AGENDA ITEM 7

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.46

CABINET MEETING DATE 2020/21	CLASSIFICATION:
17th MARCH 2021	**Open with exempt appendix 2** By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 appendix 2 is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. **If exempt, the reason will be listed in the main body of this report.**

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 January monitoring data from directorates. We are forecasting an overspend on the General Fund (i.e. excluding housing costs) of £58m 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 £0.15m in the overspend from December made up of a increase in the Covid-19 related overspend of £0.55m and an decrease in the non Covid-19 related overspend of £0.7m

1.2 Of the £58m overspend, £54m 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 £1.65m overspend (£4.3m excluding direct Covid-19 spend and grant), and so it is essential that services look again at all areas of spend to drive down the outturn further to minimise any required drawdown on corporate resources which have, as noted previously, been severely impacted upon by Covid-19 and have significantly diminished our corporate flexibility.

1.4 It must also be noted that the non-Covid-19 overspend is on an upward trajectory having increased by £2.5m since May. It is of paramount importance therefore that directorates take all steps to contain further spending increases as failure to do so will make an extremely challenging situation very much worse. Further, next year even greater efforts must be made to more intensively monitor and review the outcome of savings schemes to ensure that these are 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 a £58m 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 £0.15m in the overspend from December made up of a increase in the Covid-19 related overspend of £0.55m and an decrease in the non Covid-19 related overspend of £0.7m

2.2 As Cabinet is aware, we were awarded £17.835m of grant in the first two tranches and a further £3.516m from the third tranche of emergency funding, giving a total of £21.351m. On 12th October, the Prime Minister announced that an additional £0.919bn emergency funding would be made available for local government together with £0.1bn for 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.

2.3 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 the first two returns and the first return has been accepted in full and we await confirmation (or otherwise) from the Ministry of Housing, Communities and Local Government (MHCLG) on the second. Until we have data for the final four months, we cannot accurately extrapolate to an annual allocation. So, the report continues to assume our best annual estimate of £9.6m although this could change as we receive later data and MHCLG reviews our claims.

2.4 The estimates contained within this report are indicative and will be revised further as more information becomes available. It must also be noted that the Government funding listed in this report is intended to cover the pandemic only and funding is of a one-off nature.

2.5 The position of the General Fund is shown below. The first table shows the funding shortfall of £58m of which £54m 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	3,501	-103	2,135	1,366
25,711	Education	2,739	-	2,739	0
95,098	ASC & Commissioning	6,820	17	4,511	2,309
33,763	Community Health	1,379	68	1,750	-371
216,079	**Total CACH**	**14,439**	**-18**	**11,135**	**3,304**
36,653	**Neighbourhood & Housing**	**14,797**	**-308**	**14,376**	**421**
19,757	**Finance & Corporate Resources**	**13,344**	**179**	**12,828**	**516**
0	**Reduced Council Tax & Business Rates Income**	**14,500**	**0**	**14,500**	**0**
8,947	**Chief Executive**	**994**	**2**	**901**	**93**
31,442	**General Finance Account**	**0**	**0**	**0**	**0**
312,878	**GENERAL FUND TOTAL**	**58,074**	**-145**	**53,740**	**4,334**

2.6 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	3,501	2,135	1,366
25,711	Education	2,739	2,739	0
95,098	ASC & Commissioning	6,820	4,511	2,309
33,763	Community Health	1,379	1,750	-371
216,079	**Total CACH**	14,439	11,135	3,304
36,653	**Neighbourhood & Housing**	14,797	14,376	421
19,757	**Finance & Corporate Resources**	13,344	12,828	516
8,947	**Chief Executive**	994	901	93
34,403	**General Finance Account**	0	0	0
312,878	**GENERAL FUND TOTAL**	**43,574**	**39,240**	**4,334**
	Estimated Emergency Fund	**-32,349**	**-32,349**	
	Funding to Partially Compensate loss of Sales, Fees & Charges income	**-9,575**	**-9,575**	
	FUNDING STILL REQUIRED AFTER APPLICATION OF GRANT	**1,650**	**-2,684**	

2.9 The Covid-19 gap after funding is still showing a small surplus but this has fallen £0.55m as the impact of the current lockdown is better understood. This surplus though must be disregarded given all the uncertainties that lie ahead. In particular, it must be recognised that the additional spend and income reduction estimates arising from Covid19 are starting to increase. We cannot assume therefore that at the end of the year, that the external funding allocations will cover all the additional spend and income losses arising from Covid-19 and further funding may well be needed before April.

2.10 Aside from anything else, we will make a substantial loss on business rates and council tax income which although will not impact this year (other than through reduced cash flow) will impact negatively on the General Fund in 2021/22 to 2023/24. So, the position is not as encouraging as the comparison above suggests.

2.11 Turning to the overall 2020/21 budget gap, this is now £1.65m (£4.3m excluding direct Covid-19 spend and grant) as set out in table 2 above, and so it is essential that services look again at all areas of spend to drive down the outturn further to minimise any required drawdown on corporate resources which have, as noted previously, been severely impacted upon by Covid-19 and have significantly diminished our corporate flexibility.

2.12 It must also be noted that the non-Covid-19 overspend is on an upward trajectory having increased by £2.5m since May. It is of paramount importance therefore that directorates take all steps to contain further spending increases as failure to do so will make an extremely challenging situation very much worse.

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

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

2.15 **Proposed Lease of Lee House, 6-6a Rectory Road, N16 for use as a Nursery**. Lee House was used as an Adult Day Centre from 2008 until 2017 and since then the property has remained vacant, apart from the protective Guardians, and it’s condition is deteriorating. The previous use is compatible with that for a Nursery which is the proposed use of the property by the intended lessee.

Strategic Property Services put Lee House out to tender last year and the most advantageous bid received was from N Family Holdings Ltd for use as a Children's Nursery. N Family Holdings Ltd has another Nursery located in Stoke Newington. The property is Grade 2 listed and provides 3664 sq ft of space on 3 floors together with garden/play space and is shown edged in red on the accompanying plan in **Appendix 1.** The property has been vacant for over three years and is in a poor state of repair. As part of the agreed terms the tenant will carry out extensive repairs and alterations to the property, under a Licence, and in return will receive an eighteen month initial rent free period.

2.16 It is proposed to grant N Family Holdings Ltd, or a 100% owned subsidiary special purpose company with the parent guaranteeing the lease, a Full Repairing lease for 25 years with a tenant only option to break at the 10th anniversary. The Lessor will insure the property and the Lessee is to pay to the Lessor on written demand a due proportion of the building insurance premiums by way of an additional rent. The insurance payments will commence from completion of the lease or possession of the premises, whichever is the earlier. The rent free period is to be for 18 months but structured as to the first 12 months free of rent and the second 12 months at 50% of the rent. The property is not elected for VAT therefore there will be no VAT charged on the rent. The other pertinent terms of the lease (subject to the lease) are set out in **Exempt Appendix 2.**

3.0 RECOMMENDATIONS

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

3.2 To approve the granting by the Council to N Family Club Holdings, or it's wholly owned subsidiary company, of a lease of 25 years for the property known as Lee House, 6 to 6a Rectory Road N16.

3.3 To authorise the Group Director of Finance and Resources and the Director of Strategic Property Services to finalise any outstanding issues in connection with the completion of the lease to agree the final commercial terms subject to the terms meeting with best value considerations.

3.3 To authorise the Director of Legal & Governance to agree, negotiate, settle, sign and complete the final form of the lease and enter into it on behalf of the Council together with any ancillary documentation relating to the transaction.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and approve the property proposal noted in 2.15 and 2.16

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

Summary

The CACH directorate is forecasting an overspend of £14.39m after the application of reserves and grants. Covid-19 related expenditure accounts for £11.135m of the reported overspend.

Children's Services

Children's Services (CS) is forecasting a £3.501m overspend as at the end of January after the application of reserves. Covid-19 related expenditure accounts for £2.135m of the reported budget overspend. The draw down from reserves includes:

- £3.9m from the Commissioning Reserve, set up to meet the cost of placements where these exceed the current budget.
- £1.6m for additional staffing required to address a combination of increased demand across the service and management response to the Ofsted inspection.

The forecast also incorporates £4.650m of Social Care Grant funding (that is an additional £3.450m in 2020/21 when compared to the previous year). Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £5.3m compared to last year (this excludes use of reserves and the Social Care Grant), however £1.34m has been identified as relating to Covid-19. There is also an increase in forecast spend on staffing across Children's Services of £2.5m when compared to last year (excludes £0.6m identified as relating to Covid-19). £1.6m is linked to increased staffing levels agreed in response to increased demand and additional posts agreed to assist in responding to the Ofsted recommendations arising from the inspection in November 2019 in which the Council received a '*requires improvement'* judgement.

Corporate Parenting is forecast to overspend by £3.8m after the use of £3.9m of commissioning reserves. This overspend includes £1.34m of Covid-19 expenditure. This position also includes the use of £2.9m of Social Care Grant funding that was announced in the October 2019 Budget - £0.6m is in relation to staffing costs and the remaining £2.3m is for placements. The overall net spend for Corporate Parenting has increased by £0.1m since December and is largely due to increased placements costs.

Gross expenditure on Looked After Children and Leaving Care placements (as illustrated in the table below) is forecasted at £25.7m compared to last year's outturn of £20.4m – an increase of £5.3m (this includes £1.34m of Covid-19 expenditure)

Table 3: Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements	Current Placements
Residential	3,131	7,896	4,765	15	40
Secure Accommodation (Welfare)	-	21	21	0	-
Independent Foster Agency	6,488	7,739	1,251	128	147
In-House Fostering	2,400	2,199	(201)	102	93
Semi-Independent (Under 18)	1,570	3,241	1,671	25	55
Semi-independent (18+)	1,370	2,516	1,146	73	97
Family & Friends	569	1,018	450	26	48
Residential Family Centre (P & Child)	-	274	274	-	3
Other Local Authorities	-	85	85	-	3
Overstayers (18+)	290	605	315	62	61
Staying Put (18+)	200	520	320	22	39
Extended Fostering (18+)	-	69	69	-	2
UASC	-	(432)	(432)	49	41
Expenditure	16,018	25,751	9,733	503	629

based on the average cost of placements.

This is the gross position of £9.7m for Corporate Parenting placements including UASC income. The UASC income is in excess of the placements costs incurred for the 45 UASC placements in the service. As we met the threshold last year for UASC numbers (the trigger was 0.07% of the child population), this meant that we then were eligible for an increase in the funding rate (up from £114 last year to £143 in 2020/21 per person per night). Of the additional funding received this year, £200k has been used to fund the additional UASC staffing unit within the Looked after Children service, and the remaining funds have been used to carry out age assessments and meet the additional needs of UASCs.

This gross position is mitigated by reserves of £3.9m and £2.3m Social Care Grant to get to a net reported position for CP placements of £3.6m.

LAC/ Leaving Care Placement Analysis

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care	7,896	159	3,974	40	40
Secure Accommodation (Welfare)	21	-	0	0	0
Independent Foster Agency	7,739	142	968	147	154
In-House Fostering	2,199	42	451	93	91
Semi-Independent (Under 18)	3,241	65	1,187	55	52
Semi-independent (18+)	2,516	35	362	97	98
Family & Friends	1,018	20	420	48	46
Residential Family Centre (P&Child)	274	7	2,439	3	3
Other Local Authorities	85	1	406	3	3
Overstayers (18+)	605	19	307	61	61
Staying Put (18+)	520	16	400	39	33
Extended Fostering (18+)	69	1	486	2	3
UASC	(432)	33	775	41	45
Total	25,751	540	12,176	629	629

One of the main drivers for the cost pressure in Corporate Parenting continues to be the rise in the number of children in costly residential placements which has continued to grow year-on-year and the number of under 18s in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Covid-19 has also been a factor, and has resulted in delays in young people being able to transition from these placements. Although there has been an improvement this month, overall we have seen an increase in the number of Independent Fostering Agency (IFA) placements and a stagnation in the number of in-house fostering 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.

The forecast for LAC and Leaving Placements is a net increase of £5.3m compared to last year (excluding reserves and Social Care Grant funding). This is largely attributed to increases in Semi-independent placements (both under and over 18s) of £2.0m; Residential care £2.5m; IFAs £0.6m; and other £0.2m. This forecast includes additional expenditure of approximately £1.34m in relation to Covid-19. If we exclude the Covid-19 expenditure, the increase compared to the 2019/20 outturn is £4.0m. Management actions are continuing to be developed by the service to reduce the number and unit cost of residential placements. Given that the average annual cost of a residential placement is approximately £200k, a net reduction in placements would have a significant impact on the forecast. These management actions need to be developed so that they can be factored into assumptions for the next financial year, and the service is clear from the outset how it is going to manage these budget pressures.

This year we continue to see significant pressures on staffing, however this has been partly offset by the Social Care Grant funding which has been allocated to the service and a further £1.6m reserve funding to provide additional capacity to respond to the recommendations from the Ofsted visit. This is mainly due to over-established posts recruited to meet an increase in demand (rise in caseloads), additional capacity to support the response to the Ofsted focused visit at the end of last year and cover for maternity/paternity/sick leave and agency premiums. Given the outcome of the inspection referred to above, alongside further increased demand in the system, as well as the ongoing impact of Covid-19, it is likely that staffing costs will continue to be above establishment and this is being reviewed by the service to ensure there is sufficient capacity for the following year.

The Disabled Children’s Service is forecast to overspend by £511k after the use of £476k of reserves. Staffing is projecting an overspend of £294k due to additional staff brought in to address increased demand in the service. This is offset by £360k of additional Social Care Grant funding. Commissioning is projecting a £1,031k overspend attributed to care packages (£692k Home Care, £381k Direct Payments and Short Breaks slightly mitigated by an underspend of £42k on other commissioning). Other operating costs pressures come to £22k.

Children In Need is forecasted to overspend by £161k after the use of reserves. There are significant levels of non-recurrent funding in the service including £687k of Social Care Grant funding in recognition of staffing pressure at the start of the financial year. Recruitment to permanent Social Worker posts are in progress which should address the high numbers of agency staff currently in this service.

Young Hackney is forecast to underspend by £207k due to delays in recruitment for the Sports and Play Services and for the MUGA (Multi-Use Games Area) staff and services which has been delayed due to the ongoing Covid-19 pandemic.

Access and Assessment is forecast to underspend by £201k which primarily relates to delays in recruitment and the Emergency Duty Team demand being projected as lower than anticipated for the year. The reduced demand is linked to the Covid-19 pandemic, however demand has recently started to increase again and we do not expect this to continue into the following year.

Safeguarding and Learning Service is forecast to underspend by £185k. Staffing is underspend by £172k, which is due to some vacancies in the team and delays in recruitment. Supplies and Services are also forecasted to underspend by £58k (mainly due to Security Services and Hire of Room / Halls not being incurred due to Covid-19). However, this is offset by pressures in income due unachievement of income targets with a value of £45k.

Clinical Services is forecast to underspend by £59k in staffing due to delays in recruitment to their Systemic / Clinical lead posts.

Hackney Education

Hackney Education has a budget of £26.8m 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 January 2021, Hackney Education is forecasting to overspend by around £8.8m. Approximately £2.7m of this is the forecast financial impact of the COVID-19 outbreak. The balance of the overspend (£6.0m) is mainly as a result of a £8.4m forecast over-spend in SEND, offset by forecast £2.4m of savings in other areas of Hackney Education. The £8.4m overspend in SEND is a result of previously reported factors, mainly a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's). The forecast is consistent with the forecast reported in the previous period.

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

The Government expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, 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 which might include setting aside a reserve equivalent to the deficit at year end.

On 8 November 2020, the Government announced a significant package of extra targeted financial support for those in need over the winter period. This included the £170 million COVID Winter Grant Scheme, which was made available in December 2020 and covers the period until the end of the financial year. DWP will provide the grant scheme funding to county councils and unitary authorities (including metropolitan councils and London boroughs) who will administer the scheme and provide direct assistance to support families with children, other vulnerable households and individuals. The grant will be used to support those most in need across England with the cost of food, energy and water bills and other associated costs. The Council received £1.1m and a working group was then established to design for the best way to administer this fund. Decisions have been made on the strategy to target low-income vulnerable families with children and Hackney Education worked with schools and other stakeholders to issue food vouchers to families of some 14,000 children aged 0-16.

Adult Social Care & Community Health

The forecast for Adult Social Care is a £6.82m overspend. Covid-19 related expenditure accounts for £4.5m of the overspend. This overspend does not include Covid-19 NHS discharge related spend of £3.1m where there is an agreement to fully recharge the cost to the CCG as well as care provider support from the Infection Control Fund (£1.5m).

The overall position for Adult Social Care last year was an overspend of £4.027m. The revenue forecast includes significant levels of non-recurrent funding including iBCF (£3.394m) and Social Care Support Grant (£4.644m).

Announcements on social care funding as part of the Spending Review 2020 provided further clarity on funding levels for 2021/22 but it is still unclear what recurrent funding will be available for Adult Social Care after this period. The announcements included an additional £300m of non-recurrent Social Care grant funding for local authorities and this is being built into our forecasts as part of budget setting for the 2021/22 financial year.

Non-recurrent funding was only intended to be a ‘stop-gap’ pending a sustainable settlement for social care through the Green Paper, however this is subject to ongoing delay. The implications of any loss of funding will continue to be highlighted in order that these can be factored into the Council’s financial plans. This will include ensuring that it is clear what funding is required to run safe services for adults. Alongside this the service continues to take forward actions to contain cost pressures.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £5.9m pressure. Covid-19 related expenditure accounts for £3.7m of the total budget pressure.

Care Support Commissioning (£k)

Service type	2020/21 Budget	Jan 2021 Forecast	Full Year Variance to budget	Variance from Dec 2020	Management Actions
Learning Disabilities	16,735	18,726	1,991	128	- ILDS transitions/demand management and move on strategy - Three conversations - Review of homecare processes - Review of Section 117 arrangements - Personalisation and direct payments - increasing uptake
Physical and Sensory	13,748	16,070	2,322	151	
Memory, Cognition and Mental Health ASC (OP)	8,297	9,661	1,364	210	
Occupational Therapy Equipment	740	632	(108)	(21)	
Asylum Seekers Support	170	500	331	4	
Total	**39,690**	**45,589**	**5,900**	**472**	

Physical & Sensory Support is forecasting an overspend of £2.3m. This includes a forecast of £2.0m of additional funding support for care providers in response to the pandemic. The remaining pressure of £0.3m relates directly to the number and complexity of care support packages in Physical and Sensory Support offset by support from NHS discharge funds. The overall position has increased by £151k compared to the previously reported December position, mainly as a result of the increased demand in care provision within home care. The gross forecast spend on care packages in Physical Support is £20.2m (£17.8m in 19/20) and in Sensory Support is £1.24m (£1.04m in 19/20). The forecast also includes £1.1m of iBCF funding towards care packages in 20/21.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £1.36m. The overall position has increased (£210k forecast change) on the last reported December position. The gross forecast spend on care packages for 20/21 is £12.6m (£12.2m in

19/20). The forecast also includes £1.05m of iBCF towards care packages in 20/21.

The **Learning Disabilities** service is forecasting an overspend of £1.99m, which reflects an adverse movement of £128k on the December reported position. This continues to be primarily driven by the increasing complexity of care needs for new and existing Learning Disability clients and inflationary pressures experienced by providers. The gross forecast spend on care packages in Learning Disabilities is £33.2m (£30.9m in 19/20). The forecast also includes significant non-recurrent funding from the iBCF (£1m) and Social care (£4.6m) grants. In addition a contribution from the NHS of £2.7m (£2.1m in 2019/20) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed in 2019/20 to agree the share of funding for complex care packages.

The **Mental Health** service is provided in partnership with the East London Foundation Trust (ELFT), and is forecast to overspend by £1.07m.The overall position is made up of two main elements - a £1.41m overspend on externally commissioned care services and £345k underspend across staffing-related expenditure. The gross spend on care packages in Mental Health (ELFT) is £5.03m (£4.9m in 19/20).

Provided Services is forecasting a £346k overspend which is largely attributed to:

- Housing with Care overspend of £1,028k, of which the majority is in relation to the significant cost of additional agency staff cover employed for staff absences including staff shielding or self-isolating at present due to Covid-19.
- Day Care Services are projected to underspend by £682k. The Oswald Street day centre re-opened in October but is currently supporting a much reduced number of service users. Consequently staff vacancies that were forecast to be filled across the day care service are now forecast to remain vacant across the financial year.

Preventative Services

Preventative services is forecasting an underspend of £449k. Forecast underspends on Concessionary Fares (£119k) and the Interim Bed facility at Leander Court (£179k) are offset by pressures of staff costs within the Integrated Discharge service and the Information and Assessment team.

ASC Commissioning

ASC Commissioning is forecasting a £417k underspend. This underspend includes reserve funding of £2.1m in 20/21 supporting activity within commissioning - across teams and projects including the project management office, the commissioning team, the direct payments team and supporting the Lime Tree and St Peters' care scheme prior to recommissioning. Disabled Facilities Grant funding has been applied in 20/21 to the Telecare contract. Additional grant funding of £95k has been received for domestic violence services.

Care Management and Adult Divisional Support is forecasting a £370k overspend, which is driven primarily by staffing costs within the Integrated Learning Disabilities team (£376k). The team had a relatively high number of agency staff which the service is actively addressing with planned recruitment campaigns.

Public Health

Public Health is forecasting a breakeven position, and this includes £55k for the Covid-19 triage service and delays in the delivery of planned savings (£375k). There are some other miscellaneous Covid-19 related costs in the service that have been captured in the forecast this month.

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

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

Hackney has been allocated £3.1m of the total £300m announced by Government to support Local Authorities to develop and action their plans to reduce the spread of the virus in their local area as part of the launch of the wider NHS Test and Trace Service. This funding enables the local authority to develop and implement tailored local Covid-19 outbreak plans. A working group has been established and plans are being developed to allocate these funds accordingly. To date, £1.35m has been committed against various projects.

Mortuary costs have substantially increased during Covid 19, and the response to the pandemic plan required the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that that was enough capacity to meet predictions in the initial wave. This has come at an increased cost of approximately £23M to date across London, and based on ONS figures, Hackney's estimated additional cost is likely to be £732k. In anticipation of increased demands on the service, a further £16m has been created as a provision across London, and Hackney's share of this will be a further £510k. In addition there has been further £68k of one-off additional costs attributed to the pandemic. This has been factored into the reporting position.

Detailed impact of Covid-19 on CACH

This is set out below

<u>Impact of Covid-19 on CACH Costs and Income</u>

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
684	-	684	FLIP Young Hackney and DAIS CIN, A&A and DCS DMT	**Workforce Pressure** Termination dates for some Family Learning Intervention Project (FLIP) staff have been extended and support is being provided to other service areas via Rapid Support. This is for an additional YH business support officer and DAIS intervention officer due to a peak in workload created by COVID-19 Delays in CIN and A&A agency staff leaving due to COVID-19 pandemic; additional DCS staff due to increase in workload. Increase staffing pressure due to workload cases that are not closed as a result of COVID-19.
1,090	-	1,090	Corporate Parenting (LAC)	**LAC placement costs** This relates to CP placements costs, and is due to delays in step-downs, placements being extended as well as additional support hours. We have also reflected the increased residential placements due to unavailability of foster carers/ IFAs during this period.
281	-	281	Corporate Parenting (LC) NRPF	**Care Leavers & NRPF** From April to August, £28k was provided to the clients by increasing the subsistence payment by 25%, £25 internet allowance for each family and Free School Meal allowance for childrens who were not receiving school meal allowance from their school from COVID-19 lockdown.
80	-	80	DCS / Short Breaks	**Other** This assumes pressure to apply a 10% increase to DCS home care packages in line with home care for adults providers (80k).
2,000	-	2,000	ASC - Care Support	**ASC - Supporting the Market** Additional funds provided to care providers -

			Commissioning	estimated across 12 months
648	-	648	ASC - Provided Services & ASC Commissioning	**ASC - Workforce Pressures** Cost of engaging additional care staff to cover permanent officers shielding or self-isolating. Estimated cost of support workers for COVID-19 Urgent Housing Pathway (£53k)
1,413	-	1,413	ASC - Care Support Commissioning	**ASC - Additional Demand** A number of care packages across ASC are now being funded by NHS discharge funds. This is the full year estimate of the additional demand cost of care packages not being supported by NHS discharge funding.
-	300	300	ASC - Care Support Commissioning	ASC - Loss of care charges income (10% estimated reduction in the collection rate).
150	-	150	ASC Commissioning	Delay in delivery of Housing Related Support savings
65	-	65	PH	**PH - COVID 19 Triage Service** Contracted cost for the year £55k + 10k other COVID-19 related costs
1,310		1,310	PH	**PH - Additional Mortuary costs**
375	-	375	PH	Delay in delivery of PH savings in Substance Misuse and the Healthier City and Hackney Fund
30	290	320	HE	**High Needs and School Places** Kench Hill Charity grant and loss of SEND traded income.
-	193	193	HE	**Education operations** Loss of traded income and additional ICT costs
-	1,018	1,018	HE	**Early Years, Early Help and Wellbeing** Loss of childcare income in children's centres.
	502	502	HE	**Schools Standards and Performance** Loss of traded income.
706	-	706	HE	**Contingencies and Recharges** Mainly potential payments to schools to compensate for loss of children centre income and potentially supporting schools with additional costs through COVID-19 in areas not covered by Government schemes.
8,832	**2,303**	**11,135**	**Total**	

4.3 NEIGHBOURHOODS AND HOUSING

The forecast position for Neighbourhoods and Housing Directorate as at January 2021 is a £14.8m overspend. The forecast includes the use of £1.1m of reserves, the majority of which are for one off expenditure/projects. The estimated total Covid-19 impact is £14.4m of which £10.6m is an income shortfall and £3.7m additional expenditure. The non-Covid overspend is £0.4m, which has reduced by £0.5m from the previous month. This primarily reflects an increase in planning income of £0.3m due to a large value planning application and large value CIL payment being received, for which Hackney claims a proportion of administration allowance; and smaller reductions in the net expenditure forecasts for markets and shop front trading, and community safety

Directorate Management continues to show a forecast underspend with all controllable budgets being reviewed on a monthly basis.

Environmental Operations is showing an overspend of £3.747m, which is a small adverse movement of £24k from December 2020. The overspend of £3.747m is made up of £2.360m related to a shortfall in income mainly from commercial waste and hygiene services due to the national lockdowns as businesses have closed and all services which require going into residents' homes have been ceased in line with Government guidelines. The income forecast improved slightly from the December position. Bulky Waste collections have seen continued improvement in expected income and it has now surpassed its Covid-impacted forecast, reducing to £15K under the budgeted income target. A further £1.089m expenditure relates to additional supplies and services such as PPE and hand sanitisers for all staff, which has now been forecast to the end of March 2021. £116K is the net overspend in the service which relates to various operational running costs. This has gone up by £100k as some essential equipment for Commercial Waste operations have been purchased. We are still very much in an uncertain period regarding Commercial Waste income due the latest National Lockdown which is expected to last in some form beyond March 2021. This continuing lockdown may severely impact quarter four income for the service. A clearer picture of how many businesses have requested refunds on their commercial waste charges should emerge in February which will give the service a more accurate picture of the commercial waste activity going into 2021/22.

Parking services is showing a net overspend of £5.9m, of which £6m is the forecast income shortfall which relates to Covid. The lockdowns have resulted in a reduced level of income across all income streams within Parking. In the first months of the first lockdown, parking income dropped by 44% from 2019/20. As restrictions were lifted, income levels rose, but due to further restrictions during the year and the additional lockdowns we continue to be prudent in our income forecast. The current forecast in parking income is £19.7m, which is a shortfall in income of £6m (24%) from the budget. The Parking income forecasting model is being updated on a weekly basis taking into account actuals being received and activity volumes which will inform the forecast accordingly.

Market and Shop Front Trading is overspent by £1.481m. There is a slight improvement in the forecast from December. The overspend is due entirely to Covid-19, £1.1m is an income shortfall and £397k additional expenditure. Throughout the lockdowns the service has followed Government advice to keep markets safe for social distancing which has increased the Covid-19 related expenditure. However, due to reduced footfall, take up of stalls continues to be low. The combined Markets and Shop Trading income budget is £1.6m and it is expected that only £475k of that is likely to be achieved.

Streetscene is showing a net overspend of £455k, of which £397k is a shortfall in income against a budget of £2.4m (16%). The service is expecting things to improve in the coming months if the impact of Covid-19 and the lockdown eases in the construction industry. However, there is a possibility that the continuing lockdown will slow or stop this improvement.

Other than the impact of Covid-19, **Libraries & Heritage** are currently forecasting an overspend which is due to the ongoing recharges for the Facilities Management Contract. There has been a variation to the old contract and monthly statutory fixed costs are significantly higher than anticipated and these additional costs are now recharged out to services. The resulting overspend is to be met from reserves.The Covid-19 impact detail is listed in the table below. There continues to be a prudent approach in the service area and controllable budget forecasts are reviewed and reduced on a monthly basis to try and mitigate the additional Covid costs where possible.

Apart from the impact of Covid-19 the overspend in **Leisure and Green Spaces** is down to the Facilities Management Contract, as Green Spaces are being charged for property maintenance costs that are in excess of the budget available. As referred to above, the resulting overspend is to be met from reserves. The Covid impact detail is listed in the table below and there continues to be a prudent approach in the service area and controllable budget forecasts are reviewed and reduced on a monthly basis to try and mitigate the additional COVID costs where possible.

Planning is forecasting an overspend of £1.688m which is due to a shortfall in planning applications fee income, PPA (Planning Performance Agreement) and CIL income. There has been a £289k favourable movement in forecast income this month due to a large value planning application and large value CIL payment being received, for which Hackney claims a proportion of administration allowance.

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 this year but may slip over to the next financial year. 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. This is a national issue which the LGA is highlighting to government

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

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

Within the Housing General Fund, the underspend relates to staffing vacancies.

The favourable variance within Regeneration mainly relates to Private Sector Housing, where a reduction of £20k relating to associated staff costs has been forecast. Vacancies within the Housing Strategy and Policy Team make up the remainder of the variance for the year.

The impact of Covid-19 is shown below

Additional Spend	Reduced Income	Net Effect	Sub-Service	Variance Narrative
63	97	160	Libraries & Heritage	The service is not expecting any income during 2020/21 for library fines, room bookings, sales etc due to the continuing closures as a result of the lockdowns. The additional expenditure relates to the continuing costs of maintaining the

				service throughout lockdowns and also the additional costs which were incurred over the summer/autumn when libraries were able to re-open with social distancing measures and extra cleaning in place to ensure we were able to open our libraries safely.
865		865	Leisure Services	This is the estimate of additional costs required to support GLL who manage the Leisure centres within Hackney. The total amount is being taken from the contract surplus share which GLL are holding on Hackney's behalf. In late December GLL approached the Council for additional support because of the 3rd National lockdown. The total support requested for the year is £1.53m. The Council agreed to this request in late January and it will be funded by the surplus share held by GLL , £865K, and the National Leisure Recovery Fund (NRLF) grant , £683K, from the Government. The announcement on the grant is expected mid February. There is an agreement in place for this for the surplus used to support GLL to be repaid at a future point.
125	331	456	Events & Green Spaces	Parks & Green Spaces have two main areas of expenditure relating to Covid-19, which are additional emptying and cleaning of the bins (£74) across parks and green spaces and cleaning of the toilets (£71k) (which had to be re-opened due to increased usage of the parks since lockdown). There are also additional Parks Signage costs around Social Distancing which are starting to filter through to the cost centres. The loss of income is primarily down to the Events Team - as no bookings are expected this year and Parks in general where all income including from internal sources is on a much reduced expectancy or none at all (corporate volunteering and General parks Events).
1,271	2,360	3,631	Environment Ops	Environment Ops has three main areas of expenditure that have been impacted heavily by Covid-19. The use of agency staff to cover both sickness and staff absences, use of agency staff to cover food deliveries for the council, internal vehicle cleaning every day and where required to help the service or Council (£741k). This forecast for the year reflects the expectation that the lockdown will increase for the rest of the year. The service has experienced a significant escalation of positive Covid tests and infections in the workforce which has resulted in significant numbers of staff absences due to sickness or the need to self isolate. Staff absence figures will continue to be reviewed regularly to update the forecast. The ongoing purchase of

				PPE and other equipment to aid daily operational works, such as masks, gloves and sanitizers (£359k) has contributed to the overspend in the service. Covid 19 has also had a large impact on income especially on Commercial Waste due to so many businesses closing during the national lockdowns (£2,295k), also a further increase in the bad debt provision of (£30K) to (£170K) has been made to reflect the risk of more defaulters due to either struggling to reopen or struggling to continue as going concerns. This again has been revised to take into account ofGovernment National Lockdown measures which are set to last at least until Mar 21 with potential further tougher restrictions being introduced. Hygiene Services - the inability to go into people's homes and buildings (£50k) and (£15k) on Bulky waste collections which had a significant drop off in requests in Apr and May 20 but has picked up significantly to allow a reduction of £10k to make the shortfall off just £15k on the original £50k impact expected on income.
0	6,028	6,028	Parking	There has been a significant impact on Parking services due to Covid-19 in all income areas from PCNs, Pay and Display, Suspension and Permits. Current full year income forecast is £19.3m against a budget of £25.8m which is a shortfall in income of £6.025m. There are various minor underspend variances in other areas of the service of (£329k) giving a net overspend position of £5.8m.
358	1,116	1,474	Markets and Shop Front Trading	Markets stalls and Shop Front Trading have been heavily impacted by COVID19 as shops and market stalls have been closed throughout the lockdowns. There has been no income in quarters one or two with minimal income in quarter three 3. As the latest lockdown continues and the Government advice on markets being able to open, the take up of market stalls has been low as it is difficult to make the market areas safe for social distancing despite putting in additional resources into the markets. This has increased the COVID related expenditure whilst income has been severely impacted.

	397	397	Streetscene	All the variance relates to income shortfall. Whilst the current circumstances have decimated some areas, in particular around NRSWA (s74), there are some signs of recovery. The service anticipates that utilities and developers will start to use their services as lockdown eases and "normal" circumstances resume. The forecast figures are a current cautious projection for this year.
1,053	312	1,365	Community Safety, Enforcement & Business Regulation	Civil Protection - £702k overspend consists of expenditure for: 1) PPE sourced for procurement. 2) Overtime, extra staff costs and other expenses for staff recruited for COVID-19, after authorisation by Gold. 3)Training provided to other teams such as Gold Loggists. 4)Extra infrastructure and equipment costs for needs such as temporary mortuaries, the Mobile Testing Unit site, the PPE Sub regional Hub, Food Hub etc. Enforcement - reduced income £62k due to less Fixed Penalty Notices and reduced LNL for Enforcement officers. Enforcement officers overtime & PPE £134K, Agency staff for Parks £83. CS Enforcement BR Management £28K, High court fees for Hackney Marshes & London Fields, £100K Security patrols in Parks. Licensing & Technical Support - reduced income £190K in respect of Licensing Fee income, and £60K Levy income. Business Regulation EH & TS - Specialist Noise Advice and Control Officer overtime £7K.
3,735	**10,641**	**14,376**		

4.4 FINANCE & CORPORATE RESOURCES

Finance and Corporate Resources is forecasting an overspend of £13.3m (before the inclusion of reduced council tax and business rates income). Of this £12.8m is owed to Covid-19, which leaves a non-covid overspend of £0.5m which is spread across various services.

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

Commercial Property is forecasting a £3.5m rental loss relating to Covid-19 and there was also increased expenditure on security and patrols of retail properties during lockdown. This expenditure may increase again in light of the current lockdown status.

Additional Covid-19 cost pressures in Revenues and Benefits sum to £3.1m. The collection of benefits overpayments has reduced by £2m because of Covid-19. The remaining £1.1m 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 £160k relating to additional staff and software needed to add capacity to handle support for vulnerable residents.

There is an estimated £2m 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 has incurred additional direct costs of emergency accommodation. The service has also incurred costs with landlord incentives, required to secure accommodation and is forecasting having to make provision for those residents in Temporary Accommodation unable to pay their rents due to Covid-19; and there has been a reduction in rent income.

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

The Central Procurement and the Energy Team is forecasting Covid-19 related costs of £2.38m. 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. The spend on PPE to date is approximately £1.9m. It is difficult to try to estimate the usage going forward, and several items of equipment are still held in stock such that in some instances the stock levels will be sufficient for several months. However, the use of PPE will probably be required over a longer period of time so a forecast of £0.5m further expenditure has been added to the spend to date to try to account for this.

There is a £713k 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 £0.996m of which £0.901m is owed to Covid-19.

Policy, Strategy & Economic Development are reporting an overspend of £281k all of which is due to Covid-19, arising from food parcels for residents who cannot access or afford food during Covid-19, security and moving costs and Emergency Grants to 4 organisations in the Voluntary Sector to provide Covid-19 related services.

Communications is forecasting an overspend of £715k, most of which is due to the impact of Covid-19, which has reduced film, venues, and advertising income.

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

4.6 Housing Revenue Account (HRA)

The impact of Covid-19 on the HRA is to increase net expenditure by £6.6m. of which £5.2m is an income loss - which is mainly reflected in the increase in the bad debt provision - and £1.4m is additional expenditure. A variance in the Net expenditure on Housing Repairs account is a major component here and is mainly due to a reduction in DLO income as a result of less repairs carried out by the DLO following the announcement of a further national lockdown.

There are also variations from budget which are not related to Covid-19. The Special Services variance is due to increased costs of the integration of the Estate Cleaning service which is being reduced over 3 years. The overspend here though is offset by variations to budget within other services. There is 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. Rents, Rates, Taxes and Other Charges variance is due to increased costs expected from operational buildings.

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. With regards to the Property proposal, all other services were advised of the availability of Lee House but there was no interest in using the space due mainly to the cost of making the property fit for purpose. The property has been reviewed by the Housing Needs Team for use as Temporary Accommodation. Adult Social Care (ASC) have also considered the assets potential for Intermediate Day Care. ASC have since confirmed that the building's existing internal configuration does not lend itself for the use they had considered. The tender was not prescriptive in it's end user and allowed the market to decide on the preferred use/value for the property.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of January 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 With regards to the property proposal, the report seeks authority to enable the disposal of a leasehold interest for a term of 25 years for use as a Nursery. Generally the disposal of land by way of lease for a term of more than 7 years is prohibited by Section 123(2) and (7) of the Local Government Act 1972 in particular where the disposal is for consideration that is less than best value obtainable on the open market.

8.7 Where it is determined that the undervalue will be less than £2 million and the disposal will, in the Council's opinion, secure the promotion or improvement of the economic, social or environmental well-being of its area then the disposal will fall within the parameters of the general disposal consent available to local authorities. In addition the recommendation to grant a long term lease of this property is further 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. In this case the proposals for which authority is sought will ensure that an extensive, vacant listed property will be brought back to a good state of repair and used for the benefit of the wider community whilst generating a substantial income. The proposed Tenant has the required experience to ensure the venture is successful and the resultant lease will be drafted to contain all covenants required to protect the Council's interest. There is no legal reason to oppose the grant of the lease.

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 Director of Strategic Property Services is satisfied that the terms of the lease to N Family Family Holdings Ltd, or it's 100% wholly owned subsidiary, will protect the Council's long term interests in this property and that the requirements of Section 123 of the Local Government Act 1972 have been evidenced

Appendices

1. **Lee House Proposal Plan - Appendix 1**
2. **Exempt Appendix 2: Lee House Proposal - Lease details**

EXEMPT

By Virtue of Paragraph(s) **Category 3** Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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