Hackney

2020/21 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT THAT TAKES ACCOUNT OF THE ESTIMATED FINANCIAL IMPACT OF COVID 19 AND THE ON-GOING EMERGENCY
KEY DECISION NO. FCR Q97

CABINET MEETING DATE 2020/21	CLASSIFICATION:
29TH SEPTEMBER 2020	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 Overall Financial Position (OFP) is based on detailed July monitoring data from directorates.

1.2 We are forecasting an overspend on the General Fund (i.e. excluding Housing costs) of £64.4m before the application of the Government's Emergency Funding (£21.4m). Of this, £60.8m relates to additional expenditure and reduced income incurred on the General Fund that is owed to COVID-19. The non-COVID-19 related overspend is £3.6m.

1.3 This report demonstrates that commitments from central Government, coupled with our own sound financial management, reduce the forecast COVID-19 related shortfall for 2020/21 to £9.4 million. While this places an extra pressure on Council finances, we are confident at this point that we can manage this shortfall.

1.4 What we now urgently need is certainty over future funding. We have been clear that we are prepared to work with the Government on addressing the funding shortfall brought about by COVID-19. The Government's commitment, while welcome, to fund a significant portion of, but not all, lost Council income as a result of COVID-19 would appear to show that they are likewise expecting local authorities to step-up and help manage the additional costs.This is also reflected in the Government's decision to only part fund Council Tax losses.

1.5 It is therefore vital that the Comprehensive Spending Review focuses on ensuring stability in local government finances. We have acted as honest partners to the Government in addressing the current crisis and we now need them to do the same. After £140 million in cuts over the past decade, the biggest immediate threat now facing Hackney's finances is the decisions the Government will take within the Comprehensive Spending Review.

1.6 Local authorities do not have the same financial flexibilities and powers open to central Government. We need a funding settlement that is truly fair and gives us the resources we need to manage the financial impact of COVID-19 and to continue to deliver the services our residents rely on.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £64.4m funding shortfall (General Fund) before the application of the Government's Emergency Funding. This is equivalent to 6% of the total gross budget and 19% of the net budget. This is a £3.7m increase in the overspend from May of which £2.1m relates to COVID-19 and £1.6m to other pressures.

2.2 As Cabinet is aware, we were awarded £17.835m of grant in the first two tranches and a further £3.516m from the third tranche, giving a total of £21.351m. With regards to the scheme that would partially compensate councils for losses in some sales, fees and charges income streams arising from COVID-19, we have had guidance and a template to complete to make our claim. At the time of writing this report, work had begun on completing the template but until completion we will not know our estimated funding allocation and so the report therefore includes the same estimate as in the previous OFP - £9.6m.

2.3 At the end of August we submitted a further Covid-19 survey to MHCLG. The return showed a larger impact of Covid-19 than shown in this OFP. There are various reasons for this. Firstly, we are required to record the total of budgeted business rates losses including the GLA and Government's share as well as Hackney's share in the survey whereas in the OFP we just show Hackney's share (our share is 30%). We are also required to show Council Tax losses including the GLA's share in the Covid-19 return whereas in the OFP we just show Hackney's share. Our share is 78%. Additionally, we are required to show expenditure gross of grants in the survey, but we show expenditure net in the OFP (this is significant for Public Health track and trace spend). So, whilst the survey provides us with a good opportunity to make the Government aware of our financial losses and need for funding, because of the specific information requirements of the survey, it is not a very reliable measure of our current financial position and funding requirements.

2.4 The estimates contained within this report are very indicative and will be revised further as more information becomes available. It must also be noted that the Government funding listed in this report is intended to cover the pandemic only and funding is of a one-off nature. It follows that, while speed has necessitated some decisions to be taken through delegated authority over recent months, to protect the Council's financial position going forward, any further expenditure commitments that are of an ongoing nature must have full political oversight and be agreed through the Cabinet process.

2.5 The position of the General Fund is shown below. The first table shows the funding shortfall of £64.4m of which £60.8m is owed to COVID-19 while the second table analyses the impact of applying Government funding.

TABLE 1: OVERALL ESTIMATED BUDGET SHORTFALL 2020/21

Revised Budgets	Service Unit	Forecast : Change from Revised Budget after Reserves	Variance from Previous Month	Amount of variance owed to Covid	Variance excluding Covid
		£k	£k	£k	£k
87,515	Children's Services	6,075	221	4,730	1,345

93,921	ASC & Commissioning	6,584	143	4,911	1,673
33,684	Community Health	1,250	510	1,680	-430
215,120	**Total CACH**	**13,909**	**874**	**11,321**	**2,588**
34,414	**Neighbourhood & Housing**	**13,681**	**-922**	**13,216**	**465**
17,028	**Finance & Corporate Resources**	**14,805**	**3,509**	**14,313**	**492**
0	**Reduced Council Tax & Business Rates Income**	**20,500**	**0**	**20,500**	**0**
8,657	**Chief Executive**	**1,540**	**329**	**1,468**	**72**
37,659	**General Finance Account**	**0**	**0**	**0**	**0**
312,878	**GENERAL FUND TOTAL**	**64,435**	**3,790**	**60,818**	**3,617**

2.6 In order to look at the budgetary implications of this shortfall in 2020/21 we must first make adjustments in respect of Council Tax and Business Rates. The governing regulations require that any difference between the budgeted income and outturn income for these two income streams is not charged to the General Fund in 2020/21 but instead is charged in the following year. And so without changes to the regulations if we do make a shortfall of £20.5m on Council Tax and Business Rates income in 2020/21, it would all be charged to the General Fund in 2021/22 thereby increasing the budget gap by an equivalent amount in this year.

2.7 However, as noted in the May OFP, the Government is intending to partially alleviate the burden in 2021/22. It is proposing to fund part of the shortfall on Council Tax and Business Rates(but we will not know how much until it produces the next Spending Review in the Autumn) and it will then direct that the remaining losses after the funding will be a charge against the General Fund in 2021/22 and in the following 2 years in equal amounts. So if the Government funds 33% for example (this is just a number for illustrative purposes) and we have a shortfall of £20.5m then we will have to charge £13.7m to the General Fund over the next 3 years, at a rate of £4.6m per annum beginning in 2021/22. Obviously, we will be able to offset against this any payments we receive in respect of 2020/21 debts in 2021-22 and beyond from local taxpayers and businesses.

2.8 The application of the grant, compensatory funding and the deferral of Council Tax and Business Rates losses to future years is shown in table 2 below

TABLE 2: SHORTFALL AFTER THE APPLICATION OF GRANT

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves	Amount of variance owed to COVID-19	Variance excluding COVID-19
		£k	£k	£k
87,515	Children's Services	6,075	4,730	1,345
93,921	ASC & Commissioning	6,584	4,911	1,673
33,684	Community Health	1,250	1,680	-430
215,120	**Total CACH**	**13,909**	**11,321**	**2,588**
34,414	**Neighbourhood & Housing**	**13,681**	**13,216**	**465**
17,028	**Finance & Corporate Resources**	**14,805**	**14,313**	**492**
8,657	**Chief Executive**	**1,540**	**1,468**	**72**
37,659	**General Finance Account**	**0**	**0**	**0**

312,878	**GENERAL FUND TOTAL**	**43,935**	**40,318**	**3,617**
	Estimated Emergency Fund	**-21,351**	**-21,351**	
	Funding to Partially Compensate loss of Sales, Fees & Charges income	**-9,575**	**-9,575**	
	FUNDING STILL REQUIRED AFTER APPLICATION OF GRANT	**13,009**	**9,392**	

2.9 So as can be seen we have a total shortfall of £13m of which £9.4m relates to Covid-19.

2.10 The Group Director Finance is meeting this financial challenge by: -

- Reviewing the Council's reserves to develop options for re-appropriating reserve funds to help support the Council's response to COVID-19. This may mean delaying some projects or activities initially expected to be funded from reserves.

- Refining and developing a governance process to ensure expenditure is signed off by appropriate officers to keep expenditure focused on the COVID-19 response.

- Closely monitoring the Council's income streams and debt levels to see what effect the COVID-19 crisis is having on the Council's income.

2.11 We will also be continuing to review and refine our work on the robustness of the calculation processes and data used to calculate the COVID-19 estimates.

2.12 On other matters, on 28th April, the Government confirmed that the review of relative needs and resources (Fair Funding) and the move to 75% business rates retention will no longer be implemented in April 2021. On 21st July, it also launched the 2020 Comprehensive Spending Review (CSR). The Review, which will be published in the autumn, will set out the Government's spending plans for the remainder of this Parliament. It follows that at this stage, we will need to continue to plan with little or no funding certainty over the medium term in the context of significant additional spending and reduced income because of COVID-19.

2.13 As reported in previous reports to Cabinet, It is by no means clear what the longer term financial impact on local government will be as a result of COVID-19 but it looks likely that the UK faces a significant recession, possibly its sharpest recession on record. It is also worth noting that the UK's debt is now worth more than its economy after the government borrowed a record amount in May. The £55.2bn figure was nine times higher than in May last year and the highest since records began in 1993 and it sent total government debt surging to £1.95trn. Income from tax, National Insurance and VAT all dived in May amid the coronavirus lockdown as spending on support measures soared.

2.14 Clearly this will have an impact on future public sector and local authority budgets. It seems that at this time there is much less of an appetite within Government for austerity than that following the financial crisis in 2008 but it remains to be seen whether sufficient resources are made available to put local government on a sound and sustainable financial footing going forward.

3.0 RECOMMENDATIONS

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

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)

Summary

The CACH directorate is forecasting an overspend of £13.9m after the application of reserves and drawdown of grant with COVID-19 related expenditure accounting for £11.3m of the reported overspend.

Children & Families Service

Children and Families Service (CFS) is forecasting a £3.080m overspend as at the end of July against budget after the application of reserves including a £1.735m forecast drawdown in respect of COVID-19 related spend. The draw down from reserves includes:

- £3.869m from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1.6m for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.

The forecast also incorporates £4.650m of Social Care Grant funding (that is an additional £3.450m in 2020/21 when compared to last year). Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the overall spend is forecast to increase by £4.9m (£0.9m has been identified as relating to COVID-19) compared to last year. There is also an increase in forecast spend on staffing across CFS of £2.87m when compared to last year (£0.6m has been identified as relating to COVID-19 and £0.67m relates to an increase in the employer pension contribution from 15.6% to 18.5%). £1.6m is linked to increased staffing levels agreed in response to increased demand and additional posts agreed to assist in responding to the Ofsted recommendations arising from the inspection in November 2019 in which the Council received a '*requires improvement'* judgement.

Corporate Parenting is forecast to overspend by £2.72m after the use of £3.9m of commissioning reserves (includes £0.943m of COVID-19 expenditure). This position also includes the use of £2.9m of Social Care funding that was announced in the October 2019 Budget. The overall position for Corporate Parenting has increased by £1.06m since May 2020 and this is due to a significant increase in high cost LAC placements such as Residential Care (£801k) and Independent Fostering Agency (£217k). Gross expenditure on LAC and LC placements (as illustrated in the table below) is forecasted at £27.5m compared to last year's outturn of £22.7m – an increase of £4.8m (this includes £0.943m of COVID-19 expenditure).

Table 3: Placements Summary for LAC and Leaving Care - gross costs

Service Type	*Budget £000*	*Forecast £000*	*Forecast Variance £000*	*Funded Placements**	*Current Placements*
Residential	*3,131*	*7,531*	*4,400*	*16*	*40*
Secure Accommodation (Welfare)	*-*	*121*	*121*	*-*	*-*
Semi-Independent (Under 18)	*1,570*	*3,098*	*1,528*	*25*	*50*
Other Local Authorities	*-*	*84*	*84*	*-*	*2*
In-House Fostering	*2,400*	*2,254*	*(146)*	*98*	*92*
Independent Foster Agency Carers	6,488	7,726	1,238	131	152
Residential Family Centre (P&Child)	-	212	212	-	1
Family & Friends	569	1,017	448	25	44
Extended Fostering	-	56	56	-	2
Staying Put	200	704	504	8	33
Overstayers	290	748	458	13	32
UASC	700	1,065	365	17	27
Semi-independent (18+)	1,370	2,860	1,490	78	120
Total	16,718	27,476	10,758	411	595

**based on the average cost of placements.*

This is the gross position of an adverse variance of £10.7m for placements excluding any income. This is mitigated by reserves of £3.9m, £2.2m Social Care Grant; UASC Income of £1.7m; and other income of £0.3m to get to a net reported position of £2.7m**.**

Table 4: LAC/ Leaving Care Placement Analysis

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care (inc. HLT element)	8,167	167	4,165	40	35
Secure Accommodation (Welfare)	121	-	7,385	0	1
In-House Fostering	2,254	43	469	92	92
Independent Foster Agency	7,726	145	951	152	149
Semi-Independent (Under 18)	3,098	59	1,186	50	47
Semi-independent (18+)	2,860	40	337	120	112
Family & Friends	1,017	19	431	44	49
Residential Family Centre (Parent & Child)	212	3	3,487	1	2
Other Local Authorities	84	2	810	2	2
Total	25,539	478	19,221	501	489

One of the main drivers for the cost pressure in Corporate Parenting continues to be the rise in the number of children in costly residential placements which has continued to grow year-on-year and the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. We are also seeing an increase in the number of Independent Fostering Agency (IFA) placements and a stagnation in the number of in-house fostering placements. IFA placements (£50k) are double the cost of in-house fostering placements (£25k).

The forecast for LAC and Leaving Care Placements is an increase of £4.9m compared to last year, and this is largely attributed to increases in Semi-independent placements (both under and over 18s) of £2.1m; Residential care £2.4m; and IFAs £0.6m, this includes approximately £0.9m in relation to COVID-19 additional expenditure. If we exclude the COVID-19 expenditure, the increase compared to the 2019/20 outturn is £3.9m. Management actions are being developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost of a residential placement is approximately £200k, a net reduction in placements would have a significant impact on the forecast.

This year we continue to see significant pressures on staffing, however this has been partly offset by the social care grant funding which has been allocated to the service. This is mainly due to over-established posts recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the

Ofsted focused visit at the end of last year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the recent inspection referred to above, alongside further increased demand in the system, as well as the ongoing impact of COVID-19, it is likely that staffing costs will continue to be above establishment and this is being built into future financial plans.

Disabled Children's Service is forecast to break-even after the use of £447k of reserves. Staffing is projecting an overspend of £169k due to additional staff brought in to address increased demand in the service. This is offset by £215k of additional social care grant. Commissioning is projecting a £564k overspend primarily attributed to care packages (£391k Home Care, £255k Direct Payments) and £30k on other expenditure partially offset by a £82k underspend on Short breaks. This position is also offset by £100k of internal procurement income.

Directorate Management Team is forecast to overspend by £386k after a drawdown of £635k reserves for Post Ofsted staffing pressure and £166k Social Care Grant on creation of 2 Service Manager posts. £397k of staffing pressure in relation to COVID-19 is forecast in this area, this includes an estimate of additional staffing relating to delays in closing cases.

Children in Need is forecasted to underspend by £23k after the use of reserves. There are significant levels of non-recurrent funding in the service including £625k of Social Care Grant funding in recognition of staffing pressure at the start of the financial year. Recruitment to permanent Social Worker posts are in progress which should address the high numbers of agency staff currently in this service.

Access and Assessment is forecasted to underspend by £98k after the use of reserves. There are significant levels of non-recurrent funding in the service including approximately £600k of reserve funding to provide additional capacity following the Ofsted inspection last year. This month, staffing is underspending by £51k due to delayed recruitment to vacant posts and £47k relates to underspend in Section 17 and other non-staffing expenditure.

Overspends across the service are partly offset by small underspends in Children in Need, Access and Assessment, No Recourse to Public Funds and Youth Justice. Youth Justice is forecasted to underspend by £64k primarily due to late recruitment to vacant posts.

Management action which is being taken to mitigate the overspend is shown below

Management actions to contain CFS overspend

Service unit	Description	Commentary on action
Corporate Parenting	Joint funding on health and children's social care packages	The Transition Steering Group has agreed a process and individual placements are in the process of being reviewed. Placement contributions from the CCG towards eligible healthcare needs will be backdated to 1 April 2020.
Corporate Parenting	Review and reduction in high cost placements as part of budget review meetings.	Reviewing high cost residential, semi-independent and IFA placements on a rolling monthly basis to see if any packages can be stepped down. Residential and semi-independent placements are expensive so a reduction in placements can have a significant impact on the forecast.
Corporate Parenting	Mockingbird Project and Supported Lodgings	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.
Corporate Parenting	FLIP & Edge of Care	Work undertaken by FLIP and Edge of Care workers aimed at preventing children and young people coming into care and supporting young people back to their families.
Service wide	Improved flexible use of staffing and recruitment controls	The Director of Children and Families is developing an improved system for monitoring staffing levels, enhancing flexible use of staff across the service, and increasing controls over recruitment.

Hackney Learning Trust

HLT has a budget of £25.7m net of budgeted income of circa £240m. This income is primarily Dedicated Schools Grant of which the majority is passported to schools and early years settings or spent on high needs placements. As at the end of July 2020, HLT is forecasting to overspend by around £9.3m. Approximately £3m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£6.3m) is mainly because of a £8.6m forecast over-spend in SEND, offset by forecast £2.3m of savings in other areas of HLT. The £8.6m over-spend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).

The Government has formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained. The finance teams are working on what exactly this will mean for the Council's finances and are also consulting with the auditors and other Councils. At this time, it is thought that it is unlikely these changes to funding regulations will have a material impact on the forecast. The Government expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, Government's commitment to this additional funding and the level this will be at is not clear. There is therefore a financial risk to the Council of carrying this deficit forward and we will need to consider options for mitigating this risk which might include setting aside a reserve equivalent to the deficit at year end.

The tables below provide a breakdown of the forecast against service areas in the HLT and an explanation for significant variances.

Variances

	Variance £'000	Variance due to COVID £'000	What the variance might have been excluding C19 £'000
SEND Forecast (excluding transport)	8,055	388	7,667
SEND Transport	1,034	80	954
HLT forecast other	236	2,527	-2,290
Net variance	**9,326**	**2,995**	**6,331**

HLT Budget Commentary Excluding the C19 Impact

Service area	2020/21 budget £k	Forecast Year-end Exp Excl C19 £k	Variance Excluding C19 £k	Budget commentary
High Needs and School Places	47,578	56,199	8,621	The forecast assumes an increase in spend by around £3.8m from what was incurred in 2019/20. A group of key Council officers will meet to develop/refine the forecast. Furthermore, officers are undertaking a fresh review of options for reducing spend and therefore the recurrent deficit.
Education Operations	3,684	3,661	-23	Immaterial variance
Early Years, Early Help and Wellbeing	41,318	41,919	600	This reflects forecast spending in children's centres and residual costs associated with an in-year closure of a school-based children's centre where the full-year budget was vired as savings so is partly offset under contingencies and recharges. A full financial review of the children’s centres is currently underway.
School Standards and Performance	1,843	1,859	16	Immaterial variance
Contingencies and recharges	11,055	9,514	-1,541	Forecast under-spends in contingency and savings delivered in previous years.
Delegated school funding to maintained mainstream schools	133,844	132,900	-944	Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure.
DSG income	-213,611	-214,012	-400	Estimated additional Early Years DSG
TOTAL	**25,711**	**32,040**	**6,329**	

Adult Social Care & Community Health

The forecast for Adult Social Care is a £6.6m overspend. Covid-19 related expenditure accounts for £4.9m of the reported budget overspend. To note, this overspend does not include Covid-19 NHS discharge related spend of £1.3m where there is an agreement to fully recharge the cost to CH-CCG or provider support from the Infection Control Fund (£0.5m).

The overall position for Adult Social Care last year was an overspend of £4.027m. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£1.989m), Social Care Support Grant (£4.644m), and Winter Pressures Grant (£1.405m).

Announcements on social care funding as part of the Spending Round 2019 provided further clarity on funding levels for 2020/21, however, it is still unclear what recurrent funding will be available for Adult Social Care in the longer term. The on-going 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 continued 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 Covid 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 £5.10m pressure against the £39.69m budget. Covid-19 related expenditure accounts for £4.1m of the total budget pressure. The forecast also includes £1.4m of the Winter Pressures grant to fund the ongoing additional care package cost because of hospital discharges. The full £1.4m had already been committed at the beginning of the financial year.

Care Support Commissioning (£k)

Service type	2020/21 Budget	Jul 2020 Forecast	Full Year Variance to budget	Variance from May 2020	Management Actions
Learning Disabilities	16,735	17,587	851	46	- ILDS transitions/demand management and move on strategy - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	13,748	16,825	3,078	(528)	
Memory, Cognition and Mental Health ASC (OP)	8,297	9,334	1,037	587	
Occupational Therapy Equipment	740	652	(88)	(66)	
Asylum Seekers Support	170	393	223	68	
Total	39,689	44,790	5,101	106	

Physical & Sensory Support is forecasting an overspend of £3.1m. This includes a forecast of £2.4m of additional funding support for care providers in response to the COVID-19 pandemic. The remaining pressure of £700k relates directly to the number and complexity of care support packages in Physical and Sensory Support. The overall position has improved by £528k on the previously reported May position. The gross forecast spend on care packages in Physical Support is £18.5m (£17.3m in 19/20) and in Sensory Support is £1.09m (£1.04m in 19/20). The forecast also includes £350k of iBCF and £755k of Winter Pressure funding towards care packages in 20/21.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £1,037k. The overall position has moved adversely by £587k on the last reported May position, primarily driven by significant growth in client activity within long term care services. The gross forecast spend on care packages for 20/21 is £12.2m (£12.2m in 19/20). Previous reductions in forecast overspend relating to reduced service user numbers due to mortality driven by the Covid-19 pandemic have now been offset by new service users primarily in nursing care settings. £500k of Winter Pressure funding and £350k of iBCF have been applied to these care packages in 20/21.

The Learning Disabilities service is forecasting an overspend of £0.9m. There continues to be increased pressures related to new clients and the cost of increasing complexity of care needs for Learning Disability clients. The gross forecast spend on care packages in Learning Disabilities is £32.3m (£30.9m in 19/20). The forecast also includes significant non-recurrent funding from the iBCF (£1m) and social care (£4.6m) grants. In addition, a contribution from the NHS of £2.7m (£2.1m in 2019/20) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed in 2019/20 to agree the share of funding for complex care packages.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT) and is forecast to overspend by £1.105m. The overall position is made up of two main elements - a £1.35m overspend on externally commissioned care services and £243k underspend across staffing-related expenditure. The gross spend on care packages in Mental Health (ELFT) is £4.97m (£4.9m in 19/20).

Provided Services is forecasting a £252k overspend against a budget of £9.87m. This is largely attributed to:

- Housing with Care overspend of £597k, of which £595k is in relation to the significant cost of additional agency staff cover employed for staff absences due to shielding or self-isolating at present due to Covid-19.
- Day Care Services are projected to underspend by £345k, primarily due to the current staff vacancies across the service and that the Oswald Street day centre is currently closed.

Preventative Services is forecasting an overspend of just £35k against a budget of £19.57m. Forecast underspends on Concessionary Fares (£57k) and the Interim Bed facility at Leander Court (£171k) are offset by pressures of staff costs within the Hospital Social Work team and the Information and Assessment team.

ASC Commissioning is forecasting a £209k underspend, which masks significant one-off reserve funding of £1.795m in 20/21 supporting activity within commissioning - across teams and projects including the project management office, the commissioning team, the direct payments team and supporting the Lime Tree and St Peters' care scheme prior to recommissioning. Disabled Facilities Grant funding has been applied in 20/21 to the Telecare contract. Additional grant funding has been received for domestic violence services resulting in a favourable £70k variance to budget.

Care Management and Adult Divisional Support is forecasting a £300k overspend which is driven primarily by staffing costs within the Integrated Learning Disabilities team (£268k). The team has a relatively high number of agency staff which management is actively addressing with planned recruitment campaigns.

Management action which is being taken to mitigate the overspend is shown below

Management actions to contain ASC overspend

Service unit	Description	Commentary on action
Implementing the three conversations practice model	Implementing a transformative frontline practice culture change that emphasises personalisation, a strengths-based approach and 'quality conversations' with individuals in order to connect them with the appropriate support at the right time.	• Based on evidence from other authorities that have implemented this approach, the conversion rate of those contacting us for the first time and ending up with a care package will reduce from between 5% - 10% • These figures are still very indicative and may vary once the programme begins to be implemented and we have emerging evidence coming out of the innovation sites.
Homecare processes	Improving the efficiency of home care processes in Adult Services so that more assurance can be provided on the controls in place to manage this significant area of spend.	• We plan to reduce our current levels of spot purchasing of homecare • We will reduce any overpayments to providers by tighter management of homecare payments processes
Personalisation and DPs	Increasing uptake of direct payments by improving process efficiency, developing the market for personal assistants, and promoting personalisation with staff.	• Increase the number of people receiving their care through a Direct Payment by an additional 25 - 50 people.
ILDS Move on Strategy and transitions demand	Working with our service users with learning disabilities supporting them to live in a safe way in the most independent setting for them. This will include growing our shared lives provision in the long-term. Working with young people with learning disabilities from an earlier age to manage their transition to	• Low end: Step down 5 users from supported living to shared lives. Based on average package cost. High end: Step down 5 users from residential care to shared lives. Based on average package cost. • Between 5 - 15 % reduction against the package cost once someone

	adult services and developing the right market provision for this cohort that promotes independence.	has moved from Children's/Education to Adults, assuming we can put in place a less costly package because we have developed a stronger day opportunity offer.
Joint Funding (LD and Operational Services)	Working in collaboration with the CCG to develop processes for the funding and review of health and social care packages.	• Effective processes developed in 2019/20 for Learning Disabilities and the review of packages should be completed by the end of October 2020. This will help to establish a baseline for future years.
Housing Related Support Phase 2	The proposal for HRS Phase 2 is to ensure good contract management and review the evidence base from the new HRS contracts (phase 1) to look at working closely with providers to identify which services are delivering the best outcomes and value, and varying investment and contracts accordingly.	• Next step is for this proposal to be discussed / approved by Members with agreed timeframes.
Review of Housing with Care	Working with the service to review and remodel the Housing with Care service to develop extra care and supported living provision. Objectives include admissions avoidance, supporting DToC and effective management of voids in the scheme.	• Project paused due to CQC inspections, and subsequent focus on delivering associated action plans. • Planning work commenced in early 2020 then paused due to Covid • Timescales currently being re-scoped with a view to starting this project.

Public Health

Public Health is forecasting a breakeven position, and this includes £55k for the Covid 19 triage service and delays in the delivery of planned savings (£375k).

The Public Health grant increased in 2020/21 by £1.569m. This increase included £955k for the Agenda for Change costs, for costs of eligible staff working in organisations such as the NHS that have been commissioned by the local authority. The remaining grant increase has been distributed to Local Authorities on a flat basis, with each given the same percentage growth in allocations from 2019/20. There is a separate grant allocation for PrEP related activity that was recently announced, and the local authority will receive £344k to fund the costs incurred this year.

The service has pressures in demand led services including sexual health and is working closely with commissioners to ensure provision remains within the allocated sexual health budget in future financial years. In this year this is being offset by underspends in other areas of the service and from the increased grant allocation.

Hackney has been allocated £3.1m of the total £300m announced by Government to support Local Authorities to develop and action their plans to reduce the spread of the virus in their local area as part of the launch of the wider NHS Test and Trace Service. This funding will enable the local authority to develop and implement tailored local Covid 19 outbreak plans. A working group has been established and plans are being developed to allocate these funds accordingly.

Mortuary costs have substantially increased during Covid 19, and the response to the pandemic plan required the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet predictions in the initial wave. This has come at an increased cost of approximately £23m to date across London, and based on ONS figures, Hackney's estimated additional cost is likely to be £740k. In anticipation of a potential second spike, a further £16m fund will be created as a provision across London, and Hackney's share of this will be a further £510k. This has been factored into the reporting position this month.

Detailed impact of COVID-19 on CACH

This is set out below

Impact of COVID-19 on CACH Costs and Income

Additional Spend £000	Reduced Income £000	Net Effect £000	Sub-Service	Variance Narrative
640	-	640	FLIP Young Hackney and DAIS CIN, A&A and DCS DMT	**Workforce Pressure** Termination dates for some Family Learning Intervention Project (FLIP) staff have been extended and support is being provided to other service areas via Rapid Support. This is for an additional YH business support officer and DAIS intervention officer due to a peak in workload created by COVID-19 Delays in CIN agency staff leaving due to COVID-19 lockdown; A&A staff unable to obtain work permit due to COVID-19; additional DCS staff due to increase in workload. Increase staffing pressure due to workload cases that are not closed because of COVID-19.
690	-	690	Corporate Parenting (LAC)	**LAC placement costs** This relates to CP placements costs, and is due to delays in step-downs, placements being extended (i.e. beyond their 21st birthday) as well as additional support hours. Also increased residential placements due to unavailability of foster carers during this period.
315	-	315	Corporate Parenting (LC) NRPF	**Care Leavers** April/May actual = £18k plus June £18k plus July £27k, then £27k a month for 8 months =£279k.

				This also includes increasing the subsistence payment by 25%, £25 internet allowance for each family and Free School Meal allowance for children who were not receiving a school meal allowance from their school during COVID-19 lockdown
90	-	90	DCS / Short Breaks	**Other** This assumes pressure to apply a 10% increase to DCS home care packages in line with home care for adult providers.
2,400		2,400	ASC - Care Support Commissioning	**ASC - Supporting the Market** Additional funds provided to care providers - estimated across 12 months
648		648	ASC - Provided Services & ASC Commissioning	**ASC - Workforce Pressures** Cost of engaging additional care staff to cover permanent officers shielding or self-isolating. Estimated cost of support workers for COVID-19 Urgent Housing Pathway (£54k)
1,413		1,413	ASC - Care Support Commissioning	**ASC - Additional Demand** Several care packages across ASC are now being funded by NHS discharge funds. This is the full year estimate of the additional demand cost of care packages not being supported by NHS discharge funding.
	300	300	ASC - Care Support Commissioning	ASC - Loss of care charges income
150			ASC Commissioning	Delay in delivery of Housing Related Support savings
55		55	PH	**PH - COVID 19 Triage Service** Contracted cost for the year
1,250		1,250	PH	**PH - Additional Mortuary costs**
375			PH	Delay in delivery of PH savings in Substance Misuse and the Healthier City and Hackney Fund
30	438	468	HLT	**High Needs and School Places** Kench Hill Charity grant and loss of SEND traded income.
	141	141	HLT	**Education operations** Loss of traded income and additional ICT costs
	1,018	1,018	HLT	**Early Years, Early Help and Wellbeing** Loss of child care income in children’s centres.
	462	462	HLT	**Schools Standards and Performance** Loss of traded income.
906	-	906	HLT	**Contingencies and Recharges** Mainly potential payments to schools to compensate for loss of children centre income and potentially supporting schools with additional costs through COVID-19 in

				areas not covered by Government schemes.
9,662	**2,359**	**11,321**	**Total**	

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate is a £13.7m overspend, primarily as a direct result of COVID19. The forecast includes the use of £1.2m of reserves, the majority of which are for one off expenditure/projects.

The estimated total COVID19 impact in Neighbourhoods and Housing as of July 2020 is £13.2m of which £11.0m is an income shortfall and £2.2m is additional expenditure.

Environmental Operations is showing an overspend of £3.618m, which is an adverse movement of £214k from May position. The movement relates to an increase in agency forecast for COVID cover until the end of Sep 2020 and additional purchase of PPE. The overall overspend is made up of £2.549m relating to a shortfall in income mainly from commercial waste and hygiene services due to the lockdown as businesses have closed and all services which require going to residents' homes have been ceased in line with Government guidelines. A further £783k expenditure relates to additional supplies and services such as PPE, and hand sanitisers for all staff. £286k is the net non-COVID-19 overspend in the service which relates to various operational running costs within the service.

The Parking service is showing a net overspend of £6.1m accounted for by a £6.5m income shortfall. There has been a positive movement of (£164k) from May 2020 position due to staffing under spends. The lockdown has meant a reduced amount of income in all income streams within Parking. In the first two months of the lockdown parking income dropped by 44% from last year. If this pattern is maintained for the full year then income forecast is likely to be in the region of £14.6m against a budget of £25.8m, which would be a shortfall in income of £11.2m in the parking account. The current forecast in parking income is £19.2m, which is still a shortfall in income of £6.5m (25%) from budget. This forecast assumes people's behaviour going back to some sort of normality in the coming months.
The Parking income model is being updated on a weekly basis considering actuals being received and activity volumes which will inform the forecast accordingly in the coming months.

Market and Shop Front Trading is overspent by £849k of which £796k is an income shortfall and £75k is additional expenditure both of which are a direct result of the lockdown. There is an adverse movement of £43k from May 2020 position as additional safety and security measures are put in place for the markets to open. The combined Markets and Shop Trading income budget is £1,600k and it is expected that half of that is likely to be achieved now the lockdown is being lifted. Even though the lockdown is beginning to be lifted on markets' activities it is difficult to make the markets safe for social distancing and therefore take-up of market stalls is limited because the footfall into markets is limited due to the need to maintain social distancing. This will continue to be the case for the foreseeable future and will be reflected in the reduced income forecast in the market's budget over the coming months.

Streetscene is showing a net overspend of £417k which is a positive movement of (£59k) from the May 20 position due to staffing. The current forecast is showing a shortfall in income of £479k. The service is expecting things to improve in the coming months as the lockdown eases in the construction industry.

Other than the impact of COVID-19, Libraries & Heritage and Leisure and Green Spaces are forecasting a break-even position and the COVID detail is listed in the table below.

Planning is forecasting an overspend of £1.5m which is due to a shortfall in planning applications fee income, PPA (Planning Performance Agreement & CIL income. 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 significant fall in overall planning application numbers for the past 2 years. This has further resulted in a reduction in the CIL and s106 income for the 1st quarter, further increasing the overspend this month by £692k.

There are several large schemes at the pre-application stage which are due to be submitted in early 2020/21. The development industry is also putting on hold the submission of major planning applications until there is more clarity on the impact of Covid-19, Brexit and the Hackitt review on build cost and sales value as this impacts the viability and deliverability of their schemes.

Despite a 20% uplift in planning fees 2 years ago, the income has consistently fluctuated between £1,500k to £1,700k over the past 3 years. With a budget of £2,200k and a plateau in the housing market, this level of income is unachievable. The income target for minor applications of £1,200k is forecast to be achieved, however 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. This is a national issue which the LGA is highlighting to government, stating

"Council planning departments work hard to approve nine in 10 planning applications as quickly as possible with the number of permissions granted for new homes doubling since 2012. However, taxpayers are still having to subsidise a £180 million annual bill to cover the cost of processing applications, which is why councils need to be able to set their own planning fees."

The Head of Planning is taking the following actions to address this budget pressure for 2020/21:

- The implementation of a new planning back office system will deliver process and cost efficiencies especially within the planning application registration and validation process, these efficiencies will help offset any underachievement of income.
- Review of the Planning Service cost base including non-staff costs.
- Benchmarking with other planning authorities with a focus on sustainable caseloads.
- Review of the Growth Team activity and Planning Performance Agreements

Within the Housing General Fund, there are some small underspends within Staffing which are offset partly by increased staffing expenditure within Regeneration.

Impact of COVID-19 on N&H

Additional Spend, £000	Reduced Income £000	Net Effect £000	Sub-Service	Variance Narrative
113	101	214	Libraries & Heritage	The service is not expecting any income during 20/21 for library fines, room bookings, sales etc due to the initial closure and future uncertainty of how the long-term service will operate. The additional expenditure was based on a prudent approach to security where the contract had not changed despite the closures. Additional deep cleaning was required before the service could reopen in its reduced form and some allowance had been made for this. The change in forecast to May is due to the measures required to safely reopen a restricted service in terms of additional daily cleaning and security staff on site during the library opening hours.
715		715	Leisure Services	This is the estimate of additional costs required to support GLL who manage the Leisure centres within Hackney. The total amount is being taken from the contract surplus share which GLL are holding on Hackney's behalf.
145	379	524	Events & Green Spaces	Parks & Green Spaces have two main areas of expenditure relating to COVID-19, which are additional emptying and cleaning of the bins (£74k) across parks and green spaces and cleaning of the toilets (£71k) (which had to be re-opened due to increased usage of the parks since lockdown). The loss of income is primarily down to the Events Team - as no bookings are expected this year and Parks in general where all income including from internal sources is on a much reduced expectancy or none at all

				(corporate volunteering and General parks Events).
783	2,549	3,332	Environment Ops	Environment Ops has three main areas of expenditure that have been impacted heavily by Covid-19. The use of agency staff to cover both sickness and staff absences, use of agency staff to cover food deliveries for the council, internal vehicle cleaning every day and where required to help the service or Council (£441k). This forecast is up to the end of Sept 20, the figures will be reviewed after this to update the forecast. The ongoing purchase of PPE and other equipment to aid daily operational works, such as masks, gloves, and sanitizers (£302k). The virus has also had a large impact on income especially Comm Waste due to so many businesses closing during the ongoing lockdown (£2,361k), also an increase in the bad debt provision of (40K) to account for more defaulters due to either struggling to reopen or struggling to continue as going concerns. Hygiene Services - the inability to go into people's homes and buildings (£137k) and (£50k) on Bulky waste collections which had a significant drop off in requests in Apr and May 20. Whilst the lockdown has started to ease, and businesses slowly start to reopen there is still much uncertainty surrounding how many clients will reopen or struggle to continue in business or pay existing charges.
0	6,568	6,568	Parking	There has been a significant impact on Parking services due to COVID19 in all income areas from PCNs, Pay and Display, Suspension and Permits. Current full year income forecast is £19.3m against a budget of £25.8m **which is a shortfall in income of £6.5m.** There are various minor underspend variances in other areas of the service of (£397k) giving a net overspend position of £6.1m.
74	796	870	Markets and Shop Front Trading	Market stalls and Shop Front Trading have been heavily impacted by COVID19 as shops and markets have been closed since the lockdown. There has been no

				income in quarter one. As the lockdown continues with the Government advice on markets being able to open, the take up has been very little and it is difficult to make the areas safe for social distancing.
	479	479	Streetscene	All the variance relates to income shortfall. Whilst the current circumstances have decimated some areas, in particular around NRSWA (s74), there are some signs of recovery. The service anticipates that utilities and developers will start to use their services as lockdown eases and "normal" circumstances resume. The forecast figures are a current cautious projection for this year.
420	94	514	Community Safety, Enforcement & Business Regulation	Civil Protection - £256k overspend consists of expenditure for: 1) PPE sourced for procurement. 2) Overtime, extra staff costs and other expenses for staff recruited for COVID-19, after authorisation by Gold. 3)Training provided to other teams such as Gold Loggists. 4)Extra infrastructure and equipment costs for needs such as temporary mortuaries, the Mobile Testing Unit site, the PPE Sub regional Hub, Food Hub etc. Enforcement - reduced income £24k due to less Fixed Penalty Notices. Enforcement officers' overtime £69K. CS Enforcement BR Management £28K, High court fees for Hackney Marshes & London Fields, £60K Security patrols in Parks. Licensing & Technical Support - Reduced income £70K TENS. Business Regulation EH & TS - Specialist Noise Advice and Control Officer overtime £7K
2,250	**10,966**	**13,216**		

4.4 FINANCE & CORPORATE RESOURCES

Finance and Resources is forecasting an overspend of £14.805m (before the inclusion of reduced council tax and business rates income of £20.500m (primarily reflecting lower forecast collection rates). Of this £14.313m is owed to COVID-19, which leaves a non-COVID overspend of £492k which is spread across various services.

The impact of COVID-19 on the directorate is as follows: -

Commercial Property is forecasting a £2.8m rental loss relating to COVID-19 and £165k additional security costs. £1.8m is expected to be written off and currently we have a 'deferred' amount of £0.78m. Of this 50% is assumed to be paid by year end. There is also increased expenditure on security and patrols of retail properties during lockdown.

Additional cost pressures in Revenues and Benefits sum to £3m. The collection of benefits overpayments has reduced by £1.6m because of COVID-19. The remaining £1.4m is primarily owed to loss of court costs income (£0.9m), additional staffing requirements across the service to deal with increased workload resulting from COVID-19 (particularly claims management), increased administrative costs associated with re-billing (print costs and postage costs), and anticipated additional expenditure on the Discretionary Crisis Support Scheme.

Customer Services is reporting a COVID-19 related cost of £282k relating to additional staff and software needed to add capacity to handle support for vulnerable residents.

There is an estimated £3.8m of Housing Needs costs arising from COVID-19 which result from two main sources. Firstly, the service has incurred additional staff costs to carry out the rough sleeping initiative and to move people into emergency accommodation and latterly into more settled accommodation; and has incurred additional direct costs of emergency accommodation. The service has also incurred costs with landlord incentives, required to secure accommodation and is forecasting having to make provision for those residents in Temporary Accommodation unable to pay their rents due to COVID-19.

Registration Services have been severely affected by COVID-19 which has created a forecast £500k shortfall resulting from a significant reduction in Ceremony Services (75%) and Citizenship Awards (50%). The impact of COVID-19 has led to a decrease of approximately 56% of income compared to last year whilst expenditure on staffing has also increased as there has been a requirement for sessional staff to cover front line services whilst some vulnerable staff work from home.

The Central Procurement and the Energy Team is forecasting COVID-19 related costs of £2.6m. The COVID expenditure relates to PPE which is being managed as a coordinated effort across the council with the ordering being led by Procurement. The spend on PPE to date is approximately £1.9m. It is difficult to try to estimate the usage going forward, and several items of equipment are still held in stock such that in some instances the stock levels will be sufficient for several months. However, the use of PPE will probably be required over a longer period of time than may have been anticipated at the start of lockdown, so a forecast of £0.7m further expenditure has been added to the spend to date to try to account for this.

There is a £245k COVID-19 cost in ICT resulting from the requirement for additional agency staff and equipment to ensure staff are able to work from home;

and there are additional operational costs in Facilities Management (Cleaning) arising from COVID-19.

4.5 CHIEF EXECUTIVE

Overall, the Directorate is forecasting to overspend by £1.54m of which £1.468k is owed to COVID-19.

Policy, Strategy & Economic Development are reporting an overspend of £770k all of which is due to COVID-19, arising from food parcels for residents who cannot access or afford food during COVID-19, security and moving costs (£649k) and Emergency Grants to 4 organisations in the Voluntary Sector to provide COVID-19 related services (£121k)

Communications is forecasting an overspend of £770k, most of which is due to the impact of COVID-19, which has reduced film income by £75k; venues income by £430k (refunds and lost bookings) and advertising income by £52k.

Legal and Governance, Chief Executive Office and HR are forecast to come in at budget.

4.6 Housing Revenue Account (HRA)

The impact of COVID-19 on the HRA is to increase net expenditure (income less expenditure) by total of £3.1m

It is estimated that there will be increased arrears of £1.7m in respect of dwelling rents, tenant charges and commercial income arising from COVID-19. It is assumed there will be an increase in irrecoverable debts and therefore an increase in the bad debt provision. Income, especially rent collection, is being monitored on a weekly basis and improvements in the rent collection rate will inform the level of provision for bad debts as the year progresses.

There is also likely to be a further reduction in rent income and tenant charges during the year arising from voids, increased expenditure on Housing Repairs and reduced Commercial properties income - Q1 rental charges have been deferred and Property Services are currently reviewing deferral of Q2 rents. It is estimated that income collection will reduce by £100k as some properties will require rent reductions / rent free periods. Any non-payment of rents will be accounted for within the bad debt provision. In addition, Community halls income is forecast to reduce due to a lack of bookings. The total reduction is an estimated £420k.

There are also variations from budget which are not related to COVID-19 but the only significant variation is within Special Services (£100k). The Special Services variance is due to increased costs of the integration of the Estate Cleaning service which is being reduced over 3 years. The overspend here is offset by variations to budget within other services.

4.7 CAPITAL

This is the first OFP Capital Programme monitoring report for the financial year 2020/21 and COVID-19 has had a significant impact on project timing. The actual year to date capital expenditure for the four months April 2020 to July 2020 is £20.7m and the forecast is currently £215m, £131.7m below the revised budget of £346.7m.

In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and monitoring reflect the anticipated progress of schemes. In normal circumstances the phase 1 re-profiling is done as part of Quarter 2 capital monitoring but considering the additional financial pressures arising from Covid-19, the decision to bring forward phase one re-profiling as part of Quarter 1 capital monitoring was taken. September Cabinet is asked to approve a total movement of £126.7m into future years. A summary of the forecast and phase 1 re-profiling by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Table 1 – London Borough of Hackney Capital Programme – Q1 2020-21	Revised Budget Position	Spend as at end of Q1	Forecast	Variance (Under/Over)	To be Re-profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	16,446	146	6,740	(9,705)	8,905
Finance & Corporate Resources	15,292	680	13,693	(1,598)	2,748
Mixed Use Development	105,203	8,010	60,487	(44,716)	44,716
Neighbourhoods & Housing (Non)	47,282	3,549	26,146	(21,136)	15,693
Total Non-Housing	**184,222**	**12,386**	**107,066**	**(77,156)**	**72,062**
AMP Capital Schemes HRA	94,358	4,952	49,147	(45,211)	45,211
Council Capital Schemes GF	1,007	261	1,404	397	(397)
Private Sector Housing	2,464	90	1,020	(1,444)	1,444
Estate Renewal	28,758	306	33,879	5,122	(5,122)
Housing Supply Programme	21,592	499	15,464	(6,128)	6,128
Other Council Regeneration	14,314	2,235	6,986	(7,328)	7,328
Total Housing	**162,493**	**8,342**	**107,900**	**(54,593)**	**54,593**
Total Capital Expenditure	**346,715**	**20,728**	**214,966**	**(131,749)**	**126,656**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £6.7m, £9.7m below the revised budget of £16.4m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**

Adult Social Care	1,136	7	197	(939)
Education Asset Management Plan	5,887	111	1,577	(4,309)
Building Schools for the Future	586	12	97	(489)
Other Education & Children's Services	1,226	(7)	964	(262)
Primary School Programmes	4,054	(73)	1,957	(2,096)
Secondary School Programmes	3,558	96	1,949	(1,609)
TOTAL	**16,446**	**146**	**6,740**	**(9,705)**

Adult Social Care

The overall scheme is forecasting an underspend of £0.9m against the respective budget of £1.1m. The two main capital projects in this area are Oswald Street and Median Road Day Resource Centre. Oswald Street Day Centre project is complete and the expenditure this year relates to health and safety and fixtures. The minor variance relates to final accounts and will be reprofiled to 2021-22 when these are expected to be settled. The new day centre was officially opened back in October 2018 and brings all existing day centre services together under one roof and will be used by people with a range of complex needs including dementia, learning disabilities, physical disabilities, and autism.

Median Road feasibility was concluded last year but there is more detail to work through. On this basis the resources held for Median Road will be reprofiled to 2021-22 and a small budget held this year for further feasibility studies. This capital project is the first phase of the Council's proposal to transform the current configured Median Road Resource Centre into a new facility which provides interim care services, intermediate care services and residential nursing care accommodation to adults with learning disabilities.

Education Asset Management Plan

The overall scheme is forecasting an underspend of £4.3m against an in-year respective budget of £5.9m. The main variance relates to Shoreditch Park Primary School which is forecasting a £2.2m underspend against the in-year respective budget of £2.6m. The roof and kitchen alterations are completed. The next round of capital works includes the first-floor internal alteration, music room, playground, and toilet refurbishment. All are due to be completed by the end of the year. The structural repairs to the main school are completed. The Art block element of the project is likely to spend 15% of its budget this financial year and the balance has been reprofiled. Due to Covid-19, the external toilet works have been deferred until Summer 2021. The MUGA element is ongoing and planned to complete this financial year. The resurfacing of the playground is currently on hold with the external gate works now completed. The refurbishment of the internal toilets has been completed and it is currently in the defect period. The variance will be reprofiled to 2021-22.

Building Schools for the Future

The overall scheme is forecasting an underspend of £0.5m against the in-year respective budget of £0.6m. The works at Stormont College SEN and Mossbourne are complete and part of the underspend this financial year will be offered up as savings and the remainder will be used to support the cooling works at Ickburgh which is on-going with no delays anticipated at this time.

Other Education & Children's Services

The overall scheme is forecasting an underspend of £0.3m against the in-year respective budget of £1.2m. There are no asbestos works planned for this financial year therefore the funding for this has been re-profiled to 2021-22. The tendering at The Garden School SEND is due in January 2021 and the revised budget is currently re-profiled to actual spend. These capital works will increase the number of the Post-16 places for pupils with Autistic Spectrum Disorder and Severe Learning Difficulties Places.

The forecast for Gainsborough SEND is the cost of technical advisers projected for this financial year. The plan is to complete the scheme this financial year with any overspends supported from the 2021-22 budget which will be reprofiled accordingly. Retention payments are planned for 2021-22. This project aims to provide additional capacity for 10 additional resourced provision placements to allow primary aged children with Social, Emotional and Mental Health Needs (SEMH) to access a mainstream setting at a level which supports their learning and development.

Primary School Programmes

The overall Primary School Programme is forecasting an underspend of £2.1m against the in-year respective budget of £4.1m. The most significant variance is Woodberry Down which is reporting an underspend of £1m against the in-year respective budget of £1.1m. The expenditure this financial year will be consultants' costs projected up to the tender phase with costs relating to ground-breaking works and the remaining budget has been re-profiled to 2021-22.

Further surveys at several schools have been carried out for the next phase of remedial works to the facades and it recognises additional works are required. This is the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. On the outcome of these surveys there will be a spending approval request via CPRP bid to increase the current budget from the available resources which was already approved during budget setting. The overall variances have been reprofiled to 2021-22 to support any retention payments and to support the next phase of the programme.

Secondary School Programmes

The overall scheme is forecasting an underspend of £1.6m against the in-year respective budget of £3.6m. The two main significant variances relate to The Urswick School Expansion and Stoke Newington School Drama Theatre and associated ancillary spaces.

The Urswick School Expansion works to the science lab will start later in the year and the expansion of the school element will start possibly in early 2021-22. The variance has been re-profiled to 2021-22 to reflect the actual expected delivery of the works. This capital project is to support the increased pupil growth of the school to the 6th Form Entry to include the additional three general classrooms, two seminar rooms, science studio, ICT room, general stock room and ICT equipment store.

The Stoke Newington School forecast includes the works identified this year and the projected retention for the refurbishment of the drama theatre. During the BSF programme, Stoke Newington was one of the three schools that was partially refurbished rather than rebuilt and as a result there were certain areas that still required upgrading to BSF standards. This drama theatre is one such area. It is crucial for the delivery of the drama curriculum, as well as for use as an assembly hall and for general teaching.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £74.2m, £46.3m under the revised budget of £120.5m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Property Services	10,126	502	9,846	(280)
ICT	4,150	292	2,882	(1,268)
Financial Management	209	(109)	520	311
Other Schemes	807	(4)	445	(362)
Total	**15,292**	**680**	**13,693**	**(1,598)**
Mixed Use Development	105,203	8,010	60,487	(44,716)
TOTAL	**120,494**	**8,691**	**74,180**	**(46,315)**

Strategic Properties Services - Strategy & Projects

The overall scheme is forecasting an overspend of £2.9m against the in-year respective budget of £10.1m. Covid-19 has impacted the wider Corporate Estate Rationalisation (CER) Programme with increased staff working from home and the re-opening of public buildings with strict rules of social distancing. The main variance relates to the refurbishment of the Council Office building Christopher Addison House which is forecasting an overspend of £0.8m. Several design issues relating to the structure were realised after work had commenced by the contractor. This has resulted in proposed variations to the contract which if approved will increase the ceiling price of the main contract. There will also be an increase to other costs associated with the project, but these will be covered by the existing contingency. Assuming the approval is given, the project is scheduled to complete in October 2020. This programme is part of the wider Corporate Estate Rationalisation (CER) Programme and the need to consolidate the Council's buildings to make better use of the space.

The other significant variance relates to the flooring replacement to the Council's Hackney Service Centre. The decision to bring forward several works at this building was taken. A large part of the Council's workforce continues to work from home which is a good opportunity to complete all the works this financial year. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

ICT Capital

The overall ICT scheme is forecasting an underspend of £1.3m against the in-year respective budget of £4.1m. The main variance relates to the resources held for the overall ICT capital programme which will support future capital projects planned for 2021-22. The variance has therefore been re-profiled.

The rolling programme of the End-user and Meeting Room Device Refresh should have ended last financial year but due to priorities shifting to home working, more support is required relating to the roll out of new devices. Several additional chrome books have been purchased as part of the new way of working. Expenditure this financial year will be on staffing and hardware with the remainder of the budget to be earmarked for installing kit in Christopher Addison House, meeting room refresh and hardware. This is dependent on council plans as kit may be transferable from existing buildings if they are not at full capacity. This project relates to the roll out of the device refresh model for council staff and meeting room devices across the core Hackney campus.

The other variance is the Hackney Learning Trust G-Suite work which is underway but the actual migration to G-suite is likely to start in September due to most staff being on school holidays. This project is for consultation and implementation only so no devices will be purchased. The variance has been re-profiled to 2021-22.

Other Schemes

The overall scheme is forecasting an underspend of £0.4m against the in-year respective budget of £0.8m. These schemes cover smart meter data, the home energy efficiency measures (Green Homes Fund), Solar PV Panel and the pilot of Solar Panel in Leisure centres. The forecast spend is to pay the current installer, planning applications costs and cost of two plaques for the pilot solar panels. There will be further feasibility studies on the wider solar panels' rollout for the Council's stock, therefore, the variance has been re-profiled to 2021-22.

Mixed Use Developments

Tiger Way and Nile Street is forecasting an underspend of £10.1m against the in-year respective budget of £14.1m. The Design and Build (D&B) projects at Tiger Way are in the defects periods. Outstanding defects are being undertaken on a priority basis; where works are a priority for reasons of health, safety, and security they have been undertaken by McLaren and their subcontractors. Until recently defects that were not a priority had been put on hold, but more recent updates from Government have enabled McLaren and their subcontractors to put in place revised safe methods of working and action practically all of the lower priority defects too. The situation continues to be the subject of regular review in accordance with the latest Government advice. In addition to the above defects, the replacement of the Nightingale School roof is a significant piece of defect rectification at Tiger Way. In respect of Covid-19 the principal contractor, McLaren, is organising the works in compliance with site operating procedures and guidance issued by construction industry organisations. Close liaison has been maintained with the school, so that the operations of McLaren do not conflict with those of the school, who have their own Covid-19 operating procedures relating to their teaching environment to comply with. The variance relates to final accounts, forecasted voids and associated costs, project management costs, sales agent and marketing fees and has been re-profiled to 2021-22.

Britannia Site is forecasting an underspend of £34.6m against the in-year respective budget of £87.6m. Phase 1a (Leisure Centre) is on target for completion in March 2021. Phase 1a - South elevation is being fast tracked to enable the temporary energy centre installation in September. Pool works continue to increase in momentum to make up for lost time due to COVID-19. Phase 1b (School) is on target for completion in May 2021. Phase 1b - Windows have commenced to ground and first floors. Concrete topping to precast concrete floors is now complete and lift installations have commenced. Morgan Sindall continues to progress at speed and there are no major issues to report. Phase 2a (Homes) is still awaiting Section 77 approval and will be reprofiled once this is received. Phase 2b remains under review. The variance has been re-profiled to 2021-22 to reflect the actual programme of works.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non-Housing) is £26.1m, £21.1m under the revised budget of £47.3m. More detailed commentary is outlined below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Museums and Libraries	6,070	222	1,310	(4,760)
Leisure Centres	1,590	0	1,490	(100)
Parks and Open Spaces	13,457	649	7,025	(6,432)
Infrastructure Programmes	12,411	543	7,294	(5,117)
Environmental & Other EHPC Schemes	5,409	1,055	5,162	(246)
Public Realms TfL Funded Schemes	4,185	1,045	1,425	(2,760)
Parking and Market Schemes	358	0	0	(358)
Other Services	900	0	100	(800)
Regulatory Services	79	0	0	(79)
Safer Communities	1,133	3	1,133	0
Regeneration	1,691	31	1,206	(484)
Total	**47,282**	**3,549**	**26,146**	**(21,136)**

Museums and Libraries

The overall scheme is forecasting an underspend of £4.8m against the in-year respective budget of £6.1m. Several of the capital works relating to Hackney's museum and libraries have been reviewed considering Covid-19 and are unlikely to progress this financial year. Therefore, the variance has been re-profiled to 2021-22.

Leisure Centres

The overall scheme is forecasting to come in line with the in-year respective budget of £1.6m. The leisure centres have been closed to the public since Covid-19 and during this closure the Council has attempted to progress vital repair works. The works to pools have been delayed due to the contractor's staff being furloughed which has led to the delayed opening of some of the pools. The phased re-opening of services at our leisure centres started from 25 July 2020 with additional safety and hygiene measures in place in line with coronavirus regulations. The forecast this financial year will fund the essential works to the roof of King's Hall Leisure Centre and essential repair works at Clissold Baths to continue meeting the Council's landlord obligations in respect of on-going maintenance. It is likely that the repair works that are currently being done at London Fields Lido (not new works) will also need to be funded from this budget. This capital spend will maintain the leisure facilities and ensure they are accessible and welcoming for the whole community.

Parks and Open Spaces

The overall scheme is forecasting an underspend of £6.4m against the in-year respective budget of £13.5m. The most significant variances relate to Abney Park restoration project, Shoreditch Park and West Reservoir Improvements.

The Abney park project is underway following the successful grant application to the National Lottery Heritage Fund (NLHF) in December 2019. We have entered the delivery stage of the project to refurbish the chapel, building of a new cafe, rebuilding of the Southern entrance and delivery of activity programme. Covid-19 has had very little impact on the project as the design team are successfully working remotely. The project is on target for on-site work in May 2021. The underspend of £1.5m has been re-profiled to 2021-22 to reflect the anticipated delivery of the programme of works.

Shoreditch Park feasibility and design works will be completed in 2020-21 and the main construction works will take place early in 2021-22. Like most projects the variance is mainly due to Covid-19 and the known financial pressures facing the Council.

Springfield Park Restoration is on budget (£2.6m). The construction site closed for six weeks because the contractor was experiencing problems sourcing materials and they were unable to work on site and adhere to the Government's social distancing regulations. The site has now reopened, and progress is being made with utility suppliers and providers on new supplies, routes, and metering. Stables Marketing has been affected as most agents are furloughed and the market is slow. The closure has meant that the practical completion date has been pushed back to December 2020. The NLHF are aware of the delay to the programme and it has no impact on the funding or our ability to meet their requirements.

West Reservoir Improvements Project is a big project and it is likely that the plans may have to be scaled down. The project has been put on hold for this financial year and will be reviewed next year. The variance has been re-profiled to 2021-22.

Play areas, sport courts and toilets were closed since Covid although most have now reopened or are planned to be opened by September/October in line with strict rules from Public Health. The development works have been put on hold and the variance re-profiled to 2021-22.

The parks have remained open during the lockdown and remain the main hub for recreational space for the community. Expenditure this financial year will be essential repair and maintenance and the variance re-profiled.

Infrastructure

The overall scheme is forecasting an underspend of £5.1m against the in-year respective budget of £12.4m. Covid-19 has impacted the delivery of several projects and up to 50% of the overall budget has been re-profiled to 2021-22. The department is conducting a full review of the capital projects to identify critical sites and produce a slimmed down version of the programme of works. This includes Park Trees, Highways Surface Water Drain Risk, LED Lights on Highways Bridge Maintenance Schemes, and highways works to several sites in the borough. The main risk will be costs potentially being higher in the future if work is delayed.

Environmental Services and Other

The overall scheme is forecasting to come in line with the in-year respective budget of £5.4m. The only underspend relates to bin weighing equipment which will be procured in 2021-22 and the variance re-profiled.

Public Realm's TfL Funded Schemes

The overall scheme is forecasting an underspend of £2.8m against the in-year respective budget of £4.2m. All of these schemes are grant funded to facilitate the delivery of the TfL funded schemes to implement measures to reduce road traffic accidents and fund projects to encourage sustainable transport within the borough. Most of these schemes are being ceased due to TfL funding shortfall. All spend to date will be claimed and the remaining budget offered up as savings. The Council's department is conducting a full review of the capital projects to identify a new replacement scheme.

Regeneration (Non-Housing)

The overall scheme is forecasting to come in line with the in-year respective budget of £1.7m with a minor underspend. Full spend of budget confirmed by the Project Manager before the end of Mar 2021. Contract for works to the Multi Games Area at 80-80a Eastway including the erection of support classrooms and structures will be signed imminently.

HOUSING

The overall forecast in Housing is £107.9m, £54.6m below the revised budget of £162.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	94,358	4,952	49,147	(45,211)
Council Schemes GF	1,007	261	1,404	397
Private Sector Housing	2,464	90	1,020	(1,444)
Estate Regeneration	28,758	306	33,879	5,122
Housing Supply Programme	21,592	499	15,464	(6,128)
Woodberry Down Regeneration	14,314	2,235	6,986	(7,328)
Total Housing	**162,493**	**8,342**	**107,900**	**(54,593)**

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £45.2m against the in-year respective budget of £94.4m. The projected underspend at Quarter 1 represents the latest assessment of Covid-19 and its enduring impact on capital projects and in particular their starting times.

Contract 1 contributes 50% of the reprofiling with uncertainties arising from; social distancing, a backlog of Section 20 applications (where we must consult leaseholders on any major works taking place in the block) and access for Kitchen and Bathroom installations. Contract 1 is also undergoing renegotiation of its principal contracts under Project Partnering Contract (PPC) and through the South East Consortium for circa £40m.

Both the Electrical and Mechanical sectors have downgraded their programmes but are hopeful of improving their forecast for Quarter 2 following the collation and assessment of field intelligence. The variance has been reprofiled to 2021-22 to recognise the change which has affected the programme of works.

Council Schemes GF

The overall scheme is forecasting an overspend of £0.4m against the in-year budget of £1m. This relates to the allowance made for major repair works at multiple Hostels (Housing Needs) properties and the Borough Wide Housing Under Occupation where some regeneration properties are being used as Temporary Accommodation. Borough-wide Housing regeneration void works for Temporary Accommodation have accelerated along with the works at 111 Clapton Common. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

Private Sector Housing

The main variance relates to the Disabled Facilities Grant which is forecasting an underspend of £1.1m against the in-year budget of £1.9m. There is a reduction in spend due to Covid 19 access issues. The variance has been reprofiled to 2021-22 to recognise the change affecting the programme of works.

Estate Regeneration

The overall scheme is forecasting an overspend of £5.1m against the in-year respective budget of £28.8m. The Estate Regeneration (ERP) was first approved in 2011 (updated in 2015, refreshed in 2016 and updated in 2019) is a Council-led programme that will deliver nearly 3,000 homes across 18 sites/estates including 195 refurbished properties. The programme will deliver new homes of mixed tenure of social rent, shared ownership and outright sale focused on meeting existing and future housing needs with the aim of achieving the highest proportion of genuinely affordable homes that is viable. The progress on the capital projects is set out below:

Tower Court works have accelerated again after a slow down due to Covid-19. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

Kings Crescent Phase 1 and 2 sites are now complete and the spend in 2020-21 relates to retention payment.

Kings Crescent Phase 3 and 4 on site dates will be early 2021-22. Expenditure this year relates to Design fees and Planning.

Colville Phase 2 site was handed over and the spend in 2020-21 relates to final construction payment and consultant fees.

Colvile Phase 2C demolition due to start next financial year and the spend this year relates to consultancy and survey fees.

The Colville Phase 4 and 5 estimated four buybacks to be completed this financial year.

St Leonard’s Court site handed over and the spend in 2020-21 relates to consultant fees and sales and marketing.

Nightingale spend relates to consultation fees.

Marian Court Phase 3 demolition takes place this financial year and procurement is on-going.

Garage Conversion Affordable Workspace design work and surveys to be carried out this financial year.

Sheep Lane purchase of ‘off the shelf’ units should be handed over in Quarter 3.

Housing Supply Programme

The overall scheme is forecasting an underspend of £7.3m against the in-year respective budget of £14.3m. The Housing Supply Programme (HSP) was approved by Cabinet in 2016 (updated 2020) to focus on delivering new homes on Council owned sites for social rent and shared ownership. The additional affordable housing will help meet the challenge of reducing the number of families being housed in temporary accommodation. The progress on the capital projects is set out below:

Gooch House works are currently forecast to start in Quarter 4 of 2020-21.

Wimbourne Street is due to start on site next financial year. Procurement will take place during 2020-21.

Buckland Street is due to start on site next financial year. Procurement will take place during 2020-21.

Murray Grove procurement to take place during this financial year.

Downham Road 1 and 2 planning application to be submitted this financial year. Design work ongoing.

Balmes Road planning application to be submitted this financial year. Design work ongoing.

Pedro Street project now started on site and works to accelerate during this financial year.

Mandeville Street works have now re-started after slowing during the Covid period. Due for handover in April 2021.

Tradescant House planning application to be submitted this financial year. Design work ongoing.

Lincoln Court design options being considered. Planning application to be submitted before the end of the financial year.

Rose Lipman project now started on site and works to accelerate during this financial year.

Woolridge Way project now started on site and works to accelerate during this financial year.

81 Downham Road project now started on site and works to accelerate during this financial year.

Daubeney Road project now started on site and works to accelerate during this financial year.

Hereford Road planning application to be submitted this year. Design work ongoing.

Woodberry Down Regeneration

The £7.3m underspend on Woodberry Down is based on a reduction of Buybacks this financial year and the variance re-profiled to 2021-22. The Woodberry Down Regeneration was first approved by Cabinet in 2004 with the forecast to deliver over 5,500 homes over a 20 year period and is being delivered by a partnership of the Council, Berkeley Homes, Notting Hill Genesis, Woodberry Down Community Organisation and the Manor House Development Trust.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring element report is primarily an update on the Council's financial position and there are no alternative options here. With regards to the Property Proposal, letting of the building on a floor by floor basis has been considered but this is not considered to be viable because of the significant management cost (including a concierge, maintenance, and statutory compliance) and the much higher risk of voids.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of July 2020. Full Council agreed the 2020/21 budget on 26th February 2020.

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 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.

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