services	10	13	21	15
Neighbourhoods and Housing	19	45	14	11
Finance/Corp Resources – commercial schemes	80	107	28	58
Finance/Corp Resources - other	10	11	8	13
Non-Housing budget	**119**	**176**	**71**	**97**
Housing				
Asset Management Plan	61	82	66	67
Estate Renewal Programme	39	29	51	61
Housing Supply Programme	7	20	18	42
Other Regeneration Schemes	16	11	7	5
Other	3	4	3	3
Housing budget	**126**	**146**	**145**	**178**
Total Annual Capital Budgets	**246**	**322**	**217**	**275**

Resources

24.9 The Capital Programme is funded through various sources including;

1) Specific & non-specific government grants
2) Capital receipts
3) Council Reserves
4) Revenue contributions to capital
5) Other one-off funding sources e.g. S106 developer contributions and Community Infrastructure Levy
6) Borrowing

24.10 The indicative resources available for each year of the Capital Programme is set out below. It is important to note that these are based upon the work done as part of the development of the Capital Strategy, taking account of the progression of various negotiations with Developers and other External Parties. They are therefore best estimates using the information currently available and will be subject to change. Any change in resources available will result in changes to the associated expenditure and/or financing plans in order that a net balanced position for the capital budget is maintained.

Non - Housing Financing	19/20	20/21	21/22	22/23
	£m	**£m**	**£m**	**£m**
Capital Receipts – mixed-use	39	104	28	58
Capital Receipts – other	10	10	10	10
Reserves/Discretionary	6	12	10	15
Grants	29	11	8	1
Revenue contribution	5	4	4	4
S106/CIL	12	19	11	9
Borrowing	18	15	-	-
TOTAL	119	176	71	97

24.11 The detailed resource position reflects the following:

- The "capital receipts - mixed-use" line reflects expenditure on the mixed-use schemes that is funded by sales of dwellings, and which in large part will happen post-construction. The timing of the cash inflows is different to the financing need, meaning there will be a short-term borrowing requirement. Further, where actual sales are lower than anticipated, and/or where they are later than expected, there may then become a longer-term financing requirement.

- The Grants & Contributions incorporates resources announced by the government for 2020/21 and the figure for the following two years captures our forecast based on initial agreements with various governmental Departments. These largely relate to the education programme where we are expecting some limited, albeit not sufficient, Government support for the delivery of additional school places and ongoing maintenance.

24.12 The resources available to finance the Housing capital programme are summarised in the table below.

Housing Financing	**18/19**	**19/20**	**20/21**	**21/22**
	£m	**£m**	**£m**	**£m**
Capital Receipts	48	40	33	31
Grants	5	8	5	17
Revenue contribution	51	51	52	53
Reserves	0	0	0	0
S106	0	0	0	0
Borrowing	22	47	55	76

Total		126	146	145	178

24.13 The detailed resource position reflects the following:

- The revenue contribution includes the Major Repairs Reserve (MRR), which is the depreciation calculation on the housing stock recycled to create resource for re-investment. The amount of MRR for 2020/21 is £44m

- The remainder of the Revenue Contributions include the Revenue Contributions to Capital Outlay (RCCO) and leaseholder contributions.

- The Capital Receipts line incorporates the Council's projected share of brought forward Right to Buy disposals. We anticipate additional RTB receipts for 2020/21, however for prudential measure these have not been included as it is difficult to estimate the number of RTB sales in future years.

- The Capital Receipts indicated for future years includes the projected Regeneration receipts for sale of land from various current and future schemes including Woodberry Down and Colville Estate. These figures are in line with those included in the approved HRA business plan.

- With the allocation of all expected and known resources, the Housing Capital Plan is projecting a significant and rising borrowing requirement through this three-year programme. A surplus in capital receipts is anticipated for 2023/24, which will reverse the trend and repay borrowing, however long-term affordability of the Housing programme remains the focus.

24.14 One-off funding forms a significant proportion of the sources available to fund the capital programme, however these are by no means guaranteed. As set out above, where we are most likely assured of receipt of these funds, a prudent approach, both in terms of potential receipt and timeline, has been taken and incorporated within the programme. Where ultimate realisation is more difficult to predict, they have not yet been included in the forecasts. These additional resources will be applied to the programme as and when received in order to optimise the financing of the Capital Programme and to reduce the overall level of borrowing required. Where appropriate, they will be used to provide additional resource for schemes to be developed.

24.15 Examples where we do not include one off funding relate to the following:

- The level of interest on balances earned by the Council continues to remain low and is likely to decline further as reserves and cash balances are utilised. This coupled with continued historic low interest rates available makes the return on such funds one of diminishing nature and nothing has been assumed from this source within the Capital Programme presented here.

- The number of Right to Buy Properties is highly cyclical and difficult to predict. As a result, as part of the Capital Receipts figure included, no future forecast of RTB sales receipts have been incorporated.

24.16 To avoid reliance on one-off funding sources and to continue to build a truly sustainable budget, which will counteract the reductions outlined above, the Council has maintained a significant level of Revenue Contributions to Capital outlay (RCCOs). In 2020/21 this amounts to £3.9m in respect of the General Fund and £8.7m in respect of the Housing Revenue Account. This level of contribution, particularly in the General Fund may, not be feasible in future years as the Council continues to deal with significant reductions in revenue funding from the government.

24.17 Government resources have been incorporated in line with the most recent announcements but may be subject to change, particularly in later years. Apart from known amounts of receipt of one-off Capital Receipts, no assumptions have been made in respect of other housing and non-housing capital receipts as these are highly subjective to market movements and policy changes by Central Government. The Council's property portfolio is continually under review to ensure optimum use and appropriate sales where possible. Additional receipts that become available will be included in the capital programme as these are identified.

Capital Overall Summary

24.18 This report sets out an indicative three-year programme which is designed to deliver an ambitious Capital plan in order that the objectives set out earlier are met. It also details the impact of reduced supported funding for the Capital schemes and that the Council will need to borrow in order to ensure it has sufficient resources to deliver the ambitious plan. Having a longer-term outlook of the Capital programme, as presented here, will allow for better financial management of the resources as this captures requirement over the life of the projects which can then effectively be fed into the Council's Treasury Management.

24.19 Due consideration continues to be given, through the governance structures already in place, to how the UK's changing economic position is impacting on key parts of the capital programme as it currently stands. Adjustments to plans will be made where it is deemed in the best interests of the borough's long-term financial sustainability.

25.0 PRUDENTIAL CODE

Background

25.1 The Prudential Code for Capital Finance in Local Authorities (the Code) was originally implemented in 2004/05 and the latest version is 2017. This is a professional Code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable.

25.2 Hackney's capital investment is limited by the Code's requirement that borrowing is sustainable, affordable and prudent and the overarching requirement that local authorities set balanced revenue budgets. The Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority's borrowing.

25.3 Under section 3(1) of the Local Government Act 2003 Local Authorities are required to maintain the prudential indicator for the authorised limit for external debt for the current year. Regulation around local authority borrowing and capital investment is subject to change by Government at any point and dependent on macroeconomic circumstances.

25.4 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which for housing authorities are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation.

25.5 The indicators from both Codes are purely for internal use by the Council because any comparisons with other Councils would not be meaningful. However, comparing the level of the indicators over time does add value to the capital and treasury management process. The codes require projections for the next three financial years up to 2022/23.

Capital Expenditure and the Capital Financing Requirement

25.6 The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.

25.7 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes (which may have previously been limited by the credit approval system) or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing the authority must be satisfied that the additional borrowing costs can be afforded within future year's revenue budgets, for both General Fund and HRA.

25.8 Once again, the Council anticipates the potential need to undertake unsupported borrowing to fund both its Housing and non-Housing capital programme, given the nature of the programme set out, particularly in respect of the provision of new schools and housing projects that will require forward funding before realisation of capital receipts.

25.9 The capital expenditure set out in the tables below is based on the level of capital resources that can be realistically estimated over the next three years. Decisions on the actual financing of capital expenditure are taken each year during the year-end closure of accounts process on the basis of all the relevant information available at that time. It is therefore possible that the balance of the resources used in a particular year, for example, between capital receipts and Major Repairs Reserve (MRR), may change, although the totals over the three-year period are expected to remain broadly the same.

25.10 The capital expenditure, resources and CFR set out below allow for additional expenditure on New Build Affordable Homes, "Decent Homes" and other related schemes. The increase in the Council's borrowing requirement to enable the ongoing financing of such schemes has also been allowed for in assessing an appropriate level for the borrowing limits.

25.11 Following Royal Assent of the Localism Act 2011, HRA Self Financing started in April 2012. The subsidy system was replaced, and the Council now retains all rent and service charge income in return for it delivering housing services to tenants and taking on investment in its housing assets based on a 30-year business plan. A "once and for all settlement" between Government and local authorities, in the form of a "one off" reallocation of debt was also undertaken. Government may reopen the settlement in very limited circumstances for major policy changes making a "substantial and material impact on the landlord business". For the Council, this equated to a reduction in debt and DCLG settled this by repaying a proportion of each of the Council's PWLB loans. As a result, Hackney was debt free although this is now changing.

25.12 The International Financial Reporting Standards (IFRS) require the Council to review all operational leases to ensure that they are correctly classified as operational leases in accordance with strict criteria. Reclassification of a lease as a finance lease means that the assets are recognised on the Council's balance sheet and matching long term liabilities are also recognised. The CFR figures within this report have been adjusted to reflect these reclassifications.

25.13 IFRS also required PFI schemes to be brought onto the balance sheet, however, the Council's PFI scheme was already on the balance sheet and included in the calculation of its CFR and is shown in Table 2 as "Other long-term liabilities".

25.14 Tables 1 and 2 summarise the proposed level of capital expenditure, the means of funding that expenditure and projections of the CFR over the next three years. The Council is asked to approve these projections.

Table 1: Capital Expenditure and Financing 2019/20 to 2022/23

	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Programme:				
Non-Housing	119	176	71	97
Housing	126	146	145	178
Total spend	**246**	**322**	**217**	**275**
Financed by:				
Capital Receipts	98	154	71	100
Government Grants	46	39	25	28
Reserves	6	12	10	15
Revenue	56	55	56	57
Borrowing	40	62	55	76
Leasing and PFI				
Total Financing	**246**	**322**	**217**	**275**

Table 2: Capital Financing Requirement and External Debt 2019/20 to 2022/23

	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Financing Requirement at Year End					
CFR – Non-Housing	374	339	304	280	334
CFR – Housing	110	132	179	233	309
Total CFR	**484**	**471**	**482**	**514**	**644**
Net CFR movement		-13	12	31	130
External Debt					
Borrowing	83	113	110	164	240
Other long-term liabilities	14	14	13	12	11
Total Debt 31 March	**97**	**127**	**123**	**176**	**251**

Limits to Borrowing Activity

25.15 The first key control over the Council's activity is to ensure that over the medium-term debt is only for a capital purpose. The Council needs to ensure that external debt (i.e. borrowing for any purpose, plus other long-term liabilities) does not, except in the short term, exceed the total of the capital financing requirement in the previous year plus the estimates of any increase in the capital financing requirement at the end of the current and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 3: Gross Debt Compared to Capital Financing Requirement

	2019/20	2019/20	2020/21	2021/22	2022/23
	Approved	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Gross Debt	219	127	123	176	251
CFR	619	471	482	514	644

25.16 The Group Director, Finance Corporate Resources confirms that the Council will comply with the requirement to keep gross debt below the Capital Financing Requirement over the next 3 years. The estimated movement in gross debt and the CFR is set out in Table 3 and takes into account current commitments, existing plans, and the proposals in the budget report. The increase in gross debt over the period reflects both the anticipated increase in the CFR and prudent assumptions on the future movement of revenue reserves and balances.

25.17 A further two Prudential Indicators assist in exercising control of the overall level of borrowing which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

25.18 The authorised limits and operational boundary need to be set at a level which will allow for borrowing to support the delivery of the capital programme as set out earlier in this report. Increases in the HRA CFR arise from HRA Unsupported Borrowing undertaken to support the HRA Business Plan. The increases in the General Fund CFR arise from GF Unsupported Borrowing undertaken to fund the capital programme as reserves and cash balances held by the Council reduce, and shorter term cashflowing of our mixed-use schemes, where there is a lag in the receiving of capital receipts from residential sales.

25.19 The Council is asked to approve the following Authorised and Operational Limits, which have been calculated in the case of the Operational Limit on the basis of anticipated cash flow and the potential increase in the Capital Financing Requirement, and in the case of the Authorised Limit allowing a margin for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts:

Authorised Limit and Operational Boundary

	2019/20 Approved £m	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**
Authorised limit for external debt				
Borrowing	582	532	564	694
Other long-term liabilities	18	20	19	18
Total	**600**	**552**	**582**	**711**
Operational boundary for external debt				
Borrowing	552	502	534	664
Other long-term liabilities	18	20	19	18
Total	**570**	**522**	**552**	**681**

Affordability Prudential Indicators

25.20 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

- **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream, separately for housing and non-housing services. The higher ratio for the HRA reflects the high depreciation charges which are included as financing costs in the HRA and represent a significant proportion of the HRA revenue budget. The increase in the Non-HRA indicator is largely the result of the requirement to replace internal borrowing with external as cash reserves reduce in future years. The estimates of financing costs allow for the level of borrowing set out in the capital expenditure plans.

Ratio of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	2019/20 Approved	2019/20 Revised	2020/21 Estimate	2020/21 Estimate	2022/23 Estimate
Non-HRA	0.9%	0.4%	0.5%	0.6%	0.6%
HRA	34.7%	32%	33%	35%	36%

MRP Statement

25.21 The Local Authorities (Capital Finance and Accounting) England)(Amendment) Regulations 2017 place a duty on local authorities to put aside resources to repay debt that has been used to finance capital expenditure in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision.

25.22 In November 2017, the Department for Communities and Local Government published a consultation on proposed changes to the prudential framework of capital finance, including the statutory guidance on Minimum Revenue Provision. This guidance and the resulting clarification suggested a number of changes to the guidance on MRP. The most important of these are:

- The definition of prudent MRP provision has been updated – it should “cover the gap between the Capital Financing Requirement (CFR) and grant income/capital receipts”.
- Any planned overpayments in MRP must be recorded clearly as a separate section in the MRP Statement. These can then be used to offset charges in future years.
- The guidance is explicit that MRP cannot be a negative charge and can only be zero if there is the CFR is nil or negative, or if the charge is fully reduced by reversing previous overpayments.
- A change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.
- The guidance on asset lives has been updated, making a maximum asset life used in an MRP calculation 40 years, except freehold land where the maximum is 50 years. This applies to any calculation method using asset lives.

25.23 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance requires the Authority to approve an Annual MRP

Statement each year and recommends a number of options for calculating a prudent amount of MRP, although it does not preclude other prudent methods.

25.24 The four MRP options available are:
- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

25.25 The MRP Statement must be submitted to Council before the start of the relevant financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

25.26 The following statement incorporates options recommended in the Guidance:

25.27 For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets.

25.28 For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

25.29 For assets acquired by finance leases or Private Finance Initiative (PFI), MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

25.30 No MRP will be charged in respect of assets held within the Housing Revenue Account

25.31 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

APPENDICES

The following are appended to this report

Legal framework governing budget decisions	Appendix 1
Gross and Net budgets by Directorate 2020/21	Appendix 2
Treasury Management Strategy 2020/21 to 2022/23	Appendix 3

	The Council Tax regime	Appendix 4
	The Council Tax base 2020/21	Appendix 5
	Medium Term Financial Forecast	Appendix 6
	Proposed Capital Schedules	Appendix 7
	Proposed Fees and Charges 2020/21	Appendix 8
	Referendum Calculation. 2020/21	Appendix 9
	Capital Strategy 2020/21	Appendix 10
	Corporate Delivery Plan Update	Appendix 11
	Financial Management Code Position Statement	Appendix 12

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