CABINET SUPPLEMENTARY PAPERS

Monday, 23 October 2023 at 6.00 pm
Council Chamber, Hackney Town Hall, Mare Street, London, E8 1EA

Members of the Committee:
Councillor Anntoinette Bramble, Statutory Deputy Mayor and Cabinet Member for Education, Young People and Children's Social Care (Chair)
Councillor Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service
Councillor Mete Coban MBE, Cabinet Member for Climate Change, Environment and Transport
Councillor Susan Fajana-Thomas, Cabinet Member for Community Safety and Regulatory Services
Councillor Christopher Kennedy, Cabinet Member for Health, Adult Social Care, Voluntary Sector and Culture
Councillor Clayeon McKenzie, Cabinet Member for Housing Services
Councillor Guy Nicholson, Deputy Mayor for housing supply, planning, culture and inclusive economy
Councillor Carole Williams, Cabinet Member for Employment, Human Resources and Equalities
Councillor Caroline Woodley, Cabinet Member for Families, Parks and Leisure

Deputy Cabinet Members
Councillor Sem Moema
Councillor Sade Etti

Dawn Carter-McDonald
Interim Chief Executive
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www.hackney.gov.uk

Contact: Mark Agnew
Governance Officer
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Cabinet
Monday, 23 October 2023
Order of Business

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If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at <u>any</u> meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not:**

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an 'Other Registrable Interest' (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions,, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at any meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest of well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.

Title of Report	Capital Update and Property Disposals and Acquisitions Report	
Key Decision No	FCR S204	
For Consideration By	Cabinet	
Meeting Date	23 October 2023	
Cabinet Member	Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open with exempt appendices	
Ward(s) Affected	All	
Key Decision & Reason	Yes	Spending or Savings
Implementation Date if Not Called In	30 October 2023	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. CABINET MEMBER'S INTRODUCTION

1.1 This report updates members on the capital programme agreed in the 2023/24 budget.

1.2 Through the proposals in this report we demonstrate our commitment to meeting our manifesto pledges as well as continuing to deliver against the Council's Strategic Plan.

1.3 This month we are proposing an agreement to lease for the Old Fire Station (OFS) for up to 25 years. The OFS is host to a diverse range of community organisations supporting childcare and refugees and asylum seekers in the borough as well as arts and sporting activities for our residents. The OFS are seeking grant funding to carry out refurbishment works which will enable increased usage at the site and improve energy efficiency. The agreement to lease for the extended period proposed in this report, subject to the conditions set out in the recommendations, would help them to secure this funding.

1.4 We continue to prioritise investing in our assets to ensure they are fit for purpose in delivering vital services to our residents in an efficient and effective way. In this vein we propose £897k of investment in Millfield Waste Depot to address latent ground defects at the site which are impacting on the day-to-day operations of the Depot.

1.5 Finally, we are investing £391K to improve road safety outside The Olive School on Lower Clapton Road. Our improvements will change the existing parallel crossing to a signal controlled “Toucan Crossing " and carry out other works such as, decluttering street furniture, relocating a CCTV pole and a listed phone box. This project will improve road safety for the local community and especially for the 600 primary school students who attend The Olive School. The works will have wider benefits, through lowering the likelihood of road collisions, improving traffic flow and encouraging more sustainable means of transportation such as walking and cycling.

1.6 I commend this report to Cabinet.

2. INTERIM GROUP DIRECTOR’S INTRODUCTION

2.1 This report updates Members on the current position of the Capital Programme and seeks approval as required to enable officers to proceed with the delivery of those schemes as set out in section 3 of this report.

2.2 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The Old Fire Station in Stoke Newington at 61 Leswin Rd N16 is a community building managed by the Old Fire Station (OFS). The OFS (the organisation) is a charitable incorporated organisation (CIO). The property is held in the Council’s Voluntary and Community Sector (VCS) property portfolio and the asset is a locally listed building. The OFS has been providing services to local communities for many years and they currently accommodate six other voluntary and community sector organisations; Growing Communities, Hackney Migrant Centre, Jamboulay Carnival Arts, Hackney Children's Theatre, the Fire Station Community Nursery, and SkatePal (charity). They also have halls and meeting space, where local organisations and people run and access services and events including exercise and wellbeing classes, social events and parties.

2.3 The Council works proactively with VCS organisations to improve the quality of and utilisation of our VCS assets, so that they can help us to address local priorities and meet community needs. The Voluntary and Community Sector (VCS) Strategy (2019) recognised the need for significant investment in some properties in order for them to become vibrant community assets that are better placed to meet community needs. The OFS has developed detailed project plans to secure funding and invest in the site in order to modernise and improve the premises. The planned improvements will enable the charity and their tenants and partners to enhance the services they offer to the community and will also aid their longer term financial viability and sustainability.

2.4 Currently the OFS caters for approximately 20,000 visits per year by residents who use the building. The OFS, its sub-tenants, hirers and partners provide the following services and benefits for local communities:

- Growing Communities – is a food growing and food distribution organisation with a strong commitment to ethical and sustainable food production. They pack and despatch organic vegetable boxes which are delivered to 6,000 Hackney residents every week.
- The Fire Station Community Nursery provides 50 places for 0-5 year olds, 50% of which are provided free to parents.
- Hackney Migrant Centre – is a charity which supports refugees, asylum seekers and other migrants through the provision of free advice on immigration, welfare and health.
- Hackney Children's Theatre - The project provides professional affordable theatre and theatre arts projects for children in Hackney.
- Jamboulay Carnival Arts - is a Voluntary Community led organisation which aims to assist local people in accessing cultural & creative skills in the field of theatre and carnival arts.
- SkatePal - is a non-profit organisation supporting communities throughout Palestine, promoting the benefits of skateboarding to enhance the lives of local youth.
- A wide range of hirers who access and deliver services and activities for the OFS on a regular basis. Groups and services provided include the following:
    - a wide range of exercise and health and wellbeing activities: fitness, yoga, QiGong, mixed martial arts classes for children and pilates;
    - arts, theatre and music classes;
    - social activities for older residents and other groups;
    - Eritrean women and children's group.

2.5 The OFS is also regularly hired by organisations, groups and individuals on an ad hoc basis for meetings, studio space, social activities and events. The proposed scheme could see an increase in usage of the building from the current 20,000, to a projection of over 36,000 annual visits once the refurbished site is fully operational. This would result from enhanced facilities and accessibility, increased usage by hirers and the benefits of bringing the currently unused third floor into use as a co-working space. The OFS' business plan projects that annual income would rise from £91k in the first year to £145k once the new premises are fully operational, which would provide a surplus of around £7.5k per annum compared with the current small loss making position. The financial position is likely to be more favourable than that as the improved facilities and increased usable floor space would enhance the prospects of successful grant applications and fundraising activities.

2.6 This report seeks approval to enter into an agreement to grant the Old Fire Station (OFS) a lease of up to 25 years at a nominal rent to cover any ongoing costs for the Council, on land they currently occupy. The completion of the lease will be subject to the conditions set out in the recommendations section of this report below.

2.7 The Council is undertaking a review of its non-core commercial properties including those held in its VCS Property Portfolio. Many of the assets in this portfolio are leased on a short-term basis at discounted rents. In such cases the Council retains responsibility for many aspects of repairs, maintenance and health and safety compliance. The cost of maintaining these assets, particularly older buildings where significant investment is required, is high. The strategy and approach the Council has adopted for some complex and high-cost assets, is to work collaboratively with tenants (where viable and appropriate), to support them to raise their own capital funding to invest in premises. A key factor is the agreement to grant longer leases which meet the requirements of funders and enable tenants to apply for capital grants. The Council recently undertook essential works costing £785k at 61 Leswin Rd repair or replace roofs, windows and masonry to ensure that the building is safe, watertight and externally in good repair. However, the OFS's premises still require significant investment in order to modernise the building, improve accessibility and energy efficiency, and to extend and enhance services to the local community.

2.8 The OFS (the tenant) has progressed their capital plans over the last 2 years and have already commissioned and completed project feasibility and detailed design work. This work was managed by OFS and carried out using architects and other professional and technical consultants. They now have a detailed and cost preferred capital scheme. OFS has held formal pre-planning application discussions with the Council's Planning Department and addressed the feedback given in their Design and Access Statement. The OFS development plans include: Sensitive renovations to existing historic features. Improving accessibility with a redesigned ground floor, a new reception area and entrance, and the addition of a lift serving all floors. Enhanced energy efficiency with new heating, solar panels and insulation. The currently unused third floor will be updated into new community spaces and additional outdoor terraces will provide a new area for children's play. Other improvements include better storage, flooring, lighting, new toilets and a communal kitchen. Estimates from OFS' design and technical team show that a budget of approximately £2.3m will be needed to implement these plans.

2.9 OFS have already secured and invested £130k in the feasibility and design work undertaken to date. They have also applied for £80k to the The London Legacy Development Corporation (LLDC) Carbon Offset Fund for solar panels and heat source pumps. For the additional capital funding they require, they are exploring a number of different funding opportunities, but in the main focusing on 'heritage funders' such as the National Lottery Heritage Fund and the Architectural Heritage Fund. At the level of funding OFS want to secure, most funding bodies will typically require them to have a lease of up to 25 years as a condition of any grant agreement. An Agreement for Lease of this length between the Council and OFS would therefore satisfy funder requirements.

3. RECOMMENDATION(S)

3.1 **That the scheme for Finance & Corporate Resources as set out in section 11 be given approval as follows:**

Millfield Waste Depot Rectification Works: Resource and spend approval of **£897k (£65k in 2023/24, £772k in 2024/25 and £60k in 2025/26)** is requested to enable Council officers to proceed with the rectification works associated with various long standing, latent ground defects at the site.

3.2 **That the scheme for Climate, Homes & Economy Directorate as set out in section 11 be given approval as follows:**

Olive School: Resource and spend approval of **£391k (£274k in 2023/24 and £117k in 2024/25)** is requested to enable Council officers to carry out Highway Works at this school site.

3.3 **That the s106 Capital scheme summarised below and set out in section 11 be approved:**

S106	2023/24 £'000	2024/25 £'000	Total
Capital	0	44	44
Total Capital S106 for Approval	**0**	**44**	**44**

3.4 **That the s106 Capital scheme summarised below and set out in section 12 be noted:**

S106	2023/24 £'000
Capital	140
Total Capital S106 for Noting	**140**

3.5 **That the capital adjustments of the budgets outlined in section 12 be noted and summarised below be noted:**

Current Directorate	Budget 2023-24	Change	Updated Budget 2023-24	Budget 2024-25	Change	Updated Budget 2024-25	Budget 2025-26	Change	Updated Budget 2025-26
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non Housing	2,624	1,900	4,524	8,674	(1,454)	7,220	6,512	(446)	6,066
Total	**2,624**	**1,900**	**4,524**	**8,674**	**(1,454)**	**7,220**	**6,512**	**(446)**	**6,066**

3.6 **Authorise entering into an agreement to lease (“the Agreement”) with the Old Fire Station Stoke Newington CIO to grant a lease of up to 25 years for 61 Leswin Rd, London, N19 7NX (“the Property”) as is shown edged red on the plan attached at Appendix 1.**

3.7 **To agree that the terms of the agreement be that, prior to the grant of the lease, the Old Fire Station Stoke Newington CIO should:**

a) Submit a viable project plan which details the development plans and the associated fundraising strategy, to be agreed by the Council, within 6 months from the date of the Agreement.
b) Submit a business plan setting out how the OFS will operate for the benefit of local residents, which includes provision for full maintenance of the premises, to be agreed by the Council.
c) Provide evidence that planning permission has been granted for the proposed scheme within 18 months from the date of the Agreement.
d) Provide written confirmation from funders, within 18 months from the Agreement, that all finance for the development is available to proceed to a start on site.
e) Submit final construction plans to the Council for approval prior to commencement of works.
f) Submit relevant documents certifying the practical completion of construction works within 2 months of completion.
g) Enter into a Community Agreement with the Council which will set out services and benefits to be delivered to local residents and include provision for ongoing monitoring and reporting.
h) To commence and complete the works and meet all terms and conditions of the agreement to lease within 4 years of the date of that agreement.
i) To authorise the Acting Director of Legal, Democratic and Electoral Services to terminate this agreement for lease if the conditions above are not met within the specified deadlines.

3.8 **To authorise the Acting Director of Legal, Democratic and Electoral Services and the Director of Strategic Property Services to agree all commercial terms of the Agreement to Lease and lease on the basis of these conditions and to incorporate a covenant that a lease will be granted upon the full performance of these terms.**

3.9 **To delegate authority to the Interim Group Director, Finance and the Acting Director of Legal, Democratic and Electoral Services to agree all necessary documentation and enter into a lease of up to 25 years, and to agree all other terms of the lease provided that the requirements of S123 Local Government Act 1972 are met.**

4. REASONS FOR DECISION

4.1 The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered and to approve the property proposals as set out in this report.

4.2 In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where, however, resources have not previously been allocated, resource approval is requested in this report.

4.3 To facilitate financial management and control of the Council's finances.

4.4 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The purpose of entering into an agreement for a long lease is to enable OFS to secure significant capital funding for improvements to the premises. For the level of capital investment OFS are seeking, approximately £2.3m, funders will usually require them to have secured a lease of 25 years.

- The approach adopted for the OFS's development plans for this site is consistent with the strategy the Council has adopted moving forward as a potential option for complex and high-cost non-core assets. A conditional agreement to grant a 25 year lease will enable OFS to apply for capital funds to invest in this asset.
- Where longer term leases are agreed, these would typically be on full repairing and insuring terms with the tenant being responsible for repairs and maintenance during the term of the lease.
- If the tenant successfully delivers their own capital improvement plans at the site, this will enhance the scope, scale and quality of services to the local community, and support the viability and sustainability of the Old Fire Station CIO.
- The services provided by the OFS deliver environmental, economic and social benefits for the area and to local communities. For example; Growing Communities grow and distribute sustainably grown and sourced food to local residents, OFS contributes to local economic objectives by providing employment opportunities, training, volunteering opportunities and support working parents through the provision of nursery places and co-working space for local organisations, OFS is a also local community hub providing spaces for events, community meetings, social activities and a wide range of health and wellbeing and information and advice services.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The Council has considered and rejected a number of alternative options as set out below. It is important to note, however, that if the OFS is not able to meet the conditions set out in the Agreement to Lease, these options will have to be reconsidered.

5.2 **Continue Current arrangement:** The option to continue to lease the premises on the current basis - standard VCS lease terms would not enable the tenant to secure the significant investment the building requires. If we proceeded on this basis the asset would not be upgraded and modernised, services to local residents would not be enhanced, and the Council would continue to bear the annual maintenance and repair cost (approximately £20k) of this complex asset. The current rent paid by the tenant does not cover these costs so the building would continue to run at a loss. It is unlikely that the rent could be increased without putting the operation at risk. It is anticipated that within the next 3 - 5 years the Council would have to invest a significant capital sum to address further repairs, Minimum Energy Efficiency Standards (MEES) and other statutory obligations in order to continue to let the building. There is also a risk in the medium to longer term, that the OFS would find it challenging to continue operating the building if there was no agreement from the Council to grant a longer term lease to facilitate investment. If the building is not improved this will affect the future income, viability and sustainability of the OFS. This could leave the Council with a very challenging asset management issue, with the 6 sub occupiers expecting to remain in situ.

5.3 **Letting on Commercial Terms:** The current operation of the building, i.e. being used by not-for-profit organisations and community groups, would not be sustainable on a commercial rent. The only way a commercial rent option could be implemented would be to terminate the current arrangement and the occupation of existing users, and re-let to commercial operators. This would present a number of significant challenges, including legal and practical implications of getting vacant possession; planning restrictions; and financial viability of converting the building to suit modern, commercial occupier needs, such as Minimum Energy Efficiency Standards (MEES) obligations, upgraded mechanical and electrical services and a lift. This option is therefore not likely to be practically or financially viable.

5.4 **Development for residential use:** This option presents similar challenges; the legal and practical implications of getting vacant possession; lack of financial viability to convert to affordable housing in line with Council Policies; and planning restrictions.

5.5 **Freehold Disposal of the Asset:** This is a locally listed heritage asset that is a unique and longstanding asset in the Council's portfolio and is considered to be a landmark building by local residents and wider community and also a key part of the wider VCS portfolio. A freehold disposal would likely attract residential developers and, whilst the organisation in occupation may well want to bid, it is likely that they would struggle to raise the capital to fund a purchase and the renovations they would like to undertake. A freehold disposal would in all probability mean the end of the tenure of the current organisation, the loss of the services they provide to local residents and the conversion of the premises to residential use. A disposal of the freehold to the current occupiers in an 'off market' transaction is another option that has been discounted as, in all probability, it would have to be at a substantial discount to market value, as indeed is the approach recommended in this report. This would be without the control that a leasehold transaction allows at the end of the lease, ultimately, the premises returning to the Council.

6. BACKGROUND

6.1 Policy Context

6.1.1 The report to recommend the Council Budget and Council Tax for 2023/24 considered by Council on 27 February 2023 sets out the original Capital Plan for 2023/24. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

6.1.2 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** This lease disposal recommendation aligns with the strategic plans of the Council particularly with regard to creating safe, vibrant, and successful neighbourhoods and fostering strong, cohesive communities and a more inclusive economy as well as keeping children safe and investing in their mental health and wellbeing, providing access to outstanding play, culture, and sport, and opportunities; tackling child poverty, and supporting those families who need us most. The project supports the Council's Community Strategy 2018-2028 which recognises the importance of community resilience and that accessible community spaces can help promote healthy lifestyles and provide routes into volunteering. The Council's Voluntary and Community Sector (VCS) Strategy recognises the need for significant investment in some properties in order for them to become vibrant community assets that are better placed to meet community needs and notes that short term leases can create barriers in securing additional funding streams. The grant of a longer lease as described in the report is consistent with the VCS Property Portfolio Lettings Policy adopted by cabinet in March 2022 (Key Decision No - FCR S059). The Policy states that the Council will consider proposals from VCS organisations who wish to secure a longer lease if:

- A longer lease is required in order to satisfy conditions set by a funder or investor, so that the VCS tenant can secure significant investment in the asset (the property).
- The planned investment is appropriate to the site and location and will result in significantly enhanced services and benefits for the local community.

6.2 **Equality Impact Assessment**

6.2.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** An Equalities Impact Assessment (EIA) was undertaken for the VCS Property Portfolio Lettings Policy which was adopted by Cabinet in March 2022 (Key Decision No - FCR S059).

6.3 **Sustainability and Climate Change**

6.3.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** OFS' plans include enhanced energy efficiency with new heating, solar panels and insulation. As one element of their capital project they have applied to the LLDC Carbon Offset Fund for solar panels and heat source pumps. The OFS is also home to Growing Communities who are a local food growing and fresh food distribution charity.

6.4 **Consultations**

6.4.1 Relevant consultations have been carried out in respect of the projects included within this report, as required. Once again details of such consultations would be included in the relevant detailed reports to Cabinet or Procurement Committee.

6.5 **Risk Assessment**

6.5.1 The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

7. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

7.1 The gross approved Capital Spending Programme for 2023/24 currently totals **£248.118m (£134.275m non-housing and £113.842m housing).** This is funded by discretionary resources, borrowing, capital receipts, capital reserves (mainly Major Repairs Reserve and revenue contributions) and earmarked funding from external sources.

7.2 The financial implications arising from the individual recommendations in this report are contained within the main report.

7.3 The recommendations in this report will result in a revised gross capital spending programme for 2023/24 of **£250.496m (£136.654m non-housing and £113.842m housing).**

Current Directorate	Revised Budget Position	Capital Adjustments	Oct 2023 Cabinet	Updated Budget Position
	£'000	£'000	£'000	£'000
Chief Executive's	749	0	0	749
Adults, Health & Integration	2,447	0	0	2,447
Children & Education	18,633	0	0	18,633
Finance & Corporate Resources	73,245	0	65	73,310
Climate, Homes & Economy	39,201	1,900	414	41,515
Total Non-Housing	**134,275**	**1,900**	**479**	**136,654**
Housing	113,842	0	0	113,842
Total	**248,118**	**1,900**	**479**	**250,496**

7.4 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** This report seeks approval to grant an Agreement for Lease of 25 years, on VCS terms, subject to the recommendations mentioned above, to Old Fire Station (OFS) who are a charitable incorporated organisation (CIO) and the current lessee occupier of The Old Fire Station in Stoke Newington at 61 Leswin Road.

7.5 Following recent essential works carried out by the Council it has been identified further investment is required to modernise and improve accessibility to this locally listed building. Providing OFS with an Agreement for Lease for a 25 year lease will facilitate their efforts to secure grant funding to cover the resources required to modernise the building, improve accessibility and energy efficiency, and to extend and enhance services to the local community.

7.6 Should the lease be granted OFS will be responsible for all repairs and maintenance to the property as well as all existing rates, utility bills and costs and other outgoings for the property. OFS will surrender their existing lease and the new long lease will be granted. However, in the scenario where OFS encounters difficulties in securing the necessary funding or falls short in executing the required improvements, the extension of the new lease will not proceed, thereby allowing OFS to retain their existing short-term lease arrangement.

8. VAT IMPLICATIONS ON LAND AND PROPERTY TRANSACTIONS

8.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** On the basis that the variation will include an extension to the length of the tenancy, from a VAT perspective this will be treated as a surrender of the old lease and the grant of a new lease. Any consideration received for this will be exempt from VAT unless the Council have opted to tax. If there is no monetary consideration, no supply is seen as taking place if the variation merely extends the term. If the longer lease is granted, then on the basis that the tenant will be responsible for the works that will be carried out to the site, any VAT incurred on the works will be a matter for them, not the Council. However, assuming that consideration will be received, and no option to tax has been made, the Council will still need to take into account in the partial exemption calculation any exempt input tax that is incurred by the Council.

9. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

9.1 The Interim Group Director, Finance 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.

9.2 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.

9.3 Proposals for capital spending shall be submitted to Cabinet for acceptance into the capital programme recommended to Full Council for adoption (paragraph 2.17, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).

9.4 Once the capital programme has been approved, Cabinet exercises control over capital spending and resources and may authorise variations to the capital programme provided such variations are within available resources and are consistent with Council policy (paragraph 2.18, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).

9.5 Section 106 Town and Country Planning Act 1990 permits anyone with an interest in land to enter into a planning obligation which is then enforceable by the local planning authority. Planning obligations are private agreements intended to make acceptable developments which would otherwise be unacceptable in planning terms. Frequently such obligations require the payment of a financial contribution to compensate for the loss or damage created by the development or mitigate against the development's impact. Local authorities must have regard to the legal tests laid down in Regulation 122 of the Community Infrastructure Levy Regulations 2010 prior to requiring a developer to enter into a s106 obligation. Hackney Council approved the Planning Contributions Supplementary Planning Document on 25 November 2015 under which contributions are secured. Once completed, s106 agreements are legally binding contracts and financial contributions can only be used for the purposes specified within the obligation itself.

9.6 The Council also receives payments under the Community Infrastructure Levy Regulations 2010 based upon the Council's adopted charging schedule adopted in 2015 (this is separate to the Mayor of London's CIL). The Council's adopted Regulation 123 list details the infrastructure that the payments received will be spent upon. In addition, there is a neighbourhood element to CIL and areas where development is taking place will receive a proportion of the receipts to be spent in local neighbourhoods, this includes the Hackney Community Fund.

9.7 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** The approval of the grant of a lease for more than seven years is a decision to be made by the Mayor and Cabinet pursuant to the Mayor's Scheme of Delegation. This report seeks authority by Cabinet and the Mayor as the lease to be granted is for a term of 25 years.

9.8 Section 123(2) and (7) of the Local Government Act 1972 ("LGA") provides that the Council cannot dispose of land for a term of years in excess of 7 years where that disposal is for consideration at less than best value that can reasonably be obtained on the open market without the consent of the Secretary of State. In the event that the undervalue will be less than £2 million and the disposal will yield an economic, social or environmental benefit for the area then the disposal will fall within the parameters of the LGA General Disposal Consent Order (England) 2003 (available to local authorities) and disposal can proceed. The comments from the Director of Strategic Property Services confirms that the grant of the lease falls within the parameters of the General Disposal Consent Order (England) 2003.

9.9 The recommendation to grant a long-term lease of this property is further supported by Section 1 of the Localism Act 2011 which provides that a local authority has power to do anything that individuals may generally do, subject to certain exceptions which do not apply here.

9.10 The resultant lease will be drafted to contain all covenants required to protect the Council's interest and there is evidence to illustrate that the agreement meets the best value threshold, there is no legal impediment to the grant of the lease for the required term.

10. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

10.1 **Proposed lease of The Old Fire Station, 61 Leswin Road N16 7NX:** Where the Council enters into a lease of more than 7 years this constitutes a disposal for the purpose of Section 123 of the Local Government Act 1972 and the Council is required to demonstrate that it has achieved best consideration or seek the consent of the Secretary of State for disposal at an undervalue.

10.2 The General Disposal Consent 2003 grants Secretary of State permission for disposals at an undervalue of less £2m if it can justify the disposal on environmental, social or economic grounds.

10.3 The valuation report at appendix 2 (Exempt) states that the unrestricted value of the property is £760k and the restricted value is £200k, which is an undervalue of £560k. This report sets out the economic, social and environmental benefits of making this transaction at this undervalue and therefore the conditions of the General Consent have been met and the Council's obligation under Section 123 of the Local Government Act discharged.

11. CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS

11.1 Finance & Corporate Resources

11.1.2 **Millfield Waste Depot Rectification Works:** Resource and spend approval of **£897k (£65k in 2023/24, £772k in 2024/25 and £60k in 2025/26)** is requested to enable Council officers to proceed with the rectification works associated with various long standing, latent ground defects at the site. This follows the £65k approved by Cabinet on Monday 18 July 2022 (Key Decision FCR S084) to enable Council officers to carry out Phase 1 of the project which was to appoint technical consultants to draft the documentation required to proceed to tender. There is also a legal agreement with Transport for London (TfL), signed in 2022, in which TfL agrees to contribute £300k towards the cost of the project. There are a number of latent ground defects which are impacting on the day-to-day operations of the Millfield Waste Depot. These works will allow the depot to function as designed and mitigate the risk of more serious disruption arising if and when the defects deteriorate further.

The project has been split into 2 phases:

- Phase 1: The appointment of professional advisers to draft the technical documentation required to go out to tender

- Phase 2: Comprises the tender process, the appointment of a competent contractor and the works themselves.

The works will repair at the depot:

- The sinking and breakup of a significant area of the surface at the entrance to the depot
- Rutting/sinking of the surface in the heavy vehicle parking area along the eastern edge of the site
- Long continuous cracks in the heavy vehicle parking area, significant cavities in the subsurface, and the buckling of the boundary palisade fence, all of which are occurring along the eastern boundary.

There are significant project risks which could impact the cost estimate dependent on the extent they may, or may not, manifest themselves. These include geotechnical conditions, ground contamination, access issues along the eastern boundary, ecological issues and unforeseen complications arising when digging out the existing retaining wall along the eastern boundary. The cost estimate will be reviewed as the design progresses and when relevant information becomes available.

The proposed works will help ensure that the facilities are in place to support the services required to deliver on the following areas of focus:

- We will continue to work with residents to encourage them to take greater responsibility for their waste - to reuse goods and materials, reduce waste, increase recycling and to stop littering the streets and fly tipping.

- The Council will improve recycling facilities and support on Hackney's estates and in all types of flats to help achieve this.

- We will work across the borough to reduce the use of plastic, including by expanding the number of public water fountains; we will also encourage business and local organisations to do the same.

The proposed works are primarily to help ensure that Millfields Waste Depot is fit for purpose both now and in the future whilst ensuring that the £300k that TfL has agreed to contribute to the works is claimed and offset against the total cost to the Council. This demonstrates the Council's ambition to increase more residents to recycle and shape a circular economy, which will ultimately seek to reduce consumer waste by changing attitudes to consumption and waste. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will be part funded by capital contribution from TfL and borrowing.

Project milestone	**Estimated completion date**
Invitation to Tender	November 2023
Start on Site	April 2024
Construction	August 2024
12 Months Defects (Retention Release)	August 2025

11.2 Climate, Homes & Economy

11.2.1 **Olive School Public Realm:** Resource and spend approval of **£391k (£274k in 2023/24 and £117k in 2024/25)** is requested to enable Council officers to carry out Highway Works at this school site. A Section 278 agreement was signed between the Council and Secretary of State as part of granting approval for permitted development of Olive School. The Section 278 agreement provided funding amounting to the sum of £390,740 to convert the existing parallel crossing to a 'Toucan Crossing'. The funding has been received by the Council and this approval is to release the funding to enable highway works to take place. The design, stakeholder engagement, and modelling of the signals have already commenced, and the Council will need this funds to pay these costs and install the signals, as well as to complete its obligations under the Section 278 agreement. The project requires the existing parallel crossing outside The Olive School on Lower Clapton Road to be converted into a signal controlled 'Toucan Crossing'. The project involves decluttering street furniture, relocating a CCTV pole and a listed phone kiosk, installation of traffic signals, reprofiling the existing speed table and completing road markings to suit the new layout.

The project will fulfil the Section 278 agreement's need to create an appropriate crossing point for the local school. Up to 600 primary school students will be able to cross Lower Clapton Road in a safer and more controlled manner, lowering the likelihood of road collisions. With timed signals, bus travel times will be better regulated, and traffic flow will be smoother. Better crossing facilities will encourage sustainable means of transportation such as walking and cycling. These improvements and advancements will bring about the following outcomes and benefits:

- Reduced potential for traffic collisions
- 200m2 of the public realm (crossing area) will be improved
- 1 new tree replanted as a replacement.

The Council's Streetscene's Design and Engineering team design and implement all traffic schemes in the borough. Schemes will be investigated, designed and implemented by this team. The Council's Streetscene has a term contractor who will carry out the implementation of the scheme on site. Schemes will be completed by the end of the financial year.

This capital expenditure will go towards the Council's ambition to address climate change and work towards a net zero Hackney, with cleaner air, less motor traffic, and more liveable neighbourhoods. It will also ensure every child and young person in Hackney has the best start in life and will be kept safe by investing in the borough's Highways infrastructure. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on the capital programme as it will be funded by Section 278 grant funding.

11.3 S106 Capital for Approval

Capital Resource and Spend approval is requested for **£44k in 2024/25** of S106 capital funding to be financed by S106 contributions. The works to be carried out are in accordance with the terms of the appropriate S106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000	2024/25 £'000	Total
2020/4110	Hoxton Street Upgrade	209-223 Hoxton Street, London, N1 5LG	0	34	34
2012/3792		Shoreditch High Street 187-193 London E1 6HU	0	10	10
Total Capital S106 for Approval			**0**	**44**	**44**

These transformative public realm improvements will be to support local residents, market traders, businesses and organisations on and in the vicinity of Hoxton Street. It introduces green infrastructure where there currently is none on the street, between Nuttall Street and Shoreditch Library. This includes 20 new trees and Sustainable drainage systems (SuDS) within build outs that will calm traffic. Wayfinding measures will be designed with the local community and will embed heritage and art; these will improve access to community assets such as the market, library and community garden. The funding will also cover access improvements to the Hoxton Street community garden. Lighting and pedestrian improvements will be introduced on routes off Hoxton Street, improving the safety and environment for walking between Kingsland Road, Hoxton Street and Pitfield Street. Modular planting, cycle stands and public art will be introduced on Myrtle Street, in collaboration with immediate residents.

12. FOR NOTING

12.1 S106 Capital for Noting

The s106/CIL Corporate Board Meeting dated 19 December 2022 considered and approved the following bids for resource and spend approval. As a result **£140k in 2023/24** was approved to spend in accordance with the terms of the appropriate s106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000
2016/0901	Highway Wk 28 Powell Road, E5 8DJ	28 Powell Road, London, E5 8DJ	29
2016/1354	Highway Wk 2A Forest Road, E8 3BY	2A Forest Road, London, E8 3BY	17
2015/3317	Highway Wk 168-178 Shoreditch High Street	168-178 shoreditch High street London E1 6HU	23
2017/2123	Highway Work 17-33 Westland Place	17-33 Westland Place London, N1 7LP	72
Total Capital S106 for Noting			**140**

12.2 Capital Adjustments For Noting

That the capital programme adjustments in 2023/24, 2024/25 and 2025/26 set out in the table below be noted:

Current Directorate	Budget 2023/24	Change	Updated Budget 2023/24	Budget 2024/25	Change	Updated Budget 2024/25	Budget 2025/26	Change	Updated Budget 2025/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pembury Circus & Amhurst Rd	2,024	2,000	4,024	4,048	0	4,048	4,048	0	4,048
Town Hall Square	500	0	500	1,172	2,000	3,172	1,114	0	1,114
Morning Lane	100	(100)	0	3,454	(3,454)	0	1,350	(446)	904
Total	**2,624**	**1,900**	**4,524**	**8,674**	**(1,454)**	**7,220**	**6,512**	**(446)**	**6,066**

APPENDIX

Appendix 1 - Site Plan of The Old Fire Station, 61 Leswin Road N16 7NX

Appendix 2 - Valuation Report, The Old Fire Station, 61 Leswin Road, N16 7NX (Exempt)

BACKGROUND DOCUMENTS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

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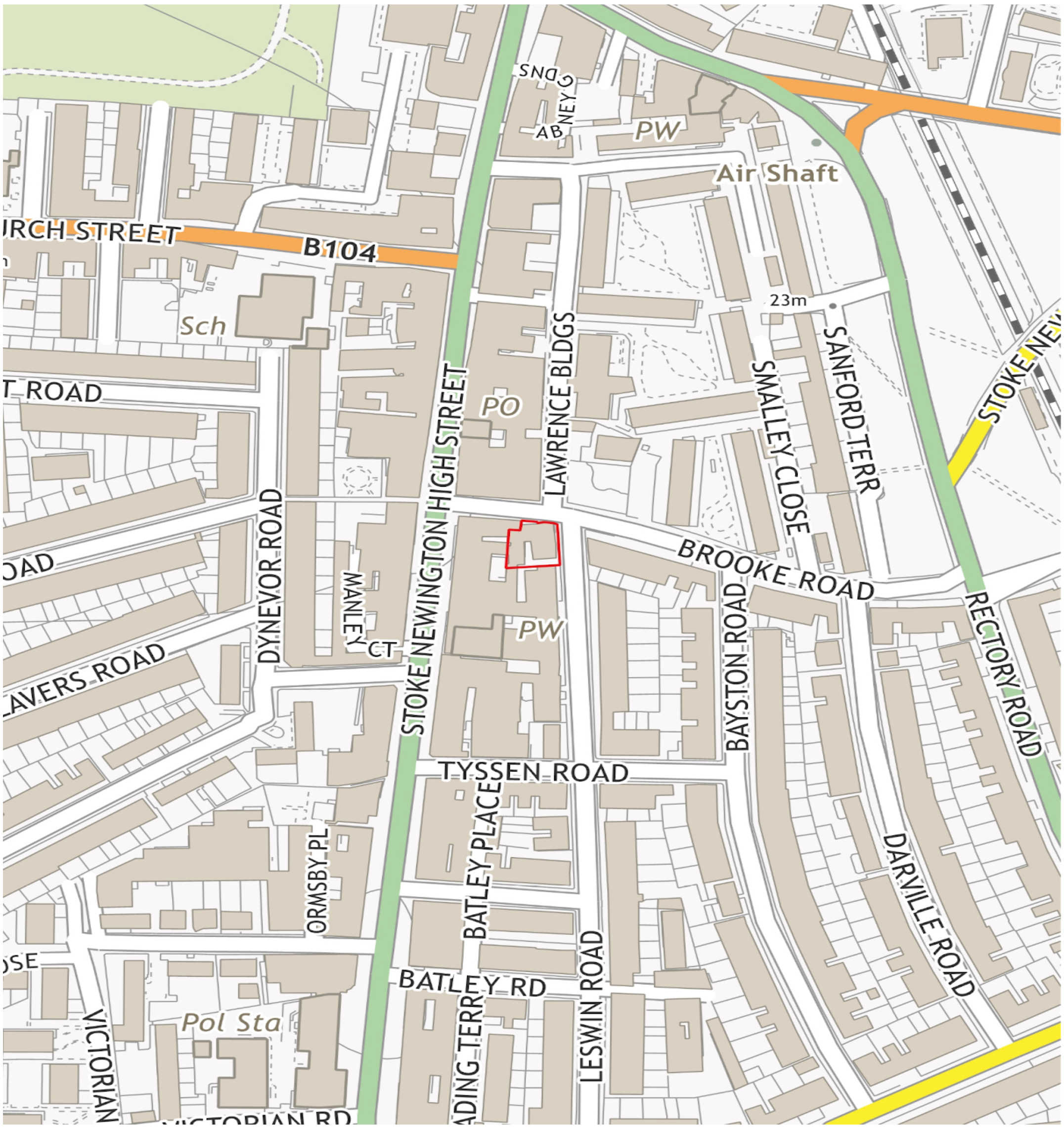
Appendix 1: Site plan



The Old Fire Station, 61 Leswin Road N16
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Hackney

Title of Report	2023/24 Overall Financial Position - August 2023	
Key Decision No	FCR S205	
For Consideration By	Cabinet	
Meeting Date	23 October 2023	
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open Report	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	30 October 2023	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. Cabinet Member's Introduction

1.1 This is the third Overall Financial Position (OFP) report for 2023/24. It shows that as at August 2023, the Council is forecast to have an overspend of £9.300m on the General Fund, an increase of £0.231m from the previous month.

1.2 As can be seen below, the overspend relates to various pressures including:- Adult Social Care (primarily Care Packages, Mental Health and Provided Services); Climate, Homes and Economy (Environmental Operations); Children and Education (Corporate Parenting, Looked After Children and Leaving Care, Disabled Children and Safeguarding and Quality Assurance); F&CR (staffing pressures in Revenues and Benefits and web based computing costs in ICT).

1.3 The financial year in a very challenging position, and, as set out in paragraph 2.5 below, but one which is not unique to Hackney. The Council must, of course, deal with its own position and the Corporate Leadership Team will continue to work on actions to mitigate and contain the forecast, reporting back here on actions taken.

1.4 The Council continues to face serious financial challenges, challenges which we need to continue to address head on if we are to remain financially stable over the longer term.

1.5 Despite the recent small reduction in inflation, and provision in the budget for increases in energy and fuel costs, it will still significantly impact on the Council's services. Hackney's residents will also continue to face significant financial pressures as the inflation surge continues; we set out below details of what the Council is doing to assist residents to manage the impact of the cost of living crisis.

1.6 I commend this report to Cabinet

2. Interim Group Director's Introduction

2.1 The OFP shows that the Council is forecast to have an overspend of £13.924m after the application of reserves but before the application of the set aside as provided for in the budget. The application of this and the additional in-year savings set out in the July OFP reduces the overspend to £9.300m.

2.2 The main areas of overspend are: -

Children's and Education - £2.536m primarily in the areas of Corporate Parenting (i.e. looked after children placements), Looked After Children and Leaving Care, Disabled Children and Family Intervention Support Services.

Adults, Health and Integration - £8.736m primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

Climate, Homes and Economy - £0.853m primarily in Environmental Operations with smaller overspends in Community Safety, Enforcement and Business Regulation, and Streetscene

F&CR - £2.176m - primarily in Benefits, Revenues and ICT. In Benefits and Revenues the primary cause of the overspend is £1.24m of costs associated with additional staff working on debt recovery, demand caused by the cost of living crisis and manual processes which are required while automation software is restored post cyber. The primary cause of the £823k overspend in ICT relates to the costs of cloud computing, which is being reviewed and will be in part mitigated by work that has recently completed to exit the Council's legacy data centre.

SEND - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2023/24 is circa £17.1m, based on current forecasts this will increase to circa £22.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. As stated earlier in this report Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. The grant application has been successful and will be received in October 2023.

2.3 There will also be further pressure as a result of the 2023/24 pay award. This will be met from the use of one-off reserves this year but will need to be factored in the budget on an ongoing basis from next year.

2.4 Given the direction of travel of the forecast towards the end of 2022/23 the fact that we have a considerable forecast overspend is not a surprise. It is also worth noting that this overspend, with the exception of the Chief Executive's directorate, is Council-wide.

2.5 While these pressures are not unique to Hackney, and indeed in areas such as homelessness other boroughs are reporting much more extensive pressures, we have to look to address our own position. There is a concern that if action is not taken the forecast overspend will increase as the year progresses. We need to address this as a leadership team. We have undertaken measures to mitigate the overspend as reported in the July OFP and the leadership team will continue to identify further actions to mitigate the overspend.

2.6 The General Fund financial position for August is shown in the table below.

Hackney

Table 1: Overall Financial Position (General Fund) August 2023

Revised Budget £000	Service Area	Forecast Variance Before Reserves £000	Appropriation to Reserves £000	Reserves Usage £000	Forecast Variance After Reserves £000	Change in Variance from last month £000
		£k	£k	£k	£k	£k
94,995	**Children and Education**	6,476	45	-3,985	2,536	135
126,025	**Adults, Health and Integration**	13,194	160	-4,618	8,736	205
33,679	**Climate, Homes & Economy**	2,746	23	-1,916	853	-105
25,118	**Finance & Corporate Resources**	4,861	241	-2,925	2,176	3
15,062	**Chief Executive**	846	0	-1,223	-377	-7
60,556	**General Finance Account**	0	0	0	0	0
355,435	**SUB TOTAL**	**28,123**	**469**	**-14,667**	**13,924**	**231**
	Less the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber				-3,500	
	Less Corporate Savings				-1,124	
	GENERAL FUND TOTAL	**28,123**	**469**	**-14,667**	**9,300**	**231**

2.7 We are forecasting a significant but not full achievement of the 2023/24 budgeted savings**.** Climate, Homes and Economy (CHE) has achieved £2.508m of the 2023/24 savings plans of £2.858m. The Hackney Commercial Services company saving of £0.350m is being forecast as not being achieved given the company is a year behind schedule and this was a saving expected in year three of operations. The company has not established its market share base yet to deliver the 2023/24 savings target.

2.8 We are also on course to achieving a significant proportion of the 2023/24 vacancy savings. In CHE, the vacancy factor savings agreed as part of the 2021/22 budget are not being achieved in two of the directorate services, Environmental Operations and Community Safety, Enforcement & Business Regulation (CSEBR). The total of non delivery is £753K. The Heads of Service are reviewing services and budget lines to mitigate the impact of this non delivery.

Cost of Living Crisis

2.9 As the Council feels the pressure of rising inflation and interest rates, and increased fuel costs, so do our residents. Hackney already had high levels of poverty, this worsened during the pandemic and now poverty is entrenching and more people are falling into difficulty. The cost of living crisis disproportionately impacts lower income groups, as more of their income goes on essential costs.

2.10 Tackling Poverty has been a key priority for the Council in recent years and we adopted a poverty reduction framework in March 2022. This was informed by work during the pandemic when we tried, from the outset, to focus our response on how those on lower incomes were going to be impacted and campaigning for more funding. We have continued to work closely with the community organisations at the heart of the pandemic response because we always knew more people would be struggling financially coming out of the pandemic.

2.11 The response to the cost of living crisis, which is set out below, is in line with the third objective of the poverty reduction framework which is about responding to material needs, by developing a more coordinated emergency support and advice offer, with more preventative help, linking emergency support with income maximisation and advice and supporting frontline services and community partners on the ground who are best placed to support residents. Ultimately we are trying to create one connected system of support, with the Council, statutory partners and community organisations working together.

2.12 The Council has established the Money Hub - a team of specialist advisors who will support those in severe hardship, who have no other source of monetary support available. In terms of the financial support the Council is able to offer to residents through the Hub, we have the Hackney Discretionary Crisis Support Scheme (HDCSS), which provides one-off payments for emergencies and items that are difficult to budget for. In addition, we also support residents having temporary difficulty meeting housing costs through the discretionary housing payments (DHPs) and have the Council Tax Reduction Discretionary Fund, which allocates out a small cash limited fund to provide discretionary financial help for council tax payers in hardship. Finally the Hub is allocating out £475k of Household Support Fund monies (see below for detail on the Housing Support Fund).

2.13 As well as paying out discretionary funds, the Money Hub works to increase benefits take-up and connect residents with other financial support, including providing housing navigation support and signposting to debt advice. So far:

- Over 7,000 residents have requested support since the team launched in November 2022. More than half of applicants are already in rent or Council Tax arrears.

- The team has distributed £845.5k of discretionary funds, and delivered £1.147m worth of increased incomes through benefits uptake work, mainly through the Council Tax Reduction Scheme (CTRS), Housing Benefit, Universal Credit and Pension Credit. The team is now focusing on outbound campaigns helping residents who are missing out on State Retirement Pension and CTRS.

- The team is delivering positive in year Return on Investment: £1.49 worth of increased incomes for every £1 invested in staffing. This rises to £1: £2.47 over a three year period. We will be continuing to monitor the Return on Investment and we expect that this will rise further.

2.14 On funding distributed from the various funds, thus far we have made the following payments:

- *CTRS Discretionary Hardship Scheme - £13k paid out*
- *Discretionary Housing Payments - £264k paid out*
- *Hackney Discretionary Crisis Support Scheme - £104k paid out*

2.15 Government has awarded a total of £5.6m of Household Support Funding from April 2023 to March 2024. The focus remains on emergency support although there is now some ability to fund the following initiatives:

Children and families 0-19

Total allocation: £3,099,000

Rationale:

- An estimated 32,786 (48%) children in Hackney are living in poverty (on households incomes of £14,000) after housing costs are deducted.
- An estimated 49% of children in poverty live in families where the youngest child is aged 4 or under (total population estimated 20,000)
- There are an estimated 25,000 people in the Orthodox Jewish community and 11,000 (44%) are under 14 and 6,600 (60%) live in households in receipt of benefits, although a very low number claim free school meals even in maintained schools (1% compared with 32% overall).

Vulnerable people known to the Council

Total allocation: £879,900

Rationale:

There are groups of people identified in the Poverty Reduction Framework and analysis of risks and needs who the Council is able to reach directly. These groups include: residents in temporary and supported accommodation (TA/SA), disabled adults and their unpaid carers, foster carers, Special Guardians, Shared Lives Carers and Children in Need.

<u>Breaking down the barriers to reach a wider group of vulnerable residents who are at risk of poverty</u>
Total allocation: £1,406,946

Rationale
There are a wide range of groups identified in the Poverty Reduction Framework and analysis of risks who we need to reach, and, in some cases, they face multiple barriers to accessing help, such as learning disability or language needs, or they would not access help from the Council because of stigma or lack of trust in statutory services.

We need to ensure that a mixed economy approach is taken so we can maximise reach into diverse communities. This means that a range of routes are being employed to reach residents with a financial help offer, as outlined below:

Money Hub £450,946 Government requires us to maintain an open application route to local Household Support Fund (HSF) spend - we are delivering this through Money Hub. This is being spent on food and fuel vouchers to residents in need - 12% of those who have received a voucher have also increased their benefits income through support from the Money Hub.

Income maximisation advice £80,000 The Money Hub team employs two advice workers to enable residents to maximise their incomes by claiming benefits they are entitled to.

Trusted referral partners £241,000 - The **direct referral route for frontline workers from across sectors enables us** to reach residents in need who are least likely to contact a Council helpline, and offer timely support.

Hackney Giving £240,000 - Grant funding community organisations who are set up to deliver financial help to residents enables us to tap into the community reach that grassroots organisations have and offer timely support on the ground.

Community infrastructure organisations £75,000
Grant funding community organisations who will be able to deliver food/fuel help as well as advice to the community.

Citizens Advice £70,000 - Citizens advice will deliver help with fuel costs through the scheme they have already been running in HSF 2 and HSF 3. Residents will be able to top up their metres with a voucher or get a cash alternative if not using a metre.

Food Banks and low cost shops £200,000

We are also retaining 6% toward administration, management, grant management and monitoring, as this is becoming more difficult to sustain across Here to Help (Income Maximisation) and the Policy and Strategic Delivery Teams.

2.16 Our November 2022 Overall Financial Position report identified a further £600k to support poverty reduction. The focus is on either developmental interventions or those that meet the needs of groups that Household Support Fund cannot support, and specifically those with no recourse to public funds In summary resources will support:

- £300k - Tackling Food Poverty in Schools: A task group **has reviewed food poverty affecting children in schools.** The task group has listened to schools and community organisations to inform thinking about how we might expand the FSM offer in a financially sustainable way to a wider group of children and look at models that reduce unit cost, improve quality, but do not simply rely upon Councils picking up the funding. The task group produced a report outlining practical measures for use of the £300k allocation Commission report - Tackling Food Poverty in Education The announcement that the Mayor of London will be funding universal free school meals for the 2023/24 academic year in primary schools is welcomed and will compliment our work

- Money Hub support: topping up grant funding support for in home appliances and investing further in income maximisation officers

- Hardship support and preventative help for those who have no recourse to public funds - this £65k scheme will be launched in September.

2.17 Alongside the direct support that the Council is putting in place, we are doing what we can to support organisations on the ground, who are struggling with rising costs and demands. This is vitally important because it is these organisations that have the greatest reach into diverse communities, can ensure that residents are supported in a more ongoing way at community level, and can access *independent* advice and accredited financial, debt and legal advice when appropriate. For example:

- We worked in partnership with Food Hubs to bring in £170k over three years. We supported the Hackney Food Bank to apply for GLA funding to employ a Co-ordinator for the Hackney Food Network and are now supporting further fundraising to make the best use of surplus food.

3. <u>Recommendations</u>

3.1 To note the overall financial position of the Council as at August 2023 as set out in this report.

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4. Reasons for Decision

4.1 To facilitate financial management and control of the Council's finances.

5.0 Details of Alternative Options Considered and Rejected

5.1 This budget monitoring report is primarily an update on the Council's financial position

6.0 Background

6.1 **Policy Context**

This report describes the Council's financial position as at the end of August 2023. Full Council agreed the 2023/24 budget on 1st March 2023.

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 and Climate Change**

As above.

6.4 **Consultations**

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Cabinet Member for Finance, Heads and Directors of Finance and Service Directors through liaison with Finance Heads, Directors and Teams.

6.5 **Risk Assessment**

The risks associated with the Council's financial position are detailed in this report.

7. Comments of the Interim Group Director of Finance

7.1 The Interim Group Director of Finance financial considerations are included throughout the report.

8. Comments of the Acting Director of Legal, Democratic and Electoral Services

8.1 The Interim Group Director of Finance 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 (Part Two) states that key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Under the Mayor's Scheme of Delegation financial matters are reserved to Cabinet, therefore, this report is being submitted to Cabinet for approval.

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

9. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
93,388	Children and Education	2,536

9.1 CFS are forecasting a £2.5m overspend as at the end of August 2023 after the application of reserves totalling £4m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.3m since July driven mainly within Corporate Parenting due to an increase in client numbers.

9.2 As has been the practice since the grant was announced in 2019/20, the Social Care Grant for both children's and adult social care has been split equally across both services. In 2023/24 the grant was increased by a further £1.5bn nationally, Hackney's allocation is a total of £26.7m this year, which represents a £9.7m increase from 2022/23. Except for a specific Independent Living Fund element of £0.7m which has been allocated to Adult Social Care the remaining £26m has equally shared between Children's Services and Adult Social Care.

9.3 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1m. In 2023/24 corporate savings of £500k have been agreed with a further £500k to be delivered in 2024/25. The service is working towards implementing these proposed changes to the structure from January 2024 via a review of services that will achieve the following:

- Provide best outcomes for children and families
- Enhance the development of the service
- Protect front line practice
- Simplify and provide clearer management oversight
- Creating career development opportunities for staff
- Ensure service resilience and meet business continuity requirements
- Provide cost savings

9.4 The main areas of pressure in CFS continue to be in Corporate Parenting which is forecast to overspend by £1.2m after the use of £1.2m commissioning reserves. Since 2019/20, we have monitored unit costs in different placements types and have seen them significantly increase during this period. This is illustrated in the table below.

	LAC Residential Average		**Independent Fostering Average**		**LAC Semi Independent Average**		**LC Semi Independent Average**	
Unit Costs	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**
2019-20	£3,725	32	£967	143	£1,211	41	£390	104
2020-21	£3,979	35	£987	126	£1,309	36	£529	103
2021-22	£5,399	35	£1,080	131	£1,667	40	£515	166
2022-23	£6,346	30	£1,241	114	£1,996	35	£558	162
2023-24 (at period 5)	£6,122	29	£1,348	114	£2,618	43	£543	96
% increase over 5 year period	**64%**		**39%**		**116%**		**39%**	

9.5 The increase in unit costs has been coupled with a relative increase in the profile of placements linked to the complexity of care for children and young people coming into the service. For example children with very complex mental health needs, which can carry a constant risk of self harm and require round the clock supervision. In addition restricted supply nationally coupled with higher demand results in an extremely competitive market for placements, which drives up costs. At the start of 2023/24 we saw a reduction in residential placements, however placement costs are increasing in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation linked to the cost of living crisis. The forecast has increased by £0.3m since July due to an increase in client numbers and in some individual placements. The forecast generally increases over the summer period due to education provisions finishing for the year leading to children and young people having less structured times. This, combined with carers having holiday plans makes finding new care arrangements particularly challenging leading to the use of more expensive residential homes rather than foster care. As care arrangements settle and as schools resume we would expect the forecasting to shift downwards in the autumn, and this shift downwards has already been factored in and will be monitored during the next few months. The forecast is susceptible to variation due to the demand led nature of the service, depending on the complexity of the arrangement new clients can add a considerable cost.

9.6 The Family Intervention Support Services is showing an overspend of £0.35m which is related to over established posts and agency staff, as well as higher spend in LAC incidental costs.

9.7 The Access and Assessment and Multi Agency Safeguarding Hub have a forecast overspend of £0.2m primarily related to increased staffing costs from over established staff and agency.

9.8 Looked After Children & Leaving Care Services are expected to overspend by £0.4m, and this relates to an increase in commissioning costs and some staffing costs pressures linked to additional posts and agency staff usage to respond to increasing demands in the service.

9.9 The Workforce Development Board has a rolling Social Worker recruitment process which should address the agency premium costs, providing successful permanent appointment of candidates. Competition for social workers, particularly in London, is challenging. This applies both in permanent and agency recruitment. Local authorities are now frequently offering ‘golden handshakes’ and ‘retention bonuses’ along with promises of competitive salaries, career development opportunities and a variety of other benefits.

9.10 The Disabled Children Services is showing an overspend of £0.35m, and this primarily relates to the demand in short break services which is a statutory requirement.

9.11 The Safeguarding and Quality Assurance services are showing an overspend of £0.3m. The quality assurance and improvement team and the safeguarding and reviewing team both have staffing overspends primarily related to agency premium, maternity and long term sickness cover pressures.

9.12 **Hackney Education (HE)** is forecast to overspend by around £4.926m in 2023/24. The underlying overspend across the service is £6.015m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £5.386m pressure in SEND as a result of a continuing increase in recent years of children and young people with Education and Health Care Plans (EHCPs), and this increase is predicted to continue in 2023/24. Discussions with Newton Europe/CIPFA, who are working on behalf of the Department of Education (DfE) and the development of a grant application to secure £1m through the SEND Developing Better Value (DBV) programme have continued in 2023/24. The process started in February 2023 and the now approved grant application includes an action plan to spend the £1m allocation towards targeted workstreams which may help to mitigate some elements of the high needs budget pressures which have contributed towards year on year overspends.

9.13 **SEND** Transport is forecasting a £975K budget pressure in 2023/24 due to increased activity coupled with continuing increases in fuel prices and transport costs. Given the volatility seen in fuel prices since last financial year, this area will continue to be monitored closely. Other areas of overspend are within School Standards and Performance (£5k) and Children's Centres (£624K), reduced income levels are expected to continue within our Early Years service as a result of lower activity levels within services that has been the pattern post-pandemic. There has also been a change in legislation which means previously traded services for attendance and specialist intervention provided to schools are now required to be delivered free of charge.

9.14 Outcomes, Business Intelligence & Strategy (OBIS) directorate - the OBIS directorate has been formed with a mandate to drive transformation across Children and Education. There are two main service areas in OBIS – the Education Operations team and the OBIS Transformation team. There are four priority programmes currently in place which are planned to yield significant benefit for the organisation. These include:

- Creating a universal practice model informed by STAR principles, the aim of this work is to develop and embed a new practice model across Children & Education teams.
- Transforming our existing monitoring, supporting and improving services across C&E.
- Reviewing our traded services and increasing revenue generation.
- Realising the benefits of the recent restructure across our Education Operations team Ensuring that the short, medium and long term operational support that is provided to schools, settings and the Education directorate is of a consistently high quality

The OBIS directorate is expected to break even after the use of £0.5m reserves specifically set aside for the transformation programme. Funding for beyond 2023/24 needs to be identified from existing resources within Children and Education.

9.15 **The Savings/Vacancy Factor** for Children's Services and Education in 2023/24 include £250k through the consolidation of the Children, Education and Health commissioning functions which will allow more effective market engagement and more effective joint commissioning and £500k from a review of the Children and Families staffing structure which is expected to be in place from January 2024. A further £650k has been delivered through a wide-range of targeted and specialist interventions for young people that need extra support, as well as a range of play and sports opportunities on a universal basis, including through Youth Hubs and adventure playgrounds. The £650k is an addition to £350k of savings in 2022/23 from our early help services. All savings are currently forecast to be delivered this year.

9.16 A vacancy rate savings target of £1.7m has been set for the directorate in 2023/24 (£0.9m for Children and Families and £0.8m for Education) and the forecast assumes that this will be achieved or mitigated within respective service budgets. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported through this monthly finance report.

9.17 Many of the **financial risks** to the service that were present in 2022-23 have continued into 2023-24.

One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. In Education, the trend data does illustrate that taxi fares within SEND transport are experiencing increased rates for journeys.

SEND - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2023/24 is circa £17.1m, based on current forecasts this will increase to circa £22.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. As stated earlier in this report Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. The grant application has been successful and will be received in October 2023.

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Early Years - The National reform of the free early years entitlement is expected to have a significant impact on demand for childcare placements, with the greatest shift expected to be for two year olds 30 hour care. There is likely to be significantly more demand for childcare through the proposed reform, specifically for two year olds. Further funding details are awaited and implementation of the reforms will commence from September 2024, the scale of the potential impact is to be assessed when further details are available.

9.18 In addition to budgeted savings further cost reduction measures have been developed for 2023/24.

For CFS, management actions of £1.5m have been identified and these have been factored into the forecast. These include reductions in the number of high cost placements (£0.5m); review of the top 30 high cost placements (£0.3m); a Foster First Approach (£0.5m); and review of agency spend through maximising permanent recruitment and greater challenge through the workforce development board (£0.2m).

For Hackney Education, the focus of cost reduction measures this year will be through further development of in-borough SEND provision and reviewing SEND transport eligibility. Detailed plans continue to be developed for these proposals, and these will be part of discussion alongside the deficit recovery plans being developed with DfE and CIPFA.

10. Adult, Health and Integration

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
126,025	Adults, Health and Integration	8,736

10.1 Adult Social Care is forecasting an overspend of £8.7m (2022/23 outturn position was £7.7m) after the application of reserves of £4.7m and the inclusion of the Social Care Grant allocation of £13.7m.

10.2 As has been the practice since the Social Care Grant was announced in 2019/20, the grant allocation for both children's and adult social care has been split equally across both services. This financial year the grant was increased by a further £1.5bn nationally and this has meant the Council has received a total of £26.7m, which represents a £9.7m increase on the previous year. Children's Services have been allocated £13m and Adult Social Care have each been allocated £13.7m (including the Independent Living Fund £0.7m, now rolled into Social Care grant in 23/24) respectively, and this has been fully factored into the current forecast.

10.3 In 2023-24, the Government introduced the Market Sustainability and Improvement Fund (MSIF) designed to support local authorities to make improvements in adult social care capacity, services and market sustainability. The MSIF Grant is payable in 2023-24 and 2024-25. In total, the fund amounted to £400 million of new funding for adult social care in 2023-24. There is a further £683 million expected in 2024-25. In 2023-24, the MSIF funding was combined with £162 million of continued Fair Cost of Care funding rolled forward from 2022-23 to yield a total allocation of £562m. Hackney's 2023-24 MSIF grant allocation was £3.3m. The Government has now announced that an additional £600m will be provided to adult social care across 2023-24 and 2024-25. £570m will be payable in 2023-24 and 2024-25 through the new MSIF Workforce Fund (£365m in 2023-24 and £205m in 2024-25). The remaining £30m of the announced funding will be paid to "local authorities in the most challenged health systems". Hackney's share of the £365m grant in 2023-24 is £2.1m.

10.4 Local authorities will be able to decide how they choose to focus the funding, in line with local circumstances and priorities but the Statement does draw attention to the same target areas of improvement that are set out for the MSIF.

These are:

- increasing fee rates paid to adult social care providers in local areas
- increasing adult social care workforce capacity and retention
- reducing adult social care waiting times

10.5 Adult Social Services in Hackney is already taking action and pursuing initiatives to support the workforce and provide more capacity within the adult social care sector. The current MSIF funding has been used primarily to support provider fee uplifts based on the Fair Cost of Care exercise completed in 2022, as well as allocating funding towards helping to reduce social care waiting times. This additional round of MSIF funding will continue to help fund these initiatives and any necessary expansion.

10.6 The forecast continues to be adversely impacted by the challenging situation on a number of fronts. Firstly, there has been increased demand seen particularly from hospital discharge for people requiring ongoing social care, and also due to mitigations required to be in place to manage the risk to vulnerable adults as a result of recent and upcoming strike action by NHS staff. This includes significant increases in care package costs to allow care agencies to manage increased risk in the community, additional funding invested in securing taxi transportation for clients to and from hospital in the place of ambulance services, additional commissioned step down and care home placements to help the hospital manage flow, and an increase in staffing to support the hospital with discharge. This increase in demand, and consequent increase in cost to ASC is predicted to continue for at least the next quarter. The Discharge Fund from the DLUHC has provided a grant of £2.3 million for the 23/24 period. However, it's important to note that this funding is specifically designated for additional initiatives aimed at facilitating discharges. It does not address the substantial rise in expenses and demand associated with ongoing care packages. Secondly, there is increasing demand and complexity coming from the community, including new adults requiring long term care, due to deterioration in health or circumstances, higher prevalence of severe mental ill health in Hackney compared to other authorities, and multiple intersecting complexities, including substance use and trauma.

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10.7 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £6m budget pressure (after reserve usage of £2.7m) against an overall budget of £47m. The forecast has moved adversely by £0.4m compared to July position, due to increases in Residential (£0.5m), Supported Living (£0.2m) and Nursing (£0.5m) care costs, partially offset by use of MSIF grant funding (£0.8m) this month. The increased care costs are primarily driven by growth in clients activity (11 new clients) and increased complexity of care needs for existing service users. This service records the costs of long term care for service users including their primary support reason, and the budget overspend reflects both the growth in client activity and increasing complexity of care provision being commissioned. The service has seen a 30% increase in the total number of people receiving care and support since 2019/20. For some services such as home care, the increase is even more significant (43%). In addition to rising demand, unit costs have also increased significantly since 2019/20 due to inflationary pressures including LLW coupled with greater complexity of care in care packages. The ASC budget faces mounting challenges due to both escalating demand and growing costs, which together exert significant pressure on the overall service budget. The tables below illustrate both the rise in demand, and increase in unit costs:

Table 2: ASC Demand 2019/20 v 2022/23

	2019/20	2022/23	% increase
Overall number of ASC service users	2610	3390	30%
Home care provided (hours)	915,297	1,312,959	43%
Residential care (number of placements)	619	626	1%
Supported living (number of placements)	305	398	30%

Table 3: Snapshot Unit costs trend

	2019/20			2022/23			
Service type	**# of Service Users/ Hours**	**Avg unit cost (£)**	**Total cost (£m)**	**# of Service Users/ Hours**	**Avg unit cost (£)**	**Total cost (£m)**	**% Change in Unit Cost**
Home care*	915,297	17.97	16.45	1,312,959	19.16	25.16	7%
Supported Living	279	911	13.79	342	1,241	21.83	36%
Residential	347	970	18.75	388	1,068	21.56	10%
Nursing	157	766	6.72	155	879	7.83	15%

10.8 The council and NEL ICB were allocated discharge funding (£2.3m and £1.1m respectively) for 2023-24 for Hackney. From this overall allocation, £1m of discharge funding has been allocated to support the cost of care packages and enable the efficient discharge of people from hospital, of which £0.4m is currently in the forecast. The overall funding received in relation to supporting care package costs from discharge funds has reduced by £0.8m compared to the previous year. The ICB also contributes a total of £9.2m of funding towards health care costs for service users with learning disabilities as part of the integrated commissioning arrangements with the council.

10.9 **Provided services** are forecast to overspend by £1.8m against a £10.3m budget. The £1.8m overspend is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.5m, offset by underspends on day services of £0.7m. This HwC forecast overspend of £2.5m reflects both the impact of £1m of undelivered savings from 21-22 and 22-23, as well as high levels of staff sickness and the service engaging agency staff to cover these roles alongside additional capacity required to maintain the service. The service is currently undertaking a number of management actions to address both the high level of sickness and agency staff usage, this includes working closely with HR, and Occupational health to reduce sickness levels, medically retiring staff that are no longer able to work, addressing the issues relating to staff members who are on reduced capacity due to medical conditions, as well as offering fixed term contracts to long term agency staff to reduce the dependency on agency usage. The majority of the day service underspend of £0.7m is from the Oswald Street day centre which continues with a limited number of service users as a result of maintenance work needed to the ventilation at the premises. A capital bid for the work required at Oswald Street was submitted, and agreed in the June 23 cabinet. Currently there is a delay in the maintenance work commencing due to the planning application submitted has yet to be approved, once approved works should commence in the latter part of the year.

10.10 **Mental health** is forecast to overspend by £1.2m against a £8.6m budget, an adverse movement of £0.2m on the previously reported position. The adverse movement is primarily as a result of increased Mental Health care costs due to growth in client activity. The Mental Health budget overspend is primarily attributed to an overspend on externally commissioned mental health care services. Adult Services continue to work in collaboration with East London Foundation Trust to reduce the budget overspend as part of the agreed cost reduction measures.

10.11 **Preventative Services** reflects a £0.2m budget underspend against a budget of £7.6m. Primarily due to the Interim bed facility at Leander Court (£0.2m) and Carers services (£0.05m) experiencing lower than expected demand for these services.

10.12 **Care Management and Adult Divisional Support** budget position has moved favourably by £0.2m compared to the previous report position, to an overall budget underspend of £0.4m. The overall budget underspend is primarily due to staff vacancies across the ASC management team, as result of delays in recruitment.

10.13 The **ASC commissioning** budget position is a £0.2m budget overspend, which is unchanged from the previous report position. The ASC commissioning position also includes one-off funding of £0.8m which is supporting various activities across commissioning. This includes additional staff capacity across the Brokerage Team, Direct Payment teams, and funding of extracare services at Limetrees and St Peters. The forecast also includes £1.4m of Discharge Funds (£2.3m LBH, £1.1m ICB), which is supporting the funding of various hospital discharge facilities including interim accommodation and nursing care block placements.

10.14 This directorate is coordinating the council response for the support required for Refugees, Migrants and Asylum Seekers, including the Homes for Ukraine scheme which enables Hackney residents to offer a home to people fleeing Ukraine. There is Government support for the costs being incurred under these schemes and so no cost pressure is currently forecasted. However there is uncertainty about the level of funding we will receive to support Refugees (including Ukrainians), Migrants and Asylum Seekers in future years.

10.15 **Public Health** is forecasting a breakeven position. The Public Health Grant funding allocation for local authorities in 2023/24 has risen to £3.5 billion nationally, representing a 3.3% cash terms increase compared to the previous year's allocation. Hackney's share of the increased allocation is £1.1 million. The 2023/24 grant includes an adjustment to cover the cost of implementing the Botulinum Toxin and Cosmetic Fillers (Children) Act 2021 (our allocation is £15k). The 2023/24 grant will continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant to deliver public health outcomes. This may include public health challenges arising directly or indirectly from the legacy impact of the COVID-19 pandemic.

To ensure the allocated Public Health budget is managed effectively, demand-led services, such as sexual health, are carefully monitored by the service. This monitoring process aims to maintain service provision within the allocated budget for the current and future financial years.

The Hackney Mortuary position reflects £0.2m budget overspend, primarily attributable to ongoing cost pressures in relation to the council's contribution for the coroner's costs.

10.16 Adult Social Care has **Savings** £1.4m to deliver in 2023/24. Savings related to efficiencies of housing related support contracts (£650k), housing related support review (£194k), ASC commissioning (£100k), increased care charging (£250k) and Daycare review (£200k). All of these savings are on track to be delivered this financial year, and are factored into the forecast. There still remains £1m of undelivered savings from previous years in relation to the Housing with Care service 2021/22 (£0.5m) and 2022/23 (£0.5m). Previous years these savings have been mitigated by efficiencies across our Housing related Support contracts, but currently there is real cost pressure of £1m. The service is confident that mitigations will be identified throughout the year.

10.17 **A vacancy rate savings** target of £0.3m has been set for the directorate in 2023-24. The forecast assumes that this will be achieved or mitigated within respective service budgets. Progress against the target is carefully monitored by the AH&I Senior Management Team and reported through this monthly finance report.

10.18 Many of the **financial risks** to the service that were present in 2022-23 continue into 2023-24. The cyberattack continues to have a significant impact on a number of key systems across the local authority. Following the recovery of the basic social care system (Mosaic) in November 2022, further work is ongoing to develop the system including improving important case management functionality. Further to this, Mosaic has not been in place as the primary Social Care Finance system for Adult Social Care for over two years, and further significant improvements are required. The majority of care package information has now been loaded on to Mosaic and the service teams are following up to ensure that all information is up to date and correct. However, until this task is completed and the data verified we cannot be certain that we are fully capturing and monitoring the cost of any additional demand for care. The service is working proactively to ensure that packages are loaded accurately and in a timely manner.

10.19 One of the main risks for the directorate is the ongoing cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. Inflation rates are currently 6.7% as at August 2023, and this not only presents challenges to the Council but also to care providers.

10.20 The current forecast includes only existing service users and does not include any potential costs arising from additional demand above estimated initial demographic growth assumptions. Actual care costs have risen by £7m per year on average over the last 5 years. The table below illustrates the year on year increase on external commissioned care spend.

Gross Outturn - External care commissioned services

	2018-19 (£m):	2019-20 (£m):	2020-21 (£m):	2021-22 (£m):	2022-23 (£m):
Total Outturn	58.9	65.3	72.5	77.9	87.8
Movement on Previous Year	5.8	6.4	7.2	5.4	9.9
% Increase on Previous Year	11.0%	10.9%	11.1%	7.5%	12.7%

10.21 **Management Actions to reduce the overspend**

In addition to budgeted savings, further cost reduction measures have been developed for 2023/24.

For Adult Social Care, management actions of £1.25m have been identified and these are factored into the forecast. These include continuation of the multi-disciplinary panel process (£0.25m); double-handed care package review (£0.2m); direct payment monitoring of accounts (£0.1m); review of agency spend through tighter controls with Head of Service and greater challenge through the Workforce Development Board (£0.1m); working with ELFT to manage the Mental Health overspend (£0.35m) and a commissioning review team (£0.25m).

11.0 Climate, Homes and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
33.679	Climate, Homes and Economy	853

11.1 The directorate is showing a £0.853m overspend after use of £1.916m in reserves, which is a positive movement of £0.105m from the July 2023 reported position. The directorate's main areas of underlying overspend are Environmental Operations, Community Safety, Enforcement and Business Regulation (CSEBR) and Streetscene.

11.2 The last OFP report to Cabinet detailed how the Directorate Leadership Team has worked with the finance teams to take actions to reduce spending and increase income. This yielded an in-year cost reduction of £1.2m reflected last period which arose from holding uncommitted budgets on non staff budget lines, factoring income which is exceeding budgets into the forecast and forecasting underspend on budgets to deliver manifesto and other commitments due to delays in recruiting staff.

11.3 All possible levers to call underspends have been considered. This is a continually moving picture and the position will change over the coming months. We are introducing monitoring processes to ensure that the saving forecast this month can be fully delivered but accept that there are items of expenditure that are essential, such as equipment replacement, which will need to happen to deliver services that may well reduce the forecast saving. In the same way a downward trend in income will impact what we have forecast this month. All Heads of Service in the directorate are aware of the financial challenge facing the Council and will use their best endeavours to deliver the cost reductions.

11.4 The net overspend for **Environmental Operations (EO) and Environment Strategy & Recycling (EWS)** is £1.338m. The projected overspend in EO of £1.427m which is offset by an underspend of £0.089m in EWS, is due to a range of demand-driven challenges, including housing growth, population increases (including temporary influxes), responding to the aftermath of ASB, and emergency responses, all of which have put strain on current resources. Inflation and the cost of living crises have had an additional impact on the service, particularly in the areas of vehicle maintenance and increased consumable expenses, such as PPE and receptacles (sacks and bins).

11.5 Other priorities in terms of addressing the climate emergency have also had an influence on the service budget, which has implications for the operation of our street cleaning function. 5,000 street trees, which impact not only the leafing season but also the spring and summer with blossom, seed, and fruit; LTNs, which impact drive time and fuel usage; e-bikes, scooters, and bike hangers, which cause impediments to cleaning; and Sustainable Drainage Systems (drainage solutions that provide an alternative to the direct channelling of surface water through networks of pipes and sewers to nearby watercourses), which require litter picking and, in some cases, take longer to clean. In addition, the Service responds to emergency calls in the event of flash flooding. When this occurs, services are diverted from their regular duties to respond.

11.6 The principal cost pressures within the service are as follows:

- £0.687m - overspend relating to the impact of increased demand on the service; Since 2013 Hackney has seen household numbers rise by 13,530; this increase in households and the waste they produce has, up until last year, been absorbed into existing rounds and other services as far as possible. This demand pressure has also resulted in non-funded services, such as responsive cleansing of the highways and estates, night time economy cleansing, being delivered to maintain our cleanliness standards across the public realm. However, this increased pressure on services for both refuse collection and street cleansing can no longer be contained within the existing budgets.
- £0.562m - non delivery of previously approved vacancy factor savings. This saving approved in 2021/22 is proving increasingly difficult to deliver especially given the increased pressure on the services as outlined above.

- £0.350m - non delivery of the saving relating to the establishment of the Commercial Waste company. Due to the impact of the pandemic there was a delay in establishing the company and this saving was to be delivered in year 3 following the establishment of the Company. We are just entering year 2 and therefore this saving will not be achieved until 2024/25.
- £0.259m - due to the impact of inflation on material purchasing such as refuse bins and refuse sacks and the cost of a route optimisation system

11.7 The overall overspend of £1.922m can be mitigated in part by steps offered by the Head of Service, which will result in £0.496m in savings to lower the predicted overspend. This position is reflected in the forecast. These recommendations should have little effect on service delivery and performance. The Head of Service will continuously analyse service budgets to seek cost-cutting possibilities in order to reduce overspend while maintaining existing levels of service.

11.8 **Community Safety, Enforcement and Business Regulation** is projected to overspent by £0.207m. This is a £0.012k improvement on the July 2023 position. The overspend relates to the service's continued need to generate vacancy factor savings, which is proving difficult in this vital front-line service. The Head of Service continues to evaluate budget lines in order to uncover opportunities to contain spend.

11.9 **Leisure, Parks & Green Spaces** are forecasting to come in on budget, but there is a risk that the water charges may be a problem where the utilities companies are trying to locate the exact position of an underground water leak on Hackney Marshes.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.223m underspend saving forecast for the service. The forecast underspend is due to the actions taken by management to hold unspent non staff budgets, mainly within the Area Regeneration and Economic Development, to mitigate the Council's forecast overspend. Private Sector Housing (PSH) is forecasting an underachievement in income arising from enforcement notices and inspection fees, £0.140m and licence fee income, £0.072m which has been mitigated by an underspend in staffing budgets due to the delay in appointing Environmental Health Officers to deliver the commitment to enhance the Council's response to Damp and Mould in the private rented sector. There is a further risk relating to PSH licensing income, with the old scheme coming to an end in October 2023 and a new scheme not expected to be rolled out until the 2024/25 financial year. There currently appears to be enough in the PSH licensing reserve to cover this gap, but this also depends on what income is received for the last few months of the current scheme. This risk will be mitigated by use of the reserve funding.

11.11 **Employment, Skills and Adult Learning** are forecasting a small underspend of £0.040m as the majority of expenditure in Adult Learning is covered by grants.

11.12 **Markets** are forecasting a balanced position. There is a risk that the Indoor Markets won't meet their target income for this financial year due to delays in getting the market site fully prepared and operational. The team responsible for the markets is actively engaging with both the contractor and the legal services to explore options for compensation due to the missed deadline.

11.13 **Parking** Is showing an underspend of £0.158m. While parking revenue is projected to broadly balance, a significant concern is the possible inability to generate expected revenue from Penalty Charge Notices (PCNs). There are two primary reasons for this decline. Firstly is the continuous acts of vandalism directed at CCTV cameras in the Low Traffic Neighbourhoods and School Streets. This situation is aggravated by the high costs of fixing and maintaining these cameras. A secondary cause is the maturation of existing CCTV schemes (where compliance has improved), and a reduction in new moving traffic restrictions being implemented. As a result, income from PCNs has dropped by approximately 30% compared to last year. Another area of concern that is emerging is parking suspension. Income over the first 5 months is down by 9% compared to the first 5 months of last year, despite inflationary price increases having been applied. The Head of Service has proposed a number of solutions to mitigate the risk posed by recurring acts of vandalism; these proposals are awaiting approval. The estimated impact and risk to the revenue projections is £1.4m which is being closely monitored.

11.14 **Streetscene** is projecting an overspend of £0.07m with a positive movement of £0.051m from July 2023 position due to delays in recruitment. The challenges posed by inflation and the prevailing cost of living crisis have brought about notable changes in the utilisation of services, consequently diminishing the demand for licences and associated fees. This trend is particularly evident in the context of contributions from companies such as G Network, which has reduced activity across the borough, and a reduction in the issuance of Highways Act Licences. This marked decline in activity across the Service is due to the broader economic challenges in the wider economy.

11.15 **Planning and Regulatory Services** is forecast to underspend by £0.255m due to increased income collection, recovery of income from Proceeds of Crime Act (POCA) as well the non essential spend reviews.

11.16 **Savings/Vacancy Savings.** The directorate has achieved £2.508m of the 2023/24 savings plans of £2.858m. The Hackney Commercial Services company saving of £0.350m is being forecast as not being achieved given the company is a year behind schedule and this was a saving expected in year three of operations. The company has not established its market share base yet to deliver the 2023/24 savings target. The vacancy factor savings agreed as part of the 2021/22 budget is not being achieved in two of the directorate services, Environmental Operations and CSEBR. The total of non delivery is £753K. The Heads of Service are reviewing services and budget lines to mitigate the impact of this non delivery.

11.17 Management Actions to reduce the overspend in 2023/24. Heads of Services are continually reviewing their overspends and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. A review of non-essential spend last period resulted in forecasts being reduced by £1.2m.

11.18 Risks

	Amount £'000
Decline in TfL funding impacting capitalised salaries in Streetscene - we are keeping a watching brief on	TBA
Vehicle Maintenance cost in Environment Operations - based on expenditure 22/23 exceeding the budget significantly. This is due, in part, to more extensive maintenance work to lengthen the life of vehicles. This is being closely monitored to pick up trends early.	510
Assumed savings from operational changes in Environmental Operation - close monitoring of the mitigating actions will be undertaken to track delivery of the savings.	500
NLWA levy for non household waste -increase in tonnage projections reported show an increase in the estimated cost for 23/24.	500
Parking Income - reduction in PCN and parking suspension income due to acts of vandalism and reduced activity from companies in requesting parking bay suspensions to carry out work.	1,400
	2,910

12.0 Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
25,115	Finance & Corporate Resources	2,176

12.1 Finance and Corporate Resources are currently forecasting an overspend of £2.176m after a reserve drawdown of £2.68m. This is an adverse movement of £3k on last month's forecast. The service continues to be impacted by the Cyberattack with significant overspends in Revenues, Benefits and ICT totalling £3.2m

12.2 **Financial Management and Control** are currently forecast to budget after a reserve drawdown of £56k.

12.3 **Education Client** are currently forecast to budget after a reserve drawdown of £14k. The reserve funding is being used to offset the costs associated with the legal fees for the withdrawal of lifecycle funding to the VA schools. Currently, there are 4 schools that have been impacted by this decision and an external legal team has been procured to ensure that there is a resolution. It is anticipated that the costs could change and as a result, we will continue to monitor and report any changes. The overall impact is unknown, and the total overspend will be supported by reserves.

12.4 **Strategic Property Services** are forecasting to break even for the 2023/24 financial year after reserve movements. Commercial Property continues to be affected by the under recovery of income, this being the main budgetary pressure on the service. The Head of Commercial Estates has expressed concerns about the high risk associated with income collection and deferred rents, considering the current fragility of the market. We continue to monitor this however, it is anticipated that the pressure in this area could potentially increase. Other budgetary pressures include additional security services expenditure at the Englefield Road site and Wally Foster Community Centre in order to prevent squatting. These pressures will be mitigated by reserves set aside last year for the fluctuations in commercial property income.

12.5 **Housing Benefits** are currently forecasting an overspend of **£1.24m** after reserve drawdown of £604k. There has been no movement on the previous month's forecast.

- The agency forecast is currently £2m, of which £750k can be either 1) funded by specific grant funding or 2) absorbed by the underspend on permanent staff due to vacancies. The remaining £1.24m pressure is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery and additional demand in the service.
- The NCOB forecast is not currently included in the above table. Eligible error continues to be significantly higher than pre-cyber levels which poses a financial risk however it is too early to provide an accurate forecast. Once the figures have been refined the overspend will be included in the forecast.

12.6 **Customer Services** are currently forecast to budget.

12.7 **Revenues** are currently forecasting an overspend of £643k. This relates to the following:

- £0.5m off-site resources required to access and process the backlog of outstanding work across Council Tax and Non Domestic Rates using the Council’s existing software systems Comino (document imaging) and Academy (revenues system) due to Cyber.
- The remaining overspend relates to the ongoing need for additional staff in the Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax and business rates collection.

There is a possibility that additional grant funding will be awarded to help fund new burdens within the service. If awarded, this will reduce the following month’s forecasts.

12.8 **Soft Facilities Management** is currently forecast to budget.

12.9 **Support Services** is currently forecast to budget.

12.10 **Registration Services** are currently forecast to underspend by £113k. There is no movement on last month and the underspend is as a result of overachieving on income targets.

12.11 **Housing Needs** are currently forecast to budget after a reserve drawdown of £836k. There has been no movement on last month's forecast. The reserve drawdown relates to grant funding received in advance.

There is an £850k agency staffing pressure as a result of the increased demand for temporary accommodation (TA) service. Since 2017/18 the number of TA approaches has increased by 65%.

Currently, this can be offset by reductions in temporary accommodation rental spend as a result of:

1) Higher levels of TA placements in hostels which are the most cost effective type of accommodation within our portfolio.
2) Greater focus on prevention work and the reduction in supply of temporary accommodation (especially private sector lettings) which currently means that only 30% of new TA placements will be placed in temporary accommodation.

This will be reviewed on an ongoing basis and the forecast will be updated to reflect any changes in the availability of TA properties.

12.12 **ICT** are forecasting an overspend of £823k after a reserve drawdown of £726k. The primary cause of the overspend can be attributed to the on-demand cloud computing platforms provided by Amazon Web Services (AWS). Recognising the need to address this cost pressure, management is actively working to identify strategies that will help alleviate the overspend. One such strategy involves discontinuing the utilisation of some legacy data centres. By doing so, the service aims to reduce the annual costs associated with data centre hosting and network connectivity. This step will lead to cost reductions and optimise the service's cloud infrastructure. Furthermore, a comprehensive assessment is underway to evaluate data migration and recovery efforts following the cyberattack. This assessment aims to identify areas where expenditure related to cloud hosting can be minimised without compromising data security and operational efficiency.

By implementing these measures, the service anticipates a decrease in the overspend and a more cost-effective utilisation of cloud computing resources. Additionally, it is worth noting that the service is already mitigating the overspend in the current position due to holding a number of vacant posts resulting from a recent restructure. These vacant positions are planned to be fully occupied within the last quarter of the financial year.

12.13 **The Audit and Anti-Fraud** service is forecasting an underspend of £129k. The overall underspend is due to the service holding vacant posts and a reduction in agency expenditure.

13.14 **Directorate Finance Support** Teams are forecasting an underspend of £159k. This is an adverse movement of £20k on last month's forecast and is as a result of additional agency staff required to cover vacant posts on an interim basis whilst permanent recruitment takes place.

12.15 **Procurement** is currently forecast to overspend by £9k, which is an adverse movement of £9k on last month's forecast.

12.16 **HR & OD** is currently forecast to underspend by £140k. There is no movement on last month's forecast and the forecast underspend is due to holding posts vacant for an extended period of time.

12.17 All of F&CR **Savings** and the **Vacancy Savings** are forecast to be achieved

12.18 The main areas of potential financial risks within F&R, where the forecast may see increases in the coming months are :

- Net Cost of Benefits - Loss of subsidy from Local Authority (LA) error & increase in the Bad Debt Provision (BDP).

- Customer service costs depending on the level of demand.

13.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
15,126	Chief Executive	-377

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.377m following the use of £1.2m of reserves. This is an improvement of £0.007m and continues to reflect the impact of cost reductions actions taken by the directorate to support the Council's forecast overspend.

13.2 **Communications, Culture & Engagement** is forecasting an underspend of £0.15m, an improvement of £0.022m from the July forecast. This underspend is arising from a forecast overachievement in venues and film location income. All the income streams are monitored closely to identify trends and pick up any potential fall in activity which reduces income so that mitigating actions can be taken to respond.

13.3 **Legal, Democratic & Electoral Services** Legal, Governance & Elections is forecasting an underspend of £0.24m, a deterioration of £0.017m from the forecast as at July. The small revision arises from updated staffing forecasts. The remaining underspend reflects the directorate's response to the Council's overall overspend which arises from underspends from the delay in filling posts to improve member casework (the forecast for this service assumes full implementation by 1st October); and holding unspent non staff budgets across the service. In addition the forecast underspend reflects a number of vacancies across the services, the service is achieving its vacancy factor and will be recruiting to vacant posts over the coming months. This is reflected in the forecast.

13.4 **Libraries & Heritage** Libraries & Heritage is currently forecasting a £0.044m overspend, in line with the July position. The main drivers for the overspend position are non delivery of income targets with very little take up for room bookings, along with additional premises operational costs. Increased NNDR costs are being met with additional reserve support. There is a small risk of non achievement of vacancy factor savings detailed below.

13.5 The directorate is on target to deliver the approved **Savings**.

13.6 A summary of **risks** to the service going forward are:

- There is a risk of not achieving the £0.108m vacancy savings in the Library Services due to the time it is taking to recruit to all the new posts in the restructured service and the need to retain some old unbudgeted posts during the transition period to keep this frontline service open.

- Not achieving the external income target of £0.563m in legal services is a risk. Income was £67K (13%) below target in 2022/23 and this may continue into 2023/24. The income risk is due to the slowdown in the development activity across the borough. The income generated from capital recharges, property and S106 agreements has reduced in the last couple of years. This forecast shows achievement to budget and a review of activity will be carried out to inform the forecast for the end of financial quarter two. We continue to monitor this risk closely.

- Whilst we are currently forecasting an overachievement of income from our venues and film location service the non delivery of income remains a risk. The cost of living crisis and high inflation continues and these income streams are particularly sensitive to the impact of the current economic situation. We will continue to monitor income streams closely as part of our OFP reporting.

13.6 **Management Actions to reduce any overspends.** The Directors and Heads of Service will continually review their budgets to identify opportunities to reduce reserve use and mitigate any potential income shortfalls.

14.0 HRA

The HRA is forecasting to draw down £1m from reserves in order to breakeven for 2023/24. This reflects the decision taken in April to phase the increase to the Council’s district heat networks over two years The forecast outturn position and future performance remain subject to the risk factors described in this report.

Income

A review of HRA income was undertaken based on the Housing Finance system report, this has led to variances across all income categories. Further refinement of the income forecasts was undertaken during the period.

- **Dwelling rents** Although dwelling rent income is forecast to come in on budget there are variances within the income streams. The rental income forecast for temporary accommodation, reflecting the use of vacant homes across our housing regeneration programme estates, has reduced which reflects the decanting of properties for the next phases of the developments. This has been offset by an increase in the forecast for rent which is due to the new permanent tenancies starting in-year reflecting an improvement in void turnaround times.
- **Non-dwelling rent** is forecast to be £817k above budget as a result of increased income from garages and community halls generated by the new online booking system, along with a forecast increase in commercial rent income.
- **Income from Tenant Charges** is forecast to be £959k over budget as a result of increased income collected within the Housing Finance System, which largely relates to Landlord lighting reflecting increased costs of energy.
- **Other Charges for Services and Facilities**, the reduction in forecast income of £717k is mainly due to the management fee collected as part of major works billing. A review of major works bills is currently being undertaken by the homeownership team to establish the level of income expected for 2023/24.

Expenditure

- **Housing Repairs Account -** Overall there are significant changes from last month to the forecast mainly driven by Reactive Repairs £2m forecast overspend and Repairs Contact Centre (RCC) £200k forecast overspend.

  Reactive Repairs have been significantly high in terms of both number of jobs and value of jobs. In total the year to date spend is around £6.3m after 5 months of the year. If the current trend continues through the rest of the year reactive repairs spend for the full year is forecast to be around £15m to £16m. This is driven by lack of capital programme, damp and mould works, increase in the number of complaints and the cost of our response, and increases cost of labour and materials.

  RCC is forecast to overspend by £200k but this could increase during the rest of the year. The volume of phone calls is still significantly high, whereas we would expect a dip in the summer period. This is being driven by the increase in the number of reactive repairs and complaints associated with them.

- **Special Services** - the overspend of £2.689m mainly relates to gas and electricity. Energy prices have significantly increased for 2023/24 which has been reflected in the forecast. Also, there is an overspend on lifts due to works required on maintenance and renewal. The lift procurement contract has been delayed resulting in a forecast overspend. There is also a forecast overspend on ground maintenance due to additional agency staff and forecast increased spend on hardware maintenance fees.

- **Supervision and Management** - there is an underspend (£784k) due to a reduction in allowances to be paid to TMO's as service responsibilities were handed back to the Council after the 2023/24 budget was set. Also there are a number of vacancies within Asset Management, a recruitment drive is currently underway and staff are expected to be in place for the last quarter of the year. There are also some additional forecast overspends in other areas including £200k on the call centre.

- **Rents, Rates, Taxes and Other Charges** - the favourable variance is due to a confirmation that Christopher Addison House is no longer a HRA asset and therefore the budget has been moved accordingly. There is also an increase in the forecast for business rates on Community Halls and HM Offices.

Risks

Area	**Amount £000's**
Gas and Electricity prices have more than doubled compared to 2022/23 and so there is a significant risk that the gas and electricity charged to the HRA will be substantially above the current forecast. The estimated charge is yet to be verified by the Energy Management Team.	TBC
The 2023/24 pay award is yet to be agreed by trade unions, however the current award would add an additional £3.2m to the cost of the HRA. There are currently a number of areas of spend under review within the HRA, unless additional efficiencies can be identified the additional cost may need to be funded from Reserves.	2,000
DLO - the forecast overspend could increase up to £1.9m, this will be offset against the capitalisation of revenue works.	0
	2,000

There remain several other risks within the HRA budgets which could have a further financial impact as detailed in the commentary above. These will be continuously monitored and communicated to Senior Management as the year progresses. In addition, these risks will be fed into the HRA 30 Year Business Plan. The Business Plan is being reviewed and updated over the next few months and will then set a strategic level budget for 2024/25 to inform detailed budget setting.

Appendices

None

Background documents

None.

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