Hackney

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 R81**

CABINET MEETING DATE 2020/21 **18th October 2021**	**CLASSIFICATION:** Open with exempt appendix **If exempt, the reason will be listed in the main body of this report.**

WARD(S) AFFECTED: ALL WARDS
CABINET MEMBER **Councillor Robert Chapman** **Cabinet Member for Finance**
KEY DECISION **Yes** **REASON** **Spending or Savings**
GROUP DIRECTOR **Ian Williams: Finance and Corporate Resources**

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the third Overall Financial Position (OFP) report for 2021-22. It shows that the Council is forecast to have an overspend of £7.272m on the general fund. This is a significant increase from the overspend reported in our first OFP report of this year in May (£3.929m), and a further increase on the forecast overspend reported in July (£6.544m). As I stressed in last month's OFP, it is vital that we maintain a balanced budget to maintain the services our residents rely on. Services are currently implementing the mitigating measures proposed by the Group Director of Finance and Corporate's Resources set out in the July OFP which were agreed by HMT in September. I look forward to seeing a positive outcome to these measures reflected in the September OFP.

1.2 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 90 – 95% of the total saving of £6m will be achieved.

1.4 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 £7.272m 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. £6.9m in the current year. The vast majority of this falls in F&CR (ICT and Revenue and Benefits).

2.2 There has been a significant increase in the forecast overspend since the May report and this has increased by a further £0.718m since last month. £0.35m of this is owed to the costs of a care package for a new client with severe learning difficulties and the remainder is due to increased cyber costs in F&CR and Adult Social Care Services. It is too soon to see the impact of the mitigation measures set out in last month's OFP but this will be factored into the forecasts next month

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 August is shown below.

2.5 The overspend before application of the Covid and Cyberattack set-asides is £16.3m. How this will be funded and the resulting net overspend is shown below.

Table 1: Overall Financial Position (General Fund) August 2021

Service Area	Forecast Variance Before Reserves	Reserves Usage	Forecast Variance After reserves	Change in Variance from last month	How much of spend/reduced income is due to Covid19	How much of spend/reduced income is due to Cyber
	£k	£k	£k	£k	£k	£k
Children and Education	11,337	-8,825	2,512	25	1,606	32
Adults, Health and Integration	7,121	-3,455	3,666	553	1,557	772
Neighbourhood & Housing	4,300	-1,995	2,305	92	1,462	80
Finance & Corporate Resources	14,744	-7,271	7,473	143	1,050	6,036
Chief Executive	3,556	-3,240	316	-95	1,266	0
General Finance Account	0	0	0	0	0	0
GENERAL FUND TOTAL	**41,058**	**-24,786**	**16,272**	**718**	**6,941**	**6,920**

	Forecast Variance After Reserves
	£000
GENERAL FUND FORECAST VARIANCE	16,272
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
NET OVERSPEND	**7,272**

2.6 Directorates are actioning the cost reduction mitigating measures that I set out in the July OFP. These include:

- Forensic reviews of each cost centre looking at what we have spent to date against the forecast, and identifying areas where we are able to cease spending.

- Review of all agency assignments with the view to release 1 in 5 where reasonable to do so, as well as ensuring agency staff are taking leave and working a standard 36 hours per week. This will include a systematic review and challenge process for all agency staff.

- Implementation of increased controls on recruitment and Directors to consider not appointing to vacant positions (permanent or agency) and agency extensions.

All Chief Officers are committed to implementing and maintaining these mitigation measures. As they are only just coming on line, it is too soon to see the impact of these measures but they will be factored into next month's forecast.

2.7 It should be noted that we are forecasting full achievement of the 2021-22 budget savings and 90-95% of the vacancy savings.

2.8 This report also seeks approval to approve the granting of a lease of Roof Top Nursery, 6 Ottaway Street, London, E5 8PX for use as a Nursery with Hilltop Day Care Nursery Limited. The Roof Top Nursery was constructed on the former Benthal Primary School caretaker's house by Hill Top Nursery who are the current lessees, with less than five years remaining of their original 20 year lease, and who are now seeking a new lease to enable them to raise funds for repairs and improvements to the building. Education has confirmed that they are satisfied with Hill Top Nursery as they remain an outstanding OFSTED registered provider with good/strong leadership and management. They are a private nursery offering competitive fees when compared to other settings locally, well used by local parents and a valued part of the childcare stock of Hackney. The LBH Early Years team is therefore content to continue with the lessee for a further 20 year period.

2.9 The property is single storey together with a roof top play space and small garden area and the leased property is shown edged in red on the accompanying plan in **Appendix 1**. The nursery has been well used and is now in need of repair and improvement, including the roof, and requires a longer lease term to be able to raise the funds to carry out the work. It is proposed to grant Hilltop Day Care Nursery Limited a Full Repairing 20 year lease with tenant only options to break at the 5th, 10th and 15th anniversaries. The Lessor will insure the property and the Lessee is to pay to the Lessor on demand a due proportion of the building insurance premiums by way of additional rent. The insurance payments will commence from completion of the lease. A rent-free period is to be granted for the first 12 months of the term for the Lessee carrying out the works. The property is not elected for VAT therefore there will be no VAT charged on the rent. The other pertinent terms of the lease (subject to the lease) are set out in **Exempt Appendix 2.**

3.0 RECOMMENDATIONS

3.1 To approve the granting by the Council to Hilltop Day Care Nursery Limited of a lease of 20 years for the property known as Roof Top Nursery, 6 Ottaway Street, London E5 8PX.

3.2 Authorise the Group Director of Finance and Resources and the Director of Strategic Property Services to finalise any outstanding issues in connection with the completion of the lease and to agree the final commercial terms.

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

3.4 To note the update on the overall financial position for August covering the General Fund and the HRA.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the property proposal

4.2 CHILDREN AND EDUCATION

Summary

The Children's & Education directorate is forecasting an overspend of £2.5m 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. We have workarounds that we have implemented, and this has included: the funding of an additional staffing resource (£32k) in the Business Support Team to provide capacity in the service to respond to issues arising from the cyber attack. 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.

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

Children's Services

Children and Families Services (CFS) is forecasting a £2.5m overspend at the end of August 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:

- £4.2m from the Children and Families Commissioning and Childrens, Adult and Community Health Transformation reserves (£3.7m and £0.5m respectively) to meet the cost of placements where these exceed the current budget.

- £1.2m from the Disabled Children's Reserve, to offset homecare and direct payments care package pressures in the 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 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 £1.0m compared to last year (this excludes use of reserves and the 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 £2.4m, 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 will need to be completed as soon as possible. This will need to be undertaken by the Group Director and Director and form part of the wider review of the service.

Corporate Parenting is forecast to overspend by £2.1m after the use of £4.2m of commissioning reserves. This overspend includes £0.971m 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 £1.0m 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 £26.3m compared to last year's outturn of £25.3m – an increase of £1.0m.

Table 1: Placements Summary for LAC and Leaving Care

Service Type	Budget £000s	Forecast £000s	Forecast Variance £000s	Funded Placements No.	Current Placements No.
Residential	4,981	8,990	4,009	22	40
Secure Accommodation (Welfare)	-	339	339	-	1
Independent Foster Agency	7,688	7,020	(669)	154	133
In-House Fostering	2,400	1,833	(567)	108	81
Semi-Independent (Under 18)	1,570	2,408	838	20	30
Semi-independent (18+)	1,370	2,639	1,269	87	117
Family & Friends	869	1,003	134	40	45
Residential Family Centre (P & Child)	300	253	(48)	2	1
Other Local Authorities	-	144	144	-	6
Overstayers (18+)	290	794	504	45	60
Staying Put (18+)	500	853	353	37	54
Extended Fostering (18+)	-	83	83	-	4
UASC	-	(58)	(58)	25	24
Expenditure	19,967	26,299	6,332	539	596

**based on the average cost of placements.*

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 24 UASC placements in the service; hence the additional funding is financing the additional staffing unit within the Looked-After Children Service. The table below compares placements as at the end of August to the end of July and also shows weekly unit costs.

Table 2: 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	9,095	176	4,388	40	39
Secure Accommodation (Welfare)	234	7	0	1	1
Independent Foster Agency	7,020	127	955	133	147
In-House Fostering	1,833	35	436	81	84
Semi-Independent (Under 18)	2,408	45	1,486	30	32
Semi-independent (18+)	2,639	35	303	117	113
Family & Friends	1,003	19	417	45	47
Residential Family Centre (P&Child)	253	4	3,618	1	1
Other Local Authorities	144	2	379	6	5
Overstayers (18+)	794	16	270	60	61
Staying Put (18+)	853	21	395	54	56
Extended Fostering (18+)	83	2	430	4	4
UASC	(58)	-	0	24	25
Total	26,299	489	13,077	596	615

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.

Access and Assessment is showing a full year forecast underspend of £117k. The underspend relates to late recruitment of posts from the Access and Assessment staff unit realignment.

Disabled Children's Service is forecast to overspend by £274k after the use of reserves. Staffing is projecting an overspend due to additional staff being brought in to address increased demand in the service. The challenge in this service is that demand continues to rise year-on-year in care packages including homecare, direct payments and short breaks.

Young Hackney is forecasted to overspend by £123k due to shortfall in funding for the Trusted Relationship service (£43k); additional staff resource due to Covid which is needed for targeted services (£21k); and other staffing pressures across the Young Hackney services (£59k).

Domestic Abuse Intervention Service is forecasted to overspend by £92k primarily due to Domestic Homicide Case Review costs (£66k) which is a statutory service and an additional staff resource due to Covid where we have seen an increase in referrals during the pandemic (£23k).

Safeguarding Service is forecasted to overspend by £143k. This is primarily due to the unachievement of income targets (£66k) and staffing pressures.

The Parenting Support Service is forecasted to overspend by £112k due to two over-established Social Worker posts to support increased caseloads.

No Recourse to Public Fund team is forecasted to underspend by £154k in Section 17 as the number of clients are declining. The underspend in Section 17 is used to offset cost pressures in other areas of the department.

The Directorate Management Team is showing an underspend of £134k due to legal costs being charged directly to services and the budget being held centrally in this cost centre. The movement of £149k from last month relates to a reprofiling of staffing costs shown in other areas of the directorate.

Clinical Services is forecast to underspend by £122k due to late recruitment to Specialist Clinical Practitioner posts.

The Family Learning Intervention Programme is forecast to underspend by £80k 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

(DSG) 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 £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 £6.4m forecast over-spend in SEND, offset by a forecast £1.4m of savings in other areas of Hackney Education. The £6.4m 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. The Government's 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
53,224	-	53,224	High Needs and School Places	7,500	(1,100)	6,400	This forecast estimates an increase in spending of around £5m from the previous year as a result of significant projected increases in children and young people with education, health and care plans.
3,524	-	3,524	Education Operations	316	-	316	Year-end forecast under 5%. Over establishment for payroll, maternity cover costs for SPAG and shortfall of income for Tomlinson Centre.
42,571	-	42,571	Early Years, Early Help and Wellbeing	838	(500)	338	Budget pressures from previous years expected childcare fees income increases not achievable and Covid-19 additional costs from the continuing loss of childcare fees income.
1,705	-	1,705	School Standards and Performance	(45)	(55)	(100)	Forecast underspend primarily relating to the expected in-year release of Monitoring and Brokerage Grant reserves further update next reporting cycle.
8,854	-	8,854	Contingencies and recharges	(1,012)	-	(1,012)	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	-	-	-	
23,805	**-**	**23,805**	**Totals**	**6,746**	**(1,655)**	**5,091**	

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). 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. The education finance team is, however, highlighting a risk of around £250k. 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 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. Progress will continue to be monitored closely through Children and Education SMT on a monthly basis..

2021-22 Savings The directorate has a savings target of £532k. It is forecast that these will be achieved. The savings are spread across seven service areas including Virtual Schools, the Safeguarding & Learning Service, re-organisation of the MISA team and executive and administrative support structure, and the re-organisation of school improvement services. Each of these are c. £100k and there are smaller savings in three other service areas. All of these are on track to be delivered.

Cost Reduction Proposals

The table below outlines the key proposals for cost reductions which have been endorsed across Children & Education in 2021-22.

Table: 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)	£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. 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. 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 an 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 settings. There is an ongoing plan to develop further in-borough provision.	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..	TBC

The reporting against these cost reduction proposals will be 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. 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.

4.3 Adults, Health & Integration (AH&I)

Summary Position

The AHI directorate is forecasting an overspend of £3.7m after the application of reserves of £3.5m. 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, 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 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. 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 (£293k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£479k estimated to the end of August 2021).

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.

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

Covid19 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 £1.55m this financial year.

Adults

The August 2021 revenue forecast for Adult Social Care is a £3.2m 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 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.

The government has recently announced additional funding of £12bn per year on average for health and social care across the UK over the next three years, to be funded by a new UK-wide 1.25% Health and Social Care Levy. This will make available around £12bn per year on average over the next three years to be ring-fenced and invested into health and social care across the UK. We await further details on these funding announcements and the implications for social care, and will provide an update in the coming months as further detail is made available.

This financial year, Adult Social Care received a further £712k (third tranche) and £486k (fourth 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.

<u>Care Support Commissioning</u> (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £2.9m 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. 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	Aug 2021 Forecast	Full Year Variance to budget	Variance from previous period
Learning Disabilities	18,002	19,652	1,650	763
Physical and Sensory	16,712	17,258	546	(254)
Memory, Cognition and Mental Health ASC (OP)	8,592	9,128	534	242
Occupational Therapy Equipment	740	741	1	0
Asylum Seekers Support	170	318	148	1
Total	44,216	47,097	2,879	752

Physical & Sensory Support is forecasting an overspend of £0.55m. The gross forecast spend on care packages in Physical Support is £24.3m (£24.7m in July-21) and in Sensory Support is £1.15m (£1.21m in July-21). Forecasts have been revised down based on continuing review 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 £1.1m 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 £0.5m (£0.3m in July-21). The gross forecast spend on care packages for 21/22 is £12.45m (£12.2m in July-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 £1.65m (£0.88m in July-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 £33.8m (£32.7m in July-21). This month we have seen a significant increase in the LD position primarily as a result of one service user transitioning from Children services with a care package cost of c£500k, this has been partially offset by an estimated joint-funded contribution of £150k. There is a risk that the health contribution for this care package could be lower, which would lead to an adverse impact on the financial position.

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 (£2.7m in July-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 £0.95m (£0.95m in July-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 £0.53m (£0.53m in July-21). Within this position are two contrasting positions:

- *Housing with Care* has an overspend of £1.2m (£1.1m in July-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 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 £0.63m (£0.57m in July-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 £0.31m underspend (£0.21m underspend in July-21), and this includes significant levels of one-off funding of £1.67m in 2021/22 (£1.66m in July-21). Within teams this supports increased capacity with the Project Management Office (PMO), ASC Commissioning, and the Direct Payments Teams. This also includes a project to fund the Lime Tree and St Peters' care scheme prior to a wider recommissioning exercise. 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 2021/22, and this has largely offset the non-delivery of Housing with Care savings this financial year.

Preventative Services

Preventative services is forecasting an underspend of £1.1m and this 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 C19 pandemic.

Care Management and Adult Divisional Support

The service is forecasting an overspend of £0.28m (£0.25m in July-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 (£0.1m) 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 related demand-led services such as sexual health are 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 are being 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 £432k, of which £410k 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. Hackney's share of the total additional cost for Wave 1 (£732k) & Wave 2 (£510k) combined was £1.242m. Recently we were informed that Hackney's provision for Wave 2 was not fully spent in the last financial year, with the remaining balance of £410k now being rolled forward into the 2021/22 financial year. The expectation is this will be fully spent in the current 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. The target is split between the service areas. This saving is a challenging target for a service with a significant number of front-line staff. At this point 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 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 £425k 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 through the ASC Workforce Development Board.

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: 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. 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.	£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.	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. 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. Overspend in the region of £700k, and the service will work on a £350k reduction in Year 1 and then a further £350k reduction in spend in Year 2. Implementation of a more robust panel process in line with the ASC panel process is being implemented. Options around use of HwC are being explored along with commissioning discussions around the use of spot-purchased supported living. Efficiencies are also being sought through utilisation of the in-house cleaning service for blitz cleans.	£350K

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 £322,816 to date. 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.

4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

The directorate is forecasting an overspend of £2.3m of which £1.5m is due to the impact of Covid. This is an adverse movement of £92K on the position reported in July which is in the main due to an increase in the cost of Covid for the directorate, which has increased by £0.1m to £1.5m. The non Covid overspend is £0.8m following the use of £2.0m of reserves.

The Directorate is forecasting a full achievement of the directorate savings plan of £1.4m and a forecast achievement of £1.2m, 89%, of the vacancy factor savings. The area of non-achievement of the vacancy factor savings is Planning Services. In respect of Planning, the Strategic Director, Sustainability and Public Realm is working with his management team to develop alternative plans to achieve this vacancy factor saving in these areas and this will be reported in the next OFP report to Cabinet.

<u>Parks and Green Spaces</u> have a projected Covid Impact of £65k which is due to the loss of income which primarily relates to the Events Team as there are very few bookings, and activity is not expected to return to pre 2020/21 levels for some time yet. There is also an overspend forecast relating to legal fees and expenses to remove an unauthorised encampment of people protesting about COVID restrictions on Hackney Downs, but net underspends across the service area is being held to mitigate this additional cost. Community Safety, Enforcement & Business Regulation are forecasting a spend relating to Covid of £500K in the Civil Protection team. The areas of expenditure are: Staff costs including training, uniforms,overtime and four additional staff covering covid 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 £660k relating to the impact of Covid. There is an estimated loss of £492k on Commercial Waste income, £148k for use of agency staff to cover sickness/self isolation absence and additional vehicle cleansing forecast up to the end of September, and £20k spend 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 restrictions are lifted. Markets and Shop Front Trading is showing an estimated Covid impact of £250k made up of £61k income shortfall and £189k additional expenditure on security measures and staffing to ensure Covid safe trading. This is based on the assumption that there will be no further lockdown.

Planning Services is forecasting an overspend of £684K, after the use of £603K reserves. £103K of reserve usage is to fund the completion of one area action plan and £500K to part-fund the underlying overspend in the services. This is a movement of £48K on the July position which is due to legal costs defending a planning appeal. The underlying overspend in Planning Services is primarily related to Planning application fees and building control fees income. In addition there are other cost pressures; There is also a non-achievement of the vacancy factor savings of £150K and there is an estimated overspend of £80K relating to the impact of the cyberattack, a shortfall in Land Charges income and additional staffing costs to restore data to the new planning systems,

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.

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. With a budget of £2.2m and a plateau in the housing market, this level of income is unachievable. The income target for minor applications of £1.2m is forecast to be achieved, however the cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy.

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 Acting Chief Executive and Section 151 Officer.

Environmental Operations is showing a forecast overspend of £669K which is primarily due to the impact of the Pandemic. The Covid impact on the service is currently forecast at £660k 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 £280k which is an adverse movement of £15k from the July position. Additional staffing costs and shortfall in income account for £250k due to covid impact on income and expenditure. The service is drawing up plans to mitigate this overspend, in particular staffing which will be reviewed from September 2021. The other area of overspend is non-delivery of the £30k vacancy factor saving which, after discussions with the Strategic Director Sustainability and Public Realm, is being 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 underway to bring this service inhouse but this may not be achieved within this financial year. If we do not bring this service in house there will be an additional £123k cost in the current year.

Other than the impact of covid, loss of income which is detailed above, Leisure & Green Spaces are forecasting a break-even budget position.

Whilst Streetscene is showing a forecast to budget, 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 and it is still uncertain if business will pick up sufficiently as the lockdown comes to an end to meet income targets. Income will be closely monitored throughout the year.

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

The main overspend in Community Safety Enforcement & Business Regulation is within Civil Protection for covid related costs of £500K which may decrease if grants are applied directly to the service. The team has forecast additional income from external partners of £50K. There is a total of £198K vacancy factor in the service which is forecast to be delivered. There are other cost pressures across the service as follows; there is a income shortfall of £90K against the Proceeds of Crime (POCA) income budget; a smaller income budget shortfall of £11K from various Service Level Agreements, a forecast overspend of £36K for Computer costs, and over various overspends of £45K throughout the service. The Head of Service is holding underspends across the service to mitigate these overspends and will continue to review the position closely to further mitigate the areas of overspend.

4.5 FINANCE & CORPORATE RESOURCES

F&R is forecasting an overspend of £7.5m. Of this, £6m is due to the impact of the Cyberattack and £1.1m due to Covid. With regards to the Cyberattack, there are significant additional costs forecast across Revenues and Benefits (£1.35m) and Housing Needs (£500k). 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 higher than last month because the estimated cost of recovery for Revenues, which was anticipated to be split over 2 years, has been brought forward into 21/22 with the aim of getting up to date before annual billing. ICT are currently reporting £4.1m of costs relating to restoring or rebuilding systems. This is likely to increase but some of the spend may be capitalised. An additional resource in finance has also been allocated to cyber costing £100k.

Covid 19

The cost of Covid is estimated to total £1.05m in additional costs and lost income after taking into account what can be covered with existing budgets, government grants and earmarked reserves. The main impacts are on Commercial Property rental income, due to tenants experiencing difficulties, and Revenues and Benefits and Housing Needs due to increased demand. There remains a risk that Covid could continue to impact these areas in years to come through changes in the lettings market and increased demand for Benefits and Temporary Accommodation. This year costs in these latter areas are expected to be covered by grant funding and one off reserves.

Strategic Property Services are forecasting an overall overspend of £900k after the application of provisions and reserves for cost pressures such as for empty properties, staff costs within Corporate Property and Asset Management (CPAM) and NNDR costs within Fleet Maintenance. The remaining overspend relates to lost rental income due to Covid.

R&B Core Services Revenues and Benefits continue to be impacted significantly by both Covid and the system outage. Benefits have some revenue grants unapplied which will cover the anticipated additional demand as a result of Covid. However, it is estimated that an additional resource of £500k could be incurred to clear the backlog of claims. Revenues are reporting a severely reduced court cost income due to Covid of around £1m, however it is expected that half of this may be offset with reduced legal costs and other underspends across the service, reducing the impact to £500k which will be covered by grants set aside from previous periods. There is also an additional estimate to clear the outage backlog of £850k. Customer Services have just finalised consultation on a restructure which consolidates the corporate and housing contact centres, and is within the budget envelope. This is unlikely to be live until October and currently it has been agreed with the Head of Service that an overspend of £200k is a reasonable estimate to cover agency costs that continue to be incurred until the restructure is complete. The service has recently been notified of a delay in recruitment which could have a knock-on effect and extend the overspend.

Housing Needs is forecasting an overspend of £500k due to the cyber attack after use of reserves of £1.8m. The service continues to provide support for rough sleepers accommodated under the 'Everyone In' programme at the start of Covid. Extending the programme in its current format for the full year will cost approximately £2.4m. Specific funding has been identified for approximately £0.8m of this cost, and if no further funding is identified it will be covered by grants unapplied from previous periods. We are also expecting an increased demand as the tenants eviction protection has ended. Although it is difficult to predict this demand, additional funding has been provided by MHCLG in the form of a higher homelessness grant, and it is expected at this stage that this will cover the costs. The ongoing impact of the cyber attack means we are unable to get a Temporary Accommodation rent forecast for the year as we currently have no visibility of income, and are unable to set up new accounts at this stage. Cyber attack issues are also likely to cause additional resources required to catch up the backlog. There is currently an estimate of £500k in the forecast overspend for this.

The ICT Division is forecast to overspend by £4.228m, most of which is owed to the impact of the Cyberattack. The forecasted costs for cyber attack recovery is currently £7,561k of which £4,085k is revenue and £3,476 can be capitalised. The outturn for the year will also be affected by the speed at which the recovery progresses.

Hackney Education ICT is predicted to overspend by £450k. 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 September. 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 2023/2

The Central Procurement Service and the Energy Team are forecasting to come in under budget, except for a £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.

FM, HR, Registration, Audit and Anti Fraud and Education Partnerships are currently forecast to come in at or close to the budget.

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 £0.3m after the application of reserves, including a Covid impact of £1.3m.

Covid

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 £353k. 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 due to the ongoing effect of the pandemic and the need to enforce correct social distancing procedures within buildings, particularly if they are shared occupancy, which is resulting in an estimated £31k overspend across the service.

The position of services is discussed below.

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

Engagement, Culture and Organisational Development are forecasting an overspend of £345k after the use of reserves of £375k. This is a favourable movement of £8k from the July position. The ongoing impact of Covid19 accounts for the £353k loss of income mentioned above. The other significant overspend area is Hackney Today, where there is a £225k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/Hackney Life. The overspends are offset from the underspends generated by the design and film income teams totaling £97k. There are other small net underspends totaling £106k being held by managers to mitigate the overspend.

Libraries & Heritage are forecasting an overspend of £94k, of which all can be attributed to the lasting effects of Covid as detailed above. There continues to be a prudent approach in the service area and controllable budget forecasts are reviewed on a monthly basis to mitigate the overspend.

Legal & Governance services are forecasting an overspend of £13k after usage of reserves of £218k. This is a favourable movement of £11k from the position reported in July. The overspend is due to a forecast shortfall in external income targets from capital recharges, property and S106 income with activity reducing.

Inclusive Economy and Corporate Policy are currently forecasting an underspend of £71k 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 a £65k underspend currently forecast. 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.

4.6 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 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 arrears. As procedures are introduced to escalate tenants in arrears it is forecast that the arrears will reduce. The resultant overspend will be funded from a reduction in RCCO. The capital contracts are coming to an end of their contract period and are being procured, and so there is limited value remaining on the expiring contracts and there will be time to mobilise the new contracts. Therefore there is 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.

More specifically, Dwelling Rent and Tenant Charges is forecast at £1.444m over budget due to voids because of delays in reletting properties. The performance of voids and relets is being monitored closely by the Housing Services Management Team and a review of the processes and systems is underway to resolve the performance issues. The recovery of the Housing Management system is critical to the improvement in the voids performance and the service is working closely with ICT colleagues to implement the replacement system.

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.

On Expenditure, the Housing Repairs Account is forecast to overspend by £1.1m 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 £428k overspend is due to 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 and there are no alternative options here. On the Property proposal, there is a do nothing option which would leave the tenant in place for a further four and one half years but without any capital to carry out much needed repairs. In the meantime the property would deteriorate and not be able to facilitate the delivery of such meaningful outcomes. As the Early Years team has confirmed that they are content to continue with the Hill Top nursery provision for a further 20 years, the do nothing option has been discounted. We could instead seek to terminate the existing tenancy and promote a tender for continuing to operate the Nursery to accommodate Council designated children and granting a new lease, but once again as the Early Years team and Ofsted find the current provider so effective it was considered preferable to negotiate new terms for a 20 year lease with Hilltop Day Care Nursery Limited. Finally, we could also seek to terminate the existing lease and promote a tender to operate a nursery on open market conditions and obtain the best rental return. But this would result in a loss of a nursery provision for Council designated children at a reduced cost per child. The Early Years team would prefer to continue with the current provision of support for underprivileged privileged children.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of August 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 On the Property Proposal, The grant of a lease is pursuant to the Hackney Mayoral Scheme of Delegation of January 2017 and is reserved to the Mayor and Cabinet. 4.1 The grant of a lease is pursuant to the Hackney Mayoral Scheme of Delegation of January 2017 and is reserved to the Mayor and Cabinet. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less. Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. A grant of a long lease is defined as a disposal within the Local Government Act 1972. The comments of the Director of Property confirm that Best Consideration has been met . Therefore it conforms with the Council's duty to comply with s123 of the Local Government Act 1972 .

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

9.0 COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

9.1 The Director of Strategic Property Services is satisfied that the terms of the lease, as set out in Appendix 2, will protect the Council's long term interests in the property and that the requirements of section 123 of the Local Government Act 1972 as to obtaining the best consideration reasonably obtainable for the disposal are met. The Director of Strategic Property Services is also satisfied that it is in the interests of the education of children in the Borough to grant a new lease to the existing providers of nursery facilities who, as referred to in this report, remain an outstanding OFSTED registered provider with good/strong leadership and management.

Appendix 1: Lease Plan Hilltop Nursery

Exempt Appendix 2: Hilltop Nursery Terms of Agreement

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