
# CABINET SUPPLEMENTARY PAPERS

Monday, 22 January 2024 at 5.30 pm

**Members of the Committee:**
Mayor Caroline Woodley (Chair)
Councillor Anntoinette Bramble, Statutory Deputy Mayor and Cabinet Member for Education, Young People and Children's Social Care (Vice-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 OBE, 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

**Deputy Cabinet Members**
Councillor Sem Moema
Councillor Sade Etti

**Dawn Carter-McDonald**
**Interim Chief Executive**
**Published on: Thursday, 18 January 2024**
www.hackney.gov.uk

Contact: Mark Agnew
Governance Officer
governance@hackney.gov.uk

# Cabinet
# Monday, 22 January 2024
# Order of Business

8 **F S213 2023/24 Overall Financial Position Report - November 2023** (Pages 9 - 56)

The finalisation of this report was delayed to allow the inclusion of additional information.

10 **F S241 2024/25 Council Taxbase and Local Business Rates Income Report** (Pages 57 - 70)

After the Government's recent introduction of changes to the Business Rates system, additional time was required to process information for inclusion in the report.

This report is covered by s.106 of the Local Government Finance Act 1992. This provides that if a Member owes two or more months' arrears of Council Tax, they are obliged to disclose this fact to the meeting and not vote on the matter. Failure to comply is a criminal offence punishable by a fine.

## Public Attendance

The Town Hall is open. Information on forthcoming Council meetings can be obtained from the Town Hall Reception.

Members of the public and representatives of the press are entitled to attend Council meetings and remain and hear discussions on matters within the public part of the meeting. They are not, however, entitled to participate in any discussions. Council meetings can also be observed via the live-stream facility, the link for which appears on the agenda front sheet of each committee meeting.

On occasions part of the meeting may be held in private and will not be open to the public. This is if an item being considered is likely to lead to the disclosure of exempt or confidential information in accordance with Schedule 12A of the Local Government Act 1972 (as amended). Reasons for exemption will be specified for each respective agenda item.

For further information, including public participation, please visit our website https://hackney.gov.uk/menu#get-involved-council-decisions or contact: governance@hackney.gov.uk

## Rights of Press and Public to Report on Meetings

The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on Councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to

respect the wishes of those who do not wish to be filmed or photographed. Failure to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;

- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

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# Advice to Members on Declaring Interests

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.

**Advice to Members regarding restrictions on voting for Members with council tax arrears**

Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to all elected members where:

They are present at a meeting of the Council, Cabinet or any Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months; and

Any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such members shall at the meeting, and as soon as practicable after its commencement, disclose the fact that section 106 applies to them and they may not vote on any question concerning the matters outlined in paragraph 12(b) above, although they may speak on those matters.

The application of Section 106 is very wide and there have been successful prosecutions under this legislation. It can include meetings held at any time during the year, not just the annual budget meeting, and it may include meetings of committees or sub-committees as well as Council meetings. Members should be aware that the responsibility for ensuring that they act within the law at all times rest solely with the individual Member concerned.

Failure to comply with the requirements under section 106 is a criminal offence unless the member can prove that they did not know (a) that the section applied to them at the time of the meeting or (b) that the matter in question was the subject of consideration at the meeting. Thus unwitting Members who for example can prove that they did not know and had no reason to suppose at the time of the meeting that their bank has failed to honour a standing order will be protected should any prosecution arise.

With regard to applications for benefits, it would not be enough to state that an application has been submitted which has not yet been determined, as the liability to pay remains pending any determination.

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Hackney

| | | |
|---|---|---|
| **Title of Report** | 2023/24 Overall Financial Position - November 2023 | |
| **Key Decision No** | FCR S213 | |
| **For Consideration By** | Cabinet | |
| **Meeting Date** | 22 January 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** | 31 January 2023 | |
| **Group Director** | Jackie Moylan, Interim Group Director, Finance | |

## 1. Cabinet Member's Introduction

1.1 This is the sixth Overall Financial Position (OFP) report for 2023/24. It shows that as at November 2023, the Council is forecast to have an overspend of £11.376m on the General Fund, an increase of £1.015m from the previous month. The increase in the overspend is primarily due to: -

(a) A £0.4m increase in Childrens and Education, primarily driven by an increase in client numbers and the cost of placements in Corporate Parenting; and

(b) A £0.5m increase in Adults Health & Integration primarily in Care Support Commissioning largely driven by increases in long term care costs.

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 and Family Intervention Support Services); F&CR (staffing pressures in Revenues and Benefits and web based computing costs in ICT).

1.3 In this financial year, the Council is in a very challenging position and, as set out in paragraph 2.5 below, we are not unique in this regard. The Council must, of course, deal with our 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. It is essential that we continue to address this challenge head on if we are to remain financially stable over the longer term.

1.4 Despite the recent small reduction in inflation, and taking into account the provision in the budget for increases in energy and fuel costs, this is still significantly impacting on the Council's services. Hackney's residents 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.

1.5 On 18th December 2023, the Government published the 2024-25 Provisional Local Government Finance Settlement which set out many of our key funding allocations for this year. The increase in the Government's measure of our resources - Core Spending Power (CSP) - will still leave us significantly below our 2010 real terms funding levels; and the combination of high inflation, pay settlements and increasing demands is impacting many of our services, and as a consequence, we will still have to make significant savings to balance the budget next year.

1.6 Of particular concern is the huge reduction in the Services Grant (84%). Our entitlement has reduced from £4.5m in 2023-24 to £0.7m in 2024-25 and we had no prior warning of this reduction.

1.7 I also remain concerned that in the calculation of Core Spending Power, what is presented as "making available" funding is in large part, the making available of the ability for councils to raise council tax to make good shortfalls in government funding. This hurts our community, especially given the regressive nature of council tax, and the additional burden this places on residents already suffering multiple pressures through the "cost of living" crisis.

1.8 I am also disappointed that there is still no sustainable funding solution for social services and more generally, extremely disappointed that once again, this Settlement demonstrates a short-term approach rather than a considered long-term funding strategy for local government. Further, there is no information about funding streams in 2025-26 and beyond, which hinders the ability of our council to plan budgets and deliver the maximum value for money for local residents.

1.9 More detail on the Settlement is presented in the Group Director's introduction below.

1.10 In this report we also recommend for approval the third tranche of budget proposals as we work towards closing the Medium Term Financial Plan

(MTFP) Gap of an estimated £57m for the 2024/25 to 2026/27 period. The specific proposals put forward this month relate to Children's Services and Discretionary Spend, and further details are set out below.

1.11 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 £16.867m after the application of reserves but before the application of the additional in-year savings set out in the July OFP and two further mitigations both of which are one off. The first mitigation is the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber (£3.500m); and the second is the backdated refund from HMRC (£0.867m) reported in the September OFP. The application of the savings and mitigations reduces the overspend to £11.376m - an increase of £1.015m since October. This will be funded by applying the 2023-24 corporate provision, the 2023-24 localised business rates pool surplus, the underspend on the 2023-24 General Finance Account and reserves

2.2 The main areas of overspend are: -

**Children's and Education** - £4.194m primarily in the area of Corporate Parenting (i.e. looked after children placements). There are also smaller overspends in Looked After Children Leaving Care and Family Intervention Support Services.

**Adults, Health and Integration** - £9.740m primarily in the area of Care Support Commissioning with smaller overspends in Provided Services and Mental Health.

**Climate, Homes and Economy** - £0.936m primarily in Environmental Operations with a smaller overspend in Community Safety, Enforcement and Business Regulation.

**F&CR** - £2.246m - primarily in Benefits and Revenues and ICT. In Benefits and Revenues the primary cause of the overspend is £1.241m 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 £626k 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 £20.6m 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 tranches from December 2023.

2.3 There is further pressure as a result of the 2023/24 pay award (£6.5m in addition to what we had budgeted for). 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 and this has been taken account of in our budget planning for 2024/25.

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 disappointing but 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, notwithstanding we have experienced a significant increase in costs in this area this month, other boroughs are reporting much more extensive pressures, we have to look to address our own position.. 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 reduce the forecast overspend.

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

Table 1: Overall Financial Position (General Fund) November 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 | £k |
| 95,001 | **Children and Education** | 8,352 | 135 | -4,293 | 4,194 | 404 |
| 126,029 | **Adults, Health and Integration** | 15,680 | 160 | -6,099 | 9,740 | 491 |
| 33,792 | **Climate, Homes & Economy** | 4,712 | 64 | -3,840 | 936 | 59 |
| 25,243 | **Finance & Corporate Resources** | 4,337 | 281 | -2,372 | 2,246 | 68 |
| 15,408 | **Chief Executive** | 2,758 | 179 | -3,185 | -249 | -7 |
| 59,962 | **General Finance Account** | 0 | 0 | 0 | 0 | 0 |
| **355,435** | **SUB TOTAL** | **35,839** | **819** | **-19,789** | **16,867** | **1,015** |
| | **Less the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber** | | | | -3,500 | |
| | **Less Corporate Savings** | | | | -1,124 | |
| | **Less Backdated HMRC Refund** | | | | -867 | |
| | **GENERAL FUND TOTAL** | **35,839** | **819** | **-19,789** | **11,376** | **1,015** |

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 this year 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. There has also been a delay in achieving the full year effect saving of £500k in the Children's and Education staffing review however one-off contributions from grants and other areas have mitigated this in this financial year.

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.

2.9 **Closing the Budget Gap - Further Savings**

The MTFP sets out the estimated budget gaps over the period 2024-25 to 2026-27, i.e.

| Year | 2024/25 £m | 2025/26 £m | 2026/27 £m |
|---|---|---|---|
| Medium Case | 22.162 | 39.692 | 57.583 |

In the May OFP, Cabinet approved two proposals to increase budgeted income in 2024-25 to 2026-27 (Parking and Estates) which will reduce the budget gap by a total of £3.55m in 2024-25 and by £4.8m over the three years. In December, Cabinet approved a further 5 areas of savings, which will reduce the gap by a further £5.222m in 2024-25 and by £15.360m over the three years.

Two further tranches of savings are proposed - the first relates to Children's Services and the second relates to discretionary spend reductions across various services. Further detail on both is given in **Appendix 1**

**Children's and Education Savings Proposals**

| Proposal | 2024/25 £m | 2025/26 £m | 2026/27 £m | Total £m |
|---|---|---|---|---|
| **Young Hackney** | **0.50** | **0.50** | **0.00** | **1.00** |
| **SEN Transport** | **0.25** | **0.25** | **0.00** | **0.50** |
| **Children's Centres** | **1.10** | **1.00** | **1.90** | **4.00** |
| **Children and Education Service Transformation** | **0.25** | **0.75** | **0.00** | **1.00** |
| **Total Savings** | **2.10** | **2.50** | **1.90** | **6.50** |

Children's and Education Services are proposing a total of £6.5m savings over the three years. £2.1m will be delivered in 2024-25. These savings have followed the CYP scrutiny process but have required further discussion with scrutiny members and the provision of additional information to clarify these proposals. An additional meeting was held prior to Christmas and no further information has been requested.

## Discretionary Expenditure Savings

| | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
|---|---|---|---|---|
| Changes to Cash Payment Channels | 141 | | | 141 |
| Communications and Engagement (one off) | 170 | | | 170 |
| Love Hackney | 40 | 40 | | 80 |
| Charging for Green Waste Collections | 350 | 118 | | 468 |
| Community Safety Intelligence Hub | 220 | | | 220 |
| Enforcement Service | 301 | 101 | | 402 |
| Private Sector Housing (one off) | 200 | | | 200 |
| Parks and Green Spaces | 70 | | | 70 |
| Regeneration and Economic Development | 200 | | | 200 |
| Libraries Service (one off) | 175 | 73 | | 248 |
| **Total** | **1,867** | **332** | **0** | **2,199** |

£1,867k of savings in discretionary spend are proposed for 2024-25, However, it is important to note that £545k of the 2024-25 savings are one-off and will not rollover into future years. A further £73k savings proposed for 2025-26 are also one-off.

2.10 **2024-25 Provisional Local Government Finance Settlement**

The key points of the Statement that impact on Local Government are as follows: -

- Core Spending Power (CSP) will increase by 6.5% in cash terms across England and 6.4% for London boroughs in 2024-25.
- The Council Tax referendum threshold will remain at 3%. Eligible local authorities can set an adult social care precept of up to 2% without a referendum.
- Compensation for under-indexation of the business rates multiplier will total £2.6bn in 2024-25, an increase of £377m in 2024-25
- The CSP funding guarantee introduced in 2023-24 continues in 2024-25 to ensure authorities receive a minimum 3% increase (before local council tax decisions).
- The Social Care Grant will increase by £692m in 2024-25 to £4.5bn (£114m in London or a 18.5% increase). The majority of this will be allocated using the ASC relative needs formula.
- The Market Sustainability and Improvement Fund (MISF) will be £1.1bn in 2024. This now includes the rolled in MSIF Workforce fund

with total funding levels between the two funds unchanged from 2023-24.

- The Improved Better Care Fund (IBCF) will continue with the same quantum and distribution as 2023-24. The ASC Discharge Grant will increase by £200m nationally using the existing IBCF grant formula.

- The New Homes Bonus will continue in 2024-25 as an annual grant at the same level and using the same calculations as the previous year.

- Services Grant will reduce by £406m in 2024-25 to £77m in England, and a proportion will be held back as contingency for any unexpected movements (e.g. within the New Homes Bonus Grant).

- Schools Funding, Public Health and Homelessness Prevention Grant allocations have not yet been announced.

- The Government launched a data collection exercise and is seeking to consult on the potential of using financial levers in future settlements to disincentivise the practice of implementing a four-day working week.

2.11 We are working through the details of the report but if the savings proposed in this report are approved we will be left with a £2m budget gap, and this will be closed largely as a result of the inflationary provision in the Settlement. The inflationary increase (6.7%) that was applied to various of our funding streams, such as revenue support grant, top up grants and certain S31 grants, was higher than that which we had assumed in our forecasting as a result of inflation reducing more slowly than forecasters anticipated. The gain here though, was of course reduced by the significant reduction in the Services Grant (84%).

2.12 It is clear though, that the funding in the Settlement does not provide enough to meet the severe cost and demand pressures Hackney and other Councils face next year and in future years. The LGA have estimated, for example, that “The settlement means councils still face a £4 billion funding gap over the next two years”. The financial situation therefore remains extremely challenging going forward. In terms of future years we have no indication whatsoever of our future funding levels but one thing that we do know is that we cannot rely on inflationary increases in funding in future years, to reduce budget gaps - the inflation rate fell to 3.9% in November 2023 and is likely to fall still further in 2024.

**Cost of Living Crisis**

2.14 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 and 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.

2.15 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.

2.16 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.

2.17 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).

2.18 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:

- 8,520 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 £983k of discretionary funds, and delivered £1.57m worth of increased incomes through benefits uptake work, mainly through the Council Tax Reduction Scheme (CTRS), Housing Benefit, Universal Credit and Pension Credit.

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

- *CTRS Discretionary Hardship Scheme - £24k paid out*
- *Discretionary Housing Payments - £540k paid out*
- *Hackney Discretionary Crisis Support Scheme - £117k paid out*

2.20 Government has awarded a total of £5.6m of Household Support Funding (HSF) 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: £3,075,100**

**Rationale:**

- An estimated 32,786 (48%) children in Hackney are living in poverty (on household incomes of less than £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.

**Breaking down the barriers to reach a wider group of vulnerable residents who are at risk of poverty**
**Total allocation: £1,340,946**

**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 £545,946** 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.

From Quarter 3, an additional £70,000 has been allocated to the Money Hub to support households moving into social housing from temporary accommodation with large household items.

**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 £200,000 -** 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 £65,000**
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 £140,000 -** This funding supports food partners to provide food to residents who are struggling financially.

We currently have an underspend of £89,900 and we are exploring options for reallocation. We are looking to support migrants who have recently achieved right to remain status and are awaiting benefits, and plan to use some underspend to cover a thorough evaluation of the Household Support Fund programme with support from University of Sheffield.

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.

Any continuation of the Household Support Fund into the 2024-25 financial year was not mentioned in the Chancellor's Autumn Statement on 22nd November 2023 nor in the 2023-24 Provisional Local Government Finance Settlement. Subsequent press reports suggest that this funding will not be available in the next financial year although we have not received official confirmation at the time of writing. The Council will need to consider its future approach to crisis response depending on the outcome. The Tackling Poverty and Inequalities team is setting up a number of communications with internal and external funding partners about possible mitigations and support across the network given this risk of the fund ending.

2.21 Our November 2022 OFP report identified a further £600k to support poverty reduction. The team has distributed £1m of discretionary funds, and delivered £1.32m worth of increased incomes through benefits uptake work. 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 Free School Meals 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 providing the funding. The task group produced a report outlining practical measures for use of the £300k allocation. The announcement that the Mayor of London will be funding universal free school meals for the 2024/25 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 was launched in September.

2.22 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 Coordinator for the Hackney Food Network and are now supporting further fundraising to make the best use of surplus food.

**3. Recommendations**

**3.1 To approve the savings set out at paragraph 2.9 of this report.**

**3.2 To note the overall financial position of the Council as at November 2023 as set out in this report.**

**4. Reasons for Decision**

4.1 To facilitate financial management and control of the Council's finances and to approve the savings schemes.

**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 November 2023. Full Council agreed the 2023/24 budget on 1st March 2023.

6.2 **Equality Impact Assessment**

Guidance from the Equality and Human Rights Commission advises that the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. This means that alongside ensuring that equality impact assessments are carried out for individual decisions that have a material impact on staff or residents, we also undertake a cumulative impact assessment when there are a range of savings or changes being proposed at the same time.

Hackney

Equality impact analysis was undertaken as part of developing individual savings proposals. This analysis has been used to pull together the cumulative impact assessment that has been shared iteratively with decision makers so that it can support final decisions going into the budget 24/25. A final cumulative equality impact assessment will be published along with the final budget for 24/25. This analysis can then inform corporate planning for 24/25 and beyond.

6.3 **Sustainability and Climate Change**

As above

6.4 **Consultations**

Relevant consultations have been carried out in respect of the forecasts and savings contained within this report involving the Cabinet Member for Finance, Insourcing and Customer Service, the Mayor, Scrutiny, 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.

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(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 |
| 95,001 | Children and Education | 4,194 |

9.1 **Children and Families Services (CFS)** are forecasting a £4.194m overspend as at the end of November 2023 after the application of reserves totalling £4.2m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.4m since October driven mainly within Corporate parenting due to an increase in client numbers but also an increase in the cost of a number of placements due to increasing provider rates, although rate increases are always challenged annual increases to unit costs do have to be negotiated and agreed.

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 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 with formal consultation planned for early 2024, this has led to a delay in achieving the full year effect saving of £500k however one-off contributions from grant and other areas have mitigated this in this financial year. A review of services 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 £3.1m after the use of £1.4m 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 6)** | £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 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 and holiday periods during the summer and winter have historically experienced spikes in demand and pressure on the budget due to care arrangements breaking down. 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.

9.6 **The Family Intervention Support Services** is showing an overspend of £0.5m 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 an overspend of £0.3m 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 £0.2m, 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 £0.2m. 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 £3.454m after the use of reserves in 2023/24. The underlying overspend across the service before reserves is £5.096m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £3.966m 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. The forecast has been reviewed based on trend and reduced by £0.8m from the previous month, £0.5m of this movement relates to the application of reserves in relation to SEND Transport towards increasing fuel costs. 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 (this is included in the overall £3.966m overspend above). Given the volatility seen in fuel prices since last financial year, this area will continue to be monitored closely, £0.5m of corporate reserves have been applied this month towards these increased fuel costs. Other areas of overspend are within Education Operations (£80k) and Early Years which includes Children's Centres (£633K). Reduced income levels are expected to continue within our Early Years service as a result of lower activity levels within services, which 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 The **Outcomes, Business Intelligence & Strategy (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 increase 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,** Savings 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 in early 2024. Implementation later than originally planned has meant that one-off grants and underspends in other areas have been used to mitigate this saving in 2023/24. 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.

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 and this has had an impact in the movement in the forecast. 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 £20.6m 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 tranches from December 2023.

**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 have been received and implementation of the reforms will commence from September 2024, and the scale of the potential impact is currently being assessed.

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, in particular the development of in-borough SEND provision has been factored into our SEND deficit recovery plans being developed with the DfE and CIPFA.

## 10. Adult, Health and Integration

| Revised Budget | Service Area | Forecast Variance After reserves |
|---|---|---|
| £k | | £000 |
| 126,029 | Adults, Health and Integration | 9,740 |

10.1 Adult Social Care (ASC) is forecasting an overspend of £9.74m (the 2022/23 outturn position was £7.7m) after the application of reserves of £6.1m and the inclusion of the Social Care Grant allocation of £13.7m. This represents an adverse movement of £0.5m from the October position.

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 mitigations have also been required to be in place to manage the risk to vulnerable adults as a result of recent 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.

10.7 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £7.4m budget pressure (after reserve usage of £3m) against an overall budget of £47m. The position has moved adversely by £0.7m compared to the previously reported position, largely driven by increases in long term care costs (Residential +£1.2m, Home Care +£0.5m & Supported Living +£0.3m) offset by MSIF 2 and Discharge grant funding of £1.1m and joint funding income of £0.2m this month. The increased cost of care continues to be primarily driven by growth in new clients as well as increased complexity of care needs for existing service users. This overall 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 London Living Wage (LLW) coupled with greater complexity of care in care packages. ASC has been allocated a total of £14m of budget growth (excl employee related pay growth) primarily to support provider inflation uplifts (incl LLW) and demographic growth over the last 5 years, in addition grant funding for Social Care has increased by £17.8m (incl the Discharge and MSIF grants) over the last 5 years, despite this the ASC budget continues to face mounting challenges due to both escalating demand and growing costs, which together exert significant pressure on the overall service budget. In Hackney, the growth in all age population between 2016 and 2020 was on average 1.13%, whereas the growth in the number of people receiving care in the same period was 6.14% The tables below illustrate both the rise in demand, and increase in unit costs:

The tables below illustrate both the rise in demand, and increase in unit costs:

**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% |

### 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. 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 £1.6m against a £10.3m budget. There is no material movement from the October position. The £1.6m overspend is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.3m, offset by underspends on day services of £0.7m. This HwC forecast overspend of £2.3m 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. There was a delay in the maintenance work commencing, however planning has now been approved and works are being scheduled in with an aim to run at full capacity by 24/25 financial year.

10.10 **Mental health** is forecast to overspend by £1.1m against a £8.6m budget. This represents a £0.06m favourable movement on the October position, as a result of delays in recruitment. The overall Mental Health budget overspend is linked in two parts, a budget overspend on Long term care services for mental health service users of £1.7m offset by an underspend against staffing budgets of £0.6m due to vacancies across the service. 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. This is primarily due to the Interim bed facility at Leander Court (£0.2m) experiencing lower than expected demand for these services

10.12 The **Care Management and Adult Divisional Support's** budget position is an overall budget underspend of £0.2m. This represents an adverse movement of £0.1m, largely due to workforce pressures as a result of increased staff capacity primarily within the Integrated Learning Disabilities team. 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** reflects a £0.1m budget overspend, There is no material movement from the October position. The ASC commissioning position also includes one-off funding of £0.7m 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 £1.6m of Discharge Funds (as noted previously, £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, Afghan Resettlement schemes, as well as asylum seekers residing in the Borough in Home Office accommodation. 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** Public Health (PH) is forecasting a breakeven position.

The Public Health Grant funding allocation for local authorities in 2023/24 rose 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 towards the coroner's costs.

10.16 Adult Social Care has **Savings** of £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). In previous years these savings have been mitigated by efficiencies across our Housing related Support contracts, but currently there is real cost pressure of £1m.

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. 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. This includes the continuing review of the functionality of Mosaic as well as specific areas such as the introduction of a provider portal for home care payments and more recently, system functionality around care charging and the financial assessment process.The majority of care package information has now been loaded onto 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 3.9% as at November 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. As mentioned in section 10.7 above, despite net budget growth of £14m and increases in grant funding of £17.8m over the last 5 years, the ASC budget continues to face mounting challenges due to both escalating demand and growing costs, which continue to exert significant pressure on the overall service budget. Actual care costs have risen by £8.1m 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**

| | 2019-20 (£m): | 2020-21 (£m): | 2021-22 (£m): | 2022-23 (£m): | 2023-24 Forecast Outturn (£m) |
|---|---|---|---|---|---|
| **Total Outturn** | 65.3 | 72.5 | 77.9 | 87.8 | 99.2 |
| **Movement on Previous Year** | 6.4 | 7.2 | 5.4 | 9.9 | 11.4 |
| **% Increase on Previous Year** | 10.9% | 11.1% | 7.5% | 12.7% | 12.9 |

10.21 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).

10.22 In July 2023, the Adult Social Care Transformation Implementation Project - Contract Award Report recommended awarding Newton Europe a contract that aimed to create significant savings but importantly through the realisation of better outcomes for residents. The recommendations propose a different approach to contracting in that a risk and reward approach will be implemented, ensuring payments to the provider are released when KPIs are considered to be on track and can be clawed back if the savings proposals are not met. In this type of contract it is important that we are thoughtful around payment schedules and the realisation of cost savings, managing any risk of significant overpayments that would require rebates to be applied.

Projected completion date for the programme extends into 2024/25 with initial payment due by the end of the current financial year, which is not part of the current forecast. We are reviewing the accounting treatment of these payments and will liaise with our auditors as to whether these are accounted for as payments in advance. The savings to be realised can only be achieved on assessment or re-assessment of individual cases, which means savings can not be achieved in full at a single moment of time; this is the nature of adult social care, which is relational and based on the outcomes of the care and support for residents in receipt of services. As the full savings from the program will not be realised therefore by November 2024, the provider would receive payments before demonstrating the anticipated cost-saving outcomes. KPIs will therefore need to be developed with Newton Europe on signing of the contract and payments will be subject to clawback should these not be achieved.

The contract has now been signed by Newton Europe but the process has been delayed in order to take into account views from finance, legal and procurement, which has therefore delayed the implementation timeline, including when savings will be realised. The signing of the contract means that the–planned work can now get fully underway, realising both savings outcomes and those outcomes important to our residents.

Hackney

## 11.0 Climate, Homes and Economy

| Revised Budget | Service Area | Forecast Variance After reserves |
|---|---|---|
| £k | | £000 |
| 33.792 | Climate, Homes and Economy | 936 |

11.1 The directorate is showing a £0.936m overspend after use of £3.84m in reserves and corporate support. There is a £59k deterioration from the October 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 Previous OFP reports to Cabinet detailed how the Directorate Leadership Team has worked with the finance team to take actions to reduce spend and increase income. This yielded an in-year cost reduction of £1.2m reflected 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 continue to be 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 can be fully delivered but accept that there are items of expenditure that are essential, such as equipment replacement, and 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 £1.567m (£1.502m Oct-23). The projected overspend in EO of £1.663m (which is partially offset by an underspend of £0.096m 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. Vehicle maintenance costs had been flagged as a risk in previous forecasts - this risk is now materialising and represents the main movement in the forecast for this area.

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 SUDs, 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.
- £0.268m - due to the impact of inflation on material purchasing such as goods used across the service, PPE and the cost of a route optimisation system
- £0.200m - vehicle maintenance increased costs previously noted as a potential risk. Up £70k from Oct 23.

11.7 The total of these cost pressures of approx £2m will be mitigated in part by steps offered by the Head of Service, with an estimate of £496k in cost mitigation across the full year to lower the predicted overspend. These actions are being implemented from October 2023. The impact to date is estimated at £170k of the £496k being achieved suggesting these mitigation actions are on track to be delivered. These recommendations should have little effect on service delivery and performance but management are continuing to monitor the impact of these actions. 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 £0.244m. This is an £16k improvement from October, as additional income has been generated within the service. The overspend also 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 a small underspend of £0.018m. There is a risk as detailed in the table below that the rental income for one of the major cafe areas will not be realised.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.398m underspend forecast for the service. £0.290m of the forecast underspend relates to Private Sector Housing (PSH). An additional budget of £0.400m was allocated to the service for 2023/24 to enhance the Council's response to Damp and Mould in the private rented sector, however there has been a delay in appointing Environmental Health Officers to deliver this commitment and this is driving the significant underspend. Offsetting some of this is a reduction in licence fee income of £0.057m and an underachievement in income arising from enforcement notices and inspection fees equating to £0.100m. 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. There is also a £0.116m underspend within Area Regeneration and Economic Development due to the actions taken by management to hold unspent non staff budget to mitigate the Council's forecast overspend.

11.11 **Employment, Skills and Adult Learning** are forecasting a small underspend of £0.063m as the majority of expenditure in Adult Learning is covered by grants. The reduction in spend in the period relates to non essential spend items that have been identified.

11.12 **Markets and Shop Front Trading** are showing a £0.185m underspend, representing a £0.020m adverse movement from October 2023. Markets are expected to exceed the budgeted target as a result of new initiatives such as Sunday trading at Broadway Market. This is despite the Indoor Markets not being able to meet their target income for this financial year. The team responsible for the markets is actively engaging with both the contractor and legal services to explore options for compensation due to the missed deadline.

11.13 **Parking** Is showing an underspend of £0.097m. 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. The estimated annual impact and risk to the revenue projections is £1.4m which is being closely monitored.

11.14 **Streetscene** is projecting an overspend of £0.097m, a positive movement of £0.020m from October 2023. 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 £0.136m which is an improved movement of £0.056m from the October 2023 position. Some income in planning is not predictable - the forecast is based on a number of assumptions including planning application activity - the forecast will continue to be reviewed.

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 are 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. An in-year review of non-essential spend resulted in forecasts previously being reduced by £1.2m.

Hackney

### 11.18 Risks

| | Amount £'000 |
|---|---|
| Decline in TfL funding impacting capitalised salaries in Streetscene - we are keeping a watching brief | 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. | 320 |
| Assumed savings from operational changes in Environmental Operation - close monitoring of the mitigating actions will be undertaken to track delivery of the savings. | 325 |
| NLWA levy for non household waste -increase in tonnage projections reported show an increase in the estimated cost for 23/24. Final 22/23 rebate from NLWA plus the estimated rebate for 23/24 has reduced the risk down to £100k from £500k. | 100 |
| 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 |
| A catering company operates the Clissold House Cafe at a base rent of £50,000 p.a. Since the pandemic and the wider challenges in the hospitality sector, this company has fallen into arrears on the payment of its rent, turnover share and utilities. Whilst a payment plan has been put in place by the Council there is a significant risk that this will not be met and the forecast income of £50,000 plus utility costs for 2023/24 not received. | 100 |
| Arcus Database - A new database for Enforcement to replace the one damaged in the cyber attack. | 70 |
| The Hackney Commercial Services company had a saving target of £0.500m at the start of the year. £0.350m has been forecast as not being achieved given the company is a year behind in operations. The £0.150m balance is now also at risk due to low turnover in the company. We are highlighting as a potential risk now the possibility that the full £0.150m may also not be achievable. Further analysis over the next monitoring cycles is needed to establish if this risk will be in full. | 150 |

## 12.0 Finance and Corporate Resources

| Revised Budget | Service Area | Forecast Variance After reserves |
|---|---|---|
| £k | | £000 |
| 25,243 | Finance & Corporate Resources | 2,246 |

12.1 Finance and Corporate Resources are currently forecasting an overspend of £2.246m after a reserve drawdown of £2.091m. This is an unfavourable movement of £68k on last month's forecast. The service continues to be impacted by Cyber with significant overspends in Revenues, Benefits and ICT totalling £2.93m

12.2 **Financial Management and Control** Financial Management and Control are currently forecast to budget after 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. Additional budgetary constraints arise from the need to allocate resources towards enhanced security services, aimed at deterring break-ins and thwarting squatting incidents. To name a few, the Englefield Road site, the Wally Foster Community Centre, and the more recent case of the Brooksby Walk site have all been subject to increased security-related expenses. It is worth noting that these pressures will be alleviated through the utilisation of reserves that were earmarked during the last financial year to address fluctuations in income generated from commercial properties.

12.5 **Housing Benefits** are currently forecasting an overspend of £1.24m after reserve drawdown of £315k. 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. There has been no movement on last month's forecast. The £643k overspend 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.

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** are currently forecast to budget.

12.10 **Registration Services** are currently forecast to underspend by £150k. This is a £37k favourable movement on last month's forecast and is a result of overachieving on income targets.

12.11 **Housing Needs** are currently forecast to overspend by £316k after a reserve drawdown of £983k. This is an unfavourable movement of £116k on last month's forecast and the total additional pressure on the temporary accommodation rental forecast is £1.1m. Of which £800k can be offset by a one-off additional homelessness prevention grant resulting in a £300k overspend.

The £116k adverse movement this month is as a result of:

1) A clause in one of our hostel leases requiring a rent review in response to any changes to the Local Housing Allowance (LHA) rate
2) Securing a new lease on a block of temporary accommodation comprising of 27 units

The £1m overspend in the temporary accommodation rental expenditure remains attributable to:

1) A significant 58% rise in the average nightly cost per unit for nightly paid temporary accommodation from 22/23 rates.
2) Renegotiations on an expired hostel lease resulting in a 25% increase in the nightly cost per unit.

3) An increase in the use of nightly paid temporary accommodation due to the current shortage of alternative TA tenures.

It should be noted that the increase in costs have only been partially realised in-year, mitigating the full impact of the annual cost increase that we are likely to see in the upcoming financial year.

The current availability of temporary accommodation is also having an impact on the financial forecast. 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 £626k after a reserve drawdown of £733k, this is a favourable movement of £18k on last month. The overspend is primarily linked to the on-demand cloud computing platforms provided by Amazon Web Services (AWS). Acknowledging the necessity of addressing this financial strain, the management is actively engaged in identifying strategies to mitigate the overspend. Significant headway has been achieved in discontinuing the use of certain outdated data centres, leading to a reduction in the projected annual costs associated with data centre hosting and network connectivity. Additionally, a thorough assessment is in progress to evaluate data migration and recovery efforts post the cyberattack. The objective of this assessment is to pinpoint areas where expenses 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 offsetting the overspend in the current position due to holding a number of vacant posts resulting from a recent restructure. Management is reviewing the possibility of delaying recruitment to these vacant posts to ease the budget pressure in the current financial year.

12.13 **The Audit and Anti-Fraud** The Audit and Anti-Fraud service is forecasting an underspend of £142k. 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 £158k. There has been no movement on last month’s forecast.

12.15 **Procurement** is currently forecast to overspend by £9k. There has been no movement on last month's forecast. The overspend relates to the approval to award 10% market supplements on new and existing posts to increase staff retention, which is partially offset by underspends across the service.

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 pending restructure.

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 |
| 15,408 | Chief Executive | -249 |

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.249m following the use of £3.2m of reserves and corporate support. This is a similar position to the October-23 forecast of £0.242m. The impact of cost reduction actions taken by the directorate to support the Council's forecast overspend are reflected within this forecast. The changes within services mainly reflects revised staffing and contract forecasts across the directorate.

13.2 **Communications, Culture & Engagement** is forecasting an underspend of £0.19m, deteriorating from the October forecast by £48k. This underspend is arising from a forecast overachievement in venues and film location income. Revisions to the income forecast for the Tomlinson centre resulted in the overall change in forecast. 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** is forecasting an underspend of £0.296m showing an improvement of £131k from the September forecast. The underspend reflects the directorate's response to the Council's overall overspend which arises from underspends arising from the delay in filling posts to improve member casework (the forecast for this service reflects full implementation from 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. There is a significant increase in reserve usage, resulting from the recent local elections costs where the council had set aside funds to cover this cost. The council will now need to set aside new balances over time to prepare for the cost of future local elections.

13.4 **Libraries & Heritage** is currently forecasting a £0.048m overspend, no change on the October position. The main drivers for the overspend position continue to be non delivery of income targets, along with additional premises operational costs.

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 small 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. 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

14.1 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. The current forecasts do not include the impact of the recently agreed pay award for 2023/24, this will be reflected in the December position once the payroll data is available.

14.2 **Income**

- **Dwelling rents**. An increase of £355k income is forecast. 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 more than offset by an increase in the forecast for rent which is due to the new permanent and shared tenancies starting in-year reflecting an improvement in void turnaround times.

- **Non-dwelling rent** is forecast to be £718k 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 £958k 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.

- **Leaseholder Charges for Services and Facilities** is forecast to generate £554k of additional income due to the impact of the issue of actual bills for 2022/23.

- **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.

14.3 **Expenditure**

- **Housing Repairs Account -** there is an adverse change of £172k from the previous month due to refinement of forecasts. The forecast for the year is a £1.2m overspend driven by the DLO (£600k), which is due to increased labour and materials costs. There is also an additional resources requirement in legal disrepair and building maintenance of £640k to tackle the demand for legal cases/complaints, which is offset by a £200k underspend within the community halls and R&M forecast.

- **Special Services** - the overspend of £2.372m mainly relates to gas and electricity. Energy prices have significantly increased for 2023/24 which has been reflected in the monitor. 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 grounds maintenance due to additional agency staff and a forecast increased spend on hardware maintenance fees

- **The repairs contract centre (RCC)** is forecast to overspend by £300k but this could increase during the rest of the year. The volume of phone calls is significantly high and the winter period is yet to come, which is usually the peak time of the year. This is being driven by the increased demand in the number of reactive repairs, including damp and mould works along with average length of the phone calls.

- **Supervision and Management** - there is an underspend of £124k 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. An increase in Insurance premiums has resulted in a forecast additional cost to the HRA for 2023/24 of £1m which has been offset by an estimated £1m reduction in the additional pension contribution required by the HRA in 2023/24. These forecasts will be refined and firmed up over the next few months.

14.4 **Management Actions to reduce the overspend in 2023/24**

Heads of Service 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.

14.5 **Risks**

A number of new risks have been identified during November that require further investigation, quantifying and discussion with the relevant Heads of Service.

| Area | Amount £000's |
|---|---|
| Bills relating to gas and electricity are often based on estimated usage. If the estimates are higher than the usage assumed in the budgets there may be a risk to the HRA. The estimated charges are yet to be verified by the Energy Management Team. | TBC |
| The 2023/24 pay award has been agreed by trade unions, the current award adds an additional £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. This is reflected in the update to the HRA Business Plan. | 2,000 |
| DLO - the forecast overspend could increase up to £1.9m, this will be offset against the capitalisation of revenue works. | TBC |
| Legal dis-repair -external legal/court fees / compensation is significantly higher as YTD spend is £1.6m. This is due to the backlog of legal cases and the current upward trend of cases. This is being analysed and needs verifying | 600 |
| Ombudsman/compensation payments - Due to a significant increase in the number of complaints (relating to repairs), payments are required to prevent complaints going further to legal dis-repair cases. | 300 |
| ADR & Legal disrepair cost avoidance- Works being undertaken as part of the ADR (Alternative Dispute Resolution) which runs parallel to Legal Disrepair. This results in compensation payments being made as part of the process (Outside of Legal Disrepair Payments), as well as repair works to remedy damp & mould. Overall 99 cases have gone through the ADR route, | 450 |

| Area | Amount £000's |
|---|---|
| of which 86 cases for 23/24. This will prevent future higher costs from the lengthy legal/court & higher compensation charges. | |
| Resident Safety - (Seaton Point & Morris Blitz Court Security) 24 hour costs relating to security of site due to H&S. YTD spend is £300k potential spend at year end could be £400k. Could potentially be capitalised. Follow up for the end date. | 300 |
| | **3,650** |

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 are being fed into the HRA 30 Year Business Plan. The Business Plan is being reviewed and updated over and is setting a strategic level budget for 2024/25 to inform detailed budget setting.

## Appendices

Appendix 1: Savings Proposals

## Background documents

None.

| | |
|---|---|
| **Report Author** | Russell Harvey, Senior Financial Control Officer<br>Tel: 020 8356 2739<br>russell.harvey@hackney.gov.uk |
| **Comments of the Interim Group Director for Finance** | Jackie Moylan, Interim Group Director of Finance<br>Tel: 020 8356 3003<br>jackie.moylan@hackney.gov.uk |
| **Comments of the Acting Director of Legal, Democratic and Electoral Services** | Louise Humphreys, Acting Director of Legal, Democratic and Electoral Services<br>Tel: 0208 356 4817<br>louise.humphreys@hackney.gov.uk |

# SAVINGS PROPOSALS - APPENDIX 1

**SAVINGS IN CHILDRENS AND EDUCATION**

**2024-25 TO 2026-27 SAVINGS PROPOSALS**

**Children and Education Savings**

| **Children's Centres** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 1,100 | 1,000 | 1,900 | 4,000 |

An independent review of Children's Centre (CC) childcare provision was undertaken by Ernst and Young (EY) which identified opportunities to reduce expenditure, increase income and refine the model, concluding that the current model is not financially sustainable or optimally efficient in response to local needs. EY found that even if all of the children's centres in scope were at 100% occupancy with Band 5 families - those earning over £100k, these centres would not be financially self-financing.

As part of a system wide strategic approach which includes the work of the Commission into Affordable Child Care, and the development of the Children and Family Hubs Programme, a public consultation on the remodelling of the provision is currently being designed informed by the findings of the review, with a focus on maximising efficiency and ensuring a sustainable service model going forward

These savings will be achieved through a programme of activity focussing across four settings. This includes the reprovisioning of 1 CC into an additional resourced based provision (ARP), exploring alternative models of service provision on behalf of the Council, and remodelling 1 CC into 0-3 provision to achieve £2.1m savings by 2025/26. Remodelling of the childcare business approach and fully implementing the national early years reform and expansion of the free entitlement by 2025/26 should achieve a further £1.9m savings.

**Impact**
Any changes to children's centres will impact on the majority female staff from a diverse demographic. A full EIA will be completed prior to implementing any changes.

| **Young Hackney** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| *500* | *500* | 0 | 1,000 |

An independent consultant was engaged to provide a review of Young Hackney (YH) and its provision of services and knowledge to support the redevelopment and 'future-proofing' of YH and produce a 'direction report' proposing a future structure for Young Hackney. The aim is to design a future model and determine services that will meet the needs of young people across the borough so that they have opportunities to develop their potential in education, employment and enterprise, feel healthy and safe and contribute to civic society and the local community. The report will identify issues addressed, ideas considered, community networks, staffing structure and implications and costs.

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| The review will assess the impact for young people including the wider social impact and propose a potential future structure(s) for Young Hackney (highlighting the implications for the workforce and indicative costs). We will also demonstrate alignment with our Children's Services STAR model (Systemic, Trauma Informed and Anti Racist Practice), community networks, as well outline a potential staffing structure.<br><br>**Impact**<br>The options identified through the review proposes applying the 30% costs saving across all aspects of the Service (universal, targeted and commissioned). This would result in the deletion of circa 10 posts across universal and targeted early help, plus a proportionate saving on commissioning (£300K). A full EIA will be completed prior to implementing any changes.<br><br>The staffing establishment is predominantly female (61%), from black and global majority backgrounds (65.5%), and aged under 40 years (58%). 87% of staff are aged under 50 years The Service works with children and young people aged 5-19 (up to 25 years if these are children with SEND). Currently ages 10-14 are the largest cohort. The proposal seeks to refocus provision on adolescents aged 10-19 years as 15+ years is a key point for early intervention in relation to safety, mental health and economic wellbeing. |

| **SEN Transport** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 250 | *250* | 0 | 500 |
| This proposal is part of Hackney's vision to promote independent living by providing access to higher education, employment, good health, and friendship and support within a home community. One component of independent living is to have the ability and infrastructure to access community facilities. To support this objective, the Council is proposing to facilitate sustainable travel assistance through travel training and personal budgets.<br><br>The Service redesign will take place in parallel with the development and consultation of a change in policy but will not prejudge the outcome of the consultation process. The above tasks will require input from a specialist consultant at a cost of circa £70k per year for three years. Year 1 to carry out a diagnostic of current cost & spend, model the impact travel training can make on savings, draft new policies & consultation costs. Year 2 & 3 for implementation with travel trainers. Included in these costs is the procurement of a travel training service. The current plan is to commission an already existing service operating in another LA.<br><br>**Impact**<br>No Staff impact identified at this stage. New policies will take account of equalities legislation. | | | |

| **Children and Education Service transformation** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 250 | 750 | 0 | 1,000 |
| We are currently on a journey of significant transformation across Children & Education. This transformation will yield significant benefit for the organisation - both financially and strategically | | | |

supporting our financial sustainability whilst ensuring that we are well set up to respond to the ever-changing needs of the people we serve. Through a service transformation approach we are seeking to improve our process to improve efficiency and avoid duplications. The saving will be achieved through efficiency gains as follows:

**Service transformation** (£0.5m in 2025/26)
We're working for a fairer, safer and healthier borough for our children. The transformation of our C&E services will create a united STAR (Systemic, Trauma-informed and Anti-Racist) approach across C&E. We aim for better outcomes for all our Hackney children, reducing disproportionality while ensuring a sustainable model for the future.

**Early Help** (£0.25m in 2024/25)
We will explore opportunities to streamline Early Help service across both Children's Social Care and Education and provide a single 'front door', with an integrated service across the directorate for the benefit of local residents in need.

**Commissioning** (£0.25m in 2025/26)
We will continue to work across Children's, Education and Health joining up the commissioning function (£90m) by focusing on highest spend areas, ensuring effective market engagement and identifying areas of duplication.

**Impact**

There are no staff impacts identified at this early stage of the process. Any new policies will take account of equalities legislation.

## Discretionary Spend

**Changes to cash payment channels**

| 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
|---|---|---|---|
| 141 | 0 | 0 | 141 |

Savings of £141K can be achieved through closing the Council's Self-Service Payment Centre. The Council will continue to accept cash payments through more than 100 Post Office and PayPoint locations across the borough. Analysis shows that cash payment trends have changed since the period of lockdown restrictions due to the Covid-19 pandemic (an 80.78% reduction in payments made through the Self-Service Payment Centre in 2023/24 year to date compared to 2019/20). Interviews with a sample of users of the Self-Service Payment Centre have shown that a majority (63%) pay by card rather than cash. The cost per transaction at the Self-Service Payment Centre is currently £20.49 compared to the 0.4877p charged by the Post Office. Arrangements are being made to ensure that all payments that can currently be made through the Payment Centre are available through other cash payment channels.

**Impact**
We do not envisage any significant service implications from this proposed change. Residents can continue to pay in cash in a large number of convenient locations across the borough and the number of residents using the Self-Service Payment Centre has reduced very significantly from pre-pandemic levels.

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**Communications and Engagement**

| *2024/25 £000* | *2025/26 £000* | *2026/27 £000* | *Total £000* |
|---|---|---|---|
| 170 | | | 170 |

Hold a Service Director Vacancy pending a leadership review. The service includes one vacant post - Strategic Director Engagement, Culture and Organisational Development graded at CO2. The functions of the post have been redistributed across the Council and there are no plans to recruit to this post. So the post can be held vacant and the budget for the post given up as a one off saving.

**Impact**
No implications. The post has been vacant and the functions have been absorbed elsewhere in the council.

**Love Hackney**

| *2024/25 £000* | *2025/26 £000* | *2026/27 £000* | *Total £000* |
|---|---|---|---|
| 40 | 40 | 0 | 80 |

The proposal is to reduce the number of Love Hackney editions in the year. We produce our print magazine Love Hackney c. 6-10 editions per year. Each edition costs c. £20k in paper, print and distribution costs. We are going to trial limiting our number of editions we print to see if we can maintain providing the information residents need with a decreasing number of editions each year.
**Impact**
Residents will eventually receive 6 as opposed to 10 editions of Love Hackney per year. This could be seen as further impacting those who are most excluded from digital information and could have an equality impact. We will reduce the number of editions of Love Hackney over time, and measure the impact. Should resident awareness and informed levels drop significantly we will have to review our approach.

**Garden Waste Charging**

| *2024/25 £000* | *2025/26 £000* | *2026/27 £000* | *Total £000* |
|---|---|---|---|
| 350 | 118 | | 468 |

Introduction of chargeable garden waste service to residents, bringing the service in-line with most other boroughs. Hackney currently offers a free of charge service, whereas 66% of London boroughs (and a greater proportion nationwide) apply a charge for garden waste services. We will Introduce a new subscription service of £85 per subscription, whereby residents will only be entitled to utilise the service if subscribed and the annual service fee paid. This is a model adopted by many local authorities, and is known as a ‘subscription service’ or ‘chargeable service’. Properties on estates using the communal garden waste service share bins, as such charging per bin would not be feasible. However, there is the potential to introduce an ad hoc collection, per bag, garden waste service as part of a phase 2. The service is expected to be implemented in quarter 1 of 2024/25 with first collections beginning of June 2024 for the growing season.

**Impact**
Households using the green waste service will have to pay an annual charge to retain the collection service. There is no direct staff impact.

**Community Safety Intelligence Hub**

| 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
|---|---|---|---|
| 220 | | | 220 |

Reduce the spend on the intelligence hub by 50%. The Community Safety Intelligence Hub is designed to be a pivotal part of the service to support our resource deployments onto hotspot areas. It coordinates all of the Community Safety, Enforcement and Business Regulations and Partnership tasking processes, and acts as a central point for performance data, analysis and intelligence. This change proposal results in a reduction in staff from 8 to three posts, though we may be able to allocate funding from our external Violence Reduction and MOPAC funding allocations to mitigate the reduction in resource.

**Impact**
The Intelligence Hub provides the evidence base upon which decisions across the Community Safety Partnership are made, and in ensuring that our finite resources are focused and targeted on the places and people that require them the most. This proposal reduces this resource - to mitigate the impact of this reduction we may be able to seek contributions from partners.

**Enforcement Service**

| 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | Total £000 |
|---|---|---|---|
| 301 | 101 | | 402 |

The proposal put forward follows a review of the impact of a reduction in Enforcement Officers (EO) and the potential risks to ASB, Crime, public safety and community cohesion and also manifesto commitments. Following this review the Head of Service has developed a savings package that will have less impact on service delivery, though there will be a reduction in the service, and and increase to income generation. The proposals for 2024/25 Includes:-

- Increasing the Fixed Penalty Notice (FPN) fine to £300 with an early payment reduction to £200 which is projected to bring in £167k.
- To mainstream the additional manifesto commitment allocation of £83k into the Enforcement Officer duties which will produce an overall saving of £83k
- Reduce one EO post at £51K.

The proposed saving for 2025/2026 will see a further reduction of 2 posts providing a saving of £102K

**Impact**
There will be a focus on the issuing of Fixed Penalty Notices to act as a deterrent for the minority who may partake in ASB and other nuisances, which will benefit all communities. There is a risk that support for certain major events such as festivals and unplanned incidents may be impacted as the work of the service becomes more focused.

There are 15 pledges in the 2022 manifesto that reference delivery around safety, anti-social

| |
|---|
| behaviour or enforcement and there may be an impact on achieving all of these pledges. |

| Private Sector Housing | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 200 | 0 | | 200 |

Over the last twenty years, the private rented sector in Hackney has grown from around 10,000 units of stock to over 32,000 units in 2023, one of the fastest growing stock rates in the UK. The private rented sector currently constitutes the single largest housing tenure in Hackney. The Private Sector Housing (PSH) team is responsible for intervention within this particular housing stock. Work requirements for the team in 2023 are vastly different and vastly increased including for example: dealing with damp and mould, fire safety, licensing, enforcement and advice to landlords and tenants.

Growth resources of £400K - were approved as part of budget development for the expansion of the team of Environmental Health Officers (EHOs). We have recruited additional front line housing officer staff and have used 50% of the growth. The result has been that the team is working at an increased level of efficiency and “doing more with less.” The remaining £200K can therefore constitute a saving at present.

We therefore propose to limit the growth to £200K as we are delivering on our responsibilities to the sector and the Council’s commitment on damp and mould. At this stage the proposal is for one year only in order that the ongoing service and impacts can be kept under review, i.e there is scope for this budget to be added back in, in 2025/26 if necessary.

**Impact**

There is no impact on the service currently being delivered. The service has been expanded in 2023/24 and has increased and is delivering an improved service to the sector. The Assistant Director has introduced improved work processes and the team is working at an increased level of efficiency.

| Parks and Green Spaces - Various proposals | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 70 | 0 | | 70 |

A comprehensive review has been undertaken to identify the various savings and income generation options open to it. Any savings from the Service will need to come from a variation to the quality of provision provided (a reduction in quality) with an impact on Member and resident expectations from our green spaces. At this stage no income generation proposals have been included as the current focus needs to be on stabilising existing events and concessions income, which is at risk. The savings proposed includes the following:

- Seasonal Bedding / Bulbs: Removing all seasonal bedding in parks and green spaces
- Waste Collection (Evening): Stopping the evening / night litter collection within Parks and Green spaces in the summer months (April - Sept)

**Impact**

If the proposals are adopted then there will still be 58 parks and green spaces available for residents to use, just at a reduced quality / standard. This potentially will result in more rubbish across parks and green spaces in the summer (evenings) and no seasonal bedding plants /

| |
|---|
| splashes of colour twice a year. |

| **Regeneration and Economic Development** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 200 | 0 | | 200 |

The proposal involves a reduction in the Regeneration and Economic Development revenue staff budget (£100k) and in the revenue non staff budget (£100k) for the service. The staff revenue savings proposal can only come into effect once the Regeneration and Economic Development service restructure is complete (Spring 2024 but exact date tbc) as the savings are linked to a restructure of the service. The non staff revenue budget saving can come into effect from the start of the new financial year- April 2024.

**Impact**
Less funding available to commission consultants to carry out regeneration and economic development work. Less revenue budget available for regeneration and economic staff but the service restructure will take this into account. Potential impact on all Regeneration and Economic Development related manifesto commitments in terms of speed of delivery and completion.

| **Library Service** | | | |
|---|---|---|---|
| ***2024/25 £000*** | ***2025/26 £000*** | ***2026/27 £000*** | ***Total £000*** |
| 175 | 730 | 0 | 248 |

The Grade 2 listed Stoke Newington library will close from April 2024 for two years whilst the capital repairs are conducted. Funding of £4.5m is secured for major repairs to the roof and fabric of Stoke Newington Library. Savings of £248k could be made over two years on staffing, security and building upkeep. This decision assumes an eventual restructure/closure of properties in the library service. If a decision is not taken to permanently close a building in 2026/27, the service would require growth of £248k to restore the current budgets at existing service levels, hence this saving is proposed as a one off saving during the closure period.
The savings related to this temporary closure will give time for consultation on permanent changes to the Library Service in order to deliver the service at a lower cost. The consultation would include proposals to shorten opening hours and permanent closure of a library.

**Impact**
The closure of Stoke Newington Library to the public in April 2024 for building repair is already planned and therefore there will be no additional service impact. In terms of the Strategic plan impact, there is a reduction in service provision in the area of the chosen library - Stoke Newington - which will impact the local community especially where space is used for non-lending activities such as study space, children's activities, access to PCs and internet across all our sites. However this closure is necessary to address the defects in the building.

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Hackney

| | | |
|---|---|---|
| **Title of Report** | Council Taxbase and Local Business Rates Income 2024/25 | |
| **Key Decision No** | FCR S241 | |
| **For Consideration By** | Cabinet and Council | |
| **Meeting Date** | Cabinet 22 January 2024<br>and<br>Council 24 January 2024 | |
| **Cabinet Member** | Councillor Robert Chapman, Cabinet Member for Finance, Insourcing & Customer Service | |
| **Classification** | Open Report and Appendix | |
| **Ward(s) Affected** | All Wards | |
| **Key Decision & Reason** | Please select and delete the answer not required<br><br>Yes | Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget. Significant in terms of its effects on communities living or working in an area comprising two or more wards |
| **Implementation Date if Not Called In** | 31 January 2024 | |
| **Group Director** | Jackie Moylan, Interim Group Director, Finance | |

## 1. Cabinet Member's Introduction

1.1 This report is a key component of setting the Budget and Council Tax for the forthcoming financial year. The money available for service delivery this year depends on the amount of Council Tax that we believe will be collected and we must be careful to estimate this accurately. This report recommends that the Council assume an estimated collection rate for Council Tax for 2024/25 of 93.5%.

1.2 Members are also asked to agree the baseline level of Local Business Rate income the Council will be likely to receive for 2024/25.

1.3 In December 2023, Cabinet agreed that the Council will rejoin the localised business rates pooling scheme in 2024-25. Work by the scheme's financial advisers, LG Futures, estimates that the 2024-25 scheme will deliver a financial benefit of £1.6m to £2m to the Council.

1.4 In order to encourage owners of empty properties to bring them back into use, the Council proposes to take advantage of new powers included in the the Levelling Up and Regeneration Act 2023 to levy a council tax premium equal to a 100% of the Council tax charge in 2024/25 on any liable property which is unoccupied and substantially unfurnished for a continuous period of at least one year. We also propose to signal our intent prior to 1st April 2024 that we will levy a second homes premium from 1st April 2025. Details of both of these proposals are given below

## 2. Interim Group Director, Finance Introduction

2.1 Section 33 of the Local Government Finance Act 1992 requires that the authority must agree Hackney's Council Tax Base for 2024-25 as calculated in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. This decision must be taken and communicated to preceptors by 31 January 2024. This report recommends a Council Tax Base of 77,766.9 Band D equivalents based on a Council Tax collection rate for 2024/25 of 93.5%**.**

2.2 Section 3 of The Non-Domestic Rating (Rates Retention) Regulations 2013, requires that for 2024/25, we must estimate Non-Domestic Rating income for Hackney (the billing authority) and calculate the major preceptor's share due to the Greater London Authority and the Government share; and any deductions to be made for qualifying relief. The figures contained in this report will become the effective starting point for setting the Council's Budget for 2024/25, subject to the completion of 2024/25 NNDR1 (an official return that is submitted to the Government).

2.3 This report asks the Council to approve the estimate of business rates yield for 2024/25 to be used in the budget and tax setting report before Council on 28th February 2024.

2.4 Members will be aware of the significant problems we have faced in both council tax and non-domestic rates collection arising from Covid-19, the cyberattack and the cost of living crisis. The lack of ICT systems for a lengthy period and the consequent backlog of work which arose from this, and the inability to carry out even low level recovery work, significantly depressed collection levels in 2021-22 and 2022-23. However, the backlogs have now been cleared and normal account management processes are being restored and as a result performance has improved and is moving back towards pre Covid-19 and cyberattack levels.

2.5 It should also be noted that the Welfare Reform Act 2012 abolished Council Tax Benefit in March 2013 and replaced it with the Council Tax Reduction Scheme (CTRS). We are reducing the minimum claimant contribution to 10% for 2024/25 with a phased move to a zero contribution by 2030. This was approved by Cabinet in December and Council will be asked to adopt the new scheme in another report on the Council agenda.

2.6 We are proposing to introduce two additional council tax charges for empty property owners and owners of second homes. This is considered in detail below.

2.7 This report is late for reasons given in 4.25

**3.0 Recommendation(s)**

**Cabinet is recommended to:**

**3.1 Recommend to Council that, in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Hackney Council as its Council Tax Base for 2024/25 shall be 77,766.9 Band D equivalent properties adjusted for non-collection. This represents an estimated collection rate of 93.5%.**

**3.2 Recommend to Council that in accordance with The Non-Domestic Rating (Rates Retention) Regulations 2013 Hackney's non-domestic rating income for 2024/25 is £179,559,273 subject to verification by the Academy (our Revenues Software supplier) software release. This comprises three elements.**

- **£66,209,106 which is payable in agreed instalments to the Greater London Authority**
- **£54,298,802 which is retained by Hackney Council and included as part of its resources when calculating the 2024/24 Council Tax requirement.**
- **£59,051,365 which is payable in agreed instalments to Central Government**

**3.3 To note that changes to the current CTRS scheme in 2024/25 were agreed by Cabinet in December 2023.**

**3.4 Recommend to Council that it approves a proposal to levy a council tax premium equal to a 100% of the Council tax charge in 2024/25 on any liable property which is unoccupied and substantially unfurnished for a continuous period of at least one year.**

**3.5 Recommend to Council that we signal our intent prior to 1st April 2024 that we will levy second homes premium from 1st April 2025.**

**Council is recommended to agree:**

**3.6 In accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Hackney Council as its Council Tax Base for 2024/25 shall be 77,766.9 Band D equivalent properties adjusted for non-collection. This represents an estimated collection rate of 93.5%.**

**3.7 In accordance with The Non-Domestic Rating (Rates Retention)**

**Regulations 2013 Hackney's non-domestic rating income for 2024/25 is £179,559,273 subject to verification by the Academy (our Revenues Software supplier) software release. This comprises three elements.**

- **£66,209,106 which is payable in agreed instalments to the Greater London Authority**
- **£54,298,802 which is retained by Hackney Council and included as part of its resources when calculating the 2024/24 Council Tax requirement.**
- **£59,051,365 which is payable in agreed instalments to Central Government**

**3.8 The proposal to levy a council tax premium equal to a 100% of the Council tax charge in 2024/25 on any liable property which is unoccupied and substantially unfurnished for a continuous period of at least one year.**

**3.9 The proposal that we signal our intent prior to 1st April 2024 that we will levy second homes premium from 1st April 2025.**

**3.10 To note that changes are proposed to the current CTRS scheme in 2024/25 and that this is covered by another report on this agenda.**

## 4. Reasons for Decision

### Council Tax Base

4.1 The rules for calculating the Council Tax Base are set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The calculation is based on the valuation list and other information available on 13th December.

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

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

4.4 There are a number of factors to be considered when assessing the likely collection rate for 2024/25. Collection rates since 2020/21 have been adversely affected by the Covid-19 pandemic, the cyber attack and latterly by the cost of living crisis. The collection rate for council tax in 2023-24 was set at 92.5% but now the Council Tax and NNDR databases are up to date, the systems are fully operational, and we expect a higher collection rate in 2024-25. However, the collection rate will continue to be depressed by the cost of living crisis. It is very difficult to estimate what the actual rate will be given the impact of this on residents' ability to pay which make it, as ever, more important that we continue to provide and signpost to support where it is needed in a timely manner to prevent arrears positions escalating for taxpayers. Notwithstanding this we believe a collection 93.5% is achievable and this has what we have assumed in the taxbase calculations

4.6 If actual collection in the forthcoming year exceeds the budgeted collection rate this could generate a surplus in the Collection Fund which would provide additional one-off resources available for use in 2025/26 and beyond, either for one-off revenue spending or the Capital Programme. If on the other hand, the collection rate set is over-optimistic, this may result in a deficit on the collection fund at the end of 2024/25, the major part of which would need to be met from Hackney's 2025/26 Budget.

4.7 A collection rate of 93.5% will result in a tax base of 77,766.9 Band D equivalents, as shown in the table below.

| 2024/25 TAX BASE/COLLECTION RATE | |
|---|---|
| | **2024/25** |
| Aggregate of Band D Equivalents Estimate of Collection | 83,173.1 |
| Rate | 93.5% |
| **Tax Base (Band D Equivalents)** | **77,766.9** |

4.8 This compares to a tax base of 77,108.9 Band D equivalents used in the 2023/24 budget setting.

**Business Rates and the London Business Rates Retention Scheme**

4.9 In November 2023, Cabinet approved our continued participation in the localised London business rates pooling scheme in 2024-25. We joined the scheme in 2022-23 and continued to participate in 2023-24. The scheme comprises the City of London and 6 other London boroughs. In 2022-23 and 2023-24, we received a significant financial benefit, estimated to be £5.1m over the two years; and work by the scheme's financial advisers, LG Futures, suggests that the 2024-25 scheme will deliver a financial benefit of £1.6m to £2m to the Council.

**Empty Property and Second Homes Premiums**

4.10 Currently the Council charges an extra amount of Council Tax (a 'premium') if a property has been empty for 2 years or more - a premium equal to 100% of the annual council tax charge on the property is added to bills on properties that have been empty between two years and five years, and a premium of 200% is added to bills on properties that have been empty for five years. We have applied this discretionary power in order to encourage owners of empty properties to bring them back into use. An empty property is defined as a dwelling which is unoccupied and substantially unfurnished.

4.11 The Levelling Up and Regeneration Act contains a provision to amend the definition of 'long term empty homes' so that, for financial years from 2024-25 onwards, dwellings unoccupied and substantially unfurnished for a continuous period of at least one year are liable to the council tax premium equal to a 100% of the Council tax charge on the property. This compares to the current two year period.

4.12 The Council proposes to introduce this new premium in order to further encourage owners of empty dwellings to bring them back into use. If Cabinet approves this proposal we will be able to charge relevant properties the premium in 2024/25.

4.13 It should be noted that where a property is unoccupied following the death of the resident, the premises would be exempt from council tax where probate or letters of administration have not yet been granted. If the premises remain unoccupied after the granting of probate or letters of administration a further six months exemption can be applied.

4.14 There will also be potentially increased income to the council if empty property owners still do not bring the properties back into use.

4.15 The impact of introducing the 100% premium at 1 year rather than 2 years based on current data is that 381 properties will become liable for the premium at 1st April 2024 as opposed to 1st April 2025 and 80 properties would become liable for the premium during the financial year 2024/25 as opposed to 2025/26.

The financial impact of the 381 properties impacted as at 1st April 2024 is shown below based on the 2023/24 Council Tax charges.

Band A 30 properties charge would be £2,364.40 of which Hackney retains £1,785.54 per property (with the balance going to the GLA) so could raise an additional £26,783.10 to Hackney

Band B 102 properties charge would be £2,758.44 of which Hackney retains £2,083.12 per property so could raise £106,239.12 to Hackney

Band C 115 properties charge would be £3,152.52 of which Hackney retains £2,380.72 per property so could raise £136,891.40 to Hackney

Band D 83 properties charge would be £3,546.58 of which Hackney retains £2,678.30 per property so could raise £111,149.45 to Hackney

Band E 42 properties charge would be £4,334.72 of which Hackney retains £3,273.48 per property so could raise £68,743.08 to Hackney

Band F 7 properties charge would be £5,122.84 of which Hackney retains £3,868.66 per property so could raise £13,540.31 to Hackney

Band G 2 properties charge would be £5,910.98 of which Hackney retains £1,785.54 per property so could raise £4,463.84 to Hackney

4.16 So Hackney's Council Tax income could potentially increase by £467,810 in 2024-25. There are 86 council owned properties included in the 381 properties and the cost to Hackney for these properties would be additional £123,145 but we would retain £92,996

4.17 A further provision of the Levelling Up and Regeneration Act allows, through an amendment to the Local Government Finance Act 1992, councils in England to levy a Council Tax Premium of up to 100% on second homes. We await during 2024/25, further clarification from the Government on the definition of a second home. Notice of the intent to levy the premium must be given one year prior to the commencement of the premium by notification in at least one local newspaper. Therefore if we signal our intent prior to 1st April 2024 we can levy this premium from 1st April 2025.

4.18 Until we receive further clarity on the definition we are unable to establish precisely how many properties this premium will apply to. Once we have this clarity we can then advise residents of the change from 1st April 2025 so that they can take appropriate action if they wish to avoid the premium by selling/letting their second home.

4.19 It is proposed therefore that Cabinet approves a recommendation to levy a council tax premium equal to a 100% of the Council tax charge in 2024/25 on any liable property which is unoccupied and substantially unfurnished for a continuous period of at least one year.

4.20 It is also proposed that we signal our intent prior to 1st April 2024 that we will levy the second homes premium from 1st April 2025.

**NNDR Estimates, Reliefs and Special Grants**

4.21 In past national budgets, the Government has announced various rate reliefs for all businesses, in particular the significant retail, hospitality and leisure (RHL) sector reliefs. Hackney, in common with all Councils, will receive compensation for these reliefs.

It is estimated that Hackney Council will receive **£22.343m** in s31 grants in compensation for the reliefs given in previous and current Autumn Statements and National Budgets, and from the impact of other current and past Government policies. The grants are primarily in respect of reliefs we award for Small Businesses; Retail, Hospitality and Leisure**;** and Transitional Payments. We also get a S31 grant to compensate us for the fact that the government did not increase the business rates multiplier in line with inflation in 2024-25 (on properties with an rateable value of below £51k) and in prior years. It did though increase the multiplier applied to properties with an rateable value of more than £51k in line with inflation in 2024-25. This is discussed in 4.24 below

4.22 In addition to this, the Council retains a cost of collection allowance for the administration of the collection of business rates and for 2023-24 this allowance is **£0.616m**

4.23 The total resources available to the Council in respect of Non- Domestic Rates and to be included in the budget to be approved by Council in March will therefore be an estimated **£76.642m.** This can be itemised as follows:

| | **£m** |
|---|---:|
| Net rates yield retained by Hackney | 51.135 |
| 2023/24 Surplus c/fwd. | 2.548 |
| Cost of Collection allowance | 0.616 |
| **Total NNDR Income for the Year** | **54.299** |
| 2024/25 Retail, Hospitality, Leisure (RHL) Reliefs S31 Grant | 7.385 |
| Cost of Multiplier Cap - 2014/15 to 2024-25 | 11.874 |
| Other S31 Grants | 3.084 |
| **Total NNDR resources** | **76.642** |

4.24 It should be noted that the Government is introducing changes to how business rates will be calculated in 2024-25. In order to calculate a property's rates liability before reliefs and discounts, its rateable value is multiplied by a factor called the multiplier, which is adjusted for inflation each year. In 2023-24, the multiplier is 49.9p and it is applied to all properties irrespective of the size of their rateable value. However, as from April 2024, there will be two multipliers. The first remains at 49.9p and this will apply to all properties classed as 'small', i.e. with a rateable value of £51k or below. An inflation uplift therefore, will not be applied to the multiplier for these properties and so the ratepayers will not face any increase in their bills (assuming that there is no change to their discounts or reliefs) and the Council will receive S31 grant to compensate for our loss of income. However, an inflation uplift will be applied to the multiplier of properties with a rateable value of more than £51k (taking the multiplier up to 54.4p) which means that these businesses will be faced with an increase in their rates bills in 2024-25

4.25 This is a very complex change and it has taken us a considerable amount of time to produce the necessary business rates information for this report. This explains why this is a late report. It should also be noted that at the time of writing this report, we had not received a Business Rates software update from our supplier which covers these changes. Once we receive this, we will recalculate the estimates and if this produces materially different results from our internal analysis, we will inform Council and Cabinet of any changes at the meetings.

**Council Tax Reduction Scheme (CTRS).**

4.26 In December 2023, Cabinet approved changes to the current CTRS scheme, primarily the reduction in the minimum contribution from 15% to 10%. A report asking Council to adopt the scheme is also on the January agenda.

## 5.0 Details Of Alternative Options Considered and Rejected

5.1 The requirement to calculate the Council Tax base and business rates has been laid down by Statute. As such, there are no alternatives to be considered.

## 6.0 Background

### 6.1 Policy Context

This report sets out the Council Taxbase and estimated NNDR income in 2024/25. Both of these are required by statute. Hackney's tax base for 2024/25 must be notified to the GLA and to the various levying bodies which base their levies on the Council Tax Base. Under regulations this must take place before 31 January 2024. The appropriate bodies will be notified by the due date once the tax base is confirmed

### 6.2 Equality Impact Assessment

The Council Taxbase is not a service but one element of a statutory obligation for residents to pay council tax. The calculation of this element is determined by statute and regulations.

The implementation of the 100% Empty property council tax premium proposal is a change in the date the premium becomes payable, from 24 months to 12 months and does not change the level of the premium. There would be no adverse impact on any particular groups. Any residents who are sole residents and who move permanently into a hospital or care home leaving their property unoccupied, will be exempt from Council Tax under a Class E exemption.

The implementation of the second home premium of a 100% council tax from 1st April 2025 will have no adverse impact on any particular groups. In terms of sole residents who move permanently to a hospital or care home leaving their property unoccupied, they will again be exempt from Council Tax under a Class E exemption.

### 6.3 Sustainability

As above

### 6.4 Consultations

Relevant consultations have been carried out involving the Mayor, the Cabinet Member for Finance, Insourcing and Customer Service, and Directors of Finance. We will also liaise with other council revenue teams re our ambition and Manifesto Commitments around getting empty properties into use.

**6.5 Risk Assessment**

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

## 7.0 Comments of the Interim Group Director, Finance

7.1 The setting of a realistic and prudent collection rate for Council Tax in 2024/25 is an essential component of the overall budget strategy. If the collection rate set is over-optimistic, this may result in a deficit on the collection fund at the end of 2024/25, the major part of which would need to be met from Hackney's 2025/26 Budget. This would impact adversely on the overall budget strategy.

7.2 The proposed tax base of £77,766.9 Band D equivalents would result in Council Tax income of £104.141m for Hackney's element, assuming no increase in the Council Tax rate in 2024/25. The overall resources for the 2024/25 budget will be dependent on the outcome of the Final Local Government Finance Settlement due to be announced in early February 2024, although we do now have the provisional Settlement figures.

7.3 Similarly, the setting of an accurate baseline Local Business Rates is essential to enable the Council to be able to plan effectively. Once agreed, the amount of Business Rates attributable to the GLA and the Government will need to be paid over at certain dates irrespective of whether or not the income has been received by the Council from local businesses. Thus, an overly optimistic or simply erroneous baseline could have significant cash flow implications as well as adverse impact on the future year's budgets. Forecasting the estimated business rates yield is extremely difficult for 2024/25 given the ongoing impact of the cost of living crisis.

7.4 Hackney's Council Tax payable could potentially increase by £467,810 in 2024-25 as a result of introducing the 100% premium on homes empty after a year as discussed in 4.14 and 4.15 above.

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

8.1 Cabinet is being asked to recommend to Council, and Council is being asked to agree, the calculation of the Council Tax Base as required by s.33 Local Government Finance Act (LGFA) 1992. S.33 imposes a duty on the Council, as a billing authority, to calculate the basic amount of its council tax by reference to a formula set out in the Act and Regulations made under the Act.

8.2 S.67 LGFA originally provided that adopting the council tax base had to be a decision of full Council. This section was amended by s.84 Local Government Act 2003 which abolished that requirement. However, the calculation is not an "executive" function and it cannot be discharged by the Mayor and Cabinet. It could be delegated to an officer, but Hackney has not delegated the decision to an officer so the responsibility rests with full Council.

8.3 As the report makes clear, the decision must be taken by 31 January in each year and therefore this report will be considered by Council on 24 January 2023

8.4 An important part of the calculation of the council tax base is the collection rate which is assumed in the calculation. It is important that Members adopt a prudent approach to agreeing this assumption since, as the report makes clear, an unrealistic assumption is likely to lead to a deficit on the account which will have to be met from elsewhere thus undermining the integrity of the Council's budget. Members will therefore wish to satisfy themselves that the proposed collection rate of 93.5% is realistic.

8.5 There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days of the Council's decision under section 38(2) of the Local Government and Finance Act 1992.

8.6 Cabinet is reminded that the calculation of the Council Tax Base is covered by s.106 of the Local Government Finance Act 1992. This provides that if a Member owes two or more months' arrears of Council Tax, they are obliged to disclose this fact to the meeting as soon as practicable after the meeting commences and not vote on the matter, although they may speak. Failure to comply is a criminal offence punishable by a fine unless the member can prove that they did not know (a) that the section applied to them at the time of the meeting or (b) that the matter in question was the subject of consideration at the meeting.

8.7 The Levelling up and Regeneration Act received Royal Assent and became law on 26th of October 2023. The Act includes provisions, which also came into force on 26th October 2023, to allow for a Second Home Premium (additional charge) on 'second homes' (the legislation uses the phrase dwellings occupied periodically') of up to 100% providing the Council makes a determination to levy the premium at least one year before the beginning of the financial year to which it relates. The legislation also enables the Secretary of State to make regulations prescribing one or more classes of dwelling in relation to which the billing authority may not make a determination to levy this premium. The Act also includes provisions for a premium to be charged on homes that remain empty after one year rather than the current two-year period.

8.8 Cabinet is also reminded of the requirements of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014. The Regulations, which are reflected in the Council's Constitution, provide that where any vote is taken at a Council meeting on setting the budget, which includes the setting of Council Tax, for the authority, the Minutes of the meeting will record the names of all Councillors present at the vote and how each Councillor voted (for or against) or the fact that they abstained from voting.

**Appendices**

Appendix 1 – Council Tax Base Calculation Schedule

**Background Papers**

None

| | |
|---|---|
| **Report Author** | Deirdre Worrell<br>Director, Financial Management<br>Tel: 0208 356 3032<br>deirdre.worrell@ackney.gov.uk |
| **Comments of the Interim Group Director, Finance** | Jackie Moylan<br>Interim Group Director, Finance<br>Tel: 0208 356 3003<br>jackie.moylan@hackney.gov.uk |
| **Comments of Acting Director of Legal, Democratic and Governance Services** | Louise Humphreys, Acting Director of Legal, Democratic and Electoral Services<br>Tel: 0208 356 4817<br>louise.humphreys@hackney.gov.uk |

| | **TAXBASE CALCULATION SCHEDULE 2024-25** | | | | | | | | | **APPENDIX 1** | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Line** | **Band** | **@** | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **Total** |
| | **Actual current properties** | | | | | | | | | | |
| 1 | Dwellings on database 13/12/2023 | 0 | 8,223 | 31,726 | 35,740 | 24,892 | 13,076 | 4,782 | 1,252 | 51 | 119,742.0 |
| 2 | Exemptions (minus) | 0 | 1,992 | 1,214 | 703 | 504 | 281 | 138 | 17 | 3 | 4,852.0 |
| | Disabled Reductions of Band: | | | | | | | | | | |
| 3 | Add to Lower Bands | 5 | 38 | 61 | 64 | 67 | 29 | 1 | 0 | 0 | 265.0 |
| 4 | Take from Higher Bands (minus) | 0 | 5 | 38 | 61 | 64 | 67 | 29 | 1 | 0 | 265.0 |
| **5** | **Line 1-2+3-4 = *H*** | **5** | **6,264** | **30,535** | **35,040** | **24,391** | **12,757** | **4,616** | **1,234** | **48** | **114,890.0** |
| | Single Person Discounts | | | | | | | | | | |
| | Number in *H* above Entitled to | | | | | | | | | | |
| | One 25% Discount SPD | -4 | -3,661 | -15,906 | -12,636 | -6,229 | -2,237 | -643 | -172 | -1 | -41,489.0 |
| | One 25% Discount with disregards | 0 | -26 | -279 | -359 | -250 | -116 | -30 | -5 | 0 | -1,065.0 |
| | Total | -4 | -3,687 | -16,185 | -12,995 | -6,479 | -2,353 | -673 | -177 | -1 | -42,554.0 |
| **7** | **Line 6 x 25%** | **-1** | **-922** | **-4,046** | **-3,249** | **-1,620** | **-588** | **-168** | **-44** | **0** | **-10,638.5** |
| 8 | Number in *H* above Entitled to | | | | | | | | | | |
| | Two 25% (50%) Discount | 0 | 0 | -9 | -11 | -5 | -10 | -7 | -4 | -7 | -53.0 |
| **9** | **Line 8 X 50%** | **0.00** | **0.00** | **-4.50** | **-5.50** | **-2.50** | **-5.00** | **-3.50** | **-2.00** | **-3.50** | **-26.5** |
| | No in *H* above entitled to | | | | | | | | | | |
| | 25% discount Uninhabitable / major works | 0 | 0 | -4 | -7 | -6 | -3 | -1 | -6 | 0 | -27.0 |
| **10** | **25% of above** | **0.00** | **0.00** | **-1.00** | **-1.75** | **-1.50** | **-0.75** | **-0.25** | **-1.50** | **0.00** | **-6.8** |
| | No in *H* above entitled to 1 month reduction | | -51 | -141 | -162 | -112 | -44 | -20 | -6 | -4 | -540.0 |
| **10a** | **8.3% of above** | | **-4.23** | **-11.70** | **-13.45** | **-9.30** | **-3.65** | **-1.66** | **-0.50** | **-0.33** | **-44.8** |
| | No in *H* above charged (2 years) Plus new CTax Premium (! year) - after one year 100% | | 31 | 116 | 116 | 92 | 65 | 86 | 21 | 1 | 528.0 |
| **10b** | **100% of above** | | **31.00** | **116.00** | **116.00** | **92.00** | **65.00** | **86.00** | **21.00** | **1.00** | **528.0** |
| | No in *H* above charged Empty Homes Premium 200% | | 11 | 26 | 30 | 28 | 12 | 5 | 3 | 1 | 116.0 |
| **10c** | **200% of above** | | **22.00** | **52.00** | **60.00** | **56.00** | **24.00** | **10.00** | **6.00** | **2.00** | **232.0** |
| | No in *H* above entitled to 0% Discount | 0 | 90 | 248 | 310 | 224 | 83 | 28 | 5 | 0 | 988.0 |
| **11** | **0% of above** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0.0** |
| **12** | **Total Discounts = Q** | **-1** | **-873** | **-3,895** | **-3,093** | **-1,485** | **-509** | **-78** | **-21** | **-1** | **-9,956.6** |
| **13** | **Line 5+ Line 12 Properties after Discounts)** | **4** | **5,391** | **26,640** | **31,947** | **22,906** | **12,248** | **4,538** | **1,213** | **47** | **104,933.4** |
| | Estimated changes likely | | | | | | | | | | |
| 14 | Properties Awaiting Banding | 0 | 0 | 0 | 493 | 0 | 0 | 0 | 0 | 0 | 493.0 |
| 15 | New Properties | 0 | 0 | 0 | 285 | 0 | 0 | 0 | 0 | 0 | 285.0 |
| **16** | **Line 14 + Line 15** | **0** | **0** | **0** | **778** | **0** | **0** | **0** | **0** | **0** | **778.0** |
| 17 | Properties to be Deleted | | 0 | 0 | -228 | 0 | 0 | 0 | 0 | 0 | -228.0 |
| 18 | Known Errors in Valuation List | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **19** | **Line 17 + Line 18** | **0** | **0** | **0** | **-228** | **0** | **0** | **0** | **0** | **0** | **-228.0** |
| **20** | **Line 16 + Line 19 (Net Estimated Changes)** | **0** | **0** | **0** | **550** | **0** | **0** | **0** | **0** | **0** | **550.0** |
| **21** | **Assumed Exemptions** | | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0.0** |
| **22** | Assumed Discounts on | | | | | | | | | | |
| | **Ratio of Line 12 to 5** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0.0** |
| | Changes to Status of Existing Properties: | | | | | | | | | | |
| **23** | **Change in Discounts** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0.0** |
| **24** | **Change in Exemptions** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0.0** |
| | Expected appeals against bands: | | | | | | | | | | |
| **25** | **Add to Lower Bands** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0.0** |
| **26** | **Take from Higher Bands** | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0.0** |
| **27** | **Line 20+21+22+23+24+25+26 = *J*** | 0 | 0 | 0 | **550** | 0 | 0 | 0 | 0 | 0 | **550.0** |
| | CTRS Discount | | | | | | | | | | |
| | Ttl Band reduction based on total monetary award | -1 | -1,333 | -6,902 | -5,295 | -2,857 | -1,557 | -530 | -51 | 0 | -18526.5 |
| | Expected in year changes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| **28** | **Total CTS Band Equivalent** | **-1** | **-1,333** | **-6,902** | **-5,295** | **-2,857** | **-1,557** | **-530** | **-51** | **0** | **-18526.5** |
| **29** | **H - Q + J - Z** | **3** | **4,058** | **19,737** | **27,202** | **20,049** | **10,692** | **4,008** | **1,161** | **47** | **86956.9** |
| **30** | **To calculate band equivalents** | *0.556* | 0.667 | 0.778 | 0.889 | 1.000 | 1.222 | 1.444 | 1.667 | 2.000 | |
| **31** | **Band D Equivalent:Lines 29x30** | **1** | **2,705** | **15,351** | **24,179** | **20,049** | **13,068** | **5,790** | **1,936** | **94** | **83173.1** |
| **32** | Contributions in lieu of Class O | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0 |
| **34** | **Band D equivalent for Taxbase calculation** | | | | | | | | | ***Before allowance for collection rate*** | **83173.1** |
| **36** | **Band D equivalent for Taxbase calculation after non-collection allowance 6.5% applied (93.5% Collection)** | | | | | | | | | | **77766.9** |

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