

**2019/20 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT AS AT END MARCH 2020 THAT TAKES ACCOUNT OF THE ESTIMATED FINANCIAL IMPACT OF COVID 19 AND THE ON-GOING EMERGENCY AS IT AFFECTS 2019/20.  
KEY DECISION NO. FCR Q73**

**CABINET MEETING DATE 2019/20**

**29TH JUNE 2020**

**CLASSIFICATION:**

**OPEN**

**WARD(S) AFFECTED: ALL WARDS**

**CABINET MEMBER**

**Deputy Mayor Rebecca Rennison**

**Cabinet Member for Finance, Housing Needs and Supply**

**KEY DECISION**

**Yes**

**REASON**

**Spending or Savings**

**GROUP DIRECTOR**

**Ian Williams: Finance and Corporate Resources**

## **1. CABINET MEMBER'S INTRODUCTION**

- 1.1 This report provides Hackney's provisional outturn for 2019/20 and the latest forecast of the financial impact of the coronavirus crisis on our 2020/21 budget, including our latest submission to the Ministry of Housing, Communities and Local Government (MHCLG).
- 1.2 The provisional outturn Overall Financial Position (OFP) report for 2019/20 is based on detailed March monitoring data from directorates. We are forecasting an overspend of £7,489k at year end - an increase of £581k since February. The reasons for this increase are detailed in the directorate commentaries below.
- 1.3 On June 12th, MHCLG issued a third Covid-19 survey, which we have completed and returned. A summary of our return is attached at Appendix 1 and the survey document is attached at Appendix 2. We continue to face a significant budget shortfall, and our latest forecast indicates a budget gap of £69m which has changed little from the £72m and £71m shortfall forecast in our previous two submissions. As noted in previous reports, the funding we have received from the Government thus far to set against this pressure is £17.8m, less than a third of what we need
- 1.3 While the 2019/20 overspend detailed in this report will be substantially funded by the application of the unspent 2018/19 Council Tax and NNDR Collection Fund surpluses carried forward into 2019/20, the impact of coronavirus means these surpluses will not be available in the 2020/21 financial year and it is important that they are regarded as one-off funding streams only.
- 1.4 As with 2018/19, our projected overspend primarily reflects reductions in external funding over time and increasing cost pressures in services, including social care, homelessness and special educational needs (SEN). Despite the publication of the 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 especially given the impact of Covid-19. Additionally, the Fair Funding Review has been delayed for a further year and will not be implemented until 2021/22 and it is likely that the 2020 Spending Review will also be delayed by a year.
- 1.5 Our provisional 2019/20 overspend is a reflection of the ten years of austerity that has been imposed on councils by central government. Over this period, as funding from central government has fallen, councils have become increasingly reliant on the income they can generate themselves, everything from fees for services to Council Tax. This is the very income that has been hit by coronavirus and leaves councils doubly exposed - both in terms of finding the funds to meet the additional costs after ten years of austerity and the loss of income that without action from Government jeopardises future service provision.

- 1.6 That Hackney has been able to respond to the coronavirus pandemic on the scale and degree it has is testament to the hard work, commitment and innovation of staff across the Council. However, this report demonstrates the dangerous state local government finances were already in prior to the coronavirus crisis and our latest MHCLG submission, setting out the direct costs and loss of income stemming from our response, shows that we need central government to step-up and support us.
- 1.7 We are determined to do everything we can to ensure that we maintain the vital services our residents rely on and support and invest in our staff who have been in the frontline of the response to the pandemic. We need central government to make the same commitment and to work with us and local authorities up and down the country on delivering this.

## 2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

- 2.1 The OFP shows that the Council is forecast to have a £7,489k overspend which is equivalent to 0.75% of the total gross budget and 2.34% 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 although the whole plan will have to be revised, possibly significantly, in the light of covid-19.
- 2.3 The latest position in relation to **GENERAL FUND REVENUE EXPENDITURE** is summarised in table 1 below.

**TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT MARCH 2020**

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
86,623	Children's Services	2,148	89
91,094	ASC & Commissioning	4,031	-8
32,764	Community Health	-5	-5
210,481	<b>Total CACH</b>	<b>6,174</b>	<b>76</b>
36,239	<b>Neighbourhood &amp; Housing</b>	<b>701</b>	<b>571</b>
14,957	<b>Finance &amp; Corporate Resources</b>	<b>213</b>	<b>-47</b>
8,938	<b>Chief Executive</b>	<b>401</b>	<b>-19</b>
49,338	<b>General Finance Account</b>	<b>0</b>	<b>0</b>

319,953	<b>GENERAL FUND TOTAL</b>	<b>7,489</b>	<b>581</b>
	<b>Application of One-Off Funding</b>		<b>581</b>
	<b>Forecast End Year Position</b>	<b>0</b>	<b>n/a</b>

- 2.4 On June 12th, MHCLG issued a third Covid-19 survey, which we have completed and returned. A summary of our response is attached at Appendix 1 for both the General Fund and HRA and a copy of the survey document is attached at Appendix 2.
- 2.5 The estimated additional spending pressures on the General Fund and HRA are £24m and £1.4m respectively, while the estimated income reduction on the General Fund is £37m and £6.3m on the HRA.
- 2.6 The reason for the lateness of the report is because in order to give the most accurate assessment of the council's financial position, we needed to include the financial data included in a financial survey data returned to the Ministry for Housing, Communities and Local Government (MHCLG) noted in 2.4 above. This was not completed until 12th June.

### **3.0 RECOMMENDATIONS**

- 3.1 To update the overall financial position for March, covering the General Fund, Capital and the HRA.**

### **4. REASONS FOR DECISION**

- 4.1 To facilitate financial management and control of the Council's finances.

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

The CACH directorate is forecasting an overspend of £6,174k after the application of reserves and drawdowns - an increase of £76k from February.

#### **Children and Families Service**

The service is overspent by £2,148k. The main variances from budget are discussed below.

The Children in Need (CIN) outturn position is an overspend of £500k mainly due to staffing costs. This year we have seen significant pressures on staffing across the whole service and particularly in CIN. This is mainly due to the number of posts exceeding the established number of posts in order to ensure caseloads are at a reasonable level in response to an increase in demand, to provide additional capacity to support the response to the Ofsted focused visit earlier in the year and to cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the recent inspection, alongside further increased demand in the system, it is likely that staffing costs will continue to be above the established number and this is being built into future financial modelling including the use of the increased social care grant. The service is also working with finance to ensure

that there is a systematic approach (backed by enhanced approval steps) to managing staffing levels flexibly across the service to minimise additional posts.

The adverse movement of £113k from the February budget monitors produced by directorates relates to a combination of direct support to families over and above social work support (in areas such as postnatal support, counselling and play therapy, parenting support and skills training), interpreter's fees and increase of purchase card expenditure that occurred in March.

Corporate Parenting's outturn position is an overspend of £1,870k 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. This is a result of an increase in numbers of Looked After Children (LAC) in recent years and a marked change in the profile of LAC placements. The outturn on LAC and LC placements was £21,400k compared to last year's outturn of £18,300k – an expenditure increase of £3,100k. The main budget pressures were within residential care (£1,400k); semi-independent care (£900k); and fostering including both in-house and IFA (£1,100k) placements.

Management actions are both in place and being further developed by the service to reduce the number and unit cost of residential placements. For example, working with young people and their families so they are able to move back home or moving young people on to other less costly settings such as semi-independent accommodation with appropriate support. Given that the average annual cost is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

The Disabled Children's Service outturn position is an overspend of £618k. This is mainly attributed to care packages costs (£522k) including home care, direct payments and residential respite. Staffing was overspent by £211k due to additional staff recruited to address increased demand in the service. The care package pressure is partly offset by a £148k reserve drawdown. In the current year, a proportion of the additional staff will be funded by the increased social care grant.

The Safeguarding and Learning Service outturn is an underspend of £130k. This is mainly due to underspends in both training and staffing budgets. The increase in the underspend of £56k from February is due to delays in staff recruitment and training being impacted by Covid 19 which has restricted these activities across the directorate.

The Access and Assessment team outturn is an overspend of £64k due to increased legal fees and court costs. The adverse movement of £86k from the February position is due to increased costs on Section 17 related expenditure and additional legal fees and court costs.

The Parenting Support Services outturn position is an overspend of £50k. This relates to staff covering maternity leave, long term sick cover and one over-established family support practitioner within the service.

Youth Justice Service's outturn position is an underspend of £114k and is due to delays in recruiting to Youth Justice practitioner posts. Within this position, £322k has been used from the remand reserve to offset pressures in the service due to a spike in the number of young people held on remand in this financial year.

The Directorate Management Team's outturn position is an underspend of £697k. This position includes a drawdown of £766k reserves to offset staffing pressures and to fund additional social work and management capacity in response to the recent Ofsted inspection. There is a further pressure in relation to interpreting fees. The underspend in this area has gone down by £50k from February, and this is due to a £20k favourable movement in the bad debt provision, and a reduction in recruitment costs impacted by Covid-19 which restricted recruitment of non-essential posts across the directorate.

## **Hackney Learning Trust**

The final outturn position was an overspend of £9.9m in relation to the SEND division, which was partially offset by savings made in other HLT departments leaving a net pressure of £5m to be met from HLT reserves. These reserves are now exhausted leaving a net overspend of £131k for 2019/20. The SEND cost pressure is attributable to the increase in the number of Education and Health Care Plans (EHCPs) as the pupil population has grown significantly and the growing demands on the system since the reforms introduced by the Children and Families Act 2014. With the exception of SEN transport, SEN costs should be met from the High Needs block of the Dedicated Schools Grant (DSG) – however, despite the significant rise in numbers and costs there has not been an adequate increase to this funding source. Officers are reviewing the latest guidance in respect of DSG deficits and determining how this will be reported and accounted for going forward given local authorities are from 1st April 2020 required to seek Secretary of State approval for funding DSG deficits from other resources.

## **Adult Social Care & Community Health**

The service is overspent by £4,031k. The main variances from budget are discussed below.

Care Management & Adults Divisional Support outturn position is a £183k budget underspend which is primarily due to additional funding contributions received from health partners for staff within the Integrated Learning Disabilities Service (ILDS), as well as staff vacancies not recruited within the OT & Telecare team. The favourable movement of £122k on the February position is primarily attributable to additional contributions as noted above to fund the administrative staff roles within ILDS.

The Provided Services outturn position is a £64k budget underspend, as a result of two main factors:

- The overspend of £165k across Housing with Care schemes; primarily due to cost pressures of agency staffing following the additional resources required 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 have an underspend of £229k, as a result of staff vacancies across the service.

Care Support Commissioning (external commissioned packages of care) remains the primary reason for the departmental overspend, with an outturn overspend position of £3,667k. The Learning Disabilities Service still accounts for the largest overspend within the department at £1,400k; and this is followed by physical support at £651k; sensory support £459k; support with memory and cognition £490k; and mental health support at £593k. Increasing unit costs and demand for services have been mitigated by considerable work related to agreeing joint funding with the CCG for a number of service users with learning disabilities with a £2,100k recurrent contribution secured. Final revisions of provisions for bad debt contributed to the £72k increase on the February position.

A set of management actions was agreed to mitigate the ongoing cost pressure within the service. These include:

- ILDS transitions/demand management and move on strategy - ongoing
- Multi-disciplinary review of care packages project (delivered £791k savings) - completed
- Three conversations - ongoing
- Review of homecare processes - ongoing
- Personalisation and direct payments (increasing uptake) - ongoing

The Preventative Services outturn position is a £438k underspend, which is primarily driven by the following factors:

- Underspend of £169k linked to Median Road as future plans for the site are yet to be finalised;
- Concessionary Fares underspend of £153k due to activity being lower than anticipated;
- Carers underspend of £116k as the redesign of the service was completed part way through the year

ASC Commissioning's outturn position is a £379k overspend, and this is largely due to the delay in delivery of Housing Related Support (HRS) savings resulting from shifts in timelines for re-procurement of services. As per the agreed management actions, the service continues working in collaboration with existing providers to develop a sustainable service model and are confident savings of £248k will be achieved in 2020/21, with a further £450k savings being realised the following year in 2021/22. The movement of £55k from the February position was due to increased cost pressures within the voluntary sector contracts, linked to payment by results (PbR) activity.

### 4.3 NEIGHBOURHOODS AND HOUSING

The final outturn for the Neighbourhoods & Housing division for 2019/20 is a forecast overspend of £701k. This is an increase of £571k from the February forecast.

Environmental Operations is showing an overspend of £463k from budget and from the February forecast. £161k relates to additional costs as a result of Covid19 - extra provision for bad debt (£100k) and also loss of income (£61k) in commercial waste. A net overspend of £185k is in relation to the Transport and Supplies and Service. There are currently a number of aging vehicles in the fleet, which has meant more cost in repairs and maintenance. The service is currently in the process of replacing these vehicles in the coming months. £117k relates to additional staffing costs in a service which is heavily dependent on staff and running 7 days a week 24 hours a day. Due to the nature of the service and the work there is a large amount of sick and holiday cover required and this increased in the last quarter of the year.

Parking services is showing an underspend of £135k, which is an £65k adverse movement from February position relation to a building maintenance cost charge, which goes back a number of years.

Streetscene is showing an underspend of £494k, which is an increase of £148k in the underspend from the February position, which predominantly relates to central insurance recharges being lower than anticipated.

The £55k overspend in the Libraries, Leisure and Green Spaces to both budget and February forecast is predominantly due to building maintenance costs. The service had been forecasting these costs to budget all year but received recharges going back up to five years at year end which resulted in a £55k overspend.

The Community Safety, Enforcement and Business Regulation (CSEBR) service has underspent by £11k.

The Planning Service shows an overspend of £971k, which is primarily related to a shortfall in Planning application fees and building control fees income. The increase in overspend since February, of £244k relates to an outstanding VAT payment (that had been reported as a risk in February) and the continued reduction of large major building applications.

Within Housing, General Fund there is a £171k underspend. The majority of this (£115k) relates to the capitalisation of a revenue budget within a cost centre. This has been amended for 2020/21. The remainder of the underspend relates to savings on Repairs & Maintenance and Staffing within the Travellers cost centre (£36k) and a slight increase in Dwelling Rent income (£10k).

The variance to the previous month's forecast relates to the £115k capitalisation as mentioned above, alongside a £28k decrease in Repairs and Maintenance spend within the Travellers cost centre and a £5k increase in Dwelling rent income.



There are no overall material variances within Regeneration.

#### **4.4 FINANCE & CORPORATE RESOURCES**

The forecast is an overspend of £213k, a £47k reduction from the previous month

Financial Management and Control are forecasting an underspend of £377k due to vacancies across all services, while the Directorate Finance Teams are projecting an underspend of £235k which mainly relates to salaries and projected additional income from service fees

The overspend in Facilities Management (£256k) 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. Also, Covid-19 has resulted in an increased bad debt provision

Revenues and Benefits and Business Support has come in at budget, while Audit and Anti-fraud, and Registration have small underspends.

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 £401k after forecast reserves usage, which is virtually unchanged from February.

##### **Communications, Culture & Engagement**

£115k 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.

The remaining £40k is in relation to venues and is primarily due to costs relating to Hackney House which the council is no longer responsible for.

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

## **Legal & Governance**

The combined Legal & Governance Service are forecasting an overspend of £358k.

There is an overspend reported in Governance of £100k which is primarily due to Internal Printing Recharges and an unfunded Team Manager's post previously funded by HRA. Both of these have been corrected for 2020/21.

The overspend in Legal Services is due to increased expenditure on external barristers for care proceeding £62k, plus under achievement of income for both external income (£57k) and the amount of revenue that can be charged to capital was reduced by £263k during the closing of accounts process. The overspends are partially offset by underspend in Legal salaries (£90k) and underspends on non-salary items (£33k). All other services are forecast to come in at budget.

## **4.6 HRA**

The projected outturn on the HRA is on budget.

### Income

There is a surplus of £451k on Dwelling Rents which is due to a new lease agreement for properties rented to housing associations. There is additional Leaseholder income of £1,254k. Leaseholder service charges are billed during the year on an estimate, then after year end the actual costs are calculated and the final/actual bills are issued. The increase in the income is a result of these actual bills replacing the estimates. A further major variance is a surplus of £1,055k 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 has been accruing throughout the year

### Expenditure

Repairs and Maintenance is £592k 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 is due to agreed increased costs within estate cleaning, lift servicing and maintenance as a result of catching up with previous years' backlog and underspends, and utility costs.

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

## 4.7 Capital

The capital expenditure outturn for 2019/20 is £230.5m, £16.1m below the revised budget of £246.6m. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances. A report on the final outturn with variance analysis will be included in the July Capital Update report along with details of the requested transfer of resources and associated approvals into the 2020/21 capital programme.

<b>Table 1 – London Borough of Hackney Capital Programme – Final Outturn 2019-20</b>	<b>Revised Budget Position</b>	<b>Final Outturn</b>	<b>Variance (Under/Over)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children, Adults & Community Health	9,816	9,646	(170)
Finance & Corporate Resources	90,184	92,015	1,831
Neighbourhoods & Housing (Non)	20,193	20,459	266
<b>Total Non-Housing</b>	<b>120,194</b>	<b>122,120</b>	<b>1,927</b>
AMP Capital Schemes HRA	60,894	48,047	(12,846)
Council Capital Schemes GF	2,976	2,776	(200)
Private Sector Housing	1,454	1,311	(143)
Estate Renewal	38,856	39,178	322
Housing Supply Programme	6,594	4,480	(2,114)
Other Council Regeneration	15,591	12,553	(3,038)
<b>Total Housing</b>	<b>126,365</b>	<b>108,346</b>	<b>(18,020)</b>
<b>Total Capital Expenditure</b>	<b>246,559</b>	<b>230,466</b>	<b>(16,093)</b>

### CHILDREN, ADULTS AND COMMUNITY HEALTH

The final outturn for Children, Adults and Community Health is £9.65m, £0.17m below the revised budget of £9.82m. More detailed commentary is provided below.

CACH Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	£'000	£000
Adult Social Care	270	135	(135)
Education Asset Management Plan	3,306	3,749	443
Building Schools for the Future	66	(24)	(90)
Other Education & Children's Services	574	455	(119)
Primary School Programmes	3,202	3,162	(40)
Secondary School Programmes	2,398	2,168	(229)
<b>TOTAL</b>	<b>9,816</b>	<b>9,646</b>	<b>(170)</b>

### Education Asset Management Plan

The final outturn for the overall Education Asset Management Programme is £3.75m, £0.44m above the budget of £3.31m. The main variance relates to Shoreditch Park Primary School. The proposals for improving facilities at this site continue to be developed and, as such, the budget for funding these had to be revisited throughout the year as proposals were firmed up. This has required budgets to be increased and the AMP bid approved at the Cabinet meeting in March 2020 includes a budget to support the Shoreditch Park School in 2021. In addition, there is capital expenditure incurred to support the delivery of ICT at the School. The refurbishment of an area of road into the playground includes additional expenditure factored to it which will reduce the level changes from the existing playground into the new area created. The variance is due to the changing dynamics of the scheme and will be slipped to 2020/21 to be resourced from the future budget. A request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Primary School Programmes

The final outturn for the overall Primary School Programmes is £3.16m, £0.04m below the budget of £3.20m. The main scheme relates to Phase 3A of the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. Some schools have overspends as a result of works completed earlier than profiled and the underspends in the remaining schools are a result of slight delays in work. The Shoreditch Park School

facades underspend is due to a delay in final accounts which were expected by 31 March 2020. The variances will be supported by 2020/21 budgets and a request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the schemes.

### Secondary School Programmes

The final outturn for the overall Secondary School Programmes is £2.17m, £0.23m below the budget of £2.40m. The underspend in The Urswick School relates to slight delay in works and the variance will be slipped. The minor underspend in Cardinal Pole School will be slipped to 2020/21 to support the final accounts. The overspend in Haggerston School Science Laboratory relates to the value of final accounts differing from the original value, hence the variance. The variance will be supported by underspends in other schemes and the balance will be slipped to 2020/21. The minor overspend at the Stoke Newington School Drama Theatre and Auxiliary area relates to works completed earlier than anticipated. This variance will be funded from the 2020/21 budget. A request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### FINANCE AND CORPORATE RESOURCES

The final outturn for the overall Finance and Corporate Resources is £92m, £1.8m above the revised budget of £90.2m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	£'000	£000
Property Services	5,047	3,724	(1,322)
ICT	4,382	3,063	(1,320)
Financial Management	274	315	41
Other Schemes	886	188	(697)
Mixed Use Development	79,596	84,724	5,129
<b>TOTAL</b>	<b>90,184</b>	<b>92,015</b>	<b>1,830</b>

### Strategic Property Services – Strategy & Projects

The final outturn for the overall Strategic Property Services is £3.72m, £1.32 below the budget of £5.05m. Christopher Addison House, part of the Council's Corporate Estate Rationalisation (CER) Programme, has a minor underspend. The project has faced numerous delays particularly relating to stakeholder review and sign off and the time taken to procure and award the main contract. The main contractor was successfully appointed in January 2020 and started on site in February 2020 but inevitably works have been delayed due to the lockdown and impact of Covid-19. The completion of the reoccupation was expected to be in the autumn of 2020. Covid-19 may affect the timeline and it will now have to be re-visited. This delay has impacted the other related schemes such as the staff moves for the Annex and the decant to Maurice Bishop House. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

Stoke Newington Town Hall Essential works will be tendered and the works carried out in 2020/21, therefore the variance will be slipped.

Approximately 110 Asbestos Surveys of the 143 sites have been completed for 2019/20. The contractor has not been able to complete all the remaining Asbestos Surveys of the planned 143 sites due to contractor workload, scheduling issues and other problems with access to sites. The remaining surveys will continue once it is safe to do so after the lockdown has been lifted. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

The final account and retention for Keltan House Windows and refurbishment and 15-49 Chapman Road Car Pound schemes have been paid and the variance will be used to cover overspends in other schemes. The Clapton Common Former Toilets Refurbishment was due to be completed by 31 March 2020 but is now slightly delayed due to Covid-19 and one of the contractors has poor health unrelated to Covid-19. The Project Manager may have to commission another contractor to complete some of the outstanding work. Trowbridge Centre is complete and the underspend will partly fund regeneration works in the Hackney Wick area in 2020/21. The works for 80-80a Eastway have been delayed and will commence once it is safe to do so. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

### ICT Capital

The final outturn for the overall ICT Capital is £3.06m, £1.32m below the budget of £4.38m. The main variance relates to End-user Mtg Rm Device Refresh which is the Council's provision of new ICT equipment for staff and members and new ICT equipment for meeting rooms. The outturn has slightly decreased as our current supplier was unable to fulfil some of our Chromebook orders due to current supply chain problems relating to Covid-19. The remainder of the budget is to be rolled over to next year to fund meeting room refreshes or potentially purchase more Chromebooks for working from home however the progress will depend on the state and responsiveness of the supply chain during the year. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

The Digital Discharge to Social Care project has managed to integrate the Council's Social Care System data into the hospital's system but due to an extended testing period, the project has over run and will continue throughout the beginning of 2020/21.

Hackney Learning Trust is expected to have G-suite by early 2020/21. The project has not progressed as much as expected due to the device refresh project over running. The underspend will be rolled over to the next financial year.

The ICT Infrastructure Upgrades underspend relates to shifting priorities due to Covid-19 as ICT is focusing on ensuring council employees can work from home. The variance will be slipped to 2020/21 and the tender should go out in 2020/21.

The Data Centre Network Switches have been purchased and have arrived at the Hackney Service Centre. However, the project has been put on hold due to Covid-19. The business case has been completed but not yet approved. It should continue in 2020/21 assuming priorities can shift but seeing the impact on supply chains across the country, it may be difficult to know when the project can fully proceed. The underspend will be carried to 2020/21 to ensure there is enough budget to continue with the project.

Some Library kiosks have arrived at the libraries for the Devices for Hackney Residents project with more coming in 2020/21. There has been a delay in deliveries due to Covid-19 resulting in less expenditure than anticipated in 2019/20. The project will continue through 2020/21 with the underspend rolled over.

The Windows Server Microsoft Client Access Licences have been capitalised and have come in less than anticipated due the requirements of the license changing. The underspend will be given up as savings. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

#### Mixed Use Developments

The final outturn for the overall Mixed-Use Development Programme is £84.7m, due primarily to accelerated spend across these schemes i.e. Work being completed ahead of the programme.

The Tiger Way Development is complete and handed over and is in the 2-year contract defects period in the Design and Build contract. The variance is due to value engineering which resulted in savings in the scheme. The variance will support the final account which will be paid in phases from 2020/21. A request for the slippage of associated funding and approvals will be included in the July Capital Update in order to bring the profile of budgets in line with the anticipated delivery of the scheme.

At the Nile Street Development, the New Regents College School is complete and handed over and the development is in the 2-year contract defects period in the Design and Build contract.

The overall outturn for the Britannia Site Development is £36.2m, £6.2m above the respective budget of £30.1m. The expenditure in the last couple of months has been slightly higher than expected as progress on site was approximately three weeks ahead of schedule and therefore valuations have also been higher. The variance will be supported by the 2020/21 budget and a request for the transfer of associated funding and approvals will be included in the July Capital Update report.

### NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The final outturn for the overall Neighbourhoods and Housing (Non) is £20.5m, £0.3m above the respective revised budget of £20.2m. More detailed commentary is provided below.

N&H – Non-Housing Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	£'000	£000
Museums and Libraries	350	293	(57)
Leisure Centres	375	160	(215)
Parks and Open Spaces	2,946	2,468	(478)
Infrastructure Programmes	10,392	10,882	490
EHPC Schemes	3,542	4,227	685
TFL	2,036	1,824	(212)
Parking and Market Schemes	52	243	191
Other Services	0	0	0
Regulatory Services	0	0	0
Safer Communities	183	124	(59)
Regeneration	317	239	(78)
<b>Total</b>	<b>20,193</b>	<b>20,459</b>	<b>266</b>

#### Museums and Libraries

The Library Capital project underspend is due to the Clapton Shelving project not able to progress until further notice due to the delayed Listed Building Status application. The variance in this financial year will be slipped into 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

#### Leisure Centres

The Essential Maintenance to Leisure Centres underspend relates to the estimated poolside tiles for Clissold Leisure Centre coming in higher than was budgeted for in 2019/20. There is a budget in 2020/21 to cover these costs.



Therefore, the variance in 2019/20 will be slipped into 2020/21 for this expenditure and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Parks and Open Spaces

The final outturn for overall Parks and Open Spaces is £2.5m, £0.5m below the budget of £2.9m. The Council was awarded £4.1m of National Lottery Heritage Grant Funding in December 2019 to progress onto the delivery stage of Abney Park Restoration. Abney Park Cemetery in Stoke Newington is a 12.5 hectare public open space owned and managed by Hackney Council. The project is proceeding as normal with no significant effects from Covid-19. This is because we are in the design stage only and so the team is relatively unaffected by the lockdown. The variance will be slipped into 2020/21 where the anticipated spend will take place.

The Springfield Park Restoration overspend relates to works completed earlier than forecasted. The refurbishment was progressing well but as a result of Covid-19 the construction site was closed by the main contractor until further notice. The contractors were struggling to work on site and adhere to the social distancing rules; and staff and sub-contractors began self-isolating and this resulted in a lack of personnel to resource the project sufficiently. Additionally, the contractors were experiencing difficulties sourcing materials so they made the decision to close the site. The contractors have not yet applied for an extension of time in relation to the delay caused by Covid-19 so we are unable to request a new target programme yet but they have indicated that if they can get back on site in June/July we should still be able to complete in the Autumn of 2020. If they are unable to get back on site in the next couple of months the completion will be delayed. The variance will be supported by the budget in 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

The planned works to Parks have been suspended due to Covid-19 resulting in an underspend and will continue as soon as safe to return on site. The underspend in the Parks Equipment and Machinery relates to items that are all ordered but not able to be delivered due to supplier lockdown. The Parks Public Conveniences and Cafes underspend relates to the Millfields Site which will now take place in 20/21. The Hackney Downs Site public convenience and cafe is complete. The Drinking Water Fountains underspend relates to a delay in works being costed and quotes being obtained for historic fountains in Green Spaces.

The Fairchild's Gardens underspend relates to delays in approval. The Shepherdess Walk Play Area's underspend also relates to delays in approval with stakeholders but this is now underway and work will resume. The West Reservoir Improvements Project is delayed and the variance will be slipped and the Millfields Estate Play Area Project is delayed due to a complete redesign after consultation with User Groups. The current budget for Hackney Downs Community Cycle Hub is insufficient to fund a feasibility study and therefore partner funding is being explored. The variance in this financial year will be slipped into 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Infrastructure

In the main the overspend in these schemes relate to the works taking place earlier than the team had profiled. The overspends will be supported by the 2020/21 budget and therefore the budget will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Environmental Operational and Other (EHPC) Schemes

The final outturn for the overall Environmental Operational and Other (EHPC) schemes is £4.23m, £0.69m above the budget of £3.54m. The main variance relates to the Council's Fleet vehicles for Waste Services which were ordered but the delivery date is not until 2020/21. The variance will be funded by the 2020/21 budget. The overspend in the Hostile Vehicle Mitigation Measures scheme was caused by works accelerating due to increased security risks and the potential threat of terrorist activity. The variance will be funded from the 2020/21 budget and therefore the budget will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Public Realms TfL Funded Schemes

In the main, overall spend is in line with the TfL allocation for 2019/20. The schemes will continue into 2020/21 and any variances will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### Safer Communities

The final outturn for Safer Communities is £0.12m, £0.06m below the respective budget of £0.18m.

### Regeneration (Non-Housing)

The final outturn for the overall Regeneration (Non-Housing) is £0.24m, £0.08m below the respective budget of £0.32m. Hackney Wick Regeneration plan to commission a public realm strategy with public realm improvement works being undertaken during 2020/21. Ridley Road Improvements and Dalston Regeneration will now take place in 2020/21. 80-80a Eastway (GLA) 2 Pods and a Computer Numerical Control (CNC) machine (equipment that allows automated control of tools and machinery) will be purchased with the remaining expenditure reprofiled to future years. Trowbridge (GLA) budget has been mainly design work with the remaining budget to be utilised in 2020/21. The variance in this financial year will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

### HOUSING

The final outturn is £108.3m, £18m below the budget of £126.4m. Some projects in the Estate Regeneration and Housing Supply Programme have taken longer to

deliver than was anticipated at the time of the Building Council Homes for Londoners (BCHfL) bid and it has been necessary to reprofile the timelines for delivery projects that were originally expected to be underway in 2019/20 (the 'early schemes') and 2021/22 (the 'later schemes'). More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	£'000	£000
AMP Housing Schemes HRA	60,894	48,047	(12,846)
Council Schemes GF	2,976	2,776	(200)
Private Sector Housing	1,454	1,311	(143)
Estate Regeneration	38,856	39,178	322
Housing Supply Programme	6,594	4,480	(2,114)
Woodberry Down Regeneration	15,591	12,553	(3,038)
<b>Total Housing</b>	<b>126,365</b>	<b>108,346</b>	<b>(18,020)</b>

#### Asset Management Plan Housing Schemes HRA

The final outturn for the overall scheme is £48m, £12.8m below the budget of £60.9m. The main variance relates to the SCA/Pipeline Works for Housing Investment Programmes North West, HiPs Central and HiPs South West being rolled into the next financial year. The variance in this financial year will be slipped into 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

#### Council Schemes General Fund

The final outturn for the overall scheme is £2.8m, £0.2m below the budget of £3m. The most significant variance relates to the allowance made for major repair works at multiple Hostels (Housing Needs) properties. This underspend will be utilised on various properties in 2020/21. There continues to be a high level of spend on Borough Wide Housing Under Occupation where some regeneration properties are being used as Temporary Accommodation. A cost benefit analysis is undertaken on each property before any works commences. The small variance in this financial year will be slipped into 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

#### Private Sector Housing

The final outturn for the overall budget is £1.31m, £0.14m below the budget of £1.45m. There is a slight reduction in the Warmth and Security Grant and General Repairs Grant outturns compared to budget due to some works not being completed prior to 31.03.2020. A new Warmth and Security Grant policy is being implemented - the transition to which reduced the number of successful grant applications during 2019/20. Once the new policy is implemented, this should mean the number of successful grant applications will start to increase again. The variance in this financial year will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

## Estate Regeneration

The final outturn for the overall scheme is £39.2m, £0.3m below the budget of £38.9m. The variance in this financial year will be slipped into 2020/21 and a request of the slippage of associated funding and approvals will be included in the July Capital Update report.

The Marian Court Phase 3 and Phase 4 projected start on site date of January 2021 is subject to vacant possession; value engineering; planning approval for design changes; and satisfactory tender negotiations for construction work. Note that additional GLA funding has been requested to help close the viability gap in this strategically important project. In the event that it is not possible to secure additional GLA funding, the scheme would still be deliverable, however this will significantly impact the Council's ability to address viability challenges on other projects.

Kings Crescent Phase 3 and 4: vacant possession has been achieved. The Project start on site date of August 2021 is subject to confirmation of GLA planning approval and satisfactory tender returns for construction work.

The Colville 2C projected start on site date of October 2021 is subject to vacant possession; planning approval for design changes following resident feedback from earlier phases and satisfactory tender returns for construction work.

The Nightingale vacant possession has been achieved. The projected start on site date of March 2022 is subject to a revised energy and fire safety strategy; planning approval for design changes; and satisfactory tender returns for construction work.

## Housing Supply Programme

The final outturn for the overall scheme is £4.48m, £2.11m below the budget of £6.59m. The variance in this financial year will be slipped into 2020/21 and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

Mandeville. The main variance to budget related to the Mandeville Street project (£0.29m underspend). This project is on site but works progressed slightly slower than expected during the last quarter and will be further delayed due to Covid 19.

The Daubeney Road Contract award was approved by Cabinet in January 2020. The projected start on site date of July 2020 is subject to Party Wall Agreements in place by July 2020.

The Pedro Street Demolition is complete. The contract award was approved by Cabinet in February 2020. The projected start on site date is July 2020.

The Murray Grove (Fairbank Estate) projected start on site date of September 2021 is subject to planning approval and satisfactory tender returns for construction work.

Buckland Street vacant possession on all garages has now been achieved. The projected start on site date of January 2022 is subject to planning approval and satisfactory tender returns for construction work.

Wimbourne Street vacant possession has been achieved. The projected start on site date of October 2021 is subject to planning approval and satisfactory tender returns for construction work.

Former Frampton Park Community Hall, Tradescant House (Woolridge Way), Downham Road East, 81 Downham Road, Balmes Road, Downham Road West, Hertford Road, De Beauvoir Phase 2 and Lincoln Court all have estimated start on site dates during 2022.

### Woodberry Down Regeneration

The final outturn for the overall scheme is £12.6m, £3m below the budget of £15.6m. The main variance relates to buybacks of leasehold properties on Woodberry Down which did not complete before the end of this financial year. These buybacks will take place in 2020/21. The variance in this financial year will be slipped and a request for the slippage of associated funding and approvals will be included in the July Capital Update report.

## **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.

## **6.0 BACKGROUND**

### **6.1 Policy Context**

This report describes the Council's financial position as at the end of March 2020. Full Council agreed the 2019/20 budget on 21<sup>st</sup> 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, Housing Needs and Supply, 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 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.

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

### **Appendices**

Appendix 1: Third Covid-19 Survey - Summary

Appendix 2: Third Covid-19 Survey submitted to MHCLG

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