2020/21 Overall Financial Position, Property Disposals And Acquisitions Report That Take Account of the Estimated Financial Impact of Covid19 and the On-going Emergency

Key Decision No. FCR R.17

CABINET MEETING DATE 2020/21	CLASSIFICATION:
30TH NOVEMBER 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 September monitoring data from directorates.

Since the last OFP, there has been understandable focus on Croydon Council following the issuing of a Section 114 notice by the borough. This report should offer reassurance to residents in Hackney that despite the scale of the financial challenges faced by the borough, we are currently forecasting a more minimal year end overspend - in contrast to the £66 million shortfall anticipated by Croydon for 20/21.

The OFP is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the challenges we face. It ensures there is transparency in our financial position, enables scrutiny by both members and the public, and hopefully offers reassurance as regards the tight financial management we have in place as a local authority.

1.2 Turning to this report, we are forecasting an overspend on the General Fund (i.e. excluding Housing costs) of £65m before the application of the Government's emergency funding (£32.3m). Of this, £60.2m relates to additional expenditure and reduced income incurred on the General Fund that is owed to Covid19. The non-Covid-19 related overspend is £4.8m.

Further Government support to partially meet the cost of lost local authority income, together with measures allowing for Council Tax and Business Rate shortfalls to be met out of future years' budgets, mean we are able to currently forecast a year end position of a £2.5m overspend. It is important to note that this may well change, particularly given that current figures pre date the latest lockdown.

However, the forecast 20/21 position fails to reflect the fact that many of the costs associated with Covid19 have been pushed into future financial years and we now urgently need certainty from central government on our funding settlement.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £65m 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 an increase of £0.100m in the overspend from August. This is made up of a decrease in Covid19 related expenditure of £1.3m (largely due to the receipt of further rough sleeping grant) and an increase of £1.4m in the non-Covid19 overspend. It should be noted that the non-Covid-19 overspend has increased by £3m since May.

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 of emergency funding, giving a total of £21.351m. On 12th October, the Prime Minister announced that an additional £0.919bn emergency funding would be made available for local government together with £0.1bn for local authority leisure centres most in need. Our allocation from the £0.919bn will be £11m, bringing our total emergency funding to £32.349m. No details have been given on the leisure centre funding. The emergency funding is reflected in the forecasts below.

2.5 With regards to the scheme that would partially compensate councils for losses in some sales, fees, and charges previously reported to Cabinet; we are required to submit 3 returns. The first will cover actual losses in April, May, June, and July; the second will relate to losses in August, September, October, and November; and the third will cover the remainder of the financial year. We have submitted the first return and await confirmation (or otherwise) from MHCLG that these estimates have been accepted. Until we have data for the next few months, we cannot accurately extrapolate to an annual allocation. So, the report continues to assume our best annual estimate of £9.6m although this could change as we receive later data and MHCLG reviews our claims. When we have had feedback from MHCLG and some later losses data, we will include a revised annual estimate in the relevant OFP.

2.6 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.

2.7 The position of the General Fund is shown below. The first table shows the funding shortfall of £65m of which £60m is owed to Covid19 while the second table analyses the impact of applying Government funding.

TABLE 1: OVERALL ESTIMATED BUDGET SHORTFALL 2020/21

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
Children's Services	3,392	95	1,735	1,657
Education	2,995	513	2,995	0
ASC & Commissioning	6,903	148	4,911	1,992
Community Health	1,262	11	1,702	-440
Total CACH	**14,552**	**767**	**11,343**	**3,209**
Neighbourhood & Housing	**14,136**	**-23**	**13,046**	**1,090**
Finance & Corporate Resources	**14,357**	**-598**	**13,947**	**410**
Reduced Council Tax & Business Rates Income	**20,500**	**0**	**20,500**	**0**
Chief Executive	**1,499**	**-53**	**1,402**	**97**
General Finance Account	**0**	**0**	**0**	**0**
GENERAL FUND TOTAL	**65,044**	**93**	**60,238**	**4,806**

2.9 In order to look at the budgetary implications of this shortfall in 2020/21 we must first adjust for 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 (as currently forecast), it would all be charged to the General Fund in 2021/22 thereby increasing the budget gap by an equivalent amount in this year.

2.10 However, as noted in previous OFPs, 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. The proportions of the shortfall that will be charged across the three years is being discussed by MHCLG and representatives of local government currently in an Implementation Working Group, and the Government's final approach will be set out in regulations soon. For illustrative purposes, if the Government funds 33% for example 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. If this is in equal instalments then it will be 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.

2.11 The application of the emergency funding, 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
60,735	Children's Services	3,392	1,735	1,657
25,711	Education	2,995	2,995	0
94,415	ASC & Commissioning	6,903	4,911	1,992
33,763	Community Health	1,262	1,702	-440
214,624	**Total CACH**	14,552	11,343	3,209
35,156	**Neighbourhood & Housing**	14,136	13,046	1,090
19,736	**Finance & Corporate Resources**	14,357	13,947	410
8,947	**Chief Executive**	1,499	1,402	97
34,403	**General Finance Account**	0	0	0
312,878	**GENERAL FUND TOTAL**	**44,544**	**39,738**	**4,806**
	Estimated Emergency Funding	**-32,349**	**-32,349**	
	Funding to Partially Compensate loss of Sales, Fees & Charges income	**-9,575**	**-9,575**	
	FUNDING STILL REQUIRED AFTER APPLICATION OF GRANT	**2,620**	**-2,186**	

2.12 The Covid19 gap after funding is now showing a small surplus but this must be disregarded given all the uncertainties that lie ahead. It must be noted that the additional spend and income reduction estimates shown above were made prior to London being re-designated a second-tier area and the introduction of a further lockdown in November. In view of these factors, we cannot assume that at the end of the year, that the external funding allocations will cover all the additional spend and income losses arising from Covid19. Aside from anything else, we will make a substantial loss on business rates and council tax income which although will not impact this year (other than through reduced cash flow) will impact negatively on the General Fund in 2021/22 to 2023/24. So, the position is not as encouraging as the comparison above suggests.

2.13 Turning to the overall 2020/21 budget gap, this is now £2.6m (£4.8m excluding direct Covid19 spend) as set out in table 2 above, and so it is essential that services look again at all areas of spend to drive down the outturn further to minimise any required drawdown on corporate resources which have, as noted previously, been severely impacted upon by Covid19 and have significantly diminished our corporate flexibility. Since the September OFP was cast this pressure on corporate resources has increased as we now have to find an additional £1.6m to fund the 2.75% pay award.

2.14 It must also be noted that the non-Covid19 overspend is on an upward trajectory having increased by £3m since May. It is of paramount importance therefore that directorates take all steps to contain further spending increases as failure to do so will make an extremely challenging situation very much worse.

2.15 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 Covid19 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.

2.16 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 note the update on the overall financial position for September, covering the General Fund, Capital and 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)

Summary

The CACH directorate is forecasting an overspend of £14.55m after the application of reserves and grants drawdown. COVID-19 related expenditure accounts for £11.3m of the reported overspend. The COVID-19 overspend is unchanged but the non-COVID19 overspend has increased by £0.9m since May.

Children & Families Service

Children and Families Service (CFS) is forecasting a £3.392m overspend after the application of reserves. This includes a £1.735m forecast in respect of COVID-19 related spend. The draw down from reserves includes:

- £3.9m from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget and
- £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 net overall spend is forecast to increase by £4.6m compared to last year (excludes reserves and Social Care grant) with £0.9m identified as relating to COVID-19. There is also an increase in forecast spend on staffing across CFS of £2.9m 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% which has been funded corporately. £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 £3.1m (includes £0.94m of COVID-19 expenditure) after the use of £3.9m of commissioning reserves. This position also includes the use of £2.8m of social care funding that was announced in the October 2019 Budget - of which £0.6m is in relation to staffing costs and the remaining £2.2m is for placements. The overall position for Corporate Parenting has increased by £0.46m since August (however £0.32m relates to the Contact Service moving to LAC from Parenting Support Services).

Gross expenditure on LAC and LC placements (as illustrated in the table below) is forecasted at £25.0m compared to last year's outturn of £20.4m – an increase of £4.6m (this includes £0.94m of COVID-19 expenditure).

Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements	Current Placements
Residential	3,131	7,452	4,321	15	39
Secure Accommodation (Welfare)	-	21	21	0	-
Independent Foster Agency	6,488	7,577	1,089	128	145
In-House Fostering	2,400	2,196	(204)	102	92
Semi-Independent (Under 18)	1,570	3,423	1,853	23	52
Semi-independent (18+)	1,370	2,480	1,110	75	94
Family & Friends	569	1,000	431	25	43
Residential Family Centre (P & Child)	-	174	174	-	3
Other Local Authorities	-	85	85	-	3
Overstayers (18+)	290	475	185	61	58
Staying Put (18+)	200	512	312	19	36
Extended Fostering (18+)	-	57	57	-	2
UASC	-	(432)	(432)	54	45
Expenditure	16,018	25,019	9,001	502	612

**based on the average cost of placements.*

There is a £9.0m variance gross position for CP placements including UASC income. The UASC income is in excess of the placements costs incurred for the 45 UASC placements in the service but it must be emphasised that there are other costs such as additional social workers associated with the number of UASC's supported, which are recorded elsewhere in the forecast. The gross position is mitigated by reserves of £3.9m and £2.2m Social Care Grant to get to a net reported position for CP placements of £2.9m.

The table below further analyses LAC placements showing movements from the previous month and average annual unit costs.

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	7,452	153	3,912	39	39
Secure Accommodation (Welfare)	21	-	0	0	0
Independent Foster Agency	7,577	141	969	145	154
In-House Fostering	2,196	42	453	92	93
Semi-Independent (Under 18)	3,423	69	1,332	52	49
Semi-independent (18+)	2,480	33	349	94	99
Family & Friends	1,000	18	429	43	41
Residential Family Centre (P&Child)	174	7	2,285	3	0
Other Local Authorities	85	1	406	3	3
Overstayers (18+)	475	18	311	58	60
Staying Put (18+)	512	17	459	36	34
Extended Fostering (18+)	57	1	498	2	2
UASC	(432)	34	733	45	40
Total	25,019	533	12,136	612	614

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. This month we have seen a decrease in the number of Independent Fostering Agency (IFA) placements. With the annual cost of IFA placements (£50k) being double the cost of in-house fostering placements (£25k), it is important that we try to place children within an in-house setting where possible.

The forecast for LAC and Leaving Care Placements is a net increase of £4.6m compared to last year (excluding reserves and Social Care grant funding). This is largely attributed to increases in Semi-independent placements (both under and over 18s) of £2.1m; Residential care £1.9m; and IFAs £0.5m. This forecast includes additional expenditure of approximately £0.9m in relation to COVID-19. If we exclude the COVID-19 expenditure, the increase compared to the 2019/20 outturn is £3.7m. 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 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 overspend by £125k after the use of £476k of reserves and £215k of social care grant funding. Staffing is projecting an overspend of £160k due to additional staff brought in to address increased demand in the service. Commissioning is projecting a £625k overspend attributed to care packages (£292k Home Care, £353k Direct Payments, Short Breaks and other commissioning £20k). Other operating costs pressures come to £30k.

Safeguarding and Learning Service is forecast to underspend by £82k. Staffing is underspent by £72k, which is due to various partial vacancies in the team and delays in recruitment. Supplies and Services are also forecasted to underspend by £55k (mainly due to Security Services and Hire of Room / Halls). However, we are underachieving on income by £45k.

Directorate Management Team is forecast to overspend by £296k after a drawdown of £635k reserves for post Ofsted staffing pressure and £166k Social Care Grant funding for the creation of two Service Manager posts. £288k of staffing pressure in relation to COVID-19 is forecast in this area, and this includes an estimate of additional staffing relating to delays in closing cases.

Children In Need is forecasted to overspend by £42k after the use of reserves. There are significant levels of non-recurrent funding in the service including £687k 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 £46k after the use of reserves. There are significant levels of non-recurrent funding in the service including £564k of reserve funding to provide additional capacity following the Ofsted inspection last year.

Hackney Education

Hackney Education 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 September 2020, Hackney Education is forecast to overspend by around £8.8m. There is a technical adjustment to the ring-fenced SEND deficit this month assumed to reduce the overall general fund position, which explains the £0.5m increase from the August estimate. The underlying overspend is unchanged. Approximately £3m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£5.8m) is mainly as a result of a £8.4m forecast over-spend in SEND, offset by forecast £2.6m of savings in other areas of Hackney Education. The overspend 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. We anticipate that in the coming weeks we should gain clarity around the treatment of any DSG deficit balance as an unusable reserve on the balance sheet through a statutory accounting adjustment for a time limited basis as set out in a statutory instrument expected to be made in early November 2020.

Summary HLT variance

	Variance £'000	Variance due to COVID £'000	What the variance might have been excluding C19 £'000
SEND Forecast (excluding transport)	8,324	388	7,936
SEND Transport	578	80	498
Hackney Education forecast other	(89)	2,527	(2,615)
Net variance	8,813	2,995	5,818

The table below provides a breakdown of the forecast against service areas in Hackney Education and an explanation for significant variances.

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	56,012	8,434	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	601	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)	(214,337)	(726)	Estimated additional Early Years DSG
TOTAL	25,711	31,528	5,817	

Adult Social Care & Community Health

The forecast for Adult Social Care is a £6.9m overspend of which Covid-19 related expenditure accounts for £4.9m. This overspend does not include Covid-19 NHS discharge related spend of £1.6m where there is an agreement to fully recharge the cost to CH-CCG or provider support from the Infection Control Fund (£1.5m).

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

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £5.4m pressure, Covid-19 related expenditure accounts for £4.1m of this. The forecast also includes £1.4m of the Winter Pressures grant to fund the ongoing additional care package cost as a result 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	Sep 2020 Forecast	Full Year Variance to budget	Variance from Aug 2020	Management Actions
Learning Disabilities	16,735	17,824	1,088	149	- 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	16,881	3,133	56	
Memory, Cognition and Mental Health ASC (OP)	8,297	9,237	940	(92)	
Occupational Therapy Equipment	740	664	(76)	12	
Asylum Seekers Support	170	439	269	41	
Total	39,690	45,045	5,354	166	

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 £0.7m relates directly to the number and complexity of care support packages in Physical and Sensory Support. The overall position is broadly consistent with the previously reported August position, with a small forecast increase of £56k. The gross forecast spend on care packages in Physical Support is £18.9m (£17.8m in 19/20) and in Sensory Support is £1.21m (£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 £0.9m. The overall position has improved by £92k on the last reported August position as a result of a reduction in service users within nursing care due to mortality. The gross forecast spend on care packages for 20/21 is £12.2m (£12.2m in 19/20). The forecast also includes £650k of Winter Pressure funding and £400k of iBCF towards care packages in 20/21.

The Learning Disabilities service is forecasting an overspend of £1.1m, which reflects an adverse movement of £149k on the August reported position. 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 £32.6m (£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 £1.1m against a budget of £7.865m. The overall position is made up of two main elements - a £1.36m overspend on externally commissioned care services and £253k underspend across staffing-related expenditure. The gross spend on care packages in Mental Health (ELFT) is £4.98m (£4.9m in 19/20).

Provided Services is forecasting a £280k overspend against a budget of £9.87m. This is largely attributed to a Housing with Care overspend of £659k, of which the majority 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. This is partly offset by Day Care Services which are projected to underspend by £378k, 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 underspend of £66k. Forecast underspends on Concessionary Fares (£57k) and the Interim Bed facility at Leander Court (£171k) are offset by pressures of staff costs within the Integrated Discharge service and the Information and Assessment team.

ASC Commissioning is forecasting a £167k underspend against a budget of £11.66m. This underspend masks significant one-off reserve funding of £1.586m 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 of £95k has been received for domestic violence services.

Care Management and Adult Divisional Support is forecasting a £391k overspend which is driven primarily by staffing costs within the Integrated Learning Disabilities team (£352k). The team has a relatively high number of agency staff which the service is actively addressing with planned recruitment campaigns.

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). There are some other miscellaneous COVID-19 related costs in the service that have been captured in the forecast this month.

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 the pressure 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 coronavirus 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. To date, £1.3m has been committed against various projects.

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 that 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 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 since July 2020.

Detailed impact of COVID-19 on CACH

This is set out below

Impact of COVID-19 on CACH Costs and Income

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
674	-	674	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 as a result 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.
281	-	281	Corporate Parenting (LC) NRPF	Corporate Parenting - Care Leavers £21k per month = £253k NRPF - From April to August, an additional £28k was provided to support residents with NRPF by increasing the subsistence payment by 25%, £25 internet allowance for each family and Free School Meal allowance for children who are not receiving school meal allowance from their school.
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 adults' providers (90k).
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 (£53k)
1,413	-	1,413	ASC - Care Support Commissioning	ASC - Additional Demand A number of 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 (10% estimated reduction in the collection rate).
150	-	150	ASC Commissioning	Delay in delivery of Housing Related Support savings
55	-	55	PH	PH - COVID 19 Triage Service Contracted cost for the year
1,251	-	1,251	PH	PH - Additional Mortuary costs
375	-	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 childcare 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.
8,984	2,359	11,343	Total	

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at September 2020 is a £14.1m overspend, £13m as a direct result of COVID19. The forecast includes the use of £1.1m of reserves, the majority of which are for one off expenditure/projects. The estimated total COVID19 impact comprises £10.4m from an income shortfall and £2.6m additional expenditure.

Environmental Operations is showing an overspend of £3.694m, which is an adverse movement of £93k from the previous month. This is due to an increase in the Bad Debt Provision as the number of businesses which are not likely to pay increases as a result of COVID19 restrictions. The full year over spend of £3.694m is made up of £2.549m related 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 £0.906m expenditure relates to additional supplies and services such as PPE, and hand sanitisers for all staff. £0.239m is the net overspend in the service which relates to various operational running costs within the service.

Parking service is showing a net overspend of £6.1m of which £6m is income shortfall. The current 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. As restrictions have been lifted, income levels have risen to pre-Covid levels but there still remains an income budget shortfall. The current forecast in parking income is £19.7m, which is still a shortfall in income of £6m (23%) from budget. The Parking income model is being updated on a weekly basis taking into account actuals being received and activity volumes which will inform the forecast accordingly in the coming months.

Market and Shop Front Trading is overspent by £960k, which is an adverse movement of £95k from the previous month due to increased requirement of safety measures to comply with COVID19 restrictions. £796k is income shortfall and £150k additional expenditure which is a direct result of the lockdown. There is an adverse variance as additional safety and security measures are put in place for the markets to open.

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 takeup 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 £416k, of which £412k is a shortfall in income against a budget of £2.4m (16%). 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.There continues to be a prudent approach in the service area and controllable budget forecasts are reviewed and reduced on a monthly basis to try and mitigate the additional COVID costs where possible.

Planning is forecasting an overspend of £1.64m which is due to a shortfall in planning applications fee income, PPA (Planning Performance Agreement) and CIL income. There has been a £132k improvement this month due to additional Building Control income, s106 carbon offset funding and staff vacancies.

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 due to delays of schemes starting construction. There are a number of large schemes at the pre-application stage which are still awaiting submission. 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 £1.5-1.7m over the past 3 years. With a budget of £2.2m and a plateau in the housing market, this level of income is unachievable. The income target for minor application of £1.2m 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.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 Housing General Fund, the underspend relates to staffing, which is partly offset by a smaller staffing overspend within Regeneration.

Impact of Covid-19

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
65	99	164	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 COVID related expenditure is based on a prudent approach to security where the contract had not changed despite the closures but with the libraries reopening additional daily cleaning is now required along with security 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 and is expected to be returned to the Council at a future date.
130	341	471	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). There are also additional Parks Signage costs around Social Distancing which are starting to filter through to the cost centres. 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).
906	2,549	3,455	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 (£457k). This forecast is up to the end of Dec 20, previously it was up to Sept 20 but further restrictions were introduced by Central Government in Sept. The figures will be reviewed regularly to update the forecast. The ongoing purchase of PPE and other equipment to aid daily operational works, such as masks, gloves and sanitizers (£308k). The virus has also had a large impact on income especially Comm Waste due to so many businesses closing during the ongoing lock down (£2,362k), also a further increase in the bad debt provision of (100K) to (140K) to account for more defaulters due to either struggling to reopen or struggling to continue as going concerns. This again has been revised to take into account new Government measures which are set to last until Mar 21 with potential further tougher restrictions being introduced.

				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 so much uncertainty surrounding how clients will reopen or struggle to continue in business or pay existing charges.
0	6,026	6,026	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.
150	796	946	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's 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.
695	95	790	Community Safety, Enforcement & Business Regulation	Civil Protection - £383k 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 £98K, Agency staff for Parks £83. CS Enforcement BR Management £30K, High court fees for Hackney Marshes & London Fields, £96K Security patrols in Parks. Licensing & Technical Support - Reduced income £70K TENS. Business Regulation EH & TS - Specialist Noise Advice and Control Officer overtime £7K
2,661	10,385	13,046		

4.4 FINANCE & CORPORATE RESOURCES

Finance and Resources is forecasting an overspend of £14.3m (before the inclusion of reduced council tax and business rates income of £20.5, primarily reflecting lower forecast collection rates). Of this £13.9m is owed to COVID-19, which leaves a non-COVID overspend of £0.4m which is spread across various services.

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

Commercial Property is forecasting a £2.9m rental loss relating to COVID-19 and £215k additional security costs. £1.8m is expected to be written off and currently we have a 'deferred' amount of £0.7m. 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 Covid-19 cost pressures in Revenues and Benefits sum to £3.45m. The collection of benefits overpayments has reduced by £1.84m because of COVID-19. The remaining £1.65m 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 £2.6m 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; and there has been a reduction in rent income. This overspend reflects the allocation of £1.2m of Next Steps Accommodation Programme (Rough Sleeping) Grant.

Registration Services have been severely affected by COVID-19 which has created a forecast £590k 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 £2.58m. 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 £698k COVID-19 cost in ICT resulting from the requirement for additional agency staff and equipment to ensure staff are able to work from home.

4.5 CHIEF EXECUTIVE

Overall, the Directorate is forecasting to overspend by £1.552m of which £1.480m is owed to COVID-19.

Policy, Strategy & Economic Development are reporting an overspend of £782k 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 (£661k) 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, venues, and advertising income.

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 by £4.1m

It is estimated that there will be increased arrears of £1.1m in respect of dwelling rents, tenant charges and commercial income (Q1 rental charges have been deferred and Property Services are currently reviewing deferral of Q2), arising from COVID-19. It is also assumed there will be an increase in irrecoverable debts and therefore an increase in the bad debt provision (£1.7m) has been assumed. 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 increased expenditure on Housing Repairs (£1.3m).

There are also variations from budget which are not related to COVID-19, but the only significant variation is within Special Services. 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 second OFP Capital Programme monitoring report for the financial year 2020-21. The actual year to date capital expenditure for the six months April 2020 to Sept 2020 is £54.1m and the forecast is currently **£214.4m**, **£2.9m** below the revised budget of **£217.3m**. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Table 1 – London Borough of Hackney Capital Programme – Q2 2020-21	Revised Budget Position	Spend as at end of Q2	Forecast	Variance (Under/Over)
	£'000	£'000	£'000	£'000
Children, Adults & Community Health	7,203	941	7,182	(21)
Finance & Corporate Resources	12,854	3,185	14,613	1,760
Mixed Use Development	60,487	22,115	57,483	(3,004)
Neighbourhoods & Housing (Non)	28,921	8,039	28,234	(687)
Total Non-Housing	**109,465**	**34,280**	**107,512**	**(1,952)**
AMP Capital Schemes HRA	49,147	7,941	46,576	(2,571)
Council Capital Schemes GF	1,404	2,132	3,414	2,010
Private Sector Housing	1,020	150	595	(425)
Estate Renewal	33,879	4,587	33,137	(743)
Housing Supply Programme	15,444	1,768	13,153	(2,291)
Other Council Regeneration	6,986	3,288	10,047	3,060

Total Housing	**107,880**	**19,867**	**106,920**	**(960)**
Total Capital Expenditure	**217,345**	**54,147**	**214,432**	**(2,912)**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £7.18m, £0.02m below the revised budget of £7.20m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Adult Social Care	197	7	197	0
Education Asset Management Plan	1,605	418	1,605	0
Building Schools for the Future	248	18	248	(0)
Other Education & Children's Services	971	96	1,020	49
Primary School Programmes	2,198	75	2,157	(41)
Secondary School Programmes	1,984	328	1,956	(29)
TOTAL	**7,203**	**941**	**7,182**	**(21)**

Education Asset Management Plan

The overall scheme is forecasting to spend the in-year respective budget of £1.6m. Below is a brief update on a few of the schemes:

Benthal School toilet refurbishment is complete. The lighting upgrade at the site is phased with 50% of budget committed and approximately £0.05m will be spent from October as part of the compliance works. The plan is to complete before the end of the year. The soft play area will commence in 2021.

Betty Layward School new ventilation solution of the main hall works has commenced with the site progress meeting arranged.

Colvestone School toilets project is now complete and the consultancy fees and variation fees will be paid by year end. The reception configuration will only incur consultancy spend this financial year.

Holmleigh School drainage improvement work is delayed as the Project Manager has not been able to get a confirmation regarding the direction of the works to alleviate localised flooding in external circulation areas. This implies that it will likely be necessary to reprofile the budget if the scheme goes ahead next year or use the budget to support overspends at year end.

Queensbridge School lighting upgrade has a slight increase in cost but will be covered by underspends in the overall programme.

Lauriston School upgrade to the existing heating and hot water plant is progressing to prevent any further school closures due to failure.

Randal Cremer School has had urgent flooring works which will be resourced from underspends later in the year.

Building Schools for the Future

The overall scheme is forecasting to spend the in-year respective budget of £0.25m. The cooling works at Ickburgh are currently ongoing with no delays anticipated. The balance may support additional works at the old Ickburgh site if required this financial year.

Other Education & Children's Services

The overall scheme is forecasting an overspend of £0.05m against an in-year respective budget of £0.97m. This main variance relates to the Queensbridge School construction of an additional resource on the ground floor of the annexe. The project is complete and is in defect stage and awaiting final certificate. The retention will be paid in 6 months. This provision was developed in partnership with Queensbridge Primary School and the Council. This is part of the Government committed £215 million of capital funding (special provision capital fund) to help local authorities create new school places and improve existing facilities for children and young people with SEND. Hackney Council has been allocated £2.4m from the special provision fund. The Council consulted with the local community to complete a plan showing how they plan to invest their funding. We allocated part of the special provision capital fund to developing an additional resourced provision for primary aged children with Autistic Spectrum Disorder (ASD). The variance will continue to be monitored and will be resourced from the 2021-22 budget.

Primary School Programmes

The overall Primary School Programme is forecast to spend the in-year respective budget of £2.2m with a minor underspend of £0.04m. 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. This year's programme of facade works is progressing well. Shoreditch Park School and Gainsborough facade works are now complete. Shacklewell School is awaiting final fees. Queensbridge is on track to complete by quarter 3 and has received a partial completion certificate. London Fields facade retention payment will be in 2021. Princess May facade works to start in November. Rushmore facade will start in January. Sebright penultimate payment certificate issued by the consultant as the scheme is now at practical completion and the retention will be paid next financial year. There is currently ongoing discussion with Berger school to agree to the works proposed this year. Further surveys have been carried out for the next phase of works and it recognises additional works to the external facades are required. The overall programme will be reviewed again later on this year with a view of starting works in the next financial year. The programme will be funded by the resource already approved as part of budget setting.

Secondary School Programmes

The overall scheme is forecast to spend the in-year respective budget of £1.98m with a minor underspend of £0.03m. The retention certificate for the refurbished theatre at Stoke Newington School has been signed off. For the additional works at Stoke Newington, the next stage is tender evaluation and the scheme will go ahead as planned. Additional budget will be required to support these works. The Haggerston boiler replacement and lighting upgrade is on track to be complete this year.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £72.1m, £1.2m under the revised budget of £73.3m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Property Services	8,778	2,476	10,469	1,691
ICT	2,882	634	2,940	58
Financial Management	439	(18)	520	81
Other Schemes	755	93	685	(71)
Total	**12,854**	**3,185**	**14,613**	**1,760**
Mixed Use Development	60,487	22,115	57,483	(3,004)
TOTAL	**73,340**	**25,300**	**72,096**	**(1,244)**

Strategic Properties Services

The overall scheme is forecasting an overspend of £1.7m against the in-year respective budget of £8.8m. The main variance relates to the refurbishment of the Council Office building Christopher Addison

House which is forecasting an overspend of £0.80m. The variance, which was reported last quarter, is relating to design issues with the structure which were realised after work had commenced by the contractor. The variation of works were agreed and the works are progressing with estimated completion date of October 2020. The final account should be agreed this financial year and the retention payment will be held until October 2021. The exact spend to be confirmed when the final account is agreed. The overspend remains under review.

Other highlights for Strategic Property Services are as follows:

Construction at 148-154 Stoke Newington Church Street has completed and snagging is underway. There were defects identified in the build and the impact of COVID-19 delayed the completion by 3 months. The property is a new mixed use development comprising commercial space on the ground floor and basement with two residential units above for let.

Clapton Common (formerly toilet) project has been completed and the lease completed with Clapton Common's Community Organisation (CCCO). The balance in the budget to be fully utilised to pay architect's fees for additional work, landscape and consultancy fees. Final accounts are being prepared. This project transforms a disused toilet block on the common after 30 years of sitting empty, being brought back into use for the whole community. The new Liberty Hall is a new flexible space where a range of activities and services will be offered to meet the diverse needs of the neighbourhood. The new coffee kiosk opened in September 2020. Further plans will include a cookery school, bike repair clinic, flower stall and community garden.

ICT Capital

The overall ICT scheme is forecasting an overspend of £0.06m against the in-year respective budget of £2.88m. The main variance relates to Hackney Education (formerly Hackney Learning Trust) G-Suite work which is underway. Discovery has taken longer than anticipated and therefore additional work was required from both consultants and agency staff. This is due to the complexity of processes present in Hackney Education and therefore has increased the forecast from the previous Quarter. The actual migration to G-suite has not started, this project is for consultation and implementation only so no devices will be purchased.

The Digital Discharge to Social Care project is in the implementation stage this year. Any remaining monies will be returned to NHS Digital. The project is taking longer than usual due to issues within the integration stage. This project is a collaboration with partners from the City and Hackney Health and Social Care IT Enabler group to develop integrations between the system used by Health and Social Care teams involved in the discharge to social care.

Devices for Hackney Residents project is on target to spend the full budget this year. This project includes devices for people who are digitally excluded in the borough. We will be arranging to put devices in the Housing with Care (HWC) schemes to enable carers to work with residents to keep in contact with families. It also includes the roll out programme to refresh the technology in the Council libraries supporting people who need digital skills training.

Mixed Use Developments

Tiger Way and Nile Street is forecast to come in on-line with the in-year respective budget of £4.02m. The schools are handed over to Nightingale Primary School and New Regents College respectively and residential dwellings are now being occupied by private residents at both sites. Both projects are in defect periods.

As previously reported the major ongoing defect is the Nightingale school roof, it has been agreed that the right solution is the replacement of the West and East roofs to the school. Works started on 1 August 2020 with completion of the works now looking likely to be at the end of the year. The contractor, McLarens, have confirmed that additional costs incurred by the school as a result of this issue will be reimbursed by them, partly funded by their (McLarens) insurance. The insurance underwriter has confirmed McLarens' reasonable costs will be covered under the Contractors All Risk Policy.

Britannia Site is forecasting an underspend of £3m against the in-year respective budget of £53m. This variance relates to Phase 2a (Residential) - the early works and demolition have now been suspended until July 2021 due to permission issues on school land. The deadline for submitting a detailed planning application for Phase 2b is 21 December 2021. COVID-19 considerations and impact does not affect this requirement. Phase 1a (Leisure) - the completion is still on track for March 2021, however, the impact of COVID-19 is continuing to be reviewed. The pool areas are behind the programme with mitigation and a recovery plan in place. The main pool has passed the water test. Current BREEAM assessment is 'excellent'. Phase 1b (School) - is still on track for May 2021 however the impact of COVID-19 is continuing to be reviewed. Lift installations are continuing. Mechanical and Electrical (M&E) first fix with the roof plant and solar panels are almost complete.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £26.3m, £0.7m under the revised budget of £27m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Museums and Libraries	1,310	224	1,310	0
Leisure Centres	1,490	0	1,490	0
Parks and Open Spaces	7,077	1,648	7,080	3
Infrastructure Programmes	7,343	2,016	7,343	0
Environmental & Other Schemes	5,845	2,629	5,845	0
Public Realms TfL Funded Schemes	3,387	1,379	3,387	(0)
Parking and Market Schemes	0	3	0	0
Other Services	100	0	100	0
Regulatory Services	0	0	0	0
Safer Communities	1,133	100	706	(427)
Regeneration	1,236	42	973	(263)
Total	**28,921**	**8,039**	**28,234**	**(687)**

Museums and Libraries

The overall scheme is forecast to spend the in-year budget of £1.3m. A number of the capital works relating to Hackney's museum and libraries were reviewed in light of Covid-19. The Borough's libraries play an important role in providing facilities for residents and visitors to the borough. To ensure the existing library infrastructure is maintained to an acceptable standard, it is proposed to undertake various essential works, mainly relating to shelving, signage, furniture, carpets, redecoration and ICT improvements. This capital spend relates to multiple projects across all seven of the Borough's Libraries and most of the works will be reactive maintenance throughout the year.

Parks and Open Spaces

The overall scheme is forecast to spend the in-year respective budget of £7.08m. The Parks Public Conveniences and Cafes capital project is to refurbish the eight public conveniences in parks and green spaces and introduce cafes / catering outlets in our parks. In light of the high usage since the pandemic, the sites to be prioritised this financial year 2020/21 are Martello Street (London Fields) public conveniences and Haggerston Park conveniences. There will also be improvements to a number of play areas in the various parks across the borough that play an important role in providing facilities for residents and visitors to maximise the opportunities for safe play.

Consultation on design proposals to improve Shoreditch Park was delayed due to COVID19 but has since re-started. Works are currently progressing well at Springfield Park. The internal decoration of Springfield House, the Stables and the new Community Events Building are well underway and the mechanical and electrical installations are in their latter stages. The current programme shows all of the buildings being completed by the end of November ready for the landscaping works to take place in December. The practical completion date is now the end of December 2020.

Infrastructure

The infrastructure schemes are forecast to spend the in-year revised budget of £7.3m. Covid-19 has impacted the delivery of a number of projects therefore at the last quarter 36% of the revised budget was re-profiled to 2021-22. The department has conducted a full review of the capital projects to identify critical sites and produce a slimmed down version of the programme of works. 50% of annual Highways Planned Maintenance budget has been approved for spending and is delivering the footway and carriageway replacement programme to maintain and improve the street scene. Hackney's highway asset network has been gradually deteriorating over the years of austerity and in order to stem this decline, it is essential that the highway network is adequately maintained. Therefore, it is the intention, following the capital programme review, to seek approval for the remaining highway maintenance capital budgets to maintain the level of investment in our highways infrastructure.

Additional funding was received from the Department for Transport (DfT) to deliver a range of measures to reallocate road space to enable more walking and cycling and to support social distancing on public transport as part of their London Streetspace Plan measures.

Public Realm TfL Funded Schemes

The Tfl funded schemes are forecast to spend £3.4m for the year, covering all of the allocation from TfL for the completion of 2019/20 schemes and the current years' programme.

Covid-19 has had a very significant impact on the funding available from TfL for the Council's transport schemes. In the summer TfL paused all of its active investment on the existing LIP TfL funded programmes. The loss in funding for transport schemes for Hackney was £4m.

The Government and TfL have refocused their transport programmes and are now promoting schemes to improve walking and cycling and to ensure that the recovery from the Covid19 emergency is a green one not a car dominated one. Hackney was allocated £2m from this funding stream and in September Cabinet approved the Emergency Transport Plan (ETP) which set out the schemes we are taking forward in response to this strategy. and is allocated as follows:

- £800k for strategic cycling routes
- £500k for strategic cycle routes and modal filters
- £350k for school streets
- £302k for Low Traffic neighbourhoods

The additional grant received has been included in the capital plan and the schemes are forecast to be completed this year.

HOUSING

The overall forecast in Housing is £106.92m, £1m below the revised budget of £107.9m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	49,147	7,941	46,576	(2,571)
Council Schemes GF	1,404	2,132	3,414	2,010
Private Sector Housing	1,020	150	595	(425)
Estate Regeneration	33,879	4,587	33,137	(743)
Housing Supply Programme	15,444	1,768	13,153	(2,291)
Woodberry Down Regeneration	6,986	3,288	10,047	3,060
Total Housing	**107,880**	**19,867**	**106,920**	**(960)**

AMP Housing Schemes HRA

The £2m underspend was earmarked and will be used to fund the leaseholder buybacks set out in more detail in the section below under Council Schemes GF. The other variance relates to the Lift Renewals programme being scaled down due to the re-procurement exercise which in turn left a contingency in place, and the re-charges for the Street Lighting SLA programme which has been valued slightly lower than originally estimated.

Council Schemes GF

The Cabinet report dated 16 March 2020 gave approval for purchasing former Right-to-Buy properties, including those owned by Housing Associations, to support the increased supply of affordable housing in the borough. The programme will be acquiring former Right-to-Buy properties and converting them back into use as affordable homes for rent. The additional affordable housing can be delivered to help meet outstanding housing needs in Hackney. This demonstrates the Council's commitment to meet the challenge of reducing the number of families being housed in temporary accommodation and address housing needs in the borough. The Council have now purchased the first four properties which are now being prepared for offers and lettings. The variance will be funded from the contingency budget in AMP Housing Schemes.

Private Sector Housing

The overall scheme is forecasting an underspend of £0.4m against the in-year budget of £1m. This is caused by significant reduction in activity for grant applications for Disabled Facilities due to access issues, all linked to the current pandemic. We are also forecasting a reduction of the Warmth and Security Grant (WSG) based on activity levels to date. Activity might increase during the colder months but COVID-19 is having a downward pressure on applications and work.

Estate Regeneration

The overall scheme is forecasting an underspend of £0.7m against the in-year respective budget of £33.9m. Below is a brief update on a few of the schemes:

Tower Court works have accelerated again after a slow down due to Covid-19. The scheme is on target to spend the full in-year budget.

Kings Crescent Phase 3 and 4 on site date will be early 2021-22. Reduction in period relates to Planning fees which will now not be incurred until Nov 2021.

Colville Phase 2 site handed over and the spend in 2020-21 relates to final construction payment, consultant fees and a Thames Water settlement which is still being agreed.

Colvile Phase 2C demolition due to start next financial year and the spend this year relates to consultancy and survey fees with a reduction in spend on architects' fees compared to the previous quarter's forecast.

Housing Supply Programme

The overall scheme is forecasting an underspend of £2.3m against the in-year respective budget of £15.4m. Below is a brief update on a few of the schemes:

Whiston Road project handed over and final account to be settled with the contractor.

Pedro Street is the most significant variance which relates to the main construction works that have been delayed due to the discovery of ground contamination causing a reduction in spend compared to the previous quarter forecast. The remediation has to be agreed as part of clearing a planning condition, before the main construction work can commence.

Rose Lipman planning application to be submitted this year. The design work is ongoing. The increase in spend from the previous quarter relates to architects' fees which are to be incurred earlier than expected.

Daubeney Road project now started on site but there are some outstanding issues with party wall agreements which are likely to delay the project slightly causing a reduction in spend compared to the previous quarter forecast.

Woodberry Down Regeneration

The overall scheme is forecasting an overspend of £3.1m against the in-year budget of £7m. 8 buybacks have already been completed in 2020/21. A further 13 are expected for the remainder of the year, with 11 of these being out-of-phase and will likely be utilised as Temporary Accommodation.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring 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 September 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 and 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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