Hackney

TITLE OF REPORT : **2021/22 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 R77**

CABINET MEETING DATE 2020/21 **19th July 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 is the first Overall Financial Position (OFP) of the new financial year. It is showing that the Council is forecast to have an overspend of £3.929m on the general fund after the application of the Covid-19, Children and Education and cyberattack set asides as provided for in the budget. The impact of cyberattack is estimated to be c. £2.8m at this stage for 2021/22, but there is a risk that this could increase throughout the year.

1.2 The significant areas of pressure are within looked after children placements and staffing in Children's Services and care packages in Adults Services. There is concern that some of these pressures could increase further throughout the year. The relevant Group Directors and Directors supported by Finance Teams are working to develop plans and strategies to bring the budget back into balance and this will be reported in the next OFP. There are also smaller overspends in other areas and actions must continue to be developed and implemented to mitigate this.

1.3 For 2021-22, we have received £11m Emergency Covid Funding from the Government. £5m of this was included in directorate base budgets when we set the 2021-22 budget to cover the on-going costs of Covid-19, while £4m was kept back to be used to set against unbudgeted covid costs in 2021-22 and £2m to be set against pressures in children's services (both Covid and non-Covid). In the May forecast we have 2021-22 £4m forecast unbudgeted covid costs and £1.5m forecast Children's pressures costs. These have been offset by the application of the Covid-19 and Children's set asides as is shown in table 1 in the report.

1.4 As part of the budget monitoring cycle the implementation of the vacancy factor has been reviewed. At this stage in the year it is forecast that 90 - 95% of the total saving of £6m will be achieved.

1.5 I commend this report to Cabinet

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have an overspend of £3.929m after the application of the Covid-19, Children's and cyberattack set asides as provided for in the budget. The impact of cyberattack, estimated to be c. £2.8m currently, falls primarily in F&CR and is removed from the F&CR forecast overspend in the forecast shown below primarily by the direct application of the cyberattack set aside plus some reserves. The impact of the cyberattack is discussed in a separate section below.

2.2 The estimated impact of Covid-19 and the cyber attack included in the report are, at this stage, estimates which are not final and so we expect revisions to these during the next few months.

2.3 The financial position for May is shown below.

Table 1: Overall Financial Position (General Fund) May 2021

Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves
		£k
84,864	Children and Education	2,043
97,625	Adults, Health and Integration	3,042
25,415	Neighbourhood & Housing	1,903
20,946	Finance & Corporate Resources	1,888
17,396	Chief Executive	553
44,345	General Finance Account	0
	Less Covid Set Aside	-4,000
	Less Children's Set Aside	-1,500
290,591	**GENERAL FUND TOTAL**	**3,929**

2.4 Despite the fact this is only the first report of the year, it is clear that we already have a significant overspend after providing for the impact of the cyberattack and Covid-19 and directorates must take steps to mitigate this.

2.5 This report also seeks approval to enter into leases of up to 15 years in the case of each of the following three units:

Unit A - 73 Walrond House, Matthias Road, N16 8BF
Unit B - 74 Walrond House, Matthias Road, N16 8BF
Unit C - 75 Walrond House, Matthias Road, N16 8BF

Cabinet approval is required as a term 15 years exceeds the delegated authority of the Director of Strategic Property who, under the Schedule of Delegations provided for within the Portfolio of the Group Director of Finance & Corporate Resources (FR105), has authority to approve leases and subleases for a term of up to 7 years.

The newly developed Walrond House stands on the site formerly known as The Lawns, Mathias Road, a block which was transferred to Hanover Housing in 2002 as part of a wider stock transfer underpinned by an agreement that Anchor Hanover would undertake significant investment into the stock, including in this case, the planned re-development of the site. The new development provides 72 mixed tenure flats, a significant proportion of which were aimed in particular at people aged over 55.

The site includes the three subject retail units, which have been finished to Shell and Core standard and which have been leased to the Council for a term of 250 years at a peppercorn rent. In addition, Anchor Hanover has transferred a sum of £200,000 to LBH, in principle to meet part of the tenant fit out costs. A further £9,500 has been provided to LBH to meet necessary consultants costs. The retail units have been completed to a shell and core standard. which allows maximum flexibility to the incoming tenants to install all finishes, floors, lighting, ceilings and services to suit their particular trade or trading style.

The units are currently being marketed through CF Commercial and we have offers which have been evaluated against a set of criteria including rental offer, covenant strength, quality of fit out, and local economic impact. The current position with each unit is as follows:

2.6 Unit A Walrond House is the smallest of the three units at 92 sq m (990 sq ft) and the preferred offer in hand includes an annual rent of £26,000 and the tenant is seeking a lease term of 20 years. The tenant is to meet fit out costs. We expect fitting out to a good standard will cost approximately £80,000, based upon a fit out cost of approx £80 psf. We are in discussion with the intending tenant on draft heads of terms. We consider a 15 year term to be a suitable and acceptable compromise lease length.

2.7 This unit is larger at 155 sq m (1660 sq ft) and the preferred offer proposes use of the premises as an organic/health food outlet/ bakery at a rent of £43,500pa. The intending tenant is seeking a lease term of 20 years. Using a fit out guide price of £50/psf, the incoming tenant will be required to make an investment of approx £83,000. Draft Heads of Terms are currently under discussion. To partially offset initial investment costs, the intended tenant is seeking a rent free period of one year and we consider that a 15 year lease term is an appropriate investment incentive for an incoming tenant.

2.8 Unit C Walrond House is the largest of the three at 310 sq m (3,330 sq ft) and the proposals for this unit is for use as a branded franchise convenience store/small supermarket. The most appropriate rental offer for this unit is £66,500, however this unit will require considerable fit out expenditure. Again using a fit out guide price of £50 psf, the incoming tenant will be required to make an investment of £167,000. We have offered a one year rent free period and we consider that, in addition, a 15 year lease term is an appropriate investment incentive for an incoming tenant.

2.9 Within the draft Heads of Terms under discussion, it is intended to grant the tenants a rent free period, the value of which is £135,000 in terms of loss of rent. The requirement to construct an acoustic enclosure to house Air Conditioning equipment was a late requirement identified by Anchor Hanover as developers. Unfortunately this work was not completed when their contractors were on site and the Council will be required to engage contractors to build this. This is expected to cost £40,000 (high level estimate). It is intended to complete a CPRP bid for the funds to complete these works once fully specified and tendered. Final design/Specification is currently underway. We have engaged designers/specifiers for these works and will be funding this from the separate fund of £9,500 provided by Anchor Hanover for the purpose of meeting professional fees. The total value of the council investment is the sum of the above @ £184,500, the most significant part being an offset of rental income.

2.10 We have experienced delays in producing this report because of the ongoing impact of the cyberattack and covid which explains why this report is late.

3.0 RECOMMENDATIONS

3.1 Authorise the Council to enter into leases of up to 15 years in respect of three of the properties outlined.

3.2 Authorise the Director of Strategic Property Services to agree to all other lease terms.

3.3 Authorise the Director of Legal & Governance Services to effect the proposed disposal and to enter into any other ancillary legal documentation required to complete the disposal transaction.

3.4 To dispose of the Property by the method that is determined will meet the best consideration requirement set out in Sections 123 of the Local Government Act 1972.

3.5 To note the update on the overall financial position for May, covering the General Fund and the HRA.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the property proposal

4.2 CHILDREN AND EDUCATION

Summary Position

The Children's & Education directorate is forecasting an overspend of £2m after the application of reserves and grants.

The financial impact of Covid-19 across the Children and Education directorate continues to have an impact on the overall forecast. The main impact in the forecast this year is in relation to childcare fee income losses in Hackney's children centres, and the estimated cost is likely to be in the region of £1m although this is still early in the financial year and these forecasts may change as demand for childcare places in children centres returns to their normal levels of occupancy.

The cyber attack continues to have a significant impact on a number of key systems across the local authority. There is a clear project plan to restore the social care system, and the service are working with ICT, finance and performance to ensure that we restore the system and take opportunities to build back better. For Children and Families Services the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. The estimated cost impact of the cyber attack to date for Children's is £33k, and this is to fund additional staffing resource in the Business Support Team to provide additional capacity in the service to respond to issues arising from the cyber attack. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored.

There are no significant financial management risks within Education as a result of the cyber attack.

Children's Services

Children and Families Services (CFS) is forecasting a £2.043m overspend (3.3%) as at the end of May 2021 after the application of reserves. The draw down from reserves includes:

- £4.2m from the CFS Commissioning and CACH Transformation reserves (£3.7m and £0.5m respectively) to meet the cost of placements where these exceed the current budget.
- £1.2m from the Disabled Children's Reserve, to offset homecare and direct payments care package pressures in Disabled Children Services.

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, £450m was allocated of which the local authority received £2.6m. The funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services (£1.3m for each service). In 2020/21 this funding increased to £1.41bn (including the £450m announced the previous year), and the local authority then received a total of £9.3m. Again this was split equally between both services (£4.6m for each service). In this financial year, the grant increased further to £1.71bn (including the £1.41bn announced in previous years) and this has meant the local authority has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we continue to lobby Central Government for a long term funding solution.

Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £0.6m compared to last year (this excludes use of reserves and the Social Care Grant). The service view is that the increasing numbers are partly due to an increase in adolescents coming into care with more complex needs, and the impact of austerity measures and overcrowded housing leading to increased family pressures.

There is a gross budget pressure in staffing across Children and Families Services of £2.2m, and this is above the £1.2m that was added into the budget last year to create permanent posts linked to the Social Care Grant. The gross budget pressure of £2.2m is then offset by £1.6m of Social Care Grant funding. Following the Ofsted inspection in 2019, £1.6m of non-recurrent funding was agreed for 2020/21 to increase staffing levels to manage demand alongside additional posts to respond to specific recommendations from the inspection. The intention was that after 2020/21, the funding would cease pending a wider staffing review of the service, however this has been delayed. For this financial year, the £1.6m of additional resources has been funded from the increase in the Social Care Grant, however this is not sustainable and a review will need to be completed before the end of the financial year. This will need to be undertaken by the incoming Group Director and Director and form part of the wider review of the service.

Corporate Parenting is forecast to overspend by £1.6m after the use of £4.2m of commissioning reserves. This overspend includes £1.34m of COVID-19 related expenditure. This position also includes the use of £4.8m of Social Care Grant funding - £0.6m is in relation to staffing costs and the remaining £4.2m is for placements. The overall position for Corporate Parenting has increased by £0.6m since March and is largely due to corporate parenting placements.

Gross expenditure on Looked-After Children and Leaving Care placements (as illustrated in the table below) is forecasted at £25.9m compared to last year's outturn of £25.3m – an increase of £0.6m.

Table 3: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements	Current Placements
Residential	4,981	8,821	3,841	21	40
Secure Accommodation (Welfare)	-	-	-	-	-
Independent Foster Agency	7,688	7,376	(312)	148	138
In-House Fostering	2,400	1,884	(516)	107	88
Semi-Independent (Under 18)	1,570	2,115	545	24	32
Semi-independent (18+)	1,370	2,577	1,207	81	121
Family & Friends	869	972	103	38	44
Residential Family Centre (P & Child)	300	442	142	1	3
Other Local Authorities	-	156	156	-	5
Overstayers (18+)	290	1,189	899	17	63
Staying Put (18+)	500	724	224	34	46
Extended Fostering (18+)	-	44	44	-	2
UASC	-	(346)	(346)	32	24
Expenditure	19,967	25,956	5,988	504	606

**based on the average cost of placements.*

The gross overspend position on Corporate Parenting placements is £6m including UASC income. The UASC income is in excess of the placements costs incurred for the 24 UASC placements in the service hence the additional funding is funding the additional staffing unit within the Looked after Children Service, and the remaining funding is offsetting budget pressures in other placement types.

Table 4: LAC/ Leaving Care Placement Analysis

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care	8,821	179	4,472	40	40
Secure Accommodation (Welfare)	-	-	0	0	0
Independent Foster Agency	7,376	87	994	138	145
In-House Fostering	1,884	2	429	88	92
Semi-Independent (Under 18)	2,115	-	1,266	32	50
Semi-independent (18+)	2,577	10	323	121	104
Family & Friends	972	5	439	44	49
Residential Family Centre (P&Child)	442	616	4,465	3	3
Other Local Authorities	156	133	421	5	3
Overstayers (18+)	1,189	20	322	63	56
Staying Put (18+)	724	20	428	46	39
Extended Fostering (18+)	44	1	463	2	2
UASC	(346)	-	772	24	39
Total	25,956	1,074	14,795	606	622

The pattern in the last few years has been a consistent increase in numbers of young people in residential placements and in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Covid-19 has also been a factor, and has resulted in delays in young people being able to transition from these placements. The annual cost of an IFA placement (£50k) is twice as much as an In-house fostering placements (£25k) so it is increasingly important that we maximise our in-house placements. It is essential that the service delivers the cost reduction plans it has formulated. These plans,set out below, have been factored into the overall forecast for the Children and Families Service and not delivering will result in further budget pressures.

Cost Reduction Proposals

#	Initiative	Description	Target
1	Reduction of residential placements	As part of the forensic analysis of residential placements, the service are targeting a reduction of five residential placements (costing on average £200k per annum, per placement)	£1m
2	Operations: Implementation of an overall panel process and forensic review of the Top 20 high cost placements.	Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services. The £250k cost reduction will be achieved by reviewing the top 20 high cost placements and seeking a 5% reduction in costs through analysis of care package support (through the CFC tool) and through targeted negotiations with care providers.	£250K
3	Review Agency Spend & implement a new process for sign off for new agency staff	Reviewing spend on agency staff will enable us to make savings/reduce overspend. Regular reporting and scrutiny through the Workforce Development Board for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. This will also prevent new staff being employed without agreement over the staffing establishment, preventing overspend.	£100K
4	Placement Management Business Support Improvement	The cost reductions realised from the Leaving Care Welfare/ Benefits Officer post will achieve in the region of £130k-£230k, by increasing the number of young people claiming housing benefit post 18 from 50% to between 60%-70%.	£150K

The reporting against these cost reduction proposals will be monitored on a monthly basis through this report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the Children and Families service. It is important to emphasise that further cost reduction proposals will need to be identified as the current proposals will not bring the forecast back in line with the budget.

Disabled Children's Service is forecast to overspend by £288k after the use of £1.2m of reserves. Staffing is projecting an overspend due to additional staff brought in to address increased demand in the service. The challenge in this service is that demand continues to rise year-on-year in care packages including homecare, direct payments and short breaks.

Access and Assessment is forecast to overspend by £178k which relates to 3 maternity covers (£118k) and the vacancy factor which is being delivered in other areas of the department (£60k).

Domestic Abuse Intervention Service is forecast to overspend by £171k which broadly relates to maternity cover (£102k) and additional Domestic Homicide Case Review costs (£45k) which is a statutory service that the Council must provide.

Parenting Support Service is forecast to overspend by £103k due to two over-established Social Worker posts to support increased caseloads.

Youth Justice is forecast to overspend by £82k primarily due to the Childview software which is a fully compliant youth justice database recording and reporting system that supports the service to manage positive outcomes for young people.

No Recourse to Public Fund team is forecast to underspend by £329k in Section 17 as the number of clients are declining. The underspend in Section 17 is used to offset cost pressures in other areas of the department. report).

Clinical Services is forecast to underspend by £132k due to late recruitment to Specialist Clinical Practitioner posts.

Hackney Education

Hackney Education has a budget of £23.8m net of budgeted income of circa £220m. 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.

Hackney Education is forecasting to overspend by around £4.5m. Approximately £1m of this is the forecast financial impact of the pandemic in relation to childcare fee income losses in Hackney's children centres. The balance of the overspend is mainly as a result of a £6.7m forecast over-spend in SEND, offset by forecast £3.2m of savings in other areas of Hackney Education. The £6.7m over-spend in SEND is a result of 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.

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

Original Budget	Virement	Revised Budget	Service Unit	Forecast Variance Before Reserves	Reserves Usage	Forecast Variance After reserves	Narrative
53,224	-	53,224	High Needs and School Places	7,800	(1,100)	6,700	Continuing projected increase of £5m in year in the cost of ECHP provision with SEND based on the experience of the last 2 financial years.
3,524	-	3,524	Education Operations	153	-	153	Year end forecast under 5%. Over establishment for payroll, maternity cover costs for SPAG and shortfall of income for Tomlinson Centre.
42,571	-	42,571	Early Years, Early Help and Wellbeing	129	(500)	(371)	Budget pressures from previous years savings being delayed and Covid-19 additional costs from the continuing loss of childcare fees income.
1,705	-	1,705	School Standards and Performance	(50)	-	(50)	Forecast underspend primarily relating to the expected in-year release of Monitoring and Brokerage Grant reserves further update next reporting cycle.
8,854	-	8,854	Contingencies and recharges	(1,100)	-	(1,100)	Forecast under-spends in contingency and savings delivered in previous years.
134,360	-	134,360	Delegated school funding to maintained mainstream schools	(851)	-	(851)	Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure.
(220,433)		(220,433)	DSG income	-	-	-	Estimated additional Early Years DSG
			Less Variance Driven by DSG overspend			**(4,481)**	
23,805	**-**	**23,805**	**Totals**	**6,081**	**(1,600)**	**-**	

2021-22 Vacancy Rate Savings. A vacancy rate savings target of £1,754k has been set for the directorate in 2021-22 (£900k for Children and Families and £854k for Education). This saving is a challenging target for services with a significant number of front-line staff. At this point in the financial year, it is forecast that it will be achieved. Progress against the target will be carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported with each OFP report. The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular covid or cyber related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

2021-22 Savings The directorate has a savings target of £532k. It is forecast that these will be achieved. The savings are spread across seven service areas including Virtual Schools, the Safeguarding & Learning Service, re-organisation of the MISA team and executive and administrative support structure, and the re-organisation of school improvement services. Each of these are c. £100k and there are smaller savings in three other service areas. All of these are on track to be delivered.

4.3 Adults, Health & Integration (AH&I)

Summary Position

The AH&I directorate is forecasting an overspend of £3m after the application of reserves of £3.5m. This compares to a 2020/21 outturn position of £7.9m overspend (which included £6.5m of which was attributed to Covid-19 expenditure). Covid-19 presents a significant financial risk to the Adults, Health & Integration forecast for 2021-22 with the costs resulting from actions undertaken to limit the spread of infection. In recognition of this risk, the local authority has provided corporate growth of £3m to offset increased costs attributed to Covid-19 within Adult Social Care. However, the reduction of NHS funding to 6 weeks in 2021/22 for hospital discharge care packages has led to a £3.2m reduction in Covid-19 funding this year. The estimated net cost of the pandemic for the directorate above the level of corporate and grant funding received is a net cost of £1.28m this financial year.

The cyber attack continues to have a significant impact on a number of key systems across the local authority. There is a clear project plan to restore the social care system, and the service are working with ICT, finance and performance to ensure that we restore the system and take opportunities to build back better.

For Adult Social Care the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. In addition the service is currently unable to complete financial assessments for new service users resulting in a significant loss of care charging income. The estimated cost impact from the cyber attack for this financial year is £577k, of which £241k relates to additional staffing deployed within the service and the remaining £336k relates to loss of care charges income as a result of not being able to undertake financial assessments. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored. There are no significant financial management risks within Public Health as a result of the cyber attack.

A vacancy rate savings target of £864k has been set for Adult Social Care in 2021-22. This saving is a challenging target for a service with a significant number of front-line staff. At this point in the financial year, it is forecast that it will be achieved. Progress against the target will be carefully monitored and tracked by the AH&I Senior Management Team and this will continue to be monitored closely and reported with each OFP report.

The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular covid or cyber related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

Adults

The May 2021 revenue forecast for Adult Social Care is £99.7m against a net budget of £97.1m, resulting in a £2.6m overspend (2.7%). Covid-19 related expenditure accounts for £880k of the reported budget overspend.

The overall position for Adult Social Care last year was an overspend of £6.9m (this included £5.1m attributed to the Covid-19 pandemic). The revenue forecast includes significant levels of non-recurrent funding including iBCF (£2m), Social Care Support Grant (£6.3m), and Independent Living Fund (£0.7m).

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, £450m was allocated of which the local authority received £2.6m. The funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services (£1.3m for each service). In 2020/21 this funding increased to £1.41bn (including the £450m announced the previous year), and the local authority then received a total of £9.3m. Again this was split equally between both services (£4.6m for each service). In this financial year, the grant increased further to £1.71bn (including the £1.41bn announced in previous years) and this has meant the local authority has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we continue to lobby Central Government for a long term funding solution which is expected through the White Paper, however this continues to be subject to ongoing delay.

This financial year, Adult Social Care received a further £712k (third tranche) of Infection Control and Rapid Testing Funding for care homes to fight COVID-19. Our role in this is primarily one of passporting the funding and so the allocation we received cannot be viewed as further assistance to mitigate the financial pressures we are under.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £1.736m pressure against the £44.22m budget. The cyber attack continues to impact on the ability to forecast the expenditure accurately in this area since a number of manual processes require additional reconciliation. Again, this poses a risk to the forecast that new service users are not included in these manual processes, and understates the budget pressures in the service area. Finance are working closely with the service to ensure that manual processes seek to capture all new clients, and any changes to care package provision.

The current forecast includes only existing service users and does not include potential costs arising from additional demand above estimated initial demographic growth assumptions. Year-on-year, the forecast increases by approximately 10% which represents an additional cost in the region of £4m. The service will need to have a really robust panel process to enable closer financial and strategic oversight and across services and all care packages. It is expected alongside this, the additional work required from the manual processes will result in greater volatility in the forecast over the coming months than would normally be expected.

Service type	2021/22 Budget	May 2021 Forecast	Full Year Variance to budget
Learning Disabilities	18,002	18,184	182
Physical and Sensory	16,712	17,556	844
Memory, Cognition and Mental Health ASC (OP)	8,592	9,197	604
Occupational Therapy Equipment	740	739	0
Asylum Seekers Support	170	275	106
Total	44,216	45,951	1,736

Physical & Sensory Support is forecasting an overspend of £0.84m. The gross forecast spend on care packages in Physical Support is £23.3m (£22.1m in 20/21) and in Sensory Support is £1.04m (£1.43m in 20/21). The forecast includes £350k of iBCF funding and £1.1m of reserve funding towards the increased level of care packages in 21/22.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £0.6m. The gross forecast spend on care packages for 21/22 is £12.7m which is in line with the outturn the previous year. The forecast includes £350k of iBCF funding. .

The Learning Disabilities service is forecasting an overspend of £0.18m. There continues to be pressures driven by the increasing complexity of care needs for new and existing clients coupled with inflationary pressures requested by care providers. The gross forecast spend on care packages in Learning Disabilities is £32.0m (£33.2m in 20/21). The forecast also includes significant non-recurrent funding from the iBCF and Social Care Grant. In addition a contribution from the CCG of £2.7m for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed across previous years to agree the joint funding for complex health and social care packages within the service.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT), and is forecasting an overspend of £1.03m. The overall position is largely attributed to an overspend on externally commissioned care services, and as part of the cost reduction plans, ASC and ELFT will work closely to forensically review care packages within the service to seek a reduction of at least £350k this financial year.

Provided Services is forecasting an overspend of £0.5m. Within this position are two contrasting positions:

- **Housing with Care** has an overspend of £1m, of which the majority is in relation to the significant cost of additional agency staff employed to cover for staff who are absent or unable to carry out full duties at present due to Covid-19. This followed the occupation risk assessment outcome (high or critical risk) completed as part of the council's vulnerability assessment procedure, which determined that a number of HwC staff who have underlying health conditions could only perform limited tasks hence the reliance on agency staff needed to complete the required duties. The savings target of £500k for efficiencies across the Housing with Care schemes is not forecast to be achieved within this financial year and will be delivered through contract efficiencies within commissioned services. There are a number of void properties within Housing with Care schemes where property rental continues to be paid whilst the flats remain vacant. This cost pressure is shown within the care support commissioning budgets and will form part of the short term review of the service to deliver efficiencies.
- **Day Care Services** are projected to underspend by £0.5m. The Oswald Street day centre re-opened in October 2020 but is still currently supporting a reduced number of service users due to Covid-19 restrictions. Consequently staff vacancies are forecast to remain vacant across a proportion of the financial year.

ASC Commissioning is forecasting a £0.2m underspend, and this includes significant levels of one-off funding of £1.8m in 2021/22 supporting activity within commissioning. Within teams this includes increased capacity with the Project Management Office (PMO), ASC Commissioning, and the Direct Payments Teams. This also includes a project to fund the Lime Tree and St Peters' care scheme prior to a wider recommissioning exercise. Disabled Facilities Grant funding has been applied to the Telecare contract. The service has renegotiated some Housing Related Support contracts which has resulted in efficiency savings of approximately £0.5m in 21/22, and this has largely offset the Housing with Care savings on a non-recurrent basis this financial year.

Preventative Services
Preventative services is forecasting an underspend of £0.6m and this is attributable to lower activity at the interim bed facility at Leander Court (£0.4m) and Substance Misuse activity (£0.2m) being lower than expected demand levels as part of the wider Public Health contract.

Care Management and Adult Divisional Support is forecasting an overspend of £0.15m and this is driven primarily by increased staffing costs within the Integrated Learning Disabilities team (£0.3m) which is partly offset by underspends in other areas of the service.

Public Health

Public Health is forecasting a breakeven position, this includes the delivery of planned savings of £217k.

The Public Health (PH) grant increased by approximately £1m in 2021/22, although £775k of the total increase relates to the funding allocated for PrEP related activity, as this was previously funded via a separate grant in 2020/21 (£344k). The 2021/22 grant will continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant exclusively for public health activity which may include public health challenges arising directly or indirectly from COVID-19.

The Covid-19 pandemic has seen a significant increase in Public Health activities specifically around helping reduce the spread of the virus in the local area, whilst still continuing to ensure other non-covid related demand led services such as sexual health continue to be managed.

As previously advised Hackney was allocated £3.1m of the total £300m announced by the Government to support Local Authorities in 2020/21 to develop and action their plans to reduce the spread of the virus in their local area as part of the launch of the wider NHS Test and Trace Service. Last financial year, £1.5m was spent, with a further planned commitment this year of £1.4m. This funding continues to support the development and implementation of tailored local Covid-19 outbreak plans, with all decisions on how the funding is allocated being approved by the Health Protection Board chaired by the Director of Public Health. The £1.4m for this financial year is reflected as a net nil position in the forecast as it is offset by the income we received the previous year. In addition to the Test and Trace funding, the Local authority has also been allocated £2.8m in 2021/22 from the Contain Outbreak Management fund (COMF) to help support public health activities to tackle Covid-19. Plans are being developed with the service to ensure that these funds are committed in line with the grant criteria.

The Hackney Mortuary service is forecast to overspend by £426k, of which £400k relates to the balance remaining from Hackney’s Wave 2 mortality management contribution. As highlighted previously Mortuary costs increased significantly last year during Covid-19 with the response to the pandemic plan requiring the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet demand from the initial wave, and subsequently to meet increased demand for the second wave. Hackney's share of the total additional cost for Wave 1 (£732k) & Wave 2 (£510k) combined was £1.242m. Recently we were informed that Hackney's provision for Wave 2 was not fully spent in the last financial year, with the remaining balance of £400k now being rolled forward into 2021/22 financial year. The expectation is this will be fully spent in the current financial year.

2021-22 Vacancy Rate Savings. A vacancy rate savings target of £864k has been set for Adult Social Care in 2021-22. The table below shows the target split between the service areas. This saving is a challenging target for a service with a significant number of front-line staff. At this point in the financial year, it is forecast that it will be achieved. Progress against the target will be carefully monitored and tracked by the AH&I Senior Management Team and this will continue to be monitored closely and reported with each OFP report.

The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular covid or cyber related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

The AH&I Group Director is reviewing the Housing with Care (HwC) Service, and wants to pause the service review whilst we consider different methods of service delivery. To plug the savings gap, contract efficiencies will be made within commissioned services to ensure there is not a budget pressure during this period.

There will be four project focused delivery groups to support the delivery of savings within HwC. The first two will be operational groups focused on delivering immediate savings and efficiencies through the reviewing the use of agency and a revised process to maximise void usage. The commissioning groups will then look at immediate contract efficiencies and the other group will focus on a long term review of services and service redesign.

4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

Overall, the directorate is forecasting an overspend of £1.9m of which £1m is due to the impact of Covid. The non Covid overspend is £0.9m.

The impact of Covid19 on the directorate can be summarised as follows.

Parks and Green Spaces have a projected overspend of £64k due to the loss of income, which primarily relates to the Events Team as there are very few bookings with things not expected to return to 20/21 level for some time yet. The Service is taking a prudent approach and will be reviewing the books and income collection on a monthly basis. Community Safety, Enforcement & Business Regulation, has a forecast overspend of £196K, the main issues for the service are that Civil Protection has additional staff to cover Covid related workload (£125K) and there are additional costs throughout the service for additional PPE equipment and social distancing measures. Environment Operations have a projected overspend of £642k due to an estimated loss of £492k on Commercial Waste income and £142k for use of agency staff to cover sickness/self isolation and vehicle washing etc until 30.9.21 and £20k spend on PPE and other materials. The service has adopted a prudent approach to potential spend and the loss of income and will keep a close eye on developments over the summer in case things change drastically. Markets and Shop Front Trading is showing an estimated Covid impact of £112k made up of £61k income shortfall and £51k additional expenditure on security measures to ensure Covid safe trading. This is based on the assumption that there will be no further lockdown.

The non Covid overspend is £0.9m. It is forecasting a full achievement of the directorate savings plan of £1.4m and a forecast achievement of £1.2m, 87%, of the vacancy factor saving. The areas of non achievement of the vacancy factor savings are Planning Services and Markets. In respect of these areas of non achievement, the Strategic Director, Sustainability and Public Realm is working with his Heads of Service to develop alternative plans to achieve vacancy factor savings in these areas and this will be reported in the next OFP report to Cabinet.

Planning Services is forecasting an overspend of £829K, after the use of £660K reserves. £160K of reserve usage is to fund the completion of three area actions plans and £500K to part fund the underlying overspend in the services. The underlying overspend in Planning Services is primarily related to Planning application fees and building control fees income. In addition there are other cost pressures; there is a non achievement of the vacancy factor savings of £150K and there is an estimated overspend of £175K relating to the impact of the cyberattack, £130K shortfall in Land Charges income and additional staffing costs of £45K to restore data to the new planning systems.

The shortfall in planning application fee income, within the underlying overspend, 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 - 3 years. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. 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 3 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 currently considered 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. In the meantime the Acting Chief Executive and Group Director Finance and Corporate Resources has approved an allocation from reserves to mitigate part of the overspend.

Environment Operations is showing a forecast overspend of £653K which is entirely due to the impact of the Pandemic. Within this forecast there is a risk surrounding the delivery of all of the vacancy factor savings target of £554K. Senior Management have developed a plan to deliver this saving and are considering all options and assessing the impact before implementation and the Strategic Director Sustainability and Public Realm is confident that the vacancy factor saving will be fully delivered.

Waste Strategy is expected to break even as any underspends within the service will be applied to any ongoing or new recycling initiatives and to support the fortnightly refuse and recycling collection service change .

Markets and Shop Front Trading is showing an overspend of £178k due to estimated Covid impact of £112k. This is based on the assumption that there will be no further lockdown. A further £30k is the vacancy factor savings which will not be made as there are no vacancies. A further £36k is IT software costs which the service will be working on to mitigate against other non essential costs.

Other than the impact of Covid-19 loss of income which is detailed above, **Leisure & Green Spaces** are forecasting a break even position for 21/22.

Within **Housing GF** there is a slight underspend currently forecast relating to staffing on the Travellers cost centre.

Vacancy Rate and 2021-22 Savings: The forecast outturn assumes a delivery of 87% of the target of £1.362m (an underachievement of £163k - £130k Planning and £30k markets). However, currently, the directorate has a shortfall of £600k with an additional £420k in Environmental Operations. However, the Strategic Director, Sustainability and Public Realm, is confident that the vacancy factor saving within Environmental Operations will be fully delivered. Senior Management have developed a plan to deliver the savings and are considering all options and assessing the impact before implementation. Neighbourhoods and Housing Directorate Leadership want to ensure there is a continuing focus on the delivery in this area and therefore until we are further into the year and savings are actually accrued we are showing it as not yet achieved in the vacancy factor saving monitoring report.

4.5 FINANCE & CORPORATE RESOURCES

F&R is forecasting an overspend of £1.9m after the impact of the cyberattack has been netted off by the cyberattack set aside.

Strategic Property Services are forecasting an overall overspend of £900k after the application of provisions and reserves for cost pressures such as for empty properties, staff costs within Corporate Property and Asset Management (CPAM) and NNDR costs within Fleet Maintenance. The remaining overspend relates to lost rental income due to Covid. The actual loss is £2.2m but £1.3m can be absorbed within the budget.

R&B Core Services Revenues and Benefits continues to be impacted significantly by both Covid and the system outage. Benefits have some revenue grants unapplied which will cover the anticipated additional demand as a result of Covid. However, it is estimated that an additional resource of £500k could be incurred to clear the backlog of claims and part of the cyber set-aside has been earmarked to meet this cost. Revenues are reporting a severely reduced court cost income due to Covid of around £800k, however it is expected that half of this may be offset with reduced legal costs and other underspends across the service reducing the impact to £400k which will be covered by grants set aside from previous periods. There is also an additional estimate to clear the outage backlog of £500k and again part of the cyber set-aside has been earmarked to meet this cost. Customer Services have just finalised consultation on a restructure which consolidates the corporate and housing contact centres, and is within the budget envelope. This is unlikely to be live until September, there are a number of moving parts, and currently it has been agreed with the Head of Service that an overspend of £200k is a reasonable estimate to cover agency costs that continue to be incurred until the restructure is complete. After the application of unapplied grants, and cyber set-aside to these pressures, the overall overspend is estimated to be £200k.

Housing Needs is forecast to come in at budget after application of Cyber set-aside (£500k) and the use of unapplied grants and reserves of £1.9m. The service continues to provide support for rough sleepers accommodated under the ‘Everyone In’ programme at the start of Covid. Extending the programme in its current format for the full year will cost approximately £2.4m. Specific funding has been identified for approximately £0.5m of this cost, and if no further funding is identified it will be covered by grants unapplied from previous periods. We are also expecting an increased demand as tenants eviction protection has ended. It is impossible to predict this demand. Additional funding has been provided by MHCLG in the form of a higher homelessness grant, and it is expected at this stage that this will cover the costs. There are still system issues which mean we are unable to get a Temporary Accommodation rent forecast for the year as we currently have no visibility of income, and are unable to set up new accounts at this stage. There is an expectation that rent collection may be down by approximately £750k as a result of Covid-19. This can be absorbed within the existing BDP provision in the budget. The system issues are also likely to cause additional resources required to catch up the backlog.

The ICT Division is forecasting to overspend by £1.474m before the application of the cyberattack set aside which reduces the overspend which reduces the overspend to £423k. Much of the cyber spend is reactive to the discovery of the most appropriate ways to restore council systems and therefore there is a risk of significant unexpected expenditure in future months. The remaining overspend relates to Hackney Education ICT. The service is still in the process of understanding these budgets which were transferred to Corporate ICT last year. For example, the service is currently in the process of ensuring all income is recorded. Financial Management Systems - Works on upgrading Cedar and Civica systems have increased the annual cost of the managed service and therefore leaves an overall small underspend for financial systems.

The Central Procurement Service and the Energy Team are forecasting to budget except for an £100k PPE cost. This is a nominal amount, purely to represent that it is likely that there will be some costs incurred but we are unsure how much. We have yet to purchase any additional stock and any further costs will be driven by changes in Covid guidance and restrictions.

FM, HR, Registration, Audit and Anti Fraud and Education Partnerships are currently forecast to budget.

Vacancy Rate and 2021-22 Savings

The vacancy target is £1.622m and it is forecast that £1.521m will be achieved. The underachievement of £0.101m is in Property and the directorate is looking at ways to deliver offsetting savings in other areas. All of the budgeted savings are forecast to be achieved.

4.6 CHIEF EXECUTIVE

The Chief Executive services are forecasting to overspend by £553k after the use of reserves.

The Directorate is still being negatively impacted by Covid-19. In Engagement, Culture and Organisational Development the effects of Covid=19 relate to income generation activity from running events. In the current climate of uncertainty about lockdown and social distancing restrictions being lifted it is very difficult to determine the income projection for the year. The service is currently estimating a loss of income in the region of £212k. However, this can fluctuate easily depending how the remainder of the year progresses and income levels will be closely monitored. Libraries & Heritage have little prospect of meeting their income targets where fines are currently suspended and there are no room booking and minimal sales etc. It is hoped that income collection will gradually pick up in the coming months but this will be a slow process and will need to be reviewed on a monthly basis, currently this is giving a £49k pressure/overspend within the service due to the ongoing effect of the Covid-19 Pandemic.

Engagement, Culture and Organisational Development are forecasting an overspend of £323k after the use of reserves of £107k. Hackney Today is forecasting a £205k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/Hackney Life. There are other small net underspends totaling £94k being held by managers to mitigate the overspend. Communications are working on options and these will be reported in a subsequent OFP.

Libraries & Heritage are forecasting an overspend of £87k of which £49k can be totally attributed to the lasting effects of Covid-19. The remaining overspend is due to covering maternity leave in the Museum service to allow the service to function and reopen after such a long enforced break. There continues to be a prudent approach in the service area and controllable budget forecasts are reviewed on a monthly basis to try and mitigate the additional |Covid-19 cleaning and security costs.

Legal & Governance services are forecasting an overspend of £190k after reserves usage of £218k. The overspend is due to shortfall in external income targets of £163k from property fees income and S106 income with activity reducing relating to the cyber attack and covid. The remainder of the overspend relates to the use of agency staff to cover maternity and sickness cover.

Inclusive Economy and Corporate Policy are currently forecasting an overspend of £24k due to minor cost pressures across the whole service.

Within **Regeneration**, there is a £71k underspend currently forecast. The majority of this relates to underspends within Private Sector Housing, which is offset somewhat by cost pressure in the Housing Strategy and Policy Team.

Vacancy Rate Savings and 2021-22 Savings

The vacancy target is £0.677m and it is forecast that this will be achieved. All of the budgeted savings are forecast to be achieved.

4.6 HOUSING REVENUE ACCOUNT (HRA)

The HRA forecast, which is forecast to come in at budget, includes the continuing impact of Covid, with limitations on the repairs that can be carried out and the moratorium on evictions during the first quarter. As restrictions are lifted, there is likely to be more calls for repairs which tenants have not reported and so if volume exceeds capacity of the DLO, additional work will be allocated to contractors. During the past year there has been a significant increase in arrears, as procedures are introduced to escalate tenants in arrears and it is forecast that the arrears will reduce. The resultant overspend will be funded from a reduction in RCCO. The capital contracts are coming to an end of their contract period and are being procured, and so there is limited value remaining on the expiring contracts and there will be time to mobilise the new contracts. Therefore there is less capital funding required during the year. However, the works and the funding will be required in future years and factored into a revision of the HRA business plan.

More specifically, Dwelling Rent and Tenant Charges is forecast at £369k over budget due to a continued increase in voids due to the reletting of properties. The performance of voids and relets is being monitored. Leaseholder Charges for Services and Facilities income is forecast to come in at £777k over budget based on the provisional outturn position for 2020/21. This will be confirmed during the final service charge accounts for 2020/21 in late August. Other Charges for Services & Facilities income is forecast to be £948k over budget.

On Expenditure, Housing Repairs Account is forecast to overspend by £1.3m due to restriction during the first quarter anthe potential for increased demand as restrictions are lifted. The Special Services variance of a £966k overspend is due to potential increase in utility costs.

4.7 CYBERATTACK

It is clear that the cyber attack on the Council of October 2020 is having and will continue to have a significant impact on the Council's finances.

The main areas include:

- the costs of system recovery, which in some instances is additionality, but in others is bringing forward future capital investment

- the cost of dealing with significant processing backlogs particularly in areas such as Housing Benefits and Revenues

- Losses in non-core income such as adult social care charges.

Costs incurred and expected to be incurred are included in the service area forecasts. We also anticipate that there will be losses in relation to Council Tax and NNDR collection although it is difficult to disaggregate the impact of Covid and the cyber attack. These losses will impact on the Collection Fund deficit for 2020/21 which feeds into the budget for 2021/22 through to 2023/24 (due to deficit spreading).

Notwithstanding that there remains a lack of clarity around what a final figure will look like, the costs incurred to date and the issues set out above makes clear the significance of the financial impact of the cyberattack on the Council's finances. Some funds were set aside as part of 2021/22 budget setting to part mitigate the impact and we are also likely to need to draw on reserves in the current year to contribute to these costs. We will also look to capitalise costs where this is appropriate. Importantly, we continue to liaise with MHCLG regarding the potential receipt of exceptional funding to part mitigate the impact of the cyber attack, noting that Redcar and Cleveland secured a £3.7m Government contribution to costs following their attack.

We anticipate that the work involved in Hackney's recovery could provide wider benefits to the sector's cyber resilience. This includes: incident response plans and comms guidance; the data breach risk management methodology that Hackney has developed in partnership with the Metropolitan Police; deployment methodologies for migration of legacy local government systems to public cloud; and reusable software that is being developed to transition away from legacy local government systems where no modern commercially alternative exists. We are raising these benefits with the MHCLG in discussions on funding.

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. There are no options to the Property proposal described at 2.3 to 2.6.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of May 2021. Full Council agreed the 2021/22 budget on 24th February 2021.

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 sets 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, This report seeks authority to enable the disposal of 3 leasehold interests for terms of 15 years for various commercial uses. Where the Council proposes to enter into a lease for more than 7 years, this constitutes a disposal for the purposes of s123 Local Government Act 1972, which requires the Council to demonstrate that it has achieved best consideration. In this case, the Director of Strategic Property Services has confirmed that the proposed disposals will meet the Council's obligations under s123. Furthermore, the recommendation to grant long term leases of the properties question is supported by s2 of the Localism Act 2002 which grants every local authority the power to do anything which they consider is likely to achieve economic well being of the area. The introduction of the proposed cafe, organic food premises and a new supermarket will undoubtedly contribute to this aim. There is no legal reason why the recommended disposals should not take place.

8.7 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 Where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of s.123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved best consideration. Lettings of all of the units identified in this report will be by way of a full marketing process and I confirm that the Council will meet its obligations under s.123. All lettings will be based on a robust evaluation process with the clear objective of securing uses which will enhance the new schemes at locality and contribute towards continued community development in the immediate area.

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