Hackney

TITLE OF REPORT :

2020/21 Overall Financial Position, Property Disposals And Acquisitions Report that takes account of the estimated financial impact of Covid-19 and the on-going emergency

Key Decision No. FCR R.76

CABINET MEETING DATE 2020/21 28TH JUNE 2021	CLASSIFICATION: Open

WARD(S) AFFECTED: ALL WARDS

CABINET MEMBER

Councillor Robert Chapman

Cabinet Member for Finance

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 March monitoring data from directorates. We are forecasting an overspend on the General Fund (excluding housing costs) of £57.2m before the application of the Government's emergency funding (£32.3m). This is equivalent to 5% of the total gross budget and 15% of the net budget. This is a decrease of £1.346m in the overspend from February made up of a decrease in the Covid-19 related overspend of £1.060m and an decrease in the non Covid-19 related overspend of £0.286m

1.2 Of the £57.2m overspend, £53.8m relates to additional expenditure and reduced income incurred on the General Fund that is owed to Covid-19.

1.3 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 £0.8m overspend (£3.4m excluding direct Covid-19 spend and grant).

1.4 I commend this report to Cabinet

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 Normally the March OFP constitutes a provisional outturn forecast, which is very close to our actual outturn position. However, because of the cyber attack and to some extent Covid-19, it is not possible to construct a provisional revenue outturn position at this stage and so the report must instead be regarded as our best estimate of outturn based on March data. There could be material changes to the estimates shown here that may affect the outcome including the finalisation of the housing subsidy claim and housing needs costs. The financial data shown for capital is on an outturn basis.

2.2 The OFP shows that the Council is forecast to have a £57.2m funding shortfall (General Fund) before the application of the Government's emergency funding. This is equivalent to 5% of the total gross budget and 15% of the net budget. This is a decrease of £1.346m in the overspend from February made up of a decrease in the Covid-19 related overspend of £1.060m and an decrease in the non Covid-19 related overspend of £0.286m. Of the £57.2m overspend, £53.8m relates to additional expenditure and reduced income incurred on the General Fund that is owed to Covid-19.

2.3 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 those local authority leisure centres most in need. We did not receive any allocation from the leisure centre funding but our allocation from the £0.919bn was £11.032m, bringing our total emergency funding to £32.349m. According to a Government announcement before Christmas, we have also been allocated a further £11.032m for 2021/22. The 2020/21 emergency funding is reflected in the forecasts below.

2.4 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 covered actual losses in April, May, June, and July; the second related to losses in August, September, October, and November. The third will cover the remainder of the financial year. We have submitted all the returns but we await confirmation (or otherwise) from the Ministry of Housing, Communities and Local Government (MHCLG) on the third. Until we have data for the final four months, the report continues to assume our best annual estimate of £9.6m although this could change as we receive MHCLG's decision on our third claim.

2.5 The estimates contained within this report are best estimates rather than outturn and will be revised further as certain estimates are finalised. 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.

2.6 The position of the General Fund is shown below. The first table shows the funding shortfall of £57.2m of which £53.8m is owed to Covid-19 while the second table analyses the impact of applying Government funding.

TABLE 1: OVERALL ESTIMATED BUDGET SHORTFALL 2020/21

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves	Variance from Previous Month	Amount of variance owed to Covid	Variance excluding Covid
		£k	£k	£k	£k
61,507	Children's Services	3,327	-160	2,015	1,312
27,081	Education	2,680	39	2,680	0
95,098	ASC & Commissioning	6,905	71	5,106	1,799
33,763	Community Health	1,021	-422	1,451	-430
217,449	**Total CACH**	**13,933**	**-472**	**11,252**	2,681
36,653	**Neighbourhood & Housing**	**14,716**	**-208**	**14,325**	391
19,757	**Finance & Corporate Resources**	**13,388**	**-355**	**12,878**	510
0	**Reduced Council Tax & Business Rates Income**	**14,500**	**0**	**14,500**	0
8,947	**Chief Executive**	**674**	**-311**	**889**	-215
29,442	**General Finance Account**	**0**	**0**	**0**	0
312,248	**GENERAL FUND TOTAL**	**57,211**	**-1,346**	**53,844**	**3,367**

2.7 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, the whole of the deficit (now estimated at £14.5m on the basis of final guidance from the Government) would all be charged to the General Fund in 2021/22 thereby increasing the budget gap by an equivalent amount in this year. As reported previously, the Government has introduced a scheme to compensate Councils for reductions in council tax and business rates receipts resulting from Covid-19 that would otherwise be fully charged to the General Fund in 2021-22 which included allowing councils to spread any deficit arising over a three year time frame.

2.7 In the 2020 Spending Review, the Government committed to compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020-21 and we forecast that the charge to the General fund in each year 2021/22 to 2023/24 will be £2.25m. £1.6m of this relates to Council tax and £0.65m to business rates.

2.8 The application of the emergency funding, compensatory funding and the deferral of Council Tax and Business Rates losses to future years is reflected 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
61,507	Children's Services	3,327	2,015	1,312
27,081	Education	2,680	2,680	0
95,098	ASC & Commissioning	6,905	5,106	1,799
33,763	Community Health	1,021	1,451	-430
217,449	**Total CACH**	**13,933**	**11,252**	**2,681**
36,653	**Neighbourhood & Housing**	**14,716**	**14,325**	**391**
19,757	**Finance & Corporate Resources**	**13,388**	**12,878**	**510**
8,947	**Chief Executive**	**674**	**889**	**-215**
29,442	**General Finance Account**	**0**	**0**	**0**
312,248	**GENERAL FUND TOTAL**	**42,711**	**39,344**	**3,367**
	Estimated Emergency Fund	**-32,349**	**-32,349**	
	Funding to Partially Compensate loss of Slaes, Fees & Charges income	**-9,575**	**-9,575**	
	FUNDING STILL REQUIRED AFTER APPLICATION OF GRANT	**787**	**-2,580**	

2.9 The Covid-19 gap after funding is still showing a small surplus but 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. Turning to the overall 2020/21 non-covid budget gap, this is now £3.367m and so it is essential that services look again at all areas of spend to achieve efficiencies so that we can avoid the same outcome in 2021-22.

2.10 Following approval by Cabinet in March 2020 to purchase leasehold properties in Council blocks, previously sold under Right to Buy, the Council has acquired the following 16 properties for a value of £6.203m, bringing the total spend on buybacks to £8m, including Stamp Duty Land Tax (SDLT) and works, of the approved £10m budget for 2020/21. There are a further 8 owner occupied and 15 properties from London and Quadrant (L&Q) are under offer which will be reported when acquired. These are to be funded from the remaining 2020/21 budget and an additional £10m approved in the 2021/22 capital programme.

Owner occupied: 4 Blackwell Close; 65 The Beckers; 249 Fellows Court; 13 Sutton Court; 58 Woolridge Way; 15 Josephs Court; 143 Geffrye Court;
From L&Q: 9 Warner House; 16 Tullis House; 5 Vaine House; 13 Marsworth House; 15 Marsworth House; 52 Laburnum Court; 16 Dunloe Court; 44a Shrubland Road and 43a Shrubland Road

2.11 The Council is disposing of 2 large properties that are in disrepair; 121 Dalston Lane and 40 Lea Bridge Road. These properties are valued at over £1m and require £0.4m to bring back to lettable standard. This is not something the Council is normally minded to do, but in these specific circumstances and following the success of the buyback programme and a review of the value for the investment required in these properties, it is more cost effective to use the funds from the sale of these properties along with RtB 1-4-1 funding and borrowing to purchase 4 replacement homes in the wards of the disposed properties, of which at least 3 will be large family homes. This new investment is additional to that already agreed by the Council.

2.12 The update is late because it is produced as part of the closing process which has been delayed because of the cyber attack and Covid-19. This in turn has delayed the production of the report.

3.0 RECOMMENDATIONS

3.1 To dispose of 121 Dalston Lane and 40 Lea Bridge Road and use the additional funds to purchase replacement properties in the leasehold buyback programme.

3.2 To authorise the Director of Legal to prepare and sign the necessary legal documentation and any ancillary documentation required in order to implement the recommendation.

3.3 To authorise the Group Director of Finance and Corporate Resources to settle all commercial terms of the contract for disposal.

3.4 To note overall financial position for March, covering the General Fund, Capital Finance and the HRA.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances. With regards to the Property proposal, 121 Dalston Lane and 40 Lea Bridge Road are both 4 bedroom houses which are in disrepair and have been void for some time. The cost of the works to bring the property back to a lettable condition is over £200,000 each which is currently uneconomical. The Council has recently started repurchasing leasehold properties that were sold under the Right to Buy. These purchases are not fully funded and the rent charged doesn’t meet the borrowing cost and so limits the number of properties that can be purchased, however it does utilise some of the excess RtB 1-4-1 funding that would otherwise be paid back to MHCLG. This size and condition of property would also be not viable to a Housing Association, who also look to dispose of these types of properties when reviewing their stock. By combining the receipts from the disposal of these properties and the RtB 1-4-1 funding, it is possible to purchase 4 large family properties as replacement. There are currently 4 properties in the buyback programme that are under consideration that would meet the replacement requirements of these properties in the respective wards where the sale occurs.

Any disposal will take place in accordance with the Hackney Protocol. Both (and any additional) properties will be assessed firstly for alternative priority use by the council, for example as temporary accommodation or for supported housing. If not suitable for these purposes then we will offer the properties directly for disposal to housing associations, again for use by the housing association in tackling homelessness or supported housing schemes in Hackney. Only as a last resort will we consider a disposal to the commercial property market. In all cases we require the receipt and outcomes of any disposal to be delivered within Hackney.

In the event of an open market disposal, this will be managed by Strategic Property Services to ensure best value is achieved both on the disposal of the property and the acquisition of the replacements.

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

Summary

The CACH directorate is forecasting an overspend of £13.9m after the application of reserves and grants. Covid-19 related expenditure accounts for £11.3m of the reported overspend.

Children's Services

Children in Need

The Children in Need position is an overspend of £0.804m mainly due to Section 17 and LAC incidental costs. Social Care Grant and reserve funding has been used for direct staffing to ensure caseloads are at a manageable level within the service. Due to the pandemic, there has been an increase in financial hardship for many families which the Council has supported this year. Compared to 2019/20, Section 17 and LAC incidental costs have increased by 38% from £1.099m to £1.516m. The adverse movement of £0.5m from the February position relates to a combination of legal fees & court costs (£0.3m) coupled with late postings of accommodation and assessment costs in Section 17 (£0.2m).

Corporate Parenting

The Corporate Parenting position is an overspend of £3.85m after the use of £3.9m of commissioning reserves. This position also includes the use of £2.9m of Social Care Grant funding. The Covid-19 costs amounted to £1.3m relating to placements cost linked to the pandemic. This overspend is due to an increase in numbers of Looked After Children (LAC) in recent years and a marked change in the profile of LAC placements. The outturn on LAC and Leaving Care placements was £25.3m compared to last year's outturn of £20.4m – an expenditure increase of £4.9m of which £1.3m relates to Covid-19. The main budget pressures were within residential care, semi-independent and Independent Fostering Agencies placements.

Disabled Children's Services

This year we have seen a significant increase in Homecare (£915k) and Direct payments (£460k) packages. This is partially due to Covid-19 but mainly due to an increase in demand and complexity of needs increasing. These costs have been offset by reserves £476k and other income of £100k. The Staffing position is showing an overspend of £284k due to additional staff brought in to address increased demand in the service. This is offset by £360k of additional Social Care Grant funding. The overall impact of Covid-19 on the service is £276k (staffing, DCS and Short Breaks commissioned services). The Cyberattack has meant that the monitoring of Homecare and Short Breaks commissioning budgets has been more challenging this year and this was noticeable in March with providers sending backdated invoices that we had not anticipated, meaning the March position worsened by a further £160k.

<u>Safeguarding & Learning Services</u>

The position for the service is an underspend of £182k, which is largely due to staffing vacancies linked to delays in recruitment and underspends due to room hire activity being reduced linked to the Covid-19 pandemic.

<u>Clinical Services</u>

The Clinical Services Team have an forecast £217k underspend due to late recruitment to the Clinical lead and Specialist Clinical Practitioner posts, whilst also receiving unplanned income from the CCG (£119k). The favourable movement from February of £107k largely relates mainly to receiving additional income from the CCG.

<u>Parenting Support Services</u>

The Parenting Support Services Team's position is an underspend of £426k which is largely from a Public Health contribution and various underspends in non-staffing costs. The movement from February of £158k relates to additional Public Health funding towards eligible expenditure within the service and non-staffing costs that didn't occur before the end of the financial year as expected.

<u>Directorate Management Team</u>

The Directorate Management Team forecast position is an underspend of £0.944m. This position includes a drawdown of reserves to offset staffing pressures and to fund additional social work and management capacity in response to the Ofsted inspection. The underspend in this area has increased by £0.596m from February. This relates to a favourable insurance adjustment and legal fees and court cost activity being lower than anticipated.

<u>Young Hackney</u>

The full year forecast underspend of £238k in Young Hackney relates to reduced activity levels brought by the Covid-19 pandemic which also caused a significant delay in the introduction to a new Multi Use Games Area (MUGA) service. The £133k Covid-19 expenditure is in relation to additional staffing, equipment and material to deliver activities in line with Covid restrictions and extra cleaning to the youth hubs.

Hackney Education

Hackney Education has a budget of £27.1m 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 March 2021, Hackney Education is forecasting to overspend by around £7.3m. Approximately £2.7m of this is the forecast financial impact of the Covid-19 outbreak. The balance of the overspend (£4.7m) is mainly as a result of a £9.2m forecast over-spend in SEND, partially offset by savings in other areas of Hackney Education. The £9.2m over-spend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's).

The Government has formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained. The finance teams are working on what exactly this will mean for the Council's finances and are also consulting with the auditors and other Councils. At this time it is thought that it is unlikely these changes to funding regulations will have a material impact on the forecast.

Government expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, the Government's commitment to this additional funding and the level this will be at remains unclear. There is therefore a financial risk to the Council of carrying this deficit forward and we will need to consider options for mitigating this risk.

Adult Social Care & Community Health

The forecast for Adult Social Care is a £6.9m overspend. Covid-19 related expenditure accounts for £5.1m of the overspend. This overspend does not include Covid-19 NHS discharge related spend of £3.9m where there is an agreement to fully recharge the cost to the CCG allocated from Department of Health Covid-19 grants.

<u>Care Management and Adult Divisional Support</u>

The Care Management & Adults Divisional Support forecast position is £274k budget overspend, primarily driven by staffing cost pressures within the Integrated Learning Disabilities team. The team had a relatively high number of agency staff which the service is actively addressing with planned recruitment campaigns. The favourable movement of £95k from the February position is primarily as a result of a reduction in the expected corporate insurance recharge, as well as a reduction in locum staff costs.

Provided Services

The Provided Services forecast position is a £114k budget underspend primarily as a result of two contrasting factors:

- Housing with Care (HwC) gross overspend of £1.050m (£752k attributable to C19 workforce pressures), which is partially mitigated by one-off grant funding of £298k (workforce capacity fund), and £67k underspend on non-essential budget items including corporate insurance recharges, leaving a net pressure of £685k. The primary reason for the significant cost pressure in HwC was due to additional locum staff cover employed for staff absences as a result of staff shielding or self-isolating due to Covid-19.

- Day Care Services underspend of £794k, as a result of staff vacancies at Oswald St Day centre. Staff vacancies that were forecast to be filled across the service remained vacant across the financial year as the Oswald St Day centre was closed at the beginning of pandemic, and only re-opened in October 20, with a much reduced client cohort.

The favourable movement of £124k on the February reported position is primarily as a result of an increase in use of one-off funding then planned and a reduction in the expected corporate insurance recharge.

Care Support Commissioning

The Care Support Commissioning (external commissioned packages of care) remains the primary reason for the departmental overspend, with a forecast position of £6.681m. Covid-19 related expenditure accounts for £4.15m of the total budget pressure. The remaining pressure relates directly to the increase in non-related C19 demand and complexity of care needs. The cyberattack has meant that forecasting for this area has been extremely challenging with the data maintained and recorded manually on spreadsheets (since the Mosaic system went down) causing delays in the information reaching through to the finance team. Towards the end of the financial years there has been an increase in retrospective payments to providers due to the factors mentioned above. The increase of £628k from the previous month is primarily a result of these retrospective payments to providers, and a £134k increase in the provision for bad debt.

Mental Health

The position of the Mental Health services provided in partnership with the East London Foundation Trust (ELFT) is a £1.08m overspend. The overall position is made up of two main elements - a £1.47m overspend on externally commissioned care services and £391k underspend across staffing-related expenditure. Cost reductions plans are currently being agreed to address the significant budget pressure within Mental Health Services.The improvement of £157k from the previous month is primarily as a result of retrospective changes to care package data that came to light during the end of the financial year. As highlighted in the Care Support commissioning section above, the cyberattack has meant forecasting for care services has been extremely challenging and will continue to be so until the new social care system is implemented.

Preventative Services

The Preventative Services position is a £753k underspend, which is primarily driven by the following factors:

- Concessionary Fares underspend of £118k due to activity being lower than anticipated;

- Underspend of £193k linked to the Interim bed facility at Leander Crt.

- Substance Misuse underspend of £201k linked to lower than expected demand for rehab placements and the transfer of the contract to Public Health.

- Carers underspend of £271k due to a significant reduction in carers assessments linked to the C19 pandemic.

ASC Commissioning

The ASC Commissioning position is a £270k underspend. This underspend includes significant one-off reserve funding of c£2.2m in 2020/21 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 Peter's’ care scheme prior to recommissioning. Disabled Facilities Grant funding has also been applied in 2020/21 to the Telecare contract. Covid-19 related expenditure accounts for £198k of the overspend, as result of delays in delivery of HRS savings of £150k as well as workforce pressures of £48k (support workers for COVID-19 Urgent Housing Pathway)

The favourable movement of £154k on the previously reported position, was primarily as a result of a reduction in contractual spend within the Voluntary Sector due to an advocacy service contract being funded by PH this year.

Public Health

The Public Health forecast is a break even position. This includes £3.771m of other preventative eligible expenditure incurred across the Council. Covid-19 costs relate to delays in delivery of PH savings in Substance Misuse and the Healthier City and Hackney Fund (£375k). A further £55k Covid-19 expenditure relates to the Triage Service plus £10k of other COVID-19 related costs.

The Hackney Mortuary position is a £1.02m budget overspend, of which £1.01m is in relation to Covid-19. 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, and subsequently to meet increased demand for the second wave. Hackney's share of the total additional cost for Wave 1 & Wave 2 combined was £1.242m. In addition there has been a further £180k of one-off additional costs attributed to the pandemic. In March we were informed that Hackney's provision for wave 2 was not fully utilised and this has now been rolled forward to 2021/22 financial year, hence the favourable movement from the previous month.

4.3 **NEIGHBOURHOODS AND HOUSING**

The forecast position for Neighbourhoods and Housing Directorate is a £14.7m overspend. The estimated total Covid-19 impact is £14.3m

<u>Directorate Management</u> has a favourable variance to budget of £83k which is down to an extremely prudent approach to any expenditure on controllable budgets throughout the past year.

<u>Environmental Operations</u> shows an overspend of £3.700m, which is a favourable movement of £45k from February 2021. This overspend is made up of £1.957m related to a shortfall in income mainly from Commercial Waste from business premises being closed during lockdown as a result of Covid-19. A further £1.691m expenditure relates to use of agency staff (to cover both sickness and staff absences, to cover food deliveries for the council and internal vehicle cleaning every day), additional supplies and services such as PPE and hand sanitisers and other protective measures for all staff. Previously forecasted shortfalls in income for both Hygiene and Bulky Waste services picked up and they both came in on budget by year end.

The expected shortfall in income for Commercial Waste also improved from previous forecasts by £337k but that was offset with an increase in the bad debt provision of £507k.

Environment & Waste Strategy, has previously forecasted to break even all year, however due to the Pollution - Air Water & Land team not having enough time to get certain air quality monitoring projects up and running in time, the projects will now start in 2021-22 leaving an underspend on budget for the service of (£43k).

Parking services is showing a net overspend of £5.9m, of which £6.1m is the income shortfall which relates to Covid. There is an underspend of (£290k) in non essential expenditure giving the net overspend of £5.9m

Streetscene is showing an overspend of £526k, of which £388k relates to shortfall in income which is primarily due to Covid-19. The movement from the February 2021 forecast is an increase of £62k, which predominantly relates to a higher than expected insurance recharge reflecting the claims experience for highways.

Market and Shop Front Trading is overspent by £1.576m. The overspend is due entirely to Covid-19, £1.1m is an income shortfall and £476k additional expenditure relating to setting up, taking down market stalls and additional staffing to ensure enforcement of COVID secure trading. There has been no income in quarter one or two with minimal income in quarter 3.

Leisure & Green Spaces shows an overspend of £270k which is an improvement of £160k on the February position. The variance to the previous month's forecast is predominantly due to the service taking a prudent approach with the gradual easing of lockdown allowing for the need for additional staff particularly over the holiday periods. The overspend in Green spaces can be entirely attributed to Covid-19 with additional cleaning required (particularly in the summer months) and a loss of income with no events taking place during 2020/21. The Council also supported the council's Leisure Contractor (GLL) throughout the pandemic to the value of £865k which was taken from the contract surplus share which GLL are holding on Hackney's behalf.

Libraries and Heritage is showing a £123k overspend which is an improvement of £34k on the February position. The two main drivers for the overspend are a £90k loss of income for the service which is due to COVID with Libraries being closed for much of the year. The other lesser factor is the change in the corporate building maintenance contract which has resulted in increased costs for the monthly statutory checks

The Community Safety, Enforcement and Business Regulation (CSEBR) has overspent by £1.2m. This partially reflects a reduction in Licensing & Fees income not being achieved, resulting in an overpend of £382K for the Licensing service. On the spending side, the overspend is entirely due to the impact of Covid, which totalled £1.4m. The Marshalls covid grant of £220K has been used to cover staff costs across the service and in Civil Protection, grants have been received for £186k to mitigate the overall Covid costs of £676K within the service.

The Planning Service shows an overspend of £1,367k, which is primarily related to a shortfall in Planning application fees and building control fees income. The shortfall in planning application fee income is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 2 years. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. There are further large schemes at the pre-application stage which are due to be submitted in early 2021/22. 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 applications 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 has worked with finance to undertake a review of the service to address the cost pressures in the service. The review is now complete and officers are considering the report recommendations to bring the Planning budget into balance for 2021/22 and beyond.

4.4 FINANCE & CORPORATE RESOURCES

Finance and Corporate Resources is forecasting an overspend of £13.4m (before the inclusion of reduced council tax and business rates income). Of this £12.9m is owed to Covid-19, which leaves a non-covid overspend of £0.5m which is spread across various services. This includes spending in ICT of £1m on cyber which is offset by underspends elsewhere.

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

Commercial Property is forecasting a £3.3m rental loss relating to Covid-19 and there was also increased expenditure on security and patrols of retail properties during lockdown.

Additional Covid-19 cost pressures in Revenues and Benefits sum to £3.4m. The collection of benefits overpayments is estimated to reduce by £2.25m because of Covid-19. The remaining overspend is primarily due to 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), anticipated additional expenditure on the Discretionary Crisis Support Scheme and reduced court costs income.

Customer Services is reporting a Covid-19 related cost of £145k relating to additional staff and software needed to add capacity to handle support for vulnerable residents.

There is an estimated £2.13m of Housing Needs costs arising from Covid-19. The overspend results 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 the 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 who are unable to pay their rents due to Covid-19; and there has been a reduction in rent income.

Registration Services have been severely affected by Covid-19 which has created a forecast £380k shortfall resulting from a significant reduction - a decrease of approximately 42% 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 £1.8m. The Covid-19 expenditure relates to PPE which is being managed as a coordinated effort across the council with the ordering being led by Procurement.

There is a £889k 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 £0.674 which includes an increase in net expenditure of £0.889m resulting from Covid-19.

Policy, Strategy & Economic Development are reporting an overspend of £162k which includes net expenditure of £335k relating to Covid-19, arising from food parcels for residents who cannot access or afford food during Covid-19, security and moving costs and Emergency Grants to 4 organisations in the Voluntary Sector to provide Covid-19 related services.

Communications is forecasting an overspend of £502k, all of which relates to Covid19, which has reduced film, venues, and advertising income.

Legal and Governance and the Chief Executive Office collectively 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 £7.6m. of which £6.3m is an income loss - which is mainly reflected in the increase in the bad debt provision - and £1.3m is additional expenditure.

There are also variations from the budget which are not related to Covid-19. Leaseholder charges income has increased following the finalisation of 2019/20 bills, There is a Special Services variance which is due to increased costs of the integration of the Estate Cleaning service which is being reduced over 3 years. There is also a Supervision and Management underspend due to lower temporary accommodation costs due to a reduction in major repairs, and a reduction in recharges and corporate IT revenue expenditure and a reduction in anticipated court costs.

4.7 CAPITAL

The capital expenditure outturn for 2020-21 is £202.1m, £19.6m below the revised budget of £221.7m. This represents an outturn of 91% against the agreed budgeted programme. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances. A full report on the final outturn with variance analysis will be included in the July Capital Update report along with details of the requested transfer of resources and associated approvals into the 2021-22 capital programme.

Table 1 – London Borough of Hackney Capital Programme – Final Outturn 2020-21	Revised Budget Position	Final Outturn	Variance (Under/Over)
	£'000	**£'000**	**£'000**
Chief Execs	113	100	(13)
Children, Adults & Community Health	7,071	6,912	(160)
Finance & Corporate Resources	12,107	10,514	(1,593)
Mixed Use Development	70,586	68,380	(2,206)
Neighbourhoods & Housing (Non)	27,462	24,810	(2,652)
Total Non-Housing	**117,340**	**110,715**	**(6,625)**
AMP Capital Schemes HRA	44,649	35,864	(8,785)
Council Capital Schemes GF	3,851	9,290	5,439
Private Sector Housing	1,051	868	(183)
Estate Renewal	33,576	27,622	(5,954)
Housing Supply Programme	11,651	9,293	(2,359)
Other Council Regeneration	9,586	8,477	(1,109)
Total Housing	**104,365**	**91,414**	**(12,951)**
Total Capital Expenditure	**221,705**	**202,129**	**(19,575)**

CHIEF EXECUTIVE

The final outturn for Chief Executive is £0.10m, £0.01m below the revised budget of £0.11m. The only variance here is the Adult Learning Equipment which is the capital project to purchase laptops to support online learning and a safer return to onsite learning. This is a grant funded scheme from the GLA (Greater London Authority) to support the needs of adult learners during this pandemic and, in particular, learners at risk of digital exclusion. Initially the conditions were to use these grant funding by 31 March 2021 but due the further lockdowns the GLA have agreed the funding can be spent in 2021-22. The budget will be carried forward to 2021-22.

CX Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	**£000**	**£000**
Employment, Skills & Adult Learning	113	100	(13)
TOTAL	**113**	**100**	**(13)**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The final outturn for Children, Adults and Community Health is £6.91m, £0.16m below the revised budget of £7.07m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	**£000**	**£000**
Adult Social Care	67	7	(60)
Education Asset Management Plan	1,343	1,347	4
Building Schools for the Future	229	274	44
Other Education & Children's Services	1,078	1,057	(21)
Primary School Programmes	1,013	949	(64)
Secondary School Programmes	3,341	3,277	(63)
TOTAL	**7,071**	**6,912**	**(160)**

Adult Social Care

The final outturn for the overall Adult Social Care is £0.01m, £0.06m below the respective budget of £0.07m. The main variance relates to the health and safety and fixture costs anticipated for Oswald Street Day Centre for the last quarter which were no longer required. The underspend will be offered up as savings.

Education Asset Management Plan

The final outturn for the overall Education Asset Management Programme is largely in line with the respective budget of £1.34m with a minor overspend. This is the Borough's cyclical and periodic yearly maintenance programme to the education asset. The types of works include lighting upgrade, boiler upgrade, redecoration, fire alarm upgrade, fire safety works, toilet refurbishments, ventilation works, drainage works, playground refurbishments, reconfiguration of class and emergency repairs. Below is a brief update on a few of the schemes:

Jubilee - The spend this year is on consultancy fees. The remaining works are scheduled for 2021-22 and the budget will be slipped.

Queensbridge and Betty Layward - These schemes are completed and the remaining variance will fund Shoreditch Park AMP.

Benthal - The scheme is completed. The variance will be carried forward to support the final payment to this element of works.

Colvestone, Randal Cremer, Lauriston and Berger - All schemes completed to budget.

AMP Contingency - The minor overspend was a result of the final invoices coming through in the last quarter and request for emergency capital works in quarter 4. The small variance will be funded from the 2021-22 budget.

Building Schools for the Future

The final outturn for the overall Building Schools for the Future is £0.27m, £0.05m above the respective budget of £0.23m. The main variance relates to health and safety works that occurred to replace the ventilation at Ickburgh School. The variance will be in part funded from the 2021-22 budget and the balance from underspends in the overall scheme.

Other Education & Children's Services

The final outturn for the overall Other Education and Children's Services is £1.06m, £0.02m below the respective budget of £1.08m. The other schemes relate to the expansion of Hackney's specialist resource provision (SRP) for pupils with Social, Emotional and Mental Health (SEMH) needs in the schools. Below is a brief update on the SEN schemes and one other scheme:

Queensbridge School - The construction of an additional resource on the ground floor of the annexe is complete. The variance will be carried forward to 2021-22 to support the overall SEN programme.

The Garden School - The works have been delayed due to the relocation of guardians, planning consent and the works to remove asbestos. The variance will be carried forward to 2021-22 to support the change in the programme of works.

Gainsborough School - The additional resourced provision called The Aviary at Gainsborough School is open. The variance will be carried forward to support the final works and retention which will be settled in 2021-22.

Shoreditch Play Adventure - The design of the play hut took longer than anticipated causing the variance. The design work has been finalised and the paperwork is now complete for the Planning Application. The next stage is submitting the planning application for approval which is expected in 2021-22. The variance will be carried forward to 2021-22.

Primary School Programmes

The final outturn for the overall Primary School Programmes is £0.95m, £0.06m below the respective budget of £1.01m. The main programme relates to the rolling health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. Below is a brief update on a few of the schemes:

Shacklewell School and London Fields - The facade works were completed earlier than anticipated and the final fees settled causing the variance. The variance will be part funded by the 2021-22 budget and the remaining from underspends in the overall programme.

Contingency Budget for Facade Repairs - There was no further call against the contingency budget. The underspend will be carried forward to 2021-22 to continue the next phase of the facade works.

Woodberry Down Children's Centre Relocation - There was a slight delay in procurement which has impacted on the tendering of the works. The underspend was reported throughout the year and will be carried forward to 2021-22 to reflect the actual programme of works.

Secondary School Programmes

The final outturn for the overall Secondary School Programmes is £3.28m, £0.06m below the respective budget of £3.34m. The Lifecycle Programme is the Borough's cyclical and annual maintenance programme for its secondary and special schools. Below is a brief update on a few of the schemes:

Clapton Girls Academy - The repair to the roof and school wall are complete. The underspend will support the works at Ickburgh and Stoke Newington School and the remaining balance will be carried forward to 2021-22.

The Urswick School Expansion - The science project started earlier than anticipated in quarter 4 causing the variance and the remaining works will be completed in 2021-22. The overspend will be supported by the 2021-22 budget.

Contingency Early Failure Reactive - The overspend was due to the emergency health and safety works in the overall programme. The variance will be supported by the 2021-22 budget.

FINANCE AND CORPORATE RESOURCES

The final outturn for the overall Finance and Corporate Resources is £78.9m, £3.8m below the revised budget of £78.9m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	**£000**	**£000**
Property Services	8,275	7,135	(1,140)
ICT	3,080	2,686	(394)
Financial Management	539	557	18
Other Schemes	213	136	(77)
Total	**12,107**	**10,514**	**(1,593)**
Mixed Use Development	70,586	68,380	(2,206)
TOTAL	**82,694**	**78,894**	**(3,800)**

Strategic Property Services – Strategy & Projects

The final outturn for the overall Strategic Property Services is £7.14m, £1.14m below the respective budget of £8.28m. Below is a brief update on a few of the schemes.

Decant of Maurice Bishop House and Moves to Christopher Addison House (CAH) - the project has been delayed due to the pandemic and the Government's instruction for Council's workforce to work from home. The variance will be carried forward into 2021-22 to support the roll out of the moves as we come out of lockdown.

HSC Flooring Replacements Works - Floors 1-4 are complete but the ground floor has presented a problem due to weight issues caused by partitioning, glass screens and grading of original floor tiles which could potentially result in a trip hazard. The work is required as a stop-gap to re-open the building. The procurement to re-commence for remedial works will commence after costings and programming. The underspend will be carried forward to 2021-22.

Asbestos Surveys - The process for the procurement of survey contract was delayed due to Covid-19 but a contractor was finally appointed in December 2020 to begin Phase 2. The surveys will continue throughout 2021-22 and the underspend will be carried forward.

ICT Capital

The final outturn for the overall ICT Capital is £2.69m, £0.39m below the respective budget of £3.08m. Below is a brief update on a few of the schemes:

The Digital Discharge to Social Care - The project has now come to an end following the recent Cyber attack on the main ICT system causing the variance. This is the technical project to develop integrations between the systems used by Health and Social Care Teams. The NHS partners will make a decision on what should be done with surplus grant funding.

Record Management Optimisation - This project was deferred to next year due to the cyber attack. The underspend will be carried forward to 2021-22.

End-User Meeting Room Device- The project has ended and the variance was held as a contingency in case more devices were required for working from home/other projects. A review was undertaken and it is likely that working from home will continue into 2021-22 therefore the budget will be carried forward to support this.

Network Refresh - The costs associated with the network refresh will be incurred in 2021-22 as new networking and WiFi systems are rolled out across non-campus buildings. This is becoming urgent because of the likely re-opening of a number of off-campus office settings. The underspend will be carried forward to 2021-22.

Members Device Refresh - The roll out of members devices was delayed due to pandemic, with preference given to making devices available for Council officers. The underspend will be carried forward to 2021-22.

Financial Management

The final outturn for the overall financial management is £0.56m, £0.02m above the respective budget of £0.54m. The variance was due to the scheme transfer of hosting from 'Daisy' to 'Advanced' and the upgrade of the E5 system. The speed of work in 2020-21 was reduced due to the cyber attack, and focus moved to work required to make the system available after the attack. The activity on this scheme will re-commence in 2021-22. The overspend will be funded from underspends in the ICT Capital budget.

Other Schemes Finance and Corporate Resources

The final outturn for the overall Schemes Finance and Corporate Resources is £0.14m, £0.08m below the respective budget of £0.21m.

Green Homes Fund - The Carbon offset fund is assigned to private housing insulation and has identified 100 households which may qualify but surveys have been delayed due to Covid-19. The underspend will be carried forward to 2021-22 to continue the roll out of this programme.

Solar Pilot (Leisures Centres and Commercial) - This is the pilot scheme for installation of solar panels launched by the Councils company ‘Hackney Light and Power’. The pilot project successfully trialled at the West Reservoir Leisure Centre and London Fields “Lido”. The West Reservoir Leisure Centre 93kWp installation was completed in August 2020. The London Fields “Lido” 33kWp solar panel installation completed in March 2021. Following the success of the leisure centre the team identified commercial sites and a 1MW opportunity has been identified against 8 properties and these Tier 1 sites have undergone desktop feasibility and structural inspection has been completed with a contractor appointed to commence the installations by summer 2021. The wider solar feasibility study has been concluded and an approximate 12MW and 3.5MW of total solar opportunity has been identified across both the residential and commercial portfolio respectively. The team will be working with key stakeholders to prepare the programme of works and business cases for both residential and commercial properties. The variance will be carried forward to 2021-22 to continue the programme of works.

Mixed Use Developments

The final outturn for the overall Mixed Use Development is £68.4m, £2.2m below the respective budget of £70.6m.

Tiger Way - The school and residential building are now occupied. The project was completed within the in-year respective budget. Tiger Way final retention payments will be due in 2021-22.

Nile Street - The school is completed and occupied. The release of retention will be as per the contract terms. There are 89 units sold and 86 units unsold. The variance is due to the additional costs of voids and elements of retentions accrued. The variance will be funded from the 2021-22 budget.

Britannia Site - The variance is approximately 4% of the reported forecast and budget. The variance will be carried forward to 2021-22. Below is an update on the phases:

Phase 1a (new Leisure centre) - The variance is due to contractor delays on site. The new leisure centre was completed May 2021 and will open on 30 June 2021. The centre will have a six lane 25m main pool with moveable floor, a 20m x 10m training pool with movable floor, a leisure pool with water features and a flume, cafe and toilets, a six court sports Hall, creche and soft play area, sauna and steam room fitness suite, group cycle studio, 2 fitness class studios, 2 mult-use activity rooms 4 squash courts, 2 five-a-side rooftop pitches and 2 tennis/netball rooftop courts. The demolition works on the existing Britannia leisure centre site will be completed in October 2021.

Phase 1b (School) - The completion of the school was delayed by 2 weeks. The completion date of the 1st section of the playground is June 2021. The school opening will be in September 2021. The completion date of the 2nd section of the playground is October 2021.

Phase 2a (Residential) - The early works and demolition were suspended until July 2021 due to permission issues on school land. As well as some of the initial early work expenditure, there are costs for consultants and staffing re-charges within the 2020-21 spend.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The final outturn for the overall Neighbourhoods and Housing (Non) is £24.8m, £2.7m below the respective revised budget of £27.5m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	**£000**	**£000**
Museums and Libraries	730	708	(22)
Leisure Centres	890	76	(814)
Parks and Open Spaces	5,637	4,325	(1,312)
Infrastructure Programmes	10,296	9,486	(810)
Environmental & Other Schemes	5,594	5,217	(378)
Public Realms TfL Funded Schemes	2,470	4,011	1,542
Parking and Market Schemes	0	52	52
Other Services (N&H)	100	73	(27)
Regulatory Services	0	0	0
Safer Communities	763	658	(105)
Regeneration	982	203	(778)
Total	**27,462**	**24,810**	**(2,652)**

Museums and Libraries

The final outturn for the overall Museum and Libraries is £0.71m, £0.02m below the respective budget of £0.73m. The main underspend relates to the Library Refurbishment Programme where some of the works at Shoreditch Library were delayed due to lockdown but will be completed in 2021-22. The works include modernisation, reconfiguration of the layout, furniture, shelving, decoration, repairs, signage and rebranding. The variance will be carried forward to 2021-22 to continue the works.

Leisure Centres

The final outturn for the overall of Leisure Centres is £0.08m, £0.81m below the respective budget of £0.89m. The main variance relates to Clissold Leisure Centre and Kings Hall Leisure Centre caused by delays in funding approval. The spend in 2020-21 relates to reactive maintenance works. Both schemes now have approval for the development stage which will take place in 2021-22 and the variance will be carried forward to reflect this change.

Parks and Open Spaces

The final outturn for the overall Parks and Open Spaces is £4.33m, £1.31m below the respective budget of £5.64m. The reasons for the underspend on the overall programme is due to a delay to getting spend approval on certain projects whilst a review of capital was carried out, staff being redirected to support the Council's Covid-19 response and the impact of the 3rd National lockdown. The underspend from 2020-21 will be carried forward to 2021-22. Below is a brief update on the schemes:

Parks Strategy Infrastructure - The variance is caused by delays due to Covid-19 and the poor weather conditions during the months February and March.

Parks Public Convenience and Cafes - The works will complete in the early part of 2021-22.

Play Area Refurbishments - This project is still at the Planning and Consultation stage.

Clissold Park Paddling Pool - The works are expected to be completed in 2021-22.

Daubeney Fields Play Area - This project has been severely delayed mainly due to Covid-19 and and waiting for the Planning Application to be approved. The works are expected to be completed in 2021-22.

London FIelds Learner Pool's - This project has been deferred to 2021-22.

Parks Depot - The enabling works at the 7 sites has been delayed due to the tightening of lockdown restrictions in the last quarter. The works will continue into the next financial year.

Shepherdess Walk Play Area - This project is now successfully completed. This small park has been transferred into an exciting naturalist play space for young children. New equipment has been installed and the landscape reimagined with a mound, sandpit, logs and boulders.

Millfields Estate Play Area - This project is now successfully completed, with some reconfiguration after feedback from nearby residents. This play area has a natural play experience, more planting and seating included, bark chip surfacing installed and a good variety of equipment for both play areas.

Infrastructure

The final outturn for the overall Infrastructure is £9.49m, £0.81m below the respective budget of £10.30m. Below is a brief update on a few of the schemes.

Highways Planned Maintenance - Despite Covid-19, the programme for 2020-21 completed with a minor variance. This variance will be part funded from Covid-19 resources held central and the remaining from 2021-22 budget.

Environmental & Other Schemes

The final outturn for the overall Environmental and Other Schemes is £5.22m, £0.38m below the respective budget of £5.59m. The variance is due to the delay of the delivery of vehicles for Winter Maintenance. The expected delivery due date is now early 2021-22 and the variance slipped.

Public Realms TfL Funded Schemes

The final outturn for the overall Public Realms TfL Funded Schemes is £4.01m, £1.54m above the respective budget of £2.47m. These schemes are Transport for London (TfL) grant funded. The variances from budget are due to budgets on Cedar not reflecting the actual allocation from TfL. The main issue has been the delay in TfL uploading the budgets into their portal which would have allowed us to adjust our system to reflect the changes. This has not been possible to do this year as a result of IT issues. We will maximise all the grant allocation which we can claim until September 2021.

Other Services Neighbourhoods and Housing

The main variance relates to the Enforcement Database which is awaiting the procurement of the contract. This will be progressed in 2021-22 and the variance will be carried forward to continue this project.

Safer Communities

The final outturn for the overall scheme is £0.66m, £0.10m below the respective budget of £0.76m. The main variance relates to the Shoreditch CCTV cameras which has been delayed due to TfL and City of London Permissions. Ashwin Street and St John's CCTV upgrade is complete.

Regeneration (Non-Housing)

The final outturn for the overall Regeneration is £0.20m, £0.78m below the respective budget of £0.98m. Below is a brief update on a few of the schemes:

80-80a Eastway - The variance was due to a delay to the 'start on site' date for the Multi Use Games Area (MUGA) and classroom works. BAM are still on site completing the enabling works. The contractor (Neilcott) for the youth sports facility is also on site too. All enabling works and the sports facility are due to be completed by early Autumn 2021 and the variance will be carried forward to support the programme of works.

Ridley Road Improvements - the 'start on site' was delayed causing the variance. The preferred contractor is now identified and works due to start imminently and therefore the variance will be slipped to 2021-22.

HOUSING

The final outturn for Housing is £91.4m, £13m below the respective budget of £104.4m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Final Outturn	Variance
	£000	**£000**	**£000**
AMP Housing Schemes HRA	44,649	35,864	(8,785)
Council Schemes GF	3,851	9,290	5,439
Private Sector Housing	1,051	868	(183)
Estate Regeneration	33,576	27,622	(5,954)
Housing Supply Programme	11,651	9,293	(2,359)
Woodberry Down Regeneration	9,586	8,477	(1,109)
Total Housing	**104,365**	**91,414**	**(12,951)**

AMP Housing Schemes HRA

The final outturn for the overall scheme is £35.9m, £8.8m below the respective budget of £44.6m. Below is a brief update on the Home Improvement Programmes (HiPs) and a few of the other schemes:

HiPs North West is managed by Wates Construction Ltd - The variance was due to delays to Kitchen and Bathrooms works and other internal works to Fermain Court and Seaton Point as reported at the previous quarter. Street properties Kitchen and Bathroom works had also slowed down due to Covid-19.

HiPs Central is managed by Engie - The external works programme re-phased to next year due to Covid-19 as reported in the quarter 4 forecast.

HiPs South West is managed by Mulalley - The variance was mainly caused by Covid-19 and delays in Section 20 leaseholder consultations at Suffolk Estate, Warburton and Darcy and De Beauvoir Square.

Void Re-Servicing - Covid-19 reduced the programme roll-out and the Cyber attack affected the accuracy of forecasting due to the unavailability of Universal Housing reports.

Lift Renewals - The variance was caused by a breakdown in contract relations. Procurement is underway to appoint new contractors by Autumn/Winter 2021.

Bridport - The underspend against the budget is due to a delay in the contract award because of the need to allow sufficient time for the original contractor to remediate the building at their expense. This approach is supporting the ongoing legal case against the contractor by demonstrating that we have acted reasonably in allowing the contractor every opportunity to repair the building. In addition to this delay, the decanting of residents from the building is taking longer than anticipated. The contract award for the remedial works is due to be considered by Cabinet Procurement and Insourcing Committee in July. The unspent budget will be rolled over into 2021/22.

Council Schemes GF

The final outturn for the overall scheme is £9.3m, £5.4m above the respective budget of £3.9m. £5.3m of the variance relates to the buying back of previously purchased Right-to-Buy (RTB) Council properties. 22 completions were forecast at quarter 4, with 19 actually completing prior to 31 March 2021. The 3 remaining units will now complete in 2021-22. 30% of these costs will be funded through RTB receipts. The variance will be funded from the budget in 2021-22.

Private Sector Housing

The final outturn for the overall budget is £0.9m, £0.2m below the respective budget of £1.1m. Below is a brief update on some of the schemes:

Disabled Facilities Grant - There was a small underspend at the end of the year compared to the forecasted outturn. The remaining grant will be utilised within Adult Services.

General Repairs Grant - There was a slight increase in quarter 4 spend compared to forecasted outturn, but still an underspend against budget due to a low take up during the year.

Warmth & Security Grant - There was generally a low uptake of grant during the year. The forecast was updated at quarter 4 to reflect this.

Estate Regeneration

The final outturn for the overall scheme is £27.6m, £6m below the respective budget of £33.6m. Below is a brief update on a few of the schemes:

Mayor of Hackney’s Housing Challenge - £3.4m of the variance relates to the The Mayor of Hackney's Housing Challenge, whereby £4.7m of grants were forecast to be spent at quarter 4, but only one payment of £1.3m was made before 31 March 2021. The rest are expected to be paid in quarter 1 of 2021-22.

Marian Court Phase 3 - The demolition is nearing completion with a ‘start on site’ date of August 2021 currently expected.

Kings Crescent Phase 3+4 - The tender process is currently ongoing. The contract is estimated to be signed before the end of 2021 with ‘start on site’ currently expected in early 2022.

Colville Phase 5 - An allowance was made in the budget for 2 Leaseholder buybacks in 2020-21, however these did not materialise causing a variance of £0.8m against budget. This was reflected in the Q4 forecast.

Nightingale - The main spend in 2020-21 relates to a large CIL payment of £2.2m, which was not expected to be paid before 31 March 2021. The remainder of the spend relates to internal staff charges.

Nightingale (Block E) - The procurement for the main build contractor to start in 2021-22 with the view to a contract being signed before the end of the financial year.

Frampton Park and Lyttelton House - The sites have now been handed over and most units are either occupied or sold. A retention amount is being held until after the defects period, however only minimal additional expenditure is now expected.

Tower Court - The works progressed well in 2020-21 and the first units are expected to be handed over in September 2021.

Garage Conversion Affordable Workspace - The majority of spend in 2020-21 related to architect fees as the design progresses. The design work and options appraisals are currently ongoing.

Housing Supply Programme

The final outturn for the overall scheme is £9.3m, £2.4m below the respective budget of £11.7m. Below is a brief update on a few of the schemes:

Gooch House - The procurement process is drawing to an end with works expected to start on site in the summer of 2021 and estimated to complete before the end of the calendar year.

Hoxton West Sites - The 3 schemes comprising Wimbourne Street, Buckland Street and Fairbank Estate are currently out to tender for a construction contractor. Works are scheduled to begin during the 2021-22 financial year.

De Beauvoir Phase 1 - The spend in the year mainly related to surveys and consultants as the designs for the 5 sites progressed. The procurement for a main contractor is due to start during 2021-22.

Pedro Street - The main construction works have been delayed due to the discovery of ground contamination. The various options are currently being considered but they will have an adverse impact on both project costs and delivery timescales.

Mandeville Street - The project is nearing completion and is due for handover in the summer of 2021.

Daubeney Road - The project is due to complete in autumn 2021. The underspend at the end of 2020-21 was due to delays on site owing to Party Wall issues and some required design changes.

Frampton Park - Comprising the Community Hall and Tradescant House sites, are currently going through the Planning process with the procurement for a main build contractor to start in quarter 2 of 2021-22.

Woodberry Down Regeneration

The final outturn for the overall scheme is £8.5m, £1.1m below the respective budget of £9.6m. The main variance relates to 4 leasehold buyback properties which did not complete before 31 March 2021. These will now take place in 2021-22 and the variance will be slipped to reflect this change. These costs will be reimbursed by Berkeley Homes.

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. On the property proposal, the properties could be repaired at a cost of £200k each which will utilise resources for other major repair works and there is a risk the property could be acquired by a new tenant under Right to Buy at a discount value and a proportion of the receipt would be paid to the Government under the pooling regime.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of March 2021. 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 Cabinet 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 On the Property proposal, under the Hackney Mayoral Scheme of Delegation of January 2017, the disposal of land is reserved to the Mayor and Cabinet. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the “undervalue” (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. The 2003 Consent does not apply to the disposal of land held under powers derived from the Housing Act 1985.

8.7 121 Dalston Lane and 40 Lea Bridge Road are part of the Housing Revenue Account (HRA). Section 32 of the Housing Act 1985 empowers the Council to dispose of land held for the purposes of Part II of that Act. Although the disposal can be any manner the Council determines, the Consent of the Secretary of State is required to any disposal of Part II land (HRA). The Secretary of State has issued a General Consent Order (The General Housing Consents 2013 – S32 of the Housing Act 1985). The General Housing Consent 2013, titled Disposal of Land at A3.1.1 , permits a disposal for consideration equal to its market value. The disposal of 121 Dalston Lane and 40 Lea Road must be sold at a market value to ensure the Council has met its statutory obligations pursuant to S32 of the Housing Act part A3.1.1 of the General Housing Consent order 2013.

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

9.1 The sale of these properties will be conducted in such a way as to ensure that the Council meets its statutory obligations under s.123 of the Local Government Act 1972 to obtain the best consideration that is reasonably achievable.

9.2 There is likely to be significant interest from many parties either intending owner occupiers or small scale builder / developers and the marketing of the properties will be designed to expose them to as much of this potential interest as possible.

Report Author	Russell Harvey – Tel: 020-8356-2739 Senior Financial Control Officer russell.harvey@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
Comments of the Director of Legal and Governance	Dawn Carter-Mcdonald – Tel: 0208-356-6234 Director of Legal and Governance dawn.carter-mcdonald@hackney.gov.uk