Hackney

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| **2021/22 Overall Financial Position that takes account of the estimated financial impact of Covid-19 and the on-going emergency**<br><br>**Key Decision No. FCR R87** |

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| **CABINET MEETING DATE (2021/22)**<br><br>24 January 2022 | **CLASSIFICATION:**<br><br>Open<br><br>**If exempt, the reason will be listed in the main body of this report.** |
| **WARD(S) AFFECTED**<br><br>All wards | |
| **CABINET MEMBER**<br><br>Councillor Robert Chapman, Cabinet Member for Finance | |
| **KEY DECISION**<br><br>**Yes**<br><br>**REASON**<br><br>**Spending or Savings** | |
| **GROUP DIRECTOR**<br><br>Ian Williams, Group Director, Finance and Corporate Resources | |

## 1. CABINET MEMBER'S INTRODUCTION

1.1 This is the sixth Overall Financial Position (OFP) report for 2021-22. It shows that as at November 2021 the Council is forecast to have an overspend of £4.999m on the general fund - an increase of £490k from the previous month.

1.2 As stated previously, and summarised in Table 1 of paragraph 2.5 below, much of this overspend relates to the Covid-19 expenditure and the cyberattack, but there are significant areas of non-Covid-19 and Cyberattack pressures in respect of looked-after-children placements, staffing in Children's Services, and care packages in Adults Services.

1.3 Although there is an increase in the forecast overspend this month the "non-essential" expenditure controls agreed by the Council's management team and reported to you in September have continued to be effective. The forecast overspend of £7.3m reported for August has been significantly reduced. As part of the budget monitoring cycle the implementation of the vacancy factor has been reviewed and at this stage in the year it is forecast that 98% of the total saving of £6m will be achieved. The specific reasons for this month's increase in the forecast overspend are set out in para 2.2 below.

1.4 The Council will continue to face significant financial pressures in 2022/23, and future years. Demand for services, notably children's and adult's social care, are on an upward trend and are likely to remain high. It follows that we must take all steps to mitigate the overspend in the current year.

1.5 The Government published the 2022-23 Provisional Local Government Finance Settlement on 16th November. This is a one year Settlement and is broadly in line with the 2021 Spending Review. At the national level, the proposals result in an increase in Core Spending Power for local authorities in England of up to £3.5 billion - which the Government states is a real terms increase of over 4%. Only part of this- £2.1bn represents an increase in actual government funding, the remaining £1.4bn is assumed to be funded by assumed council tax increases; and this will still not bring us back to 2010 funding levels. There is also no additional funding to mitigate ongoing Covid pressures.

1.6 Councils will have access to a £700 million of a new grant specifically for social care and there is £162 million for Adult Social Care reform but there is nothing to address current pressures in the service. Moreover, much of this funding is coming from the £1.6bn additional Local Government Departmental Spending Limit announced in the 2021 SR so is actually being funded from a Local Government pot rather than a Department of Health and Social Care pot. There is also a new one-off Services Grant worth £822 million, again funded from the LG Departmental Spending Limit. However, much of this will be used to cover off the National Insurance increase arising from the new Social Care Levy so it is hardly new money. Also, this grant is for 2022/23 only as the Government stated it intends "to work closely with local government next year on how to best use this funding from 2023/24 onwards". So if it isn't reissued the Council will in future have to find the funding for the National Insurance increase from elsewhere.

1.7 The Government also provided details on the council tax referendum arrangements next year. They confirmed that a core council tax referendum principle of up to 2% for London boroughs is proposed and an Adult Social Care (ASC) Precept of 1% will be available for all authorities responsible for ASC services, giving a total allowable increase in a London borough of 2.99%.

1.8 In the coming months, the Government will work closely with the sector and other stakeholders to update the current funding system (Fair Funding Review). In the Statement, much attention is given to the transitional arrangements (that will partially protect Councils that lose from the review) which likely implies that there will be major changes. It must also be noted that the redistribution of funding resulting from the new funding system will not only impact on core funding but could also impact on the distribution of Social Care Grants as much of the current funding is distributed on the basis of elements of the current funding system.

1.9 In summary, our initial view is that the Finance Settlement is in line with expectations and we would expect to be able to close off the 2022-23 residual budget gap as outlined in the report to cabinet in December. However, the prospects for future years are very concerning given the likely introduction of ‘Fair Funding’, The issues here are considered fully in the Group Director’s introduction below.

1.10 I commend this report to Cabinet.

## 2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have an overspend of £4.999m after the application of the Covid-19, Children’s and Cyberattack set asides as provided for in the budget. The impact of Cyberattack is estimated to be c. £6m in the current year. The vast majority of this falls in F&CR (ICT and Revenue and Benefits).

2.2 There has been an increase in the overspend this month of £0.49m. This reflects increasing demand for care package costs in Adult Social Care, increased coroners costs, interpreters fee payments in children's services for the previous financial year not being unaccounted for at year end, increased cyber costs in ICT and a reduction in ICT income in respect of Hackney Education traded services.

2.3 The non-essential spend controls, set out in the July OFP, and the review of capital financing reported in the September OFP have had a positive impact on the forecast, noting we were forecasting an overspend of £7.3m in August 2021 which was £2.3m higher than the current overspend. However, we are still well short of balancing the budget and we must continue to drive down non-essential expenditure across all services to bring the budget back into balance. We also need to be mindful that in the winter months further pressures following Covid-19 may still come to the fore so we will need to maintain our tight grip on the finances.

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

2.5 The financial position for services in November is shown in the first table below. The second table shows how this will be funded - by applying the Covid-19 and cyber set asides and the savings from the review of the funding of the capital programme noted in the September OFP.

**Table 1: Overall Financial Position (General Fund) October 2021**

| Revised Budget | Service Area | Forecast Variance After reserves | Change in Variance from last month | Covid19 Impact | Cyber-attack Impact |
|---|---|---|---|---|---|
| £k | | £k | £k | £k | £k |
| 84,902 | **Children and Education** | 2,391 | 208 | 1,660 | 64 |
| 97,540 | **Adults, Health and Integration** | 4,062 | 117 | 1,214 | 1,073 |
| 25,415 | **Neighbourhood & Housing** | 2,579 | 30 | 1,929 | 230 |
| 21,264 | **Finance & Corporate Resources** | 6,264 | 135 | 1,000 | 4,759 |
| 17,396 | **Chief Executive** | 203 | 0 | 1,319 | 0 |
| 44,075 | **General Finance Account** | 0 | 0 | 0 | 0 |
| **290,592** | **GENERAL FUND TOTAL** | **15,499** | **490** | **7,122** | **6,126** |

| | Forecast Variance Before Reserves |
|---|---|
| | **£000** |
| **GENERAL FUND TOTAL** | 15,499 |
| **LESS COVID SET ASIDE** | -4,000 |
| **LESS CHILDREN'S SET ASIDE** | -2,000 |
| **LESS CYBER SET ASIDE** | -2,000 |
| **LESS CYBER ADDITIONAL RESERVE CREATED IN 2021-22** | -1,000 |
| **LESS RESOURCES FREED UP BY REVIEW OF FUNDING OF CAPITAL PROGRAMME AND SLIPPAGE IN RCCO** | -1,500 |
| **NET OVERSPEND** | **4,999** |

2.6 It should be noted that we are forecasting full achievement of the 2021-22 budget savings and 98% of the vacancy savings.

2.7 On 17th November the Provisional Settlement was introduced. The main points are as follows:

- Core Spending Power will increase by £3.5bn
- The main council tax referendum principle will be 2% and the Adult Social Care Precept will be 1% for relevant authorities.
- The Settlement Funding Assessment will increase by £75m (0.5%) nationally
- A one off “Services Grant“ worth £822m nationally was confirmed

- £162m to deliver adult social care funding reforms will be allocated in 2022-23 with a further £600m in both 2023-24 and 2024-25 nationally but no funding towards current pressures
- The Social Care Grant will increase by £636m mostly paid for out of the Local Government Pot
- The Improved Better Care Fund will increase by 3%
- Funding for New Home Bonus will decrease from £622m to £555m (11%)
- Lower Tier Services Grant of £111m will continue
- Allocations have not yet been published for the Public Health Grant, Homelessness Reduction Grant, Rough Sleeping Initiative Fund and the Independent Living Fund.
- The government will work with the sector and consult in the coming months on reforms to measuring relative need and resources.

2.8 We will need to wait for the Final Settlement (expected in Early February 2022) for confirmation but my initial view is that the Provisional Finance Settlement is in line with expectations and we would expect to be able to close off the 2022-23 residual budget gap. However, the prospects for future years are very concerning. This is because in the Settlement, the Government announced it would, in the coming months, work closely with the sector and other stakeholders to update the current funding system (Fair Funding Review); and since little work has been done on the review since 2019, presumably the Government will be consulting on proposals that were formulated then, which as we know, disadvantaged us. Worse still, the new system will not only negatively impact core funding but could also impact the current Social Care grant allocations, as the distribution is based on elements of the *current* funding system which may well be amended in the new arrangements. Further, no commitment has been given to extend the 2022/23 one off Services grant into 2023/24 and this is likely to be used to fund other things, which may result in the Council having to find the funding for the NI increase from elsewhere. Finally, in the Statement, much attention is given to the transitional arrangements (that will partially protect Councils that lose from the review) which likely implies that there will be major changes. Now if we do lose funding, it must be recognised that even if we get reasonable protection in 2023-24, our funding will continue to reduce each year after until we reach the new lower funding level.

2.9 So whilst the Settlement does not ring any alarm bells for 2022-23, there is potentially much to be concerned about in future years. We would expect to receive exemplifications throughout the consultation process but if past practice is followed we will not get a consolidated position until the summer of next year, when the Government issues a technical consultation on the changes (not to be confused with the Settlement consultation which follows in December.

2.10 Work continues in relation to non-essential spend, particularly around the impetus to reduce agency spend where it is appropriate to do so. The impact of this will not be shown in the forecast until agency staff have left the Council. Furthermore at this stage the corporate contingency of £2m has not been applied to the forecast. We are mindful of the potential impact of the pay award for the current year which has not yet been agreed. A zero increase was being mooted at one point, but we as a council did make provision for an increase, although the outcome is likely to be higher than was provided for and therefore a call on the corporate contingency may be required.

2.11 The October OFP set out the savings which will be introduced in 2022/23 and 2023/24. The remaining budget gap for 2022-23 will now be closed off by the application of some of the one-off funding awarded in the 2022/23 Provisional Finance Settlement (The Services Grant)

## 3. RECOMMENDATIONS

**3.1 There are no specific recommendations arising from this report. Members are asked to note the update on the overall financial position for November covering the General Fund and HRA**

## 4. REASONS FOR DECISION

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

### 4.2 CHILDREN AND EDUCATION

**Summary**

The Children’s & Education directorate is forecasting an overspend of £2.391m after the application of reserves.

**The Cyber Attack**

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

For Children and Families Services the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored. The estimated cost impact of the cyber attack to date for Children & Families is £64k, and this is to fund additional staffing resources in the Business Support Team to provide additional capacity in the service to respond to issues arising from the cyber attack.

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

**Covid-19**

The financial impact of Covid-19 across the Children and Education directorate continues to have an impact on the overall forecast. The main impact in the forecast this year is in relation to childcare fee income losses in Hackney's children's centres (£200k), income from traded services (£300k), resulting in a total pressure of £500k. The impact of these forecasts may change as the year progresses, especially in the next few months with the spread of the Omicron Covid-19 strain, and this has had some impact on the normal opening of children's centres recently. In Children and Families, we are forecasting that the impact will be in the region of £1.2m, largely due to delays in placement step downs and staffing to provide additional capacity to respond to the pandemic. The costs associated with responding to the Covid-19 pandemic will continue to be discussed with budget holders and reported through this report on a monthly basis.

**Children's Services**

Children and Families Services (CFS) is forecasting a £2.10m overspend (4.0%) after the application of reserves. Covid-19 related expenditure accounts for £1.2m of the reported budget overspend. The draw down from reserves includes:

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

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, the funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services. This has increased incrementally year on year and in this financial year, the grant increased further to £1.71bn nationally and this has meant the Council has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we continue to lobby the Government for a long term funding solution.

Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £0.8m compared to last year (this excludes use of reserves and the additional social care grant). The service view is that the increasing numbers are partly due to an increase in adolescents coming into care with more complex needs, and the impact of austerity measures and overcrowded housing leading to increased family pressures.

There is a gross budget pressure in staffing across Children and Families Services of £2.3m, and this is on top of the £1.3m that was added into the budget last year to create permanent posts linked to the Social Care Grant. Following the Ofsted inspection in 2019, £1.6m of non-recurrent funding was agreed for 2020/21 to increase staffing levels to manage demand alongside additional posts to respond to specific recommendations from the inspection. The intention was that after 2020/21, the funding would cease pending a wider strategic staffing review of the service, however this has been delayed. For this financial year, £1.1m of additional resources has been funded from the increase in the Social Care Grant (bringing the net staffing budget pressure to £1.3m). However, this is not sustainable and a review has commenced by the Group Director and Director and will form part of the wider review of the service.

Corporate Parenting is forecast to overspend by £2m after the use of £4.2m of commissioning reserves. This overspend includes £0.97m of Covid-19 related expenditure. This position also includes the use of £4.5m of Social Care Grant funding - £0.6m is in relation to staffing costs and the remaining £3.9m is for placements. The overall position for Corporate Parenting has increased by £0.8m since March and is largely due to corporate parenting placements.

Gross expenditure on Looked-After Children and Leaving Care placements (as illustrated in the table below) is forecasted at £26.1m compared to last year's outturn of £25.3m – an increase of £0.8m.

**Placements Summary for LAC and Leaving Care**

| Service Type | Budget | Forecast | Forecast Variance | Funded Placements * | Current Placements |
|---|---|---|---|---|---|
| Residential | 4,981 | 9,602 | 4,621 | 21 | 40 |
| Secure Accommodation (Welfare) | - | 234 | 234 | - | 1 |
| Independent Foster Agency | 7,688 | 7,089 | (599) | 155 | 129 |
| In-House Fostering | 2,400 | 2,026 | (375) | 99 | 85 |
| Semi-Independent (Under 18) | 1,570 | 2,142 | 572 | 20 | 23 |
| Semi-independent (18+) | 1,370 | 2,441 | 1,071 | 85 | 90 |
| Family & Friends | 869 | 958 | 90 | 49 | 55 |
| Residential Family Centre (P & Child) | 300 | 376 | 76 | 2 | 4 |
| Other Local Authorities | - | 162 | 162 | - | 6 |
| Overstayers (18+) | 290 | 63 | (227) | 23 | 2 |
| Staying Put (18+) | 500 | 492 | (8) | 38 | 34 |
| Supported Lodging | - | 60 | 60 | - | 4 |
| Extended Fostering (18+) | - | 48 | 48 | - | 1 |
| UASC (Under 18) | (1,090) | (520) | 570 | 11 | 18 |
| Former UASC (18+) | 390 | 982 | 592 | 76 | 95 |

| Service Type | Budget | Forecast | Forecast Variance | Funded Placements * | Current Placements |
|---|---|---|---|---|---|
| Expenditure | 18,877 | 26,154 | 6,887 | 580 | 587 |

*based on the average cost of placements.

The table above illustrates funded placements - these are what the budget can fund based on the average cost of placements for each of the service types. The gross overspend position on Corporate Parenting placements is £6.9m including UASC income. The UASC income is in excess of the placement costs incurred in the service, hence the extra income is funding the additional staffing unit within the Looked-After Children service. There is a shortfall in funding for those UASCs who are 18+ (Former UASC), which highlights the financial pressure caused by a lower funding rate from the Home Office when UASCs turn 18.

### LAC/ Leaving Care Placement Analysis

| Placement Type | Annual Forecast £ 000 | Weekly Cost £ 000 | Weekly Unit Cost (Avg) | Current YP No | Last month YP No |
|---|---|---|---|---|---|
| Residential Care | 9,602 | 182 | 4,540 | 40 | 38 |
| Secure Accommodation (Welfare) | 234 | - | 0 | 1 | 1 |
| Independent Foster Agency | 7,089 | - | 952 | 129 | 130 |
| In-House Fostering | 2,026 | - | 472 | 85 | 77 |
| Semi-Independent (Under 18) | 2,142 | 2 | 1,514 | 23 | 24 |
| Semi-independent (18+) | 2,441 | 7 | 308 | 90 | 109 |
| Family & Friends | 958 | - | 338 | 55 | 52 |
| Residential Family Centre (P&Child) | 376 | - | 3,619 | 4 | 2 |
| Other Local Authorities | 162 | - | 361 | 6 | 5 |
| Overstayers (18+) | 63 | 0 | 238 | 2 | 3 |
| Staying Put (18+) | 492 | 13 | 381 | 34 | 34 |
| Supported Lodging | 60 | 1 | 257 | 4 | 3 |
| Extended Fostering (18+) | 48 | 0 | 398 | 1 | 1 |
| UASC (Under 18) | (520) | 81 | 492 | 18 | 21 |
| Former UASC (18+) | 982 | 4 | 267 | 95 | 66 |
| Total | 26,154 | 290 | 14,137 | 587 | 566 |

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

The Disabled Children's Service is forecast to overspend by £310k after the use of £1.2m of reserves. Staffing is projecting an overspend due to additional staff being brought in to address increased demand for the service. Demand in the service continues to rise year-on-year in care packages including homecare, direct payments and short breaks.

The Directorate Management Team is forecast to overspend by £135k primarily due to interpreters fee payments for the previous financial year which were unaccounted for at year end.

Domestic Abuse Intervention Service is forecasted to overspend by £99k primarily due to Domestic Homicide Case Review costs (£66k) which is a statutory service and an additional staff resource due to Covid-19 where we have seen an increase in referrals during the pandemic (£23k).

Safeguarding Service is forecasted to overspend by £85k. This is primarily due to the unachievement of income targets and staffing pressures.

The Children's Procurement and Business Support Teams are forecasted to overspend by £84k which primarily relates to agency premiums for both the procurement and the business support teams.

Clinical Services is forecast to underspend by £170k due to vacant / late recruitment to the Specialist Clinical Practitioner posts.

The Family Learning Intervention Programme is forecast to underspend by £101k due to staff vacancies.

The Access & Assessment and Multi Agency Safeguarding Hub (MASH) service are showing a full year forecast underspend of £100k. The underspend relates to late recruitment of posts from the Access and Assessment staff unit realignment and lower staffing costs from the Emergency Duty Team within the MASH service.

No Recourse to Public Fund team is forecasted to underspend by £85k in Section 17 as the number of clients are declining. This is an increase of £68k from last month which is due to a net increase in Section 17 clients.

**Hackney Education**

Hackney Education has a budget of £23.8m net of budgeted income of circa £220m. This income is primarily from Dedicated Schools Grant of which the majority is passported to schools and early years settings or spent on high needs placements.

Hackney Education is forecast to overspend by around £5.8m. Approximately £0.5m of this is the forecast financial impact of the pandemic in relation to childcare fee income losses in Hackney’s children centres. The balance of the overspend is mainly as a result of a £7m forecast over-spend in SEND, offset by a forecast £1.4m of savings in other areas of Hackney Education. The £7m over-spend in SEND is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP). The EHCP forecast outturn may increase during the year: there are 135 EHCP applications currently being assessed. An assessment is expected to be completed within a 20 week cycle; the level of need for these and future applications cannot be determined at this point.

The Government formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities’ general funds unless Secretary of State approval is gained.

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

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

| Original Budget | Virement | Revised Budget | Service Unit | Forecast Variance Before Reserves | Reserves Usage | Forecast Variance After reserves | Narrative |
|---|---|---|---|---|---|---|---|
| 53,192 | 192 | 53,384 | High Needs and School Places | 8,100 | (1,100) | 7,000 | The forecast has been increased by approximately £600K following pupil transfer to schools and education establishments in September with the new academic year. The forecast is likely to change over the next few months as a result of volatility in the number of SEND plans and increased demand for services. |
| 3,578 | 64 | 3,642 | Education Operations | 402 | - | 402 | The Education Operations division is forecasting a 402k overspend at the end of November 2021. Main risk areas for this division are:<br>(1) over establishment costs for payroll and loss of income for Tomlinson centre due to Covid-19. (2) staffing budget pressures in the Strategy, Policy & Governance (SPAG) and School Improvement and Projects team due to maternity cover costs<br>(3) additional software costs from the Synergy SEND project and CPD booking system plus staffing budget pressures in MISA due to additional staff relating to the Synergy project. |
| 42,547 | 277 | 42,824 | Early Years, Early Help and Wellbeing | 824 | (500) | 324 | Budget pressures from previous years expected childcare fees income increases not achieved. Covid-19 additional costs from the continuing loss of childcare fees income. |
| 1,705 | 62 | 1,767 | School Standards and Performance | (45) | - | (45) | Forecast underspend £100k primarily relating to the expected in-year release of Monitoring and Brokerage Grant. Reserves relate to the funding of a post in Secondary Support. |
| 8,854 | -555 | 8,299 | Contingencies and recharges | (1,003) | - | (1,003) | The year-end forecast underspend relates to the education contingency budget which offset the overall overspend. |
| 134,360 | - | 134,360 | Delegated school funding to maintained mainstream schools | (851) | - | (851) | Forecast variance reflects Schools' Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure. |
| (220,433) | | (220,433) | DSG income | - | - | - | - |
| **23,803** | **40** | **23,843** | **Totals** | **7,427** | **(1,600)** | **5,827** | |

## Vacancy Rate and 2021/22 Savings

A vacancy rate savings target of £1,754k has been set for the directorate in 2021-22 (£900k for Children and Families and £854k for Education). The table below shows the target split between the service areas. This saving is a challenging target for services with a significant number of front-line staff. At this point in the financial year, it is forecast that it will be achieved. For Education, there is a risk of £250k due to turnover being lower than anticipated, however the service has identified non-recurrent staffing budgets to mitigate the shortfall this financial year. 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 with each OFP report.

The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular Covid-19 or cyber related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

The full year forecast is on track at this stage in the year and will continue to be monitored closely through Children and Education SMT on a monthly basis.

### Cost reduction proposals

The table below outlines the key proposals for cost reductions which have been endorsed across the Children & Education directorate in 2021-22. The reporting against these cost reduction proposals is being monitored on a monthly basis through this report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. To date, £888k has been delivered. It is important to emphasise that further cost reduction proposals will need to be identified as the current proposals will not bring the forecast back in line with the budget. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at C&E SMT.

**Cost Reduction Proposals**

| | Service | Initiative | Description | Target |
|---|---|---|---|---|
| 1 | CFS | Reduction of residential placements | As part of the forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement). This is being monitored through the Corporate Parenting budget review meetings. | £1m |
| 2 | CFS | Operations: Implementation of an overall panel process and forensic review of the Top 20 high cost placements. | Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services.<br><br>The £250k cost reduction will be achieved by reviewing the top 20 high cost placements and seeking a 5% reduction in costs through analysis of care package support (through the CFC tool) and through targeted negotiations with care providers. | £250K |
| 3 | CFS | Review Agency Spend & implement a new process for sign off for new agency staff | Reviewing spend on agency staff will enable us to make savings/reduce overspend.<br><br>Regular reporting and scrutiny through the Workforce Development Board for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. This will also prevent new staff being employed without agreement over the staffing establishment, preventing overspending. | £100K |
| 4 | CFS | Placement Management Business Support Improvement | The cost reductions realised from the Leaving Care Welfare/ Benefits Officer post will achieve in the region of £130k-£230k, by increasing the number of young people claiming housing benefit post 18 from 50% to between 60%-70%. | £150K |
| 5 | Ed | Developing in-borough SEND provision | The Council currently spends a significant amount on independent special schools. There is an ongoing plan to develop further in-borough provision. The plans are still being developed and likely savings/ cost avoidance are being worked up; the timescales for the delivery of these savings is unlikely to be achieved in 2021-22 and is more achievable over the medium term. | TBC |
| 6 | Ed | Reviewing SEND Transport eligibility | Reviewing the way transport agreements are made for children and young people with special educational needs against our legal duties. This will include benchmarking against local authorities to understand how our offer compares to others. Again the timescales for | TBC |

| | | | | |
|---|---|---|---|---|
| | | | the delivery of these savings are unlikely to be achieved in 2021-22 and identified as the SEND service is reviewed. | |

**Measures to control spend**

The Directorate has forecast a £100k reduction in spend thus far as a result of the implementation of non-essential spend control measures We will update Cabinet on further progress in forthcoming OFPs. The directorate is also looking to achieve reductions in agency spend by converting agency staff into permanent staff in budgeted posts. In Children and Families, the service is interviewing 13 agency staff this month and this will continue to be monitored closely through the Workforce Development Board. If this initiative is not successful, then we will consider other alternatives to reduce agency spend including fixed term contracts. These proposals are constantly under review and will be updated monthly as part of the OFP process.

## 4.3 Adults, Health & Integration (AH&I)

**Summary Position**

The AH&I directorate is forecasting an overspend of £4.1m after the application of reserves. This compares to a 2020/21 outturn position of £8.6m overspend (this included £6.5m of which was attributed to Covid-19 expenditure).

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

For Adult Social Care the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored.

In addition, the service is currently unable to complete financial assessments for new service users, resulting in a significant loss of care-charging income. We are working with ICT to look at possible workarounds to allow the service to re-commence care charging assessments. The impact from the cyber attack for this financial year relates to additional staffing deployed within the service (£318k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£755k estimated to the end of Nov-21). This estimate will continue to increase whilst the ability to undertake assessments remains unavailable.

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

**Covid-19**

Covid-19 presents a significant financial risk to the Adults, Health & Integration forecast for 2021-22 with the costs resulting from actions undertaken to limit the spread of infection. In recognition of this risk, the local authority has provided corporate growth of £3m to offset increased costs attributed to Covid-19 within Adult Social Care. However, the reduction of NHS funding to 6 weeks in 2021/22 for hospital discharge care packages has led to a £3.2m reduction in Covid-19 funding this year. The estimated net cost of the pandemic for the directorate above the level of corporate and grant funding received is £1.2m this financial year. The impact of these forecasts may change as the year progresses, especially in the next few months with the spread of the Omicron Covid-19 strain, and this will continue to be monitored and reported through this report.

**Adults**

The November 2021 revenue forecast for Adult Social Care is a £3.9m overspend. Covid-19 related expenditure accounts for £1.15m of the reported budget overspend.

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

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, the funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services. This has increased incrementally year on year and in this financial year, the grant increased further to £1.71bn and this has meant the local authority has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we have continued to lobby the Government for a long term funding solution.

This month, the Government finally presented its long overdue white paper (People at the Heart of Care: Adult Social Care reform). The paper describes the key investment priorities for social care and how the additional money will be used. The investment is being funded from the new Health and Social Care Levy. It details the priorities following the settlement announcements of £5.4 billion over three years solely for adult social care reform:

£3.6 billion to pay for the cap on care costs, the extension to means test, and supporting progress towards local authorities paying a fair cost of care, which together aim to remove unpredictable care costs;

and £1.7 billion to improve social care in England, including at least £500 million investment in the workforce.

The government's vision for 10 year reform of adult social care focuses on 3 key objectives:

(1) how to support people to have choice, control and independence;

(2) how to provide an outstanding quality of care; and

(3) how to ensure that care is provided in a way that is fair and accessible to everyone who needs it.

We will continue to work through the announcements and wait for further information to establish the impact for Hackney and its residents.

This financial year, Adult Social Care received a further £712k (third tranche), £486k (fourth tranche) and £749k (fifth tranche) of Infection Control and Rapid Testing Funding for care homes to fight Covid-19. Our role in this is primarily one of passporting the funding and so the allocation we received cannot be viewed as further assistance to mitigate the financial pressures we are under. The council has also been allocated £951k from the Workforce Recruitment and Retention Fund for adult social care to support providers to maintain the provision of safe care and bolstering capacity within providers to deliver more hours of care, support timely and safe discharge from hospital to where ongoing care and support is needed, support providers to prevent admission to hospital, enable timely new care provision in the community and support and boost retention of staff within social care. There was a further announcement of £300m in early December on top of this funding to recruit and reward the ASC workforce, however we have yet to receive further information and an allocation from this fund.

Care Support Commissioning (external commissioned packages of care) contains the main element of the overspending in Adult Social Care, with a £3.9m pressure against the £44.2m budget. The cyber attack continues to impact on the ability to forecast the expenditure accurately in this area since a number of manual processes require additional reconciliation. Again, this poses a risk to the forecast that new service users are not included in these manual processes, and understates the budget pressures in the service area. Finance is working closely with the service to ensure that manual processes seek to capture all new clients, and any changes to care package provision.

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

| Service type | 2021/22 Budget | Nov 2021 Forecast | Full Year Variance to budget | Variance from previous period |
|---|---|---|---|---|
| Learning Disabilities | 18,002 | 19,846 | 1,844 | (321) |
| Physical and Sensory | 16,712 | 17,714 | 1,002 | 580 |
| Memory, Cognition and Mental Health ASC (OP) | 8,592 | 9,493 | 900 | 108 |
| Occupational Therapy Equipment | 740 | 739 | (1) | 0 |
| Asylum Seekers Support | 170 | 361 | 191 | 0 |
| **Total** | 44,216 | 48,153 | 3,936 | 367 |

Physical & Sensory Support is forecasting an overspend of £1.0m (£0.42m Oct-21). The gross forecast spend on care packages in Physical Support is £25.3m (£24.9m in Oct-21) and in Sensory Support is £0.90m (£0.89m in Oct-21). Forecasts continue to be updated based on continuous reviews of care package costs, particularly in nursing homes and the cost of home care. The forecast includes £350k of iBCF funding, £1.0m of social care grant and £1.6m of reserve funding towards the increased level of care packages in 21/22.

Memory, Cognition and Mental Health ASC (OP) is forecasting an overspend of £0.90m (£0.79m in Oct-21). The gross forecast spend on care packages for 21/22 is £12.5m (£12.5m in Oct-21). The forecast includes £350k of iBCF funding, £650k of social care grant and £400k of reserve funding towards care package costs in 21/22.

The Learning Disabilities (LD) service is forecasting an overspend of £1.844m (£2.17m in Oct-21). There continues to be pressures driven by the increasing complexity of care needs for new and existing clients coupled with inflationary pressures requested by care providers. The gross forecast spend on care packages in Learning Disabilities is £34.4m (£34.8m in Oct-21). The forecast also includes significant non-recurrent funding from the iBCF (£1.0m) and Social Care Grant (£4.66m). In addition, a contribution from the CCG of £3.0m (£3.0m in Oct-21) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed across previous years to agree joint funding for complex health and social care packages within the service.

The Mental Health service is provided in partnership with the East London Foundation Trust (ELFT), and is forecasting an overspend of £1.31m (£1.24m in Sep-21). The overall position is largely attributed to an overspend on externally commissioned care services, and as part of the cost reduction plans, Adult Services and the ELFT will work closely to forensically review care packages within the service to seek a reduction of at least £350k this financial year.

Provided Services is forecasting an overspend of £0.33m (£0.47m in Oct-21). Within this position are two contrasting positions:

*Housing with Care* has an overspend of £1.03m (£1.15m in Oct-21), of which the majority is in relation to the significant cost of additional agency staff employed to cover for staff who are absent or unable to carry out full duties due to Covid-19. As a result of the occupational health risk assessment outcome (high or critical risk) completed as part of the council's vulnerability assessment procedure, a number of HwC staff who have underlying health conditions can only perform limited tasks hence the reliance on agency staff needed to complete the required duties. The forecast includes funding made available from the Infection Control Fund and the Workforce Recruitment and Retention Fund. The savings target of £500k for efficiencies across the Housing with Care schemes is not forecast to be achieved within this financial year and will be delivered through contract efficiencies within commissioned services. There are a number of void properties within Housing with Care schemes where property rental continues to be paid whilst the flats remain vacant. This cost pressure is reflected within care support commissioning budgets and will form part of the short term review of the service to deliver efficiencies.

*Day Care Services* are projected to underspend by £0.70m (£0.68m in Oct-21). The Oswald Street day centre re-opened in October 2020 but is still currently supporting a reduced number of service users due to Covid-19 restrictions. Consequently, staff vacancies are forecast to remain vacant across the remainder of the financial year.

ASC Commissioning is forecasting a £0.83m underspend (£0.67m in Oct-21) and this includes significant levels of one-off funding of £1.23m in 2021/22 supporting activity within commissioning. This includes increased capacity in the Project Management Office (PMO), ASC Commissioning, and the Direct Payments Teams. Disabled Facilities Grant funding has been applied to the Telecare contract. The service has renegotiated some Housing Related Support contracts which has resulted in efficiency savings of approximately £0.5m in 21/22, and this has largely offset the underachievement of Housing with Care savings on a non-recurrent basis this financial year.

Preventative services is forecasting an underspend of £1.1m and is primarily attributable to the interim bed facility at Leander Court (£0.57m) and Substance Misuse (£0.3m) linked to lower than expected demand for rehab placements. In addition the Carers services reflect an underspend of £0.22m due to a significant reduction in carers assessment activity linked to the Covid-19 pandemic.

Care Management and Adult Divisional Support is forecasting an overspend of £0.24m (£0.24m in Oct-21) and this is driven primarily by increased staffing costs within the Integrated Learning Disabilities team (£0.25m) and staffing pressure within the Long Term Team (£0.16m) which is partly offset by underspends in other areas of the service.

**Public Health**

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

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

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

As previously advised Hackney was allocated £3.1m of the total £300m announced by the Government to support Local Authorities in 2020/21 to develop and action their plans to reduce the spread of the virus in their local area as part of the launch of the wider NHS Test and Trace Service. Last financial year, £1.5m was spent, with a further planned commitment this year of £1.6m. This funding continues to support the development and implementation of tailored local Covid-19 outbreak plans, with all decisions on how the funding is allocated being approved by the Health Protection Board chaired by the Director of Public Health. The £1.6m for this financial year is reflected as a net nil position in the forecast as it is offset by the income we received the previous year. In addition to the Test and Trace funding, the Local authority has also been allocated £2.8m in 2021/22 from the Contain Outbreak Management fund (COMF) to help support public health activities to tackle Covid-19. Plans have been developed with the service to ensure that these funds are committed in line with the grant criteria.

The Hackney Mortuary service is forecast to overspend by £172k, of which £67k relates to the balance remaining from Hackney's Wave 2 mortality management contribution. The position has moved adversely by £67k this month, primarily driven by an increase in the council's contribution towards Coroners cost. As highlighted previously Mortuary costs increased significantly last year during Covid-19 with the response to the pandemic plan requiring the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet demand from the initial wave, and subsequently to meet increased demand for the second wave. We have received a reimbursement of £343k as a result of the pan-London provision being lower than the anticipated, with the remaining balance of £67k now being the cost for this financial year.

**Vacancy Rate and 2021/22 Savings**

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

The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular Covid-19 or cyber related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings.

A review of actual spend on salaries showed that £727k had been achieved against this target to date. This shows progress against the annual target of £864k so far - consequently the full year forecast is shown as on track at this stage in the year and will continue to be monitored closely by the AH&I Senior Management Team.

The 2021-22 savings are on track to be achieved with the exception of Housing with Care (HwC). The AH&I Group Director is reviewing the Service, and wants to pause the service review whilst we consider different methods of service delivery. To mitigate the savings gap, contract efficiencies are being made within commissioned services to ensure there is not a budget pressure during this period. There will be four project focused delivery groups to support the delivery of savings within HwC. The first two will be operational groups focused on delivering immediate savings and efficiencies through reviewing the use of agency and a revised process to maximise void usage. The commissioning groups will then look at immediate contract efficiencies and the other group will focus on a long-term review of services and service redesign.

**2021-22 Cost Reduction Proposals**

The service has also developed various proposals for cost reductions. The table below outlines the key proposals for cost reductions which have been endorsed across Adult Services in 2021-22. The cost reduction proposals will be monitored on a monthly basis highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for Adult Social Care. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at AH&I SMT.

In addition to the initiatives listed above, the department has reduced costs in other areas:

From April 2021, the Direct Payments team has implemented more robust monitoring of accounts, which has led to recovery of £257k to date from unused balances on service user accounts. It is expected that recovery of funds will continue at a similar rate throughout the financial year, resulting in further cost reductions.

The Occupational Therapy team is delivering a Better Care project between April 2021 - Oct 2021, aiming to reduce the number of residents receiving double-handed care, through implementing new and innovative moving and handling equipment and techniques. To date, this has resulted in cost reductions of £300k.

**Cost Reduction Proposals**

| | **Initiative / Area** | **Description** | **Initial Indicative Target** |
|---|---|---|---|
| 1 | Operations: Implementation of an overall panel process | Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services.<br><br>The £250K indicative target is based on the avoidance of approximately 3-4 placements, through the introduction of the new panel process to reduce the number of longer term placements. Alternatives to residential care placements are being explored thoroughly along with the use of assistive technology to reduce care package costs. The process also means that the importance of 6 week reviews to step down packages is being highlighted. At the end of October-21, more than £200k of costs had been avoided by the use of robust challenge. | £250K |
| 2 | Provided Services: Review of operational staffing issues | Reviewing operational staffing issues across Housing with Care will enable us to ensure that we are getting the most from our workforce. 20 staff who were originally assessed as being unable to carry out face to face work due to Covid-19 vulnerability are being referred to occupational health as temporary cover arrangements are unsustainable from an operational and financial perspective.<br><br>If 50% of the staff on limited duties were to return to full duties from 1st December, it is estimated that this would reduce the staffing forecast by £118k to the end of the financial year. | TBC |
| 3 | Adult Services: Review Agency Spend & implement a new process for sign off for new agency staff | Reviewing spend on agency staff will enable us to make savings/reduce overspend.This includes a review of every agency member of staff with managers and checking that no agency staff are working more than 36 hours per week and that they are all regularly taking annual leave.<br><br>Introducing a new process for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. This will also prevent new staff being employed without | £100K |

| | | | |
|---|---|---|---|
| | | agreement over the budgeted staffing establishment. | |
| 4 | Mental Health Budget - reduce overspend | Working with ELFT to bring expenditure back in line with the budget. This will be delivered through the joint working group meetings with ELFT. Measures include:<br><br>● A more robust panel process in line with the ASC panel process has been implemented and reductions to a number of packages have already been made, amounting to £64k savings to date. This figure will increase over the coming weeks.<br><br>● The use of the Care Cubed tool to assess the cost of care has begun, targeting the highest cost care packages as well as being used to review all existing care packages. All packages will have been reviewed in the next 12 months using Care Cubed.<br><br>● Commissioners are now working on re-introducing a framework to reduce the reliance on spot purchase and are also reviewing the HRS block contract to ensure efficiency. | £350K |

**Measures to control spend**

The Directorate has forecast a £80k reduction in spend thus far as a result of the implementation of non-essential spend control measures We will update Cabinet on further progress in forthcoming OFPs. Also, all Directors are reviewing agency assignments with the view to release 1 in 5. This will be supported by a Matrix report of agency staff - including how long in post, hours worked and if they have taken leave etc. The reduction of 1 in 5 may not be possible for all services, however the directorate will pull together an approach which demonstrates its commitment to reducing agency spend. This will include a systematic review and challenge process for all agency staff. All agency staff in post for more than 12 months are being tracked and reviewed. For example a number of these posts are additional staff brought in to support the hospital discharge service and brokerage to increase capacity during covid and to facilitate 7 day working in the hospital. In addition, Directors are considering not appointing to vacant posts (permanent or agency) and not extending existing agency staff. Business cases are being produced for recruitment to permanent vacancies, these are shared with the Director and Group Director for sign-off. There are difficulties recruiting agency social work staff which means there are vacant posts being carried for longer periods of time. All appointments (permanent or agency) and agency extensions require justification from the relevant Director and Group Director.

## 4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

**Summary Position**

The directorate is forecasting an overspend of £2.6m of which £1.9m is due to the impact of Covid as set out above. This is an adverse movement of £30K on the position reported for October. The non Covid-19 overspend is £650K following the use of £2,275K of reserves. This is a decrease in the underlying overspend of £171K on the October position and is mainly due to tight financial control of all budget lines.

The Directorate is forecasting a full achievement of the directorate savings plan of £1.4m and a full achievement of the vacancy factor saving, though there remains a risk relating to this saving especially with the potential impact of the new variant of Omnicron on sickness and self isolation absences. In respect of the vacancy factor, £119K of the savings target in Environmental Services has been delivered, however, it has not been possible to deliver the remaining £435K from staffing budgets. The delivery of the remainder of the savings will be made through underspends against other budget lines.

**Covid Narrative**

Parks and Green Spaces have a projected Covid-19 impact of £75k, £45k of this is due to the loss of income. This primarily relates to the Events Team as there are very few bookings, as activity is not expected to return to pre 2020/21 levels for some time yet. There is also a £30k Covid-19 forecast relating to legal fees and other expenses, but underspends on other budgets across the service area are being held to mitigate these costs.

Community Safety, Enforcement & Business Regulation are forecasting a spend relating to Covid-19 of £511K in the Civil Protection team. This has reduced slightly due to the application of grant funding. The areas of Covid-19 expenditure are: Staff costs including training, uniforms, overtime and four additional staff covering Covid-19 tasks; security for infrastructure and testing sites; PPE expenditure; temporary mortuary expenses; premises costs arising from setting up, folding down, repairs and cleaning of testing sites and. the hire of vehicles.

Environmental Operations has a projected overspend of £788k relating to the impact of Covid-19. There is an estimated loss of £492k on Commercial Waste income, £278k for use of agency staff to cover sickness/self isolation absence now being forecast up to the end of March 2022 due to the new variant Omicron which has recently emerged. Whilst staff absences relating to Covid-19 are still low, there could be a spike over the Christmas period. Additional vehicle cleansing still remains an essential protocol for a Covid-19 safe working environment and we are forecasting this additional spend up to the end of the financial year due to the additional measures announced by the Government to respond to the new variant. There is also a forecast spend of £20k on additional PPE and other materials. The service has adopted a prudent approach to potential spend arising from the pandemic and for the forecast loss of income and will maintain close monitoring on costs and income as the year progresses.

Markets and Shop Front Trading is showing an estimated Covid-19 impact of £230k made up of £61k income shortfall and £169k additional expenditure on security measures and staffing to ensure Covid-19 safe trading. This is based on the assumption that there will be no further lockdowns.

Streetscene is forecasting a shortfall of £325K Highways licence income which is a result of slower than expected recovery of development activity due to the impact of Covid-19. The service is containing this shortfall as far as possible within its overall cash limit by holding underspends against other budgets.

**Cyber Narrative.** Planning Services are forecasting an estimated £230K loss of land charges income due to the continuing impact of the cyberattack on the land charges service.

The position on individual services is now considered.

**Directorate Management** is forecasting a £17k underspend, which is an adverse movement of £25k since the October return.

**Planning Services** is forecasting an overspend of £989K, after the use of £603K reserves. £103K of reserve usage is to part-fund work on area-based plans and £500K to part-fund the underlying overspend in the service. This is an increase of £14K on the overspend position reported in October. There is a £230k variance in Land Charges income as a direct result of the cyberattack where only a partial service will be provided until the summer of 2022. The underlying overspend in Planning Services primarily relates to Planning Application and Building Control fees income, which has seen a steady decline over the past year. The service has achieved the vacancy factor savings of £150K, but this reduction in resource will impact on the resource to process planning applications and is leading to pressures on existing staff.

The shortfall in planning application fee income, within the underlying overspend, is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 2 - 3 years. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. There has been an increase in Planning Performance Agreement income which is now meeting its budgeted income levels, and additional charges have been introduced for commercial planning enquiries. In addition, there has been a recent promotion of the building control services.

Despite a 20% uplift in planning fees 3 years ago, the income has consistently fluctuated between £1.5-1.7m over the past 3 years and a further decline to £1.3m has been seen during this year. With a budget of £2.2m and a plateau in the housing market, this level of income is unachievable. The income target for minor applications of £1.2m is now forecast not to be achieved, and the cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy.

The Head of Planning has worked with finance to undertake a review of the service to address the cost pressures in the service. The review is now complete and the report recommendations bringing the Planning budget into balance over the medium term are being implemented. This includes an allocation from reserves to mitigate part of the overspend as agreed with the then Acting Chief Executive and Section 151 Officer.

Environmental Operations is showing a forecast overspend of £808K which is primarily due to the impact of the Pandemic. The Covid-19 impact on the service is currently forecast at £788k, a rise of £78k from the October 2021 position as set out above. This increase is mainly due to forecasting the use of additional staff up to the year end to cover covid related absences that may arise due to the new variant Omicron.

Waste Strategy is expected to break even as any underspend within the service will be applied to any ongoing or new recycling initiatives and to support the fortnightly refuse and recycling collection service change which will reduce the call on reserves to deliver the project.

Markets and Shop Front Trading is showing an overspend of £276k, no change from October's position. Additional staffing costs and a shortfall in income account for £230k due to the Covid-19 impact on income and expenditure. The service is drawing up plans to mitigate this overspend, in particular staffing levels, which will be monitored closely as the year progresses. The other area of overspend is non-delivery of the £30k vacancy factor saving which the Director Sustainability and Public Realm has decided will be delivered by Parking Services.

There is a risk within the Market Service with regards to the contract for setting up and dismantling stalls. Work is being carried out to bring this service in-house and there is a risk that this may not be achievable within this financial year which would add an additional £123k to the contractor costs. The Head of Service is exploring strategies to mitigate this risk.

Other than the impact of Covid-19 relating to loss of income and legal costs (£75k) which are detailed above, Leisure, Parks & Green Spaces continue to forecast a £9k overspend, showing no change since the October return.

Streetscene is forecasting an underspend of £47k, which is an adverse movement of £18k because of a lower than forecast income due to the current climate since the October position. There are two key risks which need to be managed, both relating to income. The recharge to capital income is dependent on Transport for London (TfL) funding. Whilst the current allocation to date is less than in previous years it has not had a significant impact on the budget as vacancies are being held in mitigation. The Head of Streetscene maintains a watching brief on the position to ensure that the service is able to react swiftly to funding announcements thereby ensuring maximisation of available funding. Network team income collection is the other risk area and the forecast has been reduced as the service is being prudent on income projections because the income from highways licences has not yet recovered to pre pandemic levels. Income will be closely monitored throughout the year and reflected in future forecasts. The Service will continue to hold underspends across other budgets to mitigate this budget pressure.

Within Housing GF there is a slight underspend currently forecast relating to staff savings within the Travellers cost centre.

Community Safety Enforcement and Business Regulation are forecasting an overspend of £602K, a reduction of £87K from the October position. The main overspend is within Civil Protection for Covid-19 related costs, an overspend of £511K, which has reduced since October due to the application of grant funding. It may decrease further if additional grants are applied directly to the service. The other cost pressures within the service as reported in previous OFP reports continue and the Head of Service is working with finance to resolve these pressures namely, the non-achievement of Proceeds of Crime (POCA) income, £90K and the cost of software licences, £36K. The improvement in the forecast is due to a review of the forecast expenditure across the service and income to cover bereavement costs that were previously forecast as an overspend.

**Cost Reduction Proposals Forecast - Non Essential Spend**

The table below outlines the key proposals for cost reductions from the non essential spend review which have been forecast across Neighbourhoods and Housing Directorate in 2021-22.

| Service Area | Team | Description | 2021/22 Target |
|---|---|---|---|
| | | | £ |
| Directorate Management | Directors Team | Forecasting a net reduction across all controllable budgets. | 17 |
| Leisure & Green Spaces | Various | Forecasting a net reduction in supplies & services (including transport costs). | 66 |
| Community Safety, Enforcement & Business Regulation | Various | Forecasting a net reduction in supplies and services | 13 |
| Streetscene | Various | Forecasting a net reduction in staffing due to leavers. This is one off for this financial year and going forward staff will need to be recruited. | 64 |
| | | | **160** |

Across the directorate one off underspends of £160K were identified from the non essential spend review and are being held to mitigate the overspend. This is a reduction of £29K since the October position due in the main to the need for a one of piece of work to respond to results of the staff survey. Management continues to explore opportunities to find cost reductions as is evident from the reduction in the underlying overspend since October which demonstrates the tight financial management within the directorate. The reporting against these cost reduction proposals will be monitored through the monthly finance report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. It is important to emphasise that managers will continue to identify opportunities for cost reductions to mitigate the directorate overspend.

## 4.5 FINANCE & CORPORATE RESOURCES

F&R is forecasting an overspend of £6.264m. Of this, £4.76m is due to the impact of the cyberattack and £1m due to Covid.

**Covid-19**

The total net cost of Covid to is estimated at £1m in additional costs and lost income after taking into account what can be covered with existing budgets, government grants and earmarked reserves. The main service areas affected are Commercial Property (rental income) and Revenues, Benefits and Housing Needs (increase in demand). Costs in the latter areas are expected to be covered by grant funding and one off reserves.

**Cyberattack**

The total net cost of Cyber is currently estimated at £4.8m. The system problems are causing significant overspends across Revenues and Benefits (£1m) and Housing Needs (£175k). This is the estimated cost of resources required to restore lost data and clear the backlog incurred whilst the systems were out of action. This is a reduction on the October forecast as the timeline for system recovery has shifted further into 2022/23. ICT are currently reporting £3.48m of costs relating to restoring or rebuilding systems and an additional resource in finance has also been allocated to cyber costing £100k.

**Non Essential Spend**

The non-essential spend controls implemented in September continue to be monitored and it is expected at this stage that the reduction of £380k will be achieved.

**Financial Management & Control**

Financial Management is currently forecast to budget with the exception of Cyber related costs of 100k. This is for a Project Accountant to assist with tracking and monitoring the Cyber spend as well as reviewing all business cases for additional spend on the recovery. The 3.5% vacancy savings has been agreed and will be closely monitored.

**Property Services**

Overall, Property Services are forecasting an overspend of £969k which includes £900k of lost rental income due to Covid19. This figure is after reserves and provisions to cover the proposed new structure which is to address shortfalls in resources within the service following significant increases in the portfolio of properties managed by this service over a period of several years and reduce the use of unbudgeted consultants and agency staff; and unbudgeted premises costs for security and maintenance. Commercial Property is forecasting an overspend before reserves of £1.5m which includes Covid related costs for lost rental income (£900k) and unbudgeted premises costs for security and maintenance (£600k). Education Property is overspending by £120k which will be met from Education Empty Property reserves as it is due to security costs on vacant sites.

**R&B Core Services**

Revenue and Benefits are forecasting an overspend of £1m after reserves usage. There has been no movement from the previous month's forecast.

Revenues is currently reporting an overspend of £700k which is no change on the previous month. The overspend relates to:

> £350k staffing costs in Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax.
>
> £350k forecast relating to Cyber recovery, which is expected to commence in January 2022. The Business Case is for a 6 month period, with costs approved upto £1m. The majority of costs are expected to be incurred in 2022/2023.

Currently the service is forecasting £1m lost income in court costs as a result of Covid and Cyber, which has significantly reduced legal action across the service. The cost can be partially absorbed by underspends elsewhere and any additional loss will be offset by unspent Revenue Grants from previous years.

Benefits is currently reporting an overspend of £300k which is no change on the previous month. The overspend relates to a £300k forecast relating to Cyber recovery and working on the backlog of claims.

There is an expectation that there will be additional demand for the service, which has been factored into the forecast and can be offset by Revenue Grants Unapplied from previous years. However, until the backlog of claims is cleared, it is impossible to determine the source and extent of increased demand.

**R&B Customer Services**

Customer Services have recently undergone a restructure to consolidate the Corporate and Housing Contact Centres, in order to increase frontline staff and reduce the need for agency staff. The restructure remains in the transition period and it has been agreed with the Head of Service that a forecast overspend of £200k is reasonable to cover any additional agency costs which continue to be incurred during the transition period.

**Housing Needs GF**

Housing Needs is currently forecasting an overspend of £175k for 2021/22, after the allocation of grant income and reserves. The 3.5% vacancy factor savings represents £244k for this function and is being achieved.

Covid related costs for housing needs are currently estimated at £3.4m for 2021/22. This cost and its mitigations within the forecast are as follows.

£2m relates to the ongoing support provided for rough sleepers, following the 'everyone in' programme which commenced as a result of the pandemic. Specific funding has been identified for approx £0.3m of the total cost, and homelessness grants held in reserves from previous years will be used to cover the costs, if no further government funding is forthcoming. The programme as it stands is expected to run to the end of the financial year, at which point it is currently anticipated that more suitable, permanent accommodation will be secured

£850k relates to an expected increase in demand. Grant income received in 21/22 that is in excess of the budgeted amount is expected to meet this cost.

£760k relates to an anticipated reduction in rental income.

The remaining £175k net overspend is driven by additional staffing costs related to cyber recovery.

Progress on the recovery of the systems that Housing Needs uses continues. In the last few weeks the planned interim system (IFS) arrangements have been implemented. This has begun to improve visibility of rental income profiles. Further work is being undertaken over the coming weeks to refine this information within the finance forecasts.

**Registration Services**

Registration Services is currently forecast to budget.

**Facilities Management**

Facilities Management are currently forecasting an overspend of £75k, which is predominantly due to increased security costs. Budgets in this area are being reviewed for the coming year.

**Audit & Anti-Fraud**

Audit & Anti-Fraud are forecasting an underspend of £284k due to staff vacancies.

**ICT**

The ICT Division is forecast to overspend by £3,930k after a 183k reserve drawdown.

ICT Corporate is currently forecasting an overspend of £3,450k after a drawdown from reserves and recharges identified for project work across the council. The revenue forecast cost for cyber recovery in 2021/22 is currently £3,484k, an adverse movement of £29k on last month's forecast. It should be noted that the outturn for the year will be affected by the speed at which the recovery progresses.

Financial Management Systems are forecasting to underspend by £6k

Hackney Education ICT is predicted to overspend by £486k which is a worsening of £28k month on month. The Head of Education ICT is carrying out a financial sustainability review of the service in response to historic overspends, which continue to be reflected in this year's forecast. This will be reported to the Director of Education and Strategic Director, Customer & Workspace in November. The objectives of the review are to clarify cost drivers which underpin the historic overspends, reprofile budgets for 2021/22 to better reflect the service, and to confirm the business plan to achieve a balanced budget in 2021/22, moving to a surplus position by 2023/24.

**Procurement**

The Central Procurement Service and the Energy Team are forecasting to come in at budget with the exception of £100k for PPE cost. No additional stock has been purchased to date however, due to potential changes in Covid guidance and restrictions, a nominal amount has been included in the forecast. This will be reviewed as guidance changes.

**Directorate Finance Team**

The Directorate Finance Team is currently reporting a balanced budget.

**Human Resources**

HR is currently forecast to budget. Savings have been identified for the 3.5% vacancy factor.

**Vacancy Rate and 2021/22 Savings**

The vacancy target is £1.622m and it is forecast that £1.521m will be achieved. The underachievement of £0.101m is in Property and the directorate is looking at ways to deliver offsetting savings in other areas. All of the budgeted 2021-22 savings are forecast to be achieved.

## 4.6 CHIEF EXECUTIVE

The Chief Executive services are forecasting to overspend by £0.2m after the application of reserves, including a Covid impact of £1.3m.

**Covid-19**

Engagement, Culture and Organisational Development are still being impacted by the effects of Covid-19 relating to income generation activity from running events. Hackney Council has taken a local decision to maintain restrictions such as social distancing at venues resulting in an increased number of cancellations and refunds.The service is currently estimating a loss of income in the region of £338k. However, it is very difficult to determine the income projection for the year with further cancellations likely in the coming months as the new variant (Omnicron) impacts local restrictions. The income levels will be closely monitored going forward.

Libraries & Heritage have little prospect of meeting their income targets where fines are currently suspended and there are no room bookings and minimal sales etc. It is hoped that income collection will gradually pick up in the coming months but this will be a slow process and is being reviewed on a monthly basis, currently this is giving a £72k pressure/overspend within the service. The Library service is also having to provide additional security staff on an ongoing basis due to the effects of the Covid-19 Pandemic and the need to enforce correct social distancing procedures within buildings, particularly if they are shared occupancy, which is resulting in an estimated £90k overspend across the service.

Inclusive Economy and Corporate Policy Covid-19 related expenditure of £819k is due to the self-isolation support framework forecast to cost £608k and support for clinically extremely vulnerable residents £97k, which are fully funded from a combination of government grants and health funding. There is £114k Covid-19 cost relating to running of the elections which will be met from GLA and reserves.

The position of services is discussed below.

The Chief Executive services are forecast to overspend by £203k after the use of reserves of £3,386k. This is no change from the October positions.

Engagement, Culture and Organisational Development are forecasting an overspend of £286k after the use of reserves. The ongoing impact of Covid-19 accounts for £338k loss of income as mentioned above, which is partially offset by a combination of additional income from internal bookings recharged to services, and holding vacancies (£118k). An assessment of the impact of the restrictions in respect of the new variant

(Omnicron) on income from the use of venues is underway and will be reflected in the forecast for December. The other significant overspend area is Hackney Today, where there is a £191k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today. This is partially offset by reduction in agency and distribution costs. The remaining overspends are partially offset from the income generated by the design and film income teams.

Libraries & Heritage continue to forecast a £69k overspend which is no change from the October forecast, all of which can be attributed to the lasting effects of Covid-19 as detailed above. There continues to be a prudent approach in the service area and although security forecasts have increased further in November, controllable budget forecasts have been scrutinised and challenged to absorb this increase and try to help mitigate the overspend.

Legal & Governance services are forecasting an underspend of £18k after usage of reserves which is no change from October. The service is forecasting a significant shortfall in external income targets from property, S106 income and capital recharges with activity reducing. However, this is being mitigated by a combination of holding vacancies and reducing external commissioned legal service, although an increase in case load could have an adverse impact on the current financial forecast.

Inclusive Economy and Corporate Policy are currently forecasting an underspend of £52k. The forecast underspend is due to a combination of vacant post, employees not on top of spinal points, and employees opting out of the pension scheme

Within Regeneration, there is an £82k underspend currently forecast after reserves usage. The majority of this relates to savings within Private Sector Housing, which are offset somewhat by cost pressures in the Housing Strategy and Policy Team.

**Vacancy Rate Savings and 2021/22 Savings**

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

**Cost reduction proposals**

The table below outlines the key proposals for cost reductions which have been endorsed across the Chief Executives Directorate in 2021-22.

| | Service | Team | Description | Indicative target |
|---|---|---|---|---|
| 1 | ECOD | Venues | Forecasting additional income from internal recharges for bookings combined with holding vacancies. | £118k |
| 2 | ECOD | Design Team | Forecasting above budgeted income. However, this mainly from internal recharge from across the council | £39k |
| 3 | ECOD | Film Location Management | Forecasting additional income from more filming in the borough. However, there is risk regarding sustainability as income levels fluctuates | £35k |
| 4 | ECOD | Hackney Today | Forecasting a reduction in agency and distribution cost as result of the court ruling | £28k |
| 5 | ECOD | Various | Forecasting a combination of holding vacancies and a net reduction in supplies and services (including transport cost). | £21k |
| 6 | Legal | Legal | Forecasting a combination of holding vacancies and reducing external commissioned legal service. However, an increase in case load would have an adverse impact on the current financial forecast. | £100k |
| 7 | Libraries and Heritage | Various | Forecasting a net reduction in supplies and services (including transport cost), but this is only sustainable as a short term one off commitment. | 65K |

The reporting against these cost reduction proposals will be monitored through the monthly finance report highlighting delivery against these targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. Currently, these cost reduction measures are on track to be delivered. It is important to emphasise that further cost reduction proposals will need to be identified as the current proposals reduce the overspend. However, they do not bring the forecast back in line with the budget.

## 4.7 HOUSING REVENUE ACCOUNT (HRA)

The HRA forecast, which is projected to come in at budget, includes the continuing impact of Covid, with limitations on the repairs that can be carried out and the moratorium on evictions during the first quarter. As restrictions are lifted, there is likely to be more calls for repairs which tenants have not reported during the pandemic and so if volume exceeds the capacity of the DLO, additional work will be allocated to contractors.

During the past year there has been a significant increase in rent arrears, but as procedures are introduced to escalate tenants in arrears it is forecast the arrears will start to reduce. The resultant overspend will be funded from a reduction in RCCO. The current capital contracts are ending and are being re-procured, and so there is limited value remaining on the expiring contracts, therefore less capital funding is required during the year. However, the works and the funding will be required in future years and factored into a revision of the HRA business plan later in the year.

More specifically, **Dwelling Rent and Tenant Charges** is forecast at £1.446m over budget due to a continued increase in voids due to the demolition of properties on regeneration estates and the delays in the reletting of properties. The performance of voids and relets is being monitored; however, the lack of an IT system makes the process manual and takes longer.

The **Non-dwelling Rent** forecast has reduced due to the continued lack of booking in Community Halls. Bookings and usage will be monitored during the year but it is unlikely to achieve the budget level of income. However, there may be a NNDR rebate due for the period of the pandemic which will offset this variance.

A pressure on the **leaseholder income** for the administration of major works (section 20) has been identified as a consequence of the reduction in capital works taking place. There are some capital works taking place which will result in leaseholder Major Works recharges, however this is estimated to be minimal in 2021/22, and the loss of income is estimated at £180,000.

On Expenditure, **the Housing Repairs Account** is forecast to overspend due to restrictions during the first quarter and the potential for increased demand as restrictions are lifted. In addition, there is an increasing number of legal disrepair cases that will require work.

The **Special Services** variance of a £437k overspend is due to an increase in lift servicing and repairs and a potential increase in utility costs.

There is also an increase in Bad and Doubtful debt as a result of the increase in arrears potentially being written off during the year.

To off-set the variances, the RCCO has been reduced to forecast a balanced budget. This capital resource is not required in the year due to a reduced capital programme.

## 5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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 2021. Full Council agreed the 2021/22 budget on 24th February 2021.

6.2 **Equality Impact Assessment**

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 **Sustainability**

As above

6.4 **Consultations**

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Mayor, the Cabinet Member for Finance, Housing Needs and Supply, HMT, Heads of Finance and Directors of Finance.

6.5 **Risk Assessment**

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

## 7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The Group Director, Finance and Corporate Resources’ financial considerations are included throughout the report.

## 8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council’s financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council’s policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's Constitution, although full Council sets the overall budget, it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. The Cabinet must take decisions in line with the Council's overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget and report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.

8.5 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.

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

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|---|---|
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