TITLE OF REPORT :

**2021/22 Overall Financial Position, Property Disposals And Acquisitions Report that takes account of the estimated financial impact of Covid-19 and the on-going emergency**

**Key Decision No. FCR R85**

| CABINET MEETING DATE 2021/22 | CLASSIFICATION: |
| --- | --- |
| 13th December 2021 | Open |

**WARD(S) AFFECTED: ALL WARDS**

**CABINET MEMBER**

**Councillor Robert Chapman**

**Cabinet Member for Finance**

**KEY DECISION**

**Yes**

**REASON**

**Spending or Savings**

**GROUP DIRECTOR**

**Ian Williams: Finance and Corporate Resources**

## 1. CABINET MEMBER'S INTRODUCTION

1.1 This is the fifth Overall Financial Position (OFP) report for 2021-22. It shows that the Council is forecast to have an overspend of £4.509m on the general fund - an improvement of £0.26m from the previous month. Whilst a further reduction in the overspend is welcome, we must continue to review our spending plans and make every effort to balance the budget to maintain the services our residents rely on.

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/Cyberattack pressures in respect of looked-after-children placements, staffing in Children's Services, and care packages in Adults Services.

1.3 The Covid-19, Children and Education and Cyberattack set asides as provided in the budget for 2021/22 have all been fully applied in this forecast. As part of the budget monitoring cycle the implementation of the vacancy factor has been reviewed. At this stage in the year it is forecast that 98% of the total saving of £6m will be achieved.

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. The impact of Covid-19 and rebuilding from the pandemic will also continue to have a significant financial impact. While the Chancellor's October spending review has implied that there will be an increase in national funding for local government, it is not possible to say how much of this will be used to fund existing commitments, how much will be ring fenced and how much is new money that can be used for any purpose. Much of it assumes increases in council tax levels rather than increases in grants. It must also be noted that we will not know how much Hackney Council will receive until the Provisional 2022-23 Finance Settlement, expected this month, is announced. Overall, the Spending Review implies a funding position that would leave the council still well below levels as they were in 2010. Pending the Finance Settlement the estimate of the initial budget gap remains unchanged.

1.5 Bearing this in mind, paragraphs 2.7 to 2.10 of this report provide Cabinet with a brief summary of where we are in relation to the development of the budget for 2022/23 and recommends budget proposals for approval which contribute to meeting the estimated budget gap for that year. Cabinet colleagues will be familiar with these proposals which are the result of an extensive and challenging process and have been subject of a thorough review through a budget scrutiny process. Utmost effort has been put into ensuring that these proposals address the financial pressures while fully reflecting the need to protect front line services.

1.6 I commend this report to Cabinet.

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

*Current Year Forecast*

2.1 The OFP shows that the Council is forecast to have an overspend of £4.509m 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 a reduction in the overspend this month of £0.26m. and so 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.

2.3 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.

2.4 The financial position for services in October 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 saving 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 |
| 84,862 | Children and Education | 2,183 | (241) | 1,825 | 64 |
| 97,625 | Adults, Health and Integration | 3,945 | 241 | 1,214 | 973 |
| 25,415 | Neighbourhood & Housing | 2,549 | 194 | 1,728 | 230 |
| 21,264 | Finance & Corporate Resources | 6,129 | (438) | 1,000 | 4,730 |
| 17,396 | Chief Executive | 203 | (13) | 1,265 | 0 |
| 44,030 | General Finance Account | 0 | 0 | 0 | 0 |
| **290,592** | **GENERAL FUND TOTAL** | **15,009** | **(257)** | **7,032** | **5,997** |

| | Forecast Variance Before Reserves |
|---|---|
| | £000 |
| GENERAL FUND TOTAL | 15,009 |
| 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** | **4,509** |

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

2.6 The impact of the non-essential spend controls thus far is £877k in total. In some instances reductions in non-essential spend will be partly offset by other increased costs. 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.

*2022/23 Budget Development*

2.7 As part of the Budget Report for the current financial year agreed by Full Council in February, the Council set out its medium term financial plan which estimated budget gaps of £11.2m and £12.6m for 2022/23 and 2023/24 respectively. Since that time Group Directors and Directors have been working on developing budgets proposals for 2022-23 and 2023-24 to contribute to closing these gaps.

2.8 These proposals have been developed alongside Cabinet Members and have been through a budget scrutiny process where all proposals were subject to review and challenge by Scrutiny and Audit Committee Chairs and Vice Chairs. These proposals are now recommended for approval by Cabinet.

2.9 Further details are included at **Appendix 1** and a summary is shown below.

**Budget Proposals 2022-23 and 2023-24**

| Directorate Proposals | 2022/23 £000 | 2023/24 £000 |
|---|---|---|
| Neighbourhoods and Housing | 1,768 | 0 |
| Chief Executives | 414 | 175 |
| FInance & Corporate Resources | 820 | 1,180 |
| Children & Education | 467 | 650 |
| Adult, Health & Integration | 1,400 | 900 |
| **Total** | **4,869** | **2,905** |
| **Corporate Proposals** | **2022/23 £000** | **2023/24 £000** |
| Concessionary Fares | 1,500 | 0 |
| RCCO | 1,000 | 0 |
| **Total** | **2,500** | **0** |
| **Grand Total** | **7,369** | **2,905** |

2.10 Work continues on closing the remaining budget gap for 2022/23 which will include assessing the impact of the Provisional Local Government Settlement which is expected in December and the flexibilities around Council Tax this brings, alongside reviewing levy estimates and the impact of a review of fees and charges.

## 3.0 RECOMMENDATIONS

3.1 **To approve the budget proposals noted in 2.7 and detailed in Appendix 1 to contribute to meeting the estimated budget gaps for the 2022-23 and 2023-24 financial years.**

3.2 **To note the update on the overall financial position for October, covering the General Fund, Capital Finance and the 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 £2.2m after the application of reserves. This is a reduction of £241k from last month.

**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 management 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. The impact on childcare fees is estimated to be in the region of £500k, although these forecasts may change as the year progresses. 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 in this report on a monthly basis.

**Children's Services**

Children and Families Services (CFS) is forecasting a £2.2m overspend as at the end of October 2021 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 Central Government for a long term funding solution.

Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £0.8m 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 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 | 9,540 | 4,559 | 22 | 38 |
| Secure Accommodation (Welfare) | - | 234 | 234 | - | 1 |
| Independent Foster Agency | 7,688 | 7,034 | (654) | 155 | 130 |
| In-House Fostering | 2,400 | 1,913 | (487) | 99 | 77 |
| Semi-Independent (Under 18) | 1,570 | 2,108 | 538 | 20 | 24 |
| Semi-independent (18+) | 1,370 | 2,589 | 1,219 | 90 | 109 |
| Family & Friends | 869 | 1,027 | 158 | 45 | 52 |
| Residential Family Centre (P & Child) | 300 | 297 | (3) | 2 | 2 |
| Other Local Authorities | - | 136 | 136 | - | 5 |
| Overstayers (18+) | 290 | 118 | (172) | 18 | 3 |
| Staying Put (18+) | 500 | 656 | 156 | 31 | 34 |
| Supported Lodging | - | 55 | 55 | - | 3 |
| Extended Fostering (18+) | - | 55 | 55 | - | 1 |
| UASC (Under 18) | - | (487) | (487) | 46 | 21 |
| Former UASC (18+) | - | 807 | 807 | 14 | 66 |
| Expenditure | 19,967 | 26,080 | 6,112 | 540 | 566 |

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 £6.3m including UASC income. The UASC income is in excess of the placement costs incurred for the 21 UASC placements in the service, hence the additional 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 Home Office funding 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 | 9,540 | 167 | 4,390 | 38 | 39 |
| Secure Accommodation (Welfare) | 234 | - | 0 | 1 | 1 |
| Independent Foster Agency | 7,034 | - | 953 | 130 | 138 |
| In-House Fostering | 1,913 | - | 476 | 77 | 72 |
| Semi-Independent (Under 18) | 2,108 | 2 | 1,513 | 24 | 25 |
| Semi-independent (18+) | 2,589 | 7 | 291 | 109 | 111 |
| Family & Friends | 1,027 | - | 372 | 52 | 47 |
| Residential Family Centre (P&Child) | 297 | - | 3,601 | 2 | 2 |
| Other Local Authorities | 136 | 2 | 392 | 5 | 5 |
| Overstayers (18+) | 118 | 1 | 312 | 3 | 14 |
| Staying Put (18+) | 656 | 13 | 380 | 34 | 33 |
| Supported Lodging | 55 | 1 | 259 | 3 | 4 |
| Extended Fostering (18+) | 55 | 0 | 396 | 1 | 1 |
| UASC (Under 18) | (487) | 91 | 577 | 21 | 22 |
| Former UASC (18+) | 807 | 13 | 694 | 66 | 57 |
| Total | 26,080 | 296 | 14,606 | 566 | 571 |

The pattern in the last few years has been a consistent increase in numbers of young people in residential placements and in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Covid-19 has also been a factor, and has resulted in delays in young people being able to transition from these placements. The annual cost of an IFA placement (£50k) is twice as much as an In-house fostering placements (£25k) so it is increasingly important that we maximise our in-house placements. It is essential that the service delivers the cost reduction plans 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 £321k after the use of £1.2m of reserves. Staffing is projecting an overspend due to additional staff brought in to address increased demand in the service. Demand in the service continues to rise year-on-year in care packages including homecare, direct payments and short breaks.

**The Safeguarding Service** is forecasted to overspend by £119k. This is primarily due to the unachievement of income targets and staffing pressures.

**The Domestic Abuse Intervention Service** is forecasted to overspend by £96k 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).

**The Children's Procurement and Business Support** teams are forecasted to overspend by £95k which primarily relates to agency premiums for both the procurement and the business support teams.

**Clinical Services** is forecast to underspend by £186k due to vacant / late recruitment to the Specialist Clinical Practitioner posts.

**No Recourse to Public Fund team** is forecasted to underspend by £153k in Section 17 as the number of clients are declining.

**Access and Assessment** is showing a full year forecast underspend of £111k. 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 services.

**The Family Learning Intervention Programme** is forecast to underspend by £69k due to staff vacancies.

**Hackney Education**

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

Hackney Education is forecasting to overspend by around £5.5m. 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 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's).

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 September pupil transfer to schools and education establishments 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 | 403 | - | 403 | Over establishment posts within the Payroll Team and maternity cover costs for Strategic Policy and Governance. Shortfall of income for Tomlinson Centre. |
| 42,547 | 277 | 42,824 | Early Years, Early Help and Wellbeing | 827 | (500) | 327 | 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) | |
| 8,854 | -555 | 8,299 | Contingencies and recharges | (1,003) | - | (1,003) | Forecast under-spends in contingency and savings delivered in |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | previous years. |
| 134,360 | - | 134,360 | Delegated school funding to maintained mainstream schools | (851) | - | (851) | Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure. |
| (220,433) | | (220,433) | DSG income | - | - | - | - |
| **23,803** | **40** | **23,843** | **Totals** | **7,431** | **(1,600)** | **5,831** | |

**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, last month's finance report highlighted 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 will be carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported with each OFP report.

The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular Covid-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 Children & Education in 2021-22. The reporting against these cost reduction proposals are 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, £806k has been delivered and is included in the current forecast.  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 overspend. | £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 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 as government funding has recently been announced to support these SEND initiatives to reduce the costs to councils of providing outbrough SEND placements for school pupils and post 16 students etc. | 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 the delivery of these savings are unlikely to be achieved in 2021-22 and identified as the SEND service is reviewed. | TBC |

**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 identified in last month's OFP. 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 budgets 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.

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

**Summary Position**

The AH&I directorate is forecasting an overspend of £3.9m after the application of reserves of £3.4m. 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 (£313k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£660k estimated to the end of Oct-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 a net cost of £1.2m this financial year.

**Adults**

The September 2021 revenue forecast for Adult Social Care is a £3.8m 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 continue to lobby Central Government for a long term funding solution.

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. The council has also just been allocated £951k from the Workforce Recruitment and Retention Fund for adult social care. Our role in this is primarily one of passporting the funding and so the allocation we received cannot be viewed as further assistance to mitigate the financial pressures we are under.

**Care Support Commissioning** (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £3.6m pressure. 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 | Oct 2021 Forecast | Full Year Variance to budget | Variance from previous period |
|---|---|---|---|---|
| Learning Disabilities | 18,002 | 20,167 | 2,165 | 481 |
| Physical and Sensory | 16,712 | 17,134 | 422 | (83) |
| Memory, Cognition and Mental Health ASC (OP) | 8,592 | 9,385 | 792 | 227 |
| Occupational Therapy Equipment | 740 | 739 | (1) | 0 |
| Asylum Seekers Support | 170 | 361 | 191 | 19 |
| **Total** | 44,216 | 47,786 | 3,569 | 644 |

**Physical & Sensory Support** is forecasting an overspend of £0.42m. The gross forecast spend on care packages in Physical Support is £24.9m (£24.6m in Sep-21) and in Sensory Support is £0.89m (£0.94m in Sep-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 £0.79m (£0.57m in Sep-21). The gross forecast spend on care packages for 21/22 is £12.5m (£12.2m in Sep-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 £2.17m (£1.68m in Sep-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 £34.8m (£34.3m in Sep-21).

The LD 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 Sep-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

£1.24m (£1.22m 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 £0.47m (£0.56m in Sep-21). Within this position are two contrasting positions:

Housing with Care has an overspend of £1.15m (£1.23m in Sep-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. 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 £0.68m (£0.67m in Sep-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 £0.67m underspend (£0.31m in Sep-21) and this includes significant levels of one-off funding of £1.20m 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 Preventative services is forecasting an underspend of £1m and is primarily attributable to the interim bed facility at Leander Court (£0.58m) and Substance Misuse (£0.2m) linked to lower than expected demand for rehab placements. In addition 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 (£0.25m in Sep-21) and this is driven primarily by increased staffing costs within the Integrated Learning Disabilities team (£0.3m) 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 £105k, of which £67k relates to the balance remaining from Hackney's Wave 2 mortality management contribution. As highlighted previously Mortuary costs increased significantly last year during Covid-19 with the response to the pandemic plan requiring the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet demand from the initial wave, and subsequently to meet increased demand for the second wave. 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 half way through 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 £572k 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.

**Table 1D: 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 agreement over the budgeted staffing establishment. | £100K |
| 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 | £350K |

| | | | |
|---|---|---|---|
| | | 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. | |

The cost reduction proposals are being 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 £323k 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.

**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.

## 4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

### Summary Position

The directorate is forecasting an overspend of £2.5m of which £1.7m is due to the impact of Covid. This is an adverse movement of £194K on the position reported in September which is in the main due to an increase in the overspend in Planning Services which is in turn due to a worsening of the income forecast. The non Covid-19 overspend is £821K following the use of £2,136K of reserves which is an increase of £164K on the September position.

The Directorate is forecasting a full achievement of the directorate savings plan of £1.4m and a full achievement of the vacancy factor saving, an improvement of £150K on the September position. In respect of the vacancy factor saving in Environmental Operations. £119K of the savings target has been delivered through staffing savings, 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 £45k which 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 £533K in the Civil Protection team. This has improved by £60K due to the application of grant funding. The areas of 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 £715k relating to the impact of Covid-19. There is an estimated loss of £492k on Commercial Waste income, £207k for use of agency staff to cover sickness/self isolation absence to forecast up to the end of December 2021 as staff absences relating to Covid-19 are now minimal. However, additional vehicle cleansing 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. 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 £175K Highways license 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 shortfal within their 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.

**Directorate Management** is forecasting a £42k underspend which is a small adverse movement on last month's forecast. The undespend is due to a rigorous review of all controllable budgets in this cost centre.

**Planning Services** is forecasting an overspend of £975K, 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 a movement of £189K on the September position which is due to a further reduction in the forecast income for land charges, planning applications and building control. The £230k reduction in Land Charges income is 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 is primarily related to Planning Application fees 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 Group Director of Finance and Corporate Resources.

**Environmental Operations** is showing a forecast overspend of £730K which is primarily due to the impact of the Pandemic. The Covid-19 impact on the service is currently forecast at £715k, a rise of £30k from the September 2021 position as set out above.

**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 which is a negative movement of £2k from the September position. Additional staffing costs and 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 inhouse and there is a risk that this may not be achievable within this financial year which would add additional £123k to the contractor costs. The Head of Services 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 September return.

**Streetscene** is forecasting an underspend of £64k which is unchanged since the September 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 Funding (TfL) funding which has not been confirmed and is expected to be less than in previous years. 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. The 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 licenses 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 & Business Regulation** are forecasting an overspend of £707k - a favourable movement of £38k from the position as of September 2021. The main overspend is within Civil Protection for Covid-19 related costs of £533K which may decrease further if grants are applied directly to the service. There are other cost pressures across the service as follows; an income shortfall of £90K against the Proceeds of Crime (POCA) income budget; a small shortfall against the income budget from various Service Level Agreements, an overspend of £36K for Computer costs, and an overspend of £50k for funeral costs. The improvement in the forecast is due to the application of grants to Covid-19 related costs.

**Cost Reduction Proposals**

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. | 42 |
| 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 is staffing due to leavers. This is one off for this financial year and going forward staff will need to be recruited. | 64 |
| | | | **185** |

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 £6.169m. Of this, £4.73m is due to the impact of the cyberattack and £1m due to Covid. This is a reduction of £0.44m from last month.

**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). In the event of an economic downturn there is a risk that Covid could impact these areas in years to come through changes in the lettings market and increased demand for Benefits and Temporary Accommodation. Costs over budget in these areas are expected to be covered by grant funding and one off reserves. It should be noted that the current extra cost in Benefits is very difficult to badge against Cyber, Covid or business as usual as there is a significant backlog of work due to Cyber and until the work is completed, we do not know what is contained and the reasons for changes in circumstances.

**Cyberattack**

The total net cost of Cyber is currently estimated at £4.73m. Systems recovery is driving 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 forecast from the previous month as the timeline for system recovery has shifted further into 22/23. ICT are currently reporting £3.46m of costs relating to restoring or rebuilding systems and additional resources in finance have also been allocated to cyber costing £100k.

**Financial Management & Control**

Financial Management is currently forecast to budget with the exception of Cyber related costs of £100k. This is for additional resources 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 factor has been set against specific vacant posts and is closely monitored.

**Education Partnerships**

The current budget for Education Partnerships is £308k which we anticipate will be fully utilised by the end of the financial year. There are no overhead legal expenses anticipated and if this continues no reserves will be utilised. In addition, the vacancy saving of £5k is being closely monitored and expected to be achieved.

**Property Services**

Property Services are forecasting an overspend of £969k. 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. The overspend includes £900k lost rental income due to Covid19. Education Property is overspending by £120k which will be met from Education Empty Property reserves.

**R&B Core Services**

Revenue and Benefits are forecasting an overspend of £1m after reserves usage of £1m. Revenues are currently 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 within the cash limit and any additional loss will be offset by grants from previous years. The forecast is an improvement of £350k from the previous month's forecast due to a reduction in the expected resource requirement for 2021/22. It should be noted however that both areas continue to be significantly affected by the cyber attack - due to the backlog of work and validity of data - and it is expected that much of the additional resource requirement will now fall into 22/23. In Benefits, there is additional expected demand in the service, which has been factored into the forecast. However until the backlog of claims is cleared it is difficult to determine the source of increased demand and the extent. Customer Services have recently completed a restructure to consolidate the corporate and housing contact centres, however remain in a transition period. The restructure was designed to increase frontline staff and reduce the need for agency. It has been agreed with the Head of Service that an overspend of £200k is a reasonable estimate to cover agency costs which continue to be incurred during the transition period.

**Housing Needs GF**
Housing Needs are currently forecasting an overspend of £175k after the use of reserves. The service continues to provide support for rough sleepers accommodated under the 'Everyone In' programme which was implemented at the start of the Covid-19 Pandemic. The programme is expected to run up until, at least, the end of the financial year with expected costs of approximately £2m. Specific funding has been identified for approximately £0.3m of the total cost, and the remaining costs will be covered by grants unapplied from previous years if no additional funding is identified.

It is expected that there will be an increase in demand for Temporary Accommodation as tenants eviction protection has ended. The increase in demand is expected to be lower than initially anticipated as the DLUHC has recently announced funding to help vulnerable households with rent arrears. At this point we expect to be able to offset any additional costs incurred (accomodation and increased administration resources) against the additional funding provided by DLUHC There has been a favourable movement of £325k in the position as of September 2021 - as a result of a reduction in the agency forecast directly related to working on the cyber backlog - however it is expected these costs will be incurred in 22/23.

**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 as a result of the London Living Wage. Generally it is difficult to absorb these costs within the existing cash limits, as security makes up a significant proportion of costs.

**Audit & Anti-Fraud**
Audit & Anti-Fraud are forecasting an underspend of £275k due to staff vacancies. There is going to be a restructure in the next financial year.

**ICT**

The ICT Division is forecast to overspend by £3,798k after a 183k reserve drawdown. This is a £218k adverse movement over September.

ICT Corporate is currently forecasting an overspend of £3,335k (£100k increase from September) 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 £3,455k, a favourable movement of £50k 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 £7k

Hackney Education ICT is predicted to overspend by £457k which is a worsening of £118k 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. 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 budget except for £100k PPE cost. This is a nominal amount, purely to represent that it is likely that there will be some costs incurred but we are unsure how much. We have yet to purchase any additional stock and any further costs will be driven by changes in Covid guidance and restrictions.

**Directorate Finance Team**

The Directorate Finance Team is currently reporting a balanced budget.

**Human Resources**

The service 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 local restrictions apply. 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 £63k 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 £71k 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 £3,312k. This is an improvement of £11k from the September position.

**Engagement, Culture and Organisational Development** are forecasting an overspend of £286k after the use of reserves of £375k. This is a favourable movement of £2k from the position as of September 2021. The ongoing impact of Covid-19 accounts for £338k loss of income mentioned above, which is partially offset by a combination of additional income from internal bookings and holding vacancies (£118k). The other significant overspend area is Hackney Today, with a £191k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/ Hackney Life being partially offset by reduction in agency and distribution cost (£28k). The remaining overspends are partially offset from the underspends generated by the design and film income teams totaling £74k and other net underspends of £23k.

**Libraries & Heritage** continue to forecast £69k which is no change from the September 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 in October, controllable budget forecasts have 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 of £218k. This is an adverse movement of £4k from the position reported in September 2021. 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 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 underspends 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 Chief Executives Directorate in 2021-22. Some of the cost reduction proposals had already been factored into the forecast position for the directorate as budget holders have strived to contain the overspend. A further review of non-essential spend in September has identified a further £128k which has mitigated the overspend and improved the forecast for the directorate.

## Cost Reduction Measures

| | Service | Team | Description | Indicative target |
|---|---|---|---|---|
| 1 | ECOD | Venues | Forecasting additional income 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 Managem ent | 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 indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. These cost reduction measures are on track to deliver on target.

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 eviction 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 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 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 £1.428m 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 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 21/22, and the loss of income is estimated at £180,000.

On Expenditure, **the Housing Repairs Account** is forecast to overspend due to restriction 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 £451k 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 October 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.

**Appendix 1: 2022-23 and 2023-24 Savings Proposals**

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|---|---|
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