LONDON BOROUGH OF HACKNEY COUNCIL

CABINET DECISION NOTICE - Monday, 25 January 2021

This document outlines the decisions taken at the above Cabinet meeting.

Unless otherwise indicated, executive decisions listed in this document will come into force and may then be implemented 5 working days after publication of this document unless the decision is called in. During that period the Director of Legal & Governance Law may call-in a decision for scrutiny if so required by no fewer than 5 Members of the Council (Part 4 of the Council's Constitution; Scrutiny Procedure Rules: Call-in Procedures).

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6. To consider the unrestricted Minutes of the Previous Meeting of Cabinet meeting held on 30 November and 14 December 2020.

The unrestricted minutes of the meeting held on 30 November 2020 and 14th December 2020 were approved.

7. To receive the unrestricted Minutes of the Previous Meetings of Cabinet Procurement Committee meeting held on 9 November and 7 December 2020.

The unrestricted minutes of the meeting held On 9 November and 7 December 2020 were approved.

8. 2021/22 Overall Financial Position, Property Disposals and Acquisitions Report Which Takes Account of the Estimated Financial Impact of Covid19 and the On-going Emergency - Key Decision No. FCR R21

RESOLVED:

That the Cabinet:

I. **Noted the update on the overall financial position for November, covering the General Fund and HRA.**
II. **Approved the corporate savings noted at 2.17**

REASONS FOR DECISION

To facilitate financial management and control of the Council's finances and approve the corporate savings

9. Capital Update Report - Key Decision No. FCR R30

RESOLVED:

I. **That the schemes for Children, Adults and Community Health as set out in section 9.2 were approved as follows:**

The Garden School Post 16 and Expansion: Resource and Spend approval of **£200k in 2021/22** is requested to increase the existing budget and fund the expansion at The Garden School a school for pupils with Autistic Spectrum Disorder (ASD) and Severe Learning Difficulties (SLD).

London Schools Board (LSB) Façade Repair Programme: Virement and spend approval of **£4,677k (£3,672k in 2021/22 and £1,005k in 2022/23)** to continue the programme of health and safety remedial works to the facades of 23 London School Board (LSB) schools that began in 2017.

II. **That the schemes for Neighbourhoods and Housing (Non) as set out in section 9.4 were approved as follows:**

Parks Depots: Spend approval of **£1,000k (£350k in 2020/21 and £650k in 2021/22)** is requested to fund the enabling works to the Council's Parks Depots

Developing Borough Infrastructure: Spend approval of **£300k in 2021/22** is requested to fund to improve the public realm on Dalston's Colvestone Crescent. Colvestone Crescent has been selected as the location for Hackney's first inaugural '21st Century Street' programme.

Bridge Maintenance Schemes 2019/20: Spend approval of **£200k in 2020/21** is requested for the continuation of the 5 year Bridge Maintenance Programme in the borough.

Road Safety Programme: Spend approval of **£300k in 2021/22** is requested to fund the continuing road safety works on the borough's roads.

Highways Street Lighting LED Upgrades 2020/21: Spend approval of **£1,250k (£635k in 2020/21 and £615k in 2021/22)** is requested to continue the upgrade of the highways street lighting across the entire borough.

Parks Trees 2020/21: Spend approval of **£200k in 2020/21** is requested to continue the essential maintenance work on existing trees around the Borough.

Tree Planting Programme: Resource and spend approval of **£1,750k (£1,500k in 2020/21 and £250k in 2021/22)** is requested to fund the programme to increase tree canopy cover around the borough.

Green Screens Programme: Resource and spend approval of **£700k (£100k in 2020/21 and £600k in 2021/22)** is requested to deliver the Greens Screens programme over two years.

Highways Surface Water Drainage 2020/21: Spend approval of **£280k in 2020/21** is requested to facilitate the delivery of the 2020/21 water drainage programme at various locations across the borough.

Highways Planned Maintenance 2020/21: Spend approval of **£2,000k in 2020/21** is requested to continue to deliver the 2020/21 Planned Maintenance Highways Programme.

III. **That the re-profiling of the budgets as detailed in para 9.4 and Appendix 1 were approved as follows:**

Summary of Phase 2 Re-profiling	To Re-Profile 2020/21	Re-Profili ng 2021/22
	£'000	**£'000**
Non-Housing	2,225	(2,225)
Housing	(3,035)	3,035
Total	**(810)**	**810**

IV. **That the capital programme adjustments summarised below set out in detail in para 9.5 were approved accordingly.**

Summary of Capital Adjustments	Budget 2020/21	Change 2020/21	Updated 2020/21
	£'000	**£'000**	**£'000**
Non-Housing	4,092	(191)	3,901
Housing	23,284	(480)	22,805
Total	**27,377**	**(671)**	**26,706**

REASONS FOR DECISION

The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered as set out in this report. In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where however resources have not previously been allocated, resource approval is requested in this report.

10. Council Tax Base and Local Business Rate Income - Key Decision No. FCR R36

RESOLVED

<u>That the Cabinet</u>:

I. Recommended to Council that in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Hackney Council as its Council Tax Base for 2021/22 shall be 72,039 Band D equivalent properties adjusted for non-collection. This represents an estimated collection rate of 94%.

II. Recommended to Council that in accordance with The Non-Domestic Rating (Rates Retention) Regulations 2013 Hackney's non-domestic rating income for 2021/22 is £91,064,033 subject to completion of the NNDR1. This comprises three elements.

- **£33,471,970 which is payable in agreed instalments to the Greater London Authority**
- **£27,738,583 which is retained by Hackney Council and included as part of its resources when calculating the 2021/22 Council Tax requirement.**
- **£29,853,480 which is payable in agreed instalments to Central Government**

III. Noted that no changes were proposed to the current CTRS scheme in 2021/22.

<u>Council</u> was recommended to agree:

IV. That in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Hackney Council as its Council Tax Base for 2021/22 shall be 72,039 Band D equivalent properties adjusted for non-collection. This represents an estimated collection rate of 94%.

V. That in accordance with The Non-Domestic Rating (Rates Retention) Regulations 2013 Hackney's non-domestic rating income for 2021/22 is £91,064,033 subject to completion of the NDR1. This comprises three elements.

- **£33,471,970 which is payable in agreed instalments to the Greater London Authority**
- **£27,738,583 which is retained by Hackney Council and included as part of its resources when calculating the 2021/22 Council Tax requirement.**
- **£29,853,480 which is payable in agreed instalments to Central Government**

VI. To note that no changes are proposed to the current CTRS scheme in 2021/22.

REASONS FOR DECISION

Council Tax Base

The rules for calculating the Council Tax Base are set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The calculation is based on the valuation list and other information available on the 22nd November 2020.

Firstly, the authority must estimate the number of properties in each band after allowing for exempt properties. These figures are also adjusted to allow for discounts (e.g. single person discount and Council Tax Reduction Scheme) and the impact of changes in discounts and exemptions which allow the Council to charge additional Council Tax to the owners of empty homes and second homes. A formula is then used to calculate the total number of Band D equivalent properties. This gives a higher weighting to properties in bands above Band D and a lower weighting to properties in bands below Band D. This can therefore be thought of as the average number of properties liable to pay Council Tax. The calculation is set out at **Appendix 1.**

The Authority then must estimate what percentage of the total Council Tax due for the year it will be able to collect. This is usually referred to as the collection rate. This percentage is then applied to the total number of Band D equivalent properties to give the tax base to be used for setting the Council Tax. Another way of considering the tax base is that it represents the amount of Council Tax income that will be received from setting a Band D Council Tax of £1.

There are a number of factors to be considered when assessing the likely ultimate collection rate for 2021/22. 2013/14 marked the first year of the new Local Council Tax Reduction Scheme and significant changes in the level of discounts allowed for second homes and empty properties, which in turn led to increased volatility regarding the eventual collection rate to be achieved, particularly as the Council was often issuing bills for monies it has not had to previously collect. Despite this, collection rates have held up very well since this time but in 2020/21, they were adversely affected by the Covid-19 pandemic and the associated economic downturn which reduced rates below the budgeted estimate of 95.5% to an estimated 92.04%. Whilst we expect collection rates to recover in 2021/22, given the on-going impact of Covid-19 on the local economy, we do not expect it to reach 95.5% in 2021/22 although we fully expect to achieve this rate in 2022/23. It is very difficult to estimate what the rate will be in 2021/22 given the uncertainties resulting from Covid-19 and the associated restrictions, the economic downturn and Brexit, but we believe that an assumed rate of 94% is an evidence based prudent estimate which takes account of our improved collection performance since 2013/14 and the ongoing downturn in the local economy and its impact on residents' ability to pay.

If actual collection in the forthcoming year exceeds the budgeted collection rate this is likely to generate a surplus in the Collection Fund which would provide additional one-off resources available for use in 2022/23 and beyond, either for one-off revenue or the Capital Programme.

A collection rate of 94% will result in a tax base of **72,039** Band D equivalents, as shown in the table below.

2021/22 TAX BASE/COLLECTION RATE	
	2021/22
Aggregate of Band D Equivalents	76,637
Estimate of Collection Rate	94.0%
Tax Base (Band D Equivalents)	**72,039**

This compares to a tax base of 74,386 Band D equivalents used in the 2020/21 budget setting.

Business Rates and the Local Business Rates Retention Scheme

The Local Business Rate retention scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012.

In essence the scheme allowed Local Government to keep 50% of any Business Rate growth from its baseline position. For Hackney and all other London Boroughs the remaining 50% share was split on a 60/40 basis with the Greater London Authority (GLA). In 2017/18 these proportions were amended to the following distribution of all business rates collected: - the GLA 37%; Central Government 33% and London Boroughs 30%.

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

Yet another change was made in 2019/20 with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney retained 48% of the rates raised, the GLA retained 27% and Central Government 25%. In both 2020/21 and 2021/22 the Government decided it would not provide for the continuation of the 75% local shares scheme and that the 2017/18 shares of business rates income will apply, i.e. GLA 37%; Central Government 33% and London Boroughs 30%. This reduces the amount of business rates retained by Hackney from 48% to 30% but the losses in income will be mitigated to some extent by additional Government funding.

In 2020/21, even though the financial benefits of the London Business Rates Retention and Pooling Pilot scheme were lower than previous years, the boroughs decided to continue with the pooling arrangement. This decision in part was made for strategic reasons as boroughs regarded the scheme as a key milestone on the journey towards greater fiscal and functional devolution, demonstrating the clear benefits of collective working between London authorities.

For 2021/22, the outlook for business rates in London has changed as a result of Covid-19, the associated downturn in the economy, Brexit and a potential decision by the Valuation Office to devalue office rateable values in England. Because of these factors, the risk of boroughs making business rates losses is much greater than in previous years and these losses would not be equally distributed amongst the boroughs (as explained below) and so the boroughs unanimously decided not to continue the pooling scheme in 2021/22 but remain committed to reconstituting the pool in 2022/23.

The potential office devaluation stems from appeals made by office ratepayers for a 25% rebate in their bills to bring them in line with the reliefs given by the Government to the retail, hospitality and leisure sectors. According to the BBC, 150,000 ratepayers have appealed. A Valuation Office Agency spokeswoman said that discussions were still ongoing, and no formal decision has been made. She added: "Understanding the impact of the ongoing pandemic on rateable values is a complex legal and valuation issue. We are working to resolve these cases as quickly and efficiently as we can." It is possible therefore that office space could be devalued by 25% in 2020/21 and this could continue into 2021/22 as office rental levels are unlikely to recover in 2021/22. Moreover, in the past the Government has never compensated councils for decisions taken by the Valuation Office and so any financial burden is likely to fall wholly on councils. The LGA is lobbying the Government to reintroduce the 2020/21 75% collection fund deficit compensation in 2021/22 if the devaluation does take place

The combination of the continuation of Covid-19, the economic downturn, Brexit and the potential office devaluation means that many boroughs may see significant losses in business rates in 2021/22 which if a pooling scheme operated would have to be borne by all boroughs. However, the losses would not be borne equally as the method of allocating out the losses would be the same as the method for allocating out any pooling surplus and so boroughs that benefited from this method such as Hackney would lose from the allocation of the deficit.

A further issue is that overriding the pooling arrangement is the Government's system of safety net protection which limits the amounts of losses any borough can make irrespective of the total pooling losses in London. Because the amount of safety net protection depends on the resource bases of the boroughs which vary, so will the protection and hence shares of any pooling losses.

To determine its budgetary position Hackney, along with all other Local Authorities has to complete an NNDR1 form which includes the number of rateable local businesses (which is not limited to commercial organisations as it includes schools, churches and of course an authority's own civic estate) multiplied by the appropriate business rate multiplier to arrive at a total cash sum which is then adjusted for various allowable reliefs and discounts to give the final baseline position. This form is required to be completed and submitted to MHCLG by 31 January each year in respect of the following financial year.

Up until 2013/14, the calculation within the NNDR1 had not required formal approval by Members as it had no direct impact on the Council's finances. From 2013/14 onwards, under the current Council constitution, this does now require formal agreement by Members and as such is the subject of the formal recommendations at paragraph 3.2 and 3.5.

It should be noted that we, at the time of writing this report, are still in the process of completing the NDR1 form. The figures included within this report and recommendations are therefore based on officers' latest estimates of the figures to be included in NDR1 but it is anticipated that the final version of this will have been completed by the time of Cabinet and Council meetings. Members will be informed if there are any changes required to the estimate as a result of the completion of the form.

In past national budgets, the Government has announced various rate reliefs for all businesses, a small number of which are being rolled into 2021/22. In 2020/21, various Covid-19 related reliefs were also introduced, in particular the significant retail, hospitality and leisure (RHL) sector reliefs but as stands none of these will be rolled forward into 2021/22.

It is estimated that Hackney Council will receive £5.196m in s31 grant in respect of previous national budgets and other Government policies.

In addition to this, the Council retains a cost of collection allowance for the administration of the collection of business rates and for 2021/22, this allowance is **£596k**

The total resources therefore available to the Council in respect of Non Domestic Rates and to be included in the budget to be approved by Council in March will therefore be **£48.859m**, as follows:

Net rates yield retained by Hackney	43.714
Share of 2020/21 Deficit c/fwd.	-16.571
Cost of Collection allowance	0.596
2020/21 Retail, Hospitality, Leisure (RHL) Reliefs S31 Grant	13.967
Government Deficit Contribution S31 Grant	1.957
Other S31 Grants	5.196
Total NDR resources	**48.859**

So we have a deficit of £16.571m in 2020/21 which is largely offset by the 2020/21 RHL reliefs and the 75% compensation scheme.

Council Tax Reduction Scheme (CTRS)

It is a statutory requirement that the Council approves the CTRS scheme each year. As stated above, no changes are proposed to the current scheme.

11. Housing Revenue Account Budget 2021/22 Including Tenants Rents and Service Charges - Key Decision No. FCR R37.

RESOLVED:

That the Cabinet:

I. Approved the HRA budget proposals as set out in section 11 and Appendix A.

II. Approved the increase in rent of 1.5% (CPI + 1%) in line with The Social Housing Regulator's rent standard and agree that rents will increase on average by £1.52 from £101.58 per week to £103.10 per week with effect from Monday 1st April 2021.

III. Approved the increase in HRA fees and charges in line with inflation 0.5% as set out in Appendix B.

IV. Agreed the level of tenant service charges as set out in paragraph 12.6; and the service charges for the Concierge service as set out in paragraph 12.7.

V. Delegated to the Group Director of Finance and Corporate Resources in consultation with the Lead Member for Housing the setting of communal heating charges to reflect the unit costs of utilities.

VI. Agreed the Housing Capital Programme budget and spend approval as set out in Section 16.

REASONS FOR DECISION

The Local Government and Housing Act 1989 Section 76 requires local authorities with a Housing Revenue Account (HRA) to set a budget for the account, which is based on best assumptions, that avoids a deficit and furthermore to keep the HRA under review.

Local authority rent setting powers are set out in section 24 of the Housing Act 1985, this provides that:

(1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses.

(2) The authority shall from time to time review rents and make such changes, either of rents generally or of particular rents, as circumstances may require.

12. Purchase of Ex Council Properties From Local Space - Key Decision No. NH R42

RESOLVED:

That the Cabinet:

I. **Authorised budget provision and spend of up to £10m from existing affordable housing budgets for the purchase of former Right-to-Buy properties owned by Local Space to support the increased supply of affordable housing in the borough.**

II. **Authorised the agreement of a nominations agreement with Local Space for 30 years for the portfolio of properties to be purchased out of borough.**

III. **Gave delegated authority to the Director of Strategic Property Services, in consultation with the Group Director of Neighbourhoods and Housing and the Group Director of Finance and Corporate Resources, to negotiate final terms, conditions on the above purchases, including price and purchase of the property.**

IV. **Authorised the Director of Legal and Governance Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation as required.**

REASONS FOR DECISION

As outlined within the report, there is a significant need to expand the stock of social housing in Hackney, particularly for the provision of temporary accommodation.

As set out within Part 7 of the Housing Act 1996, the Council has a statutory duty to provide interim temporary accommodation to homeless households to whom it has a duty to provide permanent housing.

Currently, meeting this statutory duty requires using expensive nightly let and/or spot purchased accommodation. By agreeing to purchase the 25 former council properties from Local Space, we will not only immediately increase the number of affordable units in response to the increasing demand, but will potentially have access to more units of affordable settled accommodation for those currently within our temporary provision, freeing up this stock for future use.