Hackney

2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (JANUARY 2020)
KEY DECISION NO. FCR Q8

CABINET MEETING DATE 2019/20	CLASSIFICATION:
16TH MARCH 2020	OPEN

WARD(S) AFFECTED: ALL WARDS

CABINET MEMBER

Deputy Mayor Rebecca Rennison

Cabinet Member for Finance and Housing Needs

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams: Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the eighth Overall Financial Position (OFP) report for 2019/20 and is based on detailed January 2020 provisional outturn monitoring data from directorates. We are forecasting an overspend of £6,953k at year end - an increase of £522k since December. The reasons for this increase are detailed in the directorate commentaries below

1.2 This overspend will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. It must be noted that there is no guarantee that these surpluses will continue in future years and so they must be regarded as one-off funding streams only.

1.3 As with 2018/19, our projected overspend primarily reflects reductions in external funding over time and increasing cost pressures in services, including social care, homelessness and special educational needs (SEN). Despite the publication of the 2020/21 Final Local Government Finance Settlement, which confirmed what had previously been announced in the 2019 Spending Review and the 2020/21 Provisional Finance Settlement, significant uncertainty still remains about our future funding and in particular, its sustainability. But we do now though, have some clarity about our funding position for 2020/21, but it is unlikely that we will know our funding level for 2021/22 until December of this year.

1.4 Work is progressing on the Fair Funding Review and whilst the LGA and other organisations have provided some estimates of the possible impact of some of the proposals, we still await official estimates of the potential impact.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £6,953k overspend which is equivalent to 0.7% of the total gross budget and 2.17% of the net budget. At year end, this overspend will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20. As there is no certainty that these surpluses will continue in future years they must be regarded as one-off funding streams that can only be used in 2019/20.

2.2 Where there are service overspends of a recurrent nature, and/or funding shortfalls, we have dealt with this in the growth assumptions in our medium-term financial plan and will manage down the overspends by a phased application of additional resources to the relevant services. It is necessary to do this in a phased way to smooth out the impact on the rest of the budget and council tax.

2.3 Principal Place is a mixed-use development in Shoreditch. It is being developed by Brookfield Properties (freehold retained by the Council). The development is made up of five buildings that front Norton Folgate, Worship Street, Bowl Park, Plough Yard, Hearn Street and Curtain Road and include the Amazon HQ. The overall development comprises 79,000 sqm of commercial space, 30,486 sqm of private residential, and 5,324sqm of affordable residential space. Building 5 is a single-storey commercial (130sqm) building which faces onto Plough Yard. As part of the scheme S106 contribution, the commercial space in Building 5 will be leased to the Council at a peppercorn rent for a term of 25 years. An obligation under the s.106 agreement is to ensure this space is available as affordable workspace, and this obligation will pass to the Council with acquisition of the leasehold interest. For this reason, the Council will not be seeking full market rent, but will be seeking to ensure that any future tenant will fulfil the s106 obligations by;

- ensuring provision of business support services
- making the event space available to local businesses
- making the space available to the Council for the hosting of business engagement events

The S106 agreement also sets out a capital contribution of £100,000 to LBH towards the fit-out costs of the unit. Although there will be no capital costs incurred by the Council, the lease term being in excess of 7 years, constitutes an acquisition for which Cabinet approval is required. Construction of the unit is now complete and Brookfield will be ready to hand over keys once the Council’s formal approval has been given and the lease has been agreed and completed, along with transfer of the £100,000 contribution towards the fit-out. The Developers had intended to obtain practical completion in November 2019, but this was delayed, we are now in a position to complete a lease, the terms of which have been substantially agreed. Area Regeneration has engaged with Affordable Workspace providers. The smaller scale of the floor plate (130 sqm) and the unit’s location has attracted the interest of some providers for use as specific innovation and project development space, hosting meeting space and small seminars. The space will accommodate only minimal hot desking space in addition to business support service, with the event space being offered to local businesses and to the Council.

Cabinet is asked therefore to authorise the acquisition of a new 25-year lease for Building 5 Plough Yard, at a peppercorn rent.

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

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JANUARY 2019

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
		£k	£k
86,623	Children's Services	2,056	273
91,094	ASC & Commissioning	4,092	79
32,764	Community Health	-	-
210,481	**Total CACH**	**6,148**	**352**
36,338	**Neighbourhood & Housing**	**151**	**162**
14,957	**Finance & Corporate Resources**	**258**	**8**
8,938	**Chief Executive**	**396**	**0**
49,338	**General Finance Account**	**0**	**0**
320,052	**GENERAL FUND TOTAL**	**6,953**	**522**
	Application of One-Off Funding		522
	Forecast End Year Position	**0**	**n/a**

3.0 RECOMMENDATIONS

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

3.2 Authorise the acquisition of a new 25-year lease at a peppercorn rent for Building 5, Plough Yard in the area at Principal Place as described in 2.3 above.

3.3 Delegate authority to the Group Director of Finance and Corporate Resources to acquire a lease of 25 years in respect of Building 5, Plough Yard and to agree all other terms of the lease provided that the requirements of S120 Local Government Act 1972 are met.

3.4 Authorise the Director of Legal Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposed acquisition and to enter into any other ancillary legal documentation required to complete the proposed transaction.

4. REASONS FOR DECISION

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

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

The CACH directorate is forecasting an overspend of £6,148k after the application of reserves and drawdown - an increase of £350k from the previous month.

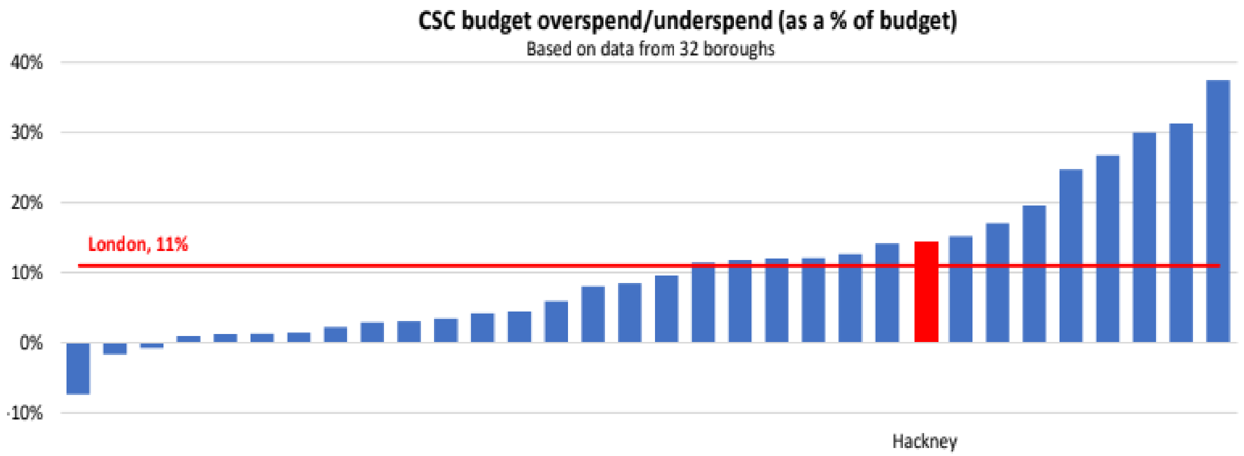
Children & Families Service

The Children & Families Service (CFS) is forecasting a £2,056k overspend against budget after the application of reserves and grants. The draw down from reserves includes:

- £2,300k from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1,300k for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.
- £300k is drawn down to offset pressures in relation to the increase in young people currently held on remand.

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

The sustained pressure on CFS budgets is a position that is not unique to Hackney, as shown by the results of a survey on Children's Social Care spend carried out jointly by the Society of London Treasurers (SLT) and the Association of Directors of Children's Services (ADCS). The graph below shows how Hackney's year-end position for 2018/19 (before the use of reserves) compared to other London boroughs for Children's Social Care.



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

Corporate Parenting is forecast to overspend by £1,680k after the use of £2,300k of commissioning reserves and £300k one-off staffing reserves. This position also includes the use of £1,200k of Social Care funding that was announced in the October 2018 Budget.

Spend on LAC and Leaving Care (LC) placements (as illustrated in the table below) is forecasted at £21m - £4.1m over budget and an increase of £2.7m over last year’s outturn of £18.3m

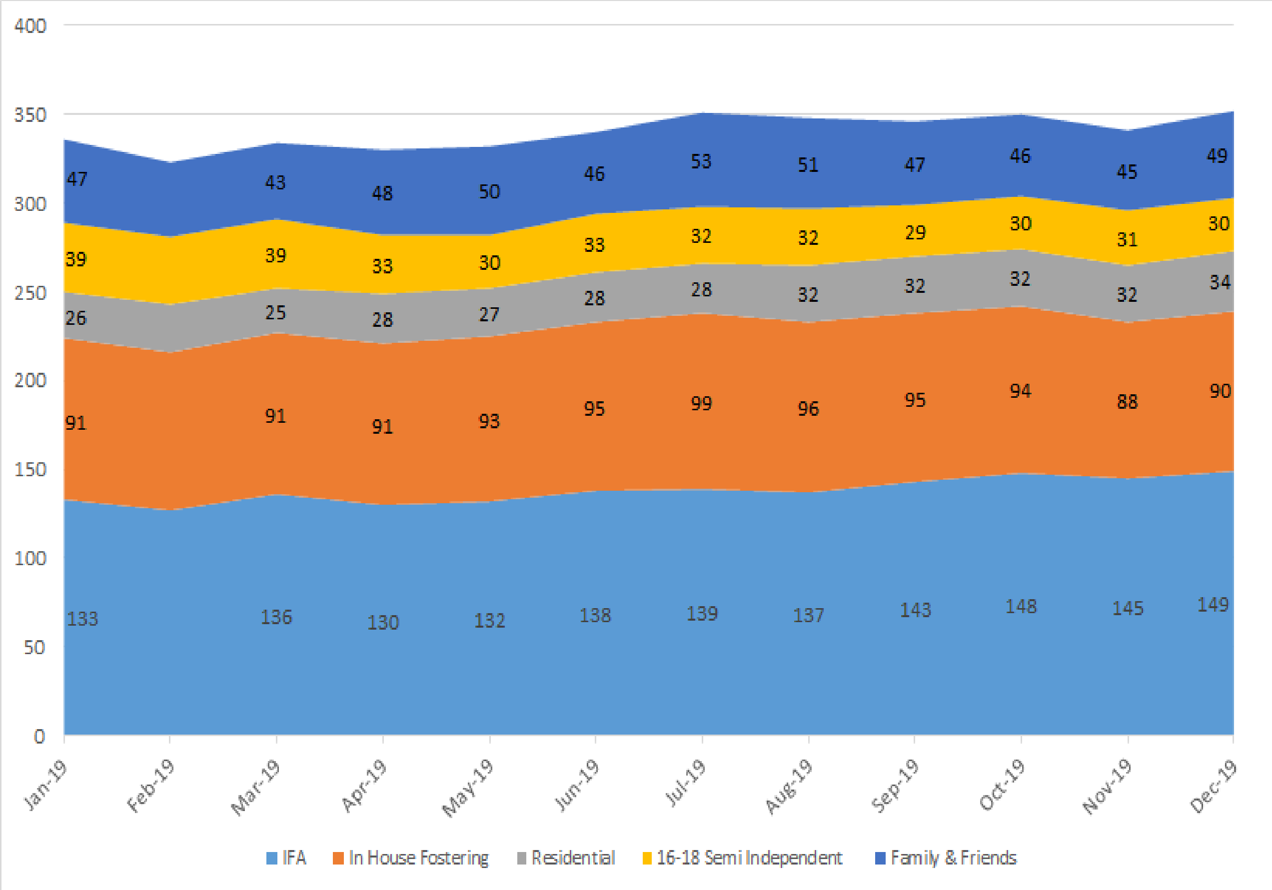
Table 1 : Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	**Budgeted** Placements	Current Placements	Management Actions
Residential	4,331	5,336	1,005	22	33	There are a number of initiatives in place to seek to contain these cost pressures, for example the Family Learning Intervention Project (FLIP), the Edge of Care workers, the Residential project and re-negotiation of high cost placements. The first two of these have been in train for some time and tracking of the financial impact is undertaken on a case by case basis. Evidence from this tracking suggests significant costs avoided suggesting the cost pressure would be significantly greater if these were not in place. We will continue to monitor residential placement moves and the resulting effect on other placement types across future periods. The impact of Mockingbird, the extended family model for delivering foster care with an emphasis on respite care and peer support, and new arrangements for implementing Supported Lodgings will also be reviewed going forwards.
Secure Accommodation (Welfare)	-	140	140	-	1	
Semi-Independent (Under 18)	1,570	1,901	331	25	30	
Other Local Authorities	-	181	181	-	5	
In-House Fostering	1,800	2,154	354	77	90	
Independent Foster Agency Carers	6,488	7,074	586	139	149	
Residential Family Centre (M&Baby)	-	312	312	-	4	
Family & Friends	569	863	294	28	49	
Extended Fostering	-	30	30	-	1	
Staying Put	200	386	186	12	23	
Overstayers	290	495	205	16	23	
Semi-independent (18+)	1,370	1,848	478	113	112	
Total	16,618	20,719	4,101	431	520	

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

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

Headcount Data for LAC



The forecasts for LAC and Leaving Care placements have increased by £150k and £125k respectively from the previous month. These are primarily due to cost increases in residential care placements and increased numbers for semi-independent and Parent & Child Assessment Centre placements. As illustrated in the table above, since this time last year there has been an adverse movement in the ratio between IFA and in-house placements. IFA placements have increased by 21 since February 2019, which corresponds to an increase in the forecast of £800k, and this is the single most significant year-on-year increase in the service. This is despite in-house foster carer recruitment which has seen some success and the matching officer post which has been in the structure since 2018. At approximately £50k per annum the cost of a child placed in independent foster care is double that of a placement with one of our own foster carers. Residential care (including secure accommodation) placements are reflecting a budget pressure of £1.2m and have reduced by one this month to 33. Management actions are both in place and being further developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we have seen significant pressures on staffing. This is mainly due posts over and above the number of established posts recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit earlier in the year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the more recent inspection referred to above, alongside further increased demand in the system, it is likely that staffing costs will continue to be above the number of established posts and this is being built into future financial plans.

Children in Need is forecast to overspend by £495k. The overspend is mainly due to staffing, relating to supernumerary social worker posts to meet service pressures from high caseloads and response to the Ofsted focused visit earlier last year, maternity cover and agency premiums associated with covering vacant posts. These items collectively total £480k. Other minor overspends in non-staffing expenditure total £15k. Reserves of £105k are being utilised to fund additional social work capacity.

Disabled Children's Service is forecast to overspend by £605k. Staffing is projecting an overspend of £219k due to additional staff brought in to address increased demand in the service. The remaining overspend is attributed to care packages (£509k, including Home Care, Direct Payments and Residential respite) and £25k on other expenditure. This is offset by a £148k reserve drawdown.

The Safeguarding and Learning Service is forecast to underspend by £77k. This is due to an underspend in the training and staffing budgets.

The Adoption Service is forecast to overspend by £299k. Primarily the overspend relates to the Regional Adoption Agency with our neighbouring boroughs, which has incurred transitional costs in staffing, inter-agency services and on IT. A projected overspend of £65k from Adoption Support fund expenditure relates to high cost cases that require match funding contributions from the Council.

Parenting Support Services is forecast to overspend by £37k which relates to staff covering maternity leave, long term sick cover and one over-established family support practitioner within the service.

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

Directorate Management Team is forecast to underspend by £463k after a drawdown of £638k reserves to offset staffing pressures mentioned above and to fund additional social work and management capacity in response to the recent Ofsted inspection. The underspend in this area has gone down this month due primarily to an insurance recharge of £196k against a budget of £86k.

Access and Assessment is forecast to underspend by £106k. This is primarily from a lower forecast cost in Section 17 which is £39k less than the previous year's outturn. Reserves of £92k are being utilised to fund additional social work capacity in response to the recent increase in demand in this service area.

Youth Justice Service is forecast to underspend by £97k from delays in recruiting to Youth Justice practitioner posts. £293k from remand reserves is used to offset pressure in the service due to a spike in the number of young people held on remand earlier in this financial year. .

Hackney Learning Trust

The Hackney Learning Trust (HLT) forecast is consolidated into the Children and Families position. As part of the delegated arrangements for HLT, any overspend or underspend at year end will result in a drawdown-from or contribution-to the HLT reserve and expenditure is reported 'on budget'.

HLT are forecasting a significant drawdown on the HLT reserve (between £4.0m and £5.0m), mainly due to pressures in special educational needs. This will fully utilise the remaining HLT reserve. The forecast has been updated following the latest funding updates announced by the government in July 2019 and will continue to be adjusted as data on any new demands on HLT services become known throughout the year.

Special educational needs activities cost £9.5m in excess of agreed budgets 2018/19; and expenditure is currently expected to increase by a further £2.0m in 2019/20. Within the HLT forecast, the SEND over-spend is mostly offset with savings made across other HLT departments. Costs associated with special educational needs have complex cost drivers and senior leadership across HLT and the wider Council continue to look into ways where the Council might be able to bring expenditure under control.

The SEND cost pressure is attributable to the increase in the number of Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and there are growing demands on the system since the reforms introduced by the Children and Families Act 2014. The impact of these factors is that, in Hackney, the number of EHCP has increased by more than 50% since 2011. With the exception of SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant– however, despite the significant rise in numbers & costs there has not been an adequate increase to this funding source.

There is a risk of overspend in children’s centres due to the uncertain impact on demand for childcare following the September 2019 childcare fee increases. The financial impact is currently being assessed in detail on the basis of an analysis of occupancy-level reports from the centres, although the full impact of the large rise in fees this year will not be measurable until autumn 2020. There is an estimated forecast overspend of £0.6m in this area incorporated into the overall HLT forecast.

Adult Social Care & Community Health

The forecast is a £4,092k overspend. The forecast includes significant levels of non-recurrent funding including iBCF (£1,989k), Social Care Support Grant (£1,200k), and Winter Pressures Grant (£1,400k).

Recent announcements on social care funding as part of the Spending Review 2019 has provided further clarity on funding levels for 2020/21, however, it is still unclear what recurrent funding will be available for Adult Social Care post 2020/21. The non-recurrent funding was only intended to be a ‘stop-gap’ pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council’s financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £3,430k pressure. The forecast includes £1,400k of the Winter Pressures grant to fund additional costs resulting from hospital discharges. It was anticipated that the grant funding would be released through the year to offset additional pressures from hospital discharges, however an analysis of information on discharge levels and care packages identified that the full £1,400k had already been committed at the beginning of the financial year.

Service type	2019/20 Budget	January 2020 Forecast	Full Year Variance to budget	Variance from Dec 2019	Management Actions
	£k	£k	£k	£k	
Learning Disabilities	15,287	16,617	1,330	217	- ILDS transitions/demand management and move on strategy - Multi-disciplinary review of care packages (delivered £720k) - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	12,843	13,878	1,035	151	
Memory, Cognition and Mental Health ASC (OP)	7,710	8,713	1,003	88	
Occupational Therapy Equipment	740	740	(0	(0)	
Asylum Seekers Support	170	237	68	9	
Total	36,749	40,184	3,435	465	

The Learning Disabilities service is the most significant area of pressure with a forecast £1,330k overspend, which reflects an additional pressure of £217k (1.4%) on the December position. There continues to be increased pressures related to new clients and the cost of increasing complexity of care needs for Learning Disability clients. Revised assumptions around the cost of day care services have added to the pressure this month. The pressure is still significantly less than last year due to the application of both budget growth and one-off funds in this service area.

Work is ongoing with Clinical Commissioning Group (CCG) colleagues to embed the joint funding model for high cost Learning Disability packages as business as usual. The CCG have committed to ringfence £1,900k-£2,700k within their financial planning for 2019/20 and a contribution of £1,900k has been factored into the forecast. Progress has been slow in embedding the joint funding model which has resulted in fewer than expected cases going through the panel process to date. Following the implementation of acceleration measures including dedicated support from the Performance Management Team in Adult Services and enhanced quality assurance processes, throughput has picked up along with the number and value of joint funding packages agreed. Progress will continue to be closely monitored by all partners given its high priority and funding risk.

Physical & Sensory Support is forecasting an overspend of £1,035k, whilst Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £1,003k. The combined position has moved adversely by £248k since the last reported period. The adverse movement is primarily driven by further client growth in long term care placements, and revised estimates of care charges income which has been offset by the clawback of unused direct payment monies from service users accounts. The cost pressures in both service areas has been driven by the significant growth in client numbers as a result of hospital discharges in 2018/19 and 2019/20, which has been partially mitigated by one-off funding from the Winter Pressures grant of £1,400k, and other one-off funding.

Discussions were held with the service in order to develop a set of management actions to mitigate the ongoing cost pressure as a result of increased clients being discharged from hospital with more complex needs. These actions included the creation of a multi-disciplinary team (MDT) to facilitate the review of care packages, and this delivered savings of £791k (full year effect). The MDT project ended at the end of Jan 2020; lessons learnt, particularly around double-handed care packages, are being embedded into business as usual.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £688k. The overall position is made up of two main elements - a £839k overspend on externally commissioned care services and £151k underspend across staffing-related expenditure. The small reduction in overspend is primarily a result of care package revisions this period within supported living.

Provided Services is forecasting a £24k underspend which represents a reduction in the forecast spend of £85k since the last reporting period. This is largely attributed to:

- Housing with Care overspend of £152k. The forecast includes additional resources to respond to issues raised from the CQC inspection in December 2018. The service was re-inspected in July 2019, and the service has now been taken out of 'special measures' and our rating has changed to 'requires improvement'.
- Day Care Services are projected to underspend by £176k, primarily due to the current staff vacancies across the service.

The Preventative service outturn reflects an underspend of £477k, which represents an improvement of £97k on the December position primarily driven by a reduction in Health recharges of £82k for the Integrated Independence team as a result of billing anomalies being corrected. In addition, further savings of £14k have been achieved across Preventative services due to a reduction in staffing expenditure as a result of delays in recruitment. The underspends of £150k on Concessionary Fares' budget and £203k within Median Road Resource Centre budget are directly used in supporting wider Care Management service expenditure.

ASC Commissioning is forecasting a £492k budget overspend, which reflects an improvement of £143k on the December position. The improvement this month is primarily due to additional one-off funding drawdown to mitigate the Telecare contract budget pressure. The overall budget variance of £492k is driven by the Housing Related Support (HRS) in-year savings gap of £487k.

Public Health

Public Health is forecasting a breakeven position.

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

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

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at January 2020 is a £151k overspend. Since the previous month, there has been an increase of £162k in net spending. The forecast includes the use of £2,100k of reserves, the majority of which are for one off expenditure/projects.

There is a forecast overspend in the Planning Service of £529k which is due to a projected shortfall against the planning application fee income target of £2.3m. The total shortfall £572k against the income budget is partly mitigated by additional income from other parts of the service.

The shortfall in planning application fee income is linked to a decline in the number of very large Major applications being received rather than a fall in overall planning application numbers. Notwithstanding this there are a number of large schemes at the pre-application stage which are due to be submitted in early 2020/21. It must be noted that the construction cycle is very consistent and the planning and building control experiencing falls in income every 5 years as the construction industry periodically slows before recovering. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes. The cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. It should also be noted that a new planning back office system is in the process of being launched and this will result in efficiencies especially within the planning application registration and validation process, these efficiencies will also help offset any underachievement of income.

The Building Control service is forecast to overspend by £48k, though It is important to note that Building Control income is significantly higher than in 2018/19. The service has proposed a new staffing structure and a 13% fee increase that will improve income generation further in 2020/21 and achieve full cost recovery without losing share of the Building Control market.

Streetscene is forecast to under spend by £404k which is an adverse movement of £21k from the previous month which is due to confirmation of additional expenditure on external contractors. There is ongoing analysis of Street scene income to determine potential improvements in the outturn position for 2019/20, as initial figures indicate that due to increasing numbers of developments across the borough Street scene is likely to over achieve its income budget for the year resulting in an increased underspend for the full year. This analysis will also consider the sustainability of the additional income received in-year.

Markets is showing an overspend of £60k which is largely due to external contractors' cost for putting up and taking down market stalls. Procurement for this service is due to finish in June 2020 which will significantly reduce costs. Further reviews are being carried out to identify additional reduction in expenditure and new income opportunities.

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

The Housing General Fund is forecast to be underspent which is mainly due to underspends within staffing.

There is no variance within Regeneration at this stage.

4.4 FINANCE & CORPORATE RESOURCES

The forecast is an overspend of £258k.

Financial Management and Control are forecasting an underspend of £422k due to vacancies across all services, while the Directorate Finance Teams are projecting an underspend of £140k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£525k) is primarily due to increases in business rates costs on council owned buildings in the borough which are partially offset by reserves. The largest increases are in Hackney Town Hall, Hackney Service Centre and Florfield Road.

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

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

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

4.5 CHIEF EXECUTIVE

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

Communications, Culture & Engagement

£150k of this overspend relates to Hackney Today. Hackney Today was published fortnightly for the first quarter of the year but following a court order is now only published once every 3 months with a new information publication ‘Hackney Life’ published in the months in between. Due to this, advertising income has dropped significantly, from around £33k pcm to £6k pcm. Although distribution and print costs have halved, these only save £14k pcm. Staff costs are largely unaffected by the change in publication but have actually increased due to maternity leave. The Service plan to present a paper shortly, following consultation, to inform the decision that is required on the future of the publication.

The remaining £60k is in relation to venues and is primarily due to costs relating to Hackney House (£45k), which the council is no longer responsible for.

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

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

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

Legal & Governance

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

There is an overspend reported in Governance which is primarily due to Internal Printing Recharges estimated at £34k and £36k is for an unfunded Team Manager’s post previously funded by HRA. The funding of this post has been rectified for the 2020/21 financial year.

External recharges and Recharge to Capital are forecast to be £260k less than budget. The management team is reviewing current and future income to establish sources of additional income for the 2020/21 financial year.

The overspends are partially offset by underspend in Legal salaries (£35k) and external legal advice (£60k) and there is an additional income from Traded Services of £19k and HLT of £30k.

All other services are forecast to come in at budget.

4.6 HRA

The projected outturn on the HRA is at budget.

Income

There is a surplus of £388k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. A further major variance is a surplus of £919k for Other charges for services and facilities which is mainly due to the extension of LBH collection of water rates on behalf of Thames Water. The commission earned on the Thames Water contract is to pay for the staff that collect the money. We currently only need to collect rent from about 60% of tenants, as about 40% are on full HB; but as we collect Thames Water charges from all tenants and leaseholders, we need to have staff/process/systems to collect from the remaining 40% of tenants. This cost is paid for by the Thames Water commission. The surplus is due to the fact that the contract extension was negotiated after the HRA budget was set and so the income is not accounted for in the budget, but the income is accruing throughout the year

Expenditure

Repairs and Maintenance is £1,096k over budget which is mainly due to reactive repair costs and an increase in legal disrepair expenditure. This is currently partly offset by vacant posts within the new R&M structure. The Special services overspend of £1,084k is due to agreed increased costs within estate cleaning, but this is expected to reduce in 2020/21 as the effects from restructuring of the service are realised.

There is an overspend on Supervision and Management which is due to an increase in recharges from housing needs.

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

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position and there are no alternative options here. The property proposal is effectively tied into the Section 106 agreement negotiated and agreed with the developer of Plough Yard and there are effectively no alternative options available for consideration with just the more intricate points of the lease agreement to be finalised.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of January 2020. Full Council agreed the 2019/20 budget on 21st February 2019.

6.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving, the Mayor, the Deputy Mayor and Member for Finance and Housing Needs, HMT, Heads of Finance and Directors of Finance.

6.5 Risk Assessment

The risks associated with the schemes Council's financial position are detailed in this report.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The Group Director, Finance and Corporate Resources' financial considerations are included throughout the report.

8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's constitution although full Council set the overall budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.

8.5 With regards to the property proposal Section 1 of the Localism Act 2011 (the 'general power of competence') grants local authorities the ability to do anything that a private individual is empowered to do, subject to any restrictions which bound local authorities before the coming into force of that Section or any later provisions expressed to apply to it .Section 120 of the Local Government Act 1972 enables the Council to acquire any land for any purpose which they are authorised by that Act or any other enactment to acquire land. The purposes authorised by Section 120 of the Local Government Act 1972 are (a) any of the Council's statutory functions or (b) the benefit of improvement or development of the Council's area.

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

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY

9.1 The new lease acquisition will contribute towards the Council's targets of helping to deliver affordable workspace and social enterprise within the borough. As the lease will be granted at a peppercorn rent with an additional £100k capital contribution, there is very little risk to the Council. Whilst there is the obligation to pay for the remaining outgoings of the demise, such as service charges, insurance and business rates, the Council's intention is to effectively sublet the space to a business space operator or utilise the space for event space, which will provide more than sufficient revenue to cover the ongoing base liabilities outlined above. The £100,000 fit out contribution detailed in the s106 Agreement will be used as a tenant incentive.

10.0 COMMENTS FROM AREA REGENERATION

10.1 The proposed marketing approach is to advertise the building to find a suitable occupier to take a sub-lease of the unit from LBH. The operator will need to meet the criteria set out below and fulfil regeneration objectives as set out in the Inclusive Economy Strategy:

- Support local neighbourhoods and town centres to thrive and to be inclusive, resilient places
- Champion and support local business and social enterprise in Hackney and protect and maximise the delivery of affordable workspace in the borough
- Connect residents to high quality support and opportunities to learn new skills, get good quality work and to make progress in work over their career.

The marketing brief will be aimed at business support providers and workspace providers that deliver associated business support programmes. Business support activities can include networking events, business forums, business seminars and one-to-one advice sessions for the local business community including pre-start entrepreneurs.

The Council also has a requirement to use part of the space for Council business engagement events, both in the evenings and during day-time business hours.

The unit will be marketed directly by the Council. Due to the requirements of the space and the potentially high business rates (dependent on the business structure of the applicant), the Council will invite offers rather than set a target rent.

The operator will be required to fit out the unit to a high standard and to a quality in keeping with the wider Principal Place development and to incorporate LBH branding as required.

The £100k fit out contribution has no procurement implications if handed over as part of the property deal, however we will set conditions to make sure the contribution is spent appropriately.

It is intended that the occupiers sub lease will be granted for a term of less than seven years.

Appendices: Appendix 1 Map of Plough Yard

Report Author	Russell Harvey – Tel: 020-8356-2739 Senior Financial Control Officer russell.harvey@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
Comments of the Director of Legal	Dawn Carter-McDonald – Tel: 0208-356-4817 Head of Legal and Governance dawn.carter-mcdonald@hackney.gov.uk