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 R83

CABINET MEETING DATE 2021/22	CLASSIFICATION:
29th November 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 fourth Overall Financial Position (OFP) report for 2021-22. It shows that the Council is forecast to have an overspend of £4.761m on the general fund - an improvement of £2.5m from the previous month as detailed in paragraph 2.7 below. This remains an increase from the overspend reported in our first OFP report of this year in May (£3.929m), but is a step in the right direction. 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 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 £4.761m 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. £6.6m 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 £2.5m. This comprises a reduction in service spend of £1m which is included in table 1 below and there has been a review of funding of the capital programme and reflection of some programme slippage in the revenue contribution which has further reduced spend by £1.5m. This is applied to the overspend in the second table along with the Cyber and Covid set asides. However, we are still well short of balancing the budget and so we must continue to drive down non-essential expenditure across all services

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 September is shown in the first table below. The second table shows how this will be funded - by applying the Covid19 and cyber set asides and the saving from the review of the funding of the capital programme noted in 2.2

Table 1: Overall Financial Position (General Fund) September 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
84,864	Children and Education	2,424	-87	1,660	64
97,540	Adults, Health and Integration	3,704	38	1,214	882
25,415	Neighbourhood & Housing	2,365	50	1,758	180
20,949	Finance & Corporate Resources	6,567	-906	1,050	5,458
17,396	Chief Executive	201	-101	1,265	0
44,345	General Finance Account	0	0	0	0
290,509	**GENERAL FUND TOTAL**	**15,261**	**-1,006**	**6,947**	**6,584**

	Forecast Variance After Reserves
	£000
GENERAL FUND TOTAL	**15,261**
LESS COVID SET ASIDE	-4,000
LESS CHILDREN'S SET ASIDE	-2,000
LESS CYBER SET ASIDE	-2,000
LESS CYBER ADDITIONAL PROVISION CREATED IN 2021-22	-1,000
LESS REVIEW OF CAPITAL FINANCING	-1.500
NET OVERSPEND	**4,761**

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

2.6 More detail on the reduction of £2.5m is as follows: -

- Re Categorisation of some spend on the recovery from the cyber attack from revenue to capital (£577k)
- Review of funding of the capital programme and reflection of some programme slippage in the revenue contribution to capital (£1.5m)
- The impact of the non-essential spend controls (£877k in total: £380k F&CR, £100k C&E, £189k N&H, £80k A, H&I, £128k CE).

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.

2.7 It goes without saying that, although I am pleased to report a significant improvement on the forecast for this month, we must remain vigilant in our work to control non-essential spend and address cost pressures to bring the budget back into balance. We also need to be mindful that we are approaching winter and any potential further pressures following Covid-19 may still come to the fore so we will need to maintain our tight grip on the finances.

2.8 The 2021 Spending Review announced headline increased resources for local government. In particular, there is £4.8bn of additional grant funding (for core spending) over the next three years or £1.6bn per annum. It must be recognised though that this includes compensation for the NI increase consequent upon the introduction of the social care levy (information gleaned from a post SR meeting with Government officials) and for covid related losses in tax income (as this is not mentioned elsewhere). Also, the additional funding includes the £200 million commitment to increase Supporting Families funding, funding for cyber security and funding to improve local delivery and transparency. So whilst there will be an increase in funding, 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. It must also be noted that we will not know how much we will receive until the Provisional 2022-23 Finance Settlement is announced in (hopefully) early December.

The key headlines are as follows: -

- £1.6bn pa for core services, includes other new burdens and cost of covering employer NI costs of the Social Care Levy. Not clear how the formula for this will work as needs to cover in-house/externalised costs too
- There will be no separate compensation for Covid-19 tax losses relating to 2021-22 so presumably this will be met from the additional £1.6bn
- A cumulative £3.6bn for ASC reform will be "routed through" local authorities, then the remaining £1.7bn will support social care and come from the DHSC Spending Allocation
- Business rates are now on a 3 year revaluation
- From 2024/25 the funding generated from Extended Producer Responsibility will be ring fenced to Local Authorities. Extended producer responsibility (EPR) aims to cover the costs of end of life

treatment and to incentivise producers through the fees they pay to ensure the products placed on the market are recyclable and that any unnecessary packaging material is reduced (this includes minimising packaging and using refillable or reusable packaging)

- Public Health grant to remain at current levels in real terms
- Children SEN Capital Investment to increase by £2.6bn to assist in reducing SEN DSG costs
- 2022/23 Local Government Finance Settlement "hopefully" published early December.
- Resource funding for homelessness and rough sleeping will increase to £639m in 2024/25
- For housing**,** £300m capital funding to unlock small brownfield sites for regeneration over the SR
- The Council tax referendum limit is expected to remain at 2% and the ASC Precept at 1% per annum
- There was no confirmation of the timetable for the planned local government finance reforms (the business rates retention reset and relative review of needs and resources)
- The outcome of the fundamental review of business rates confirmed 3 yearly revaluations from 2023. There will be a new temporary relief for eligible retail, hospitality and leisure properties for 2022-23, and a new 100% improvement relief. The multiplier will be frozen in 2022-23. Local Government will be fully compensated.
- £1.8bn was set out for housing supply, which includes £300m locally-led grant funding to unlock smaller brownfield sites and £1.5bn to regenerate underused land
- £3bn was confirmed over the SR period to remove unsafe cladding from the highest-risk buildings
- £3.8bn of additional skills funding and £550m for adult skills was confirmed by 2024/25
- The UK Shared Prosperity Fund will total £2.6bn over the SR period, but the distribution is still TBC
- The Government will pump an extra £4.7bn into school funding by 2024-25

Whilst we now know that this is probably the most favourable SR in the last ten years, there is not much else at this stage to help us with budgetary and financial planning as we still don't know what our 2022-23 (and beyond) allocations will be for all of the main grants and won't know until the Provisional 2022-23 Settlement is published in December. Further, we do not know what the impact of the Fair Funding Review will be (other than we will almost certainly lose funding, possibly significantly) or when it will be implemented. This could offset partially or wholly our share of the additional £1,6bn p.a funding announced in the SR.

3.0 RECOMMENDATIONS

3.1 There are no specific recommendations arising from this report. Members are asked to note the update on the overall financial position for September, 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 £2.4m after the application of reserves. This is a reduction of £87k 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 are 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 resource 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 £400k-£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 £2.4m overspend as at the end of September 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 CFS Commissioning and CACH 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 Disabled Children Services.

In 2019/20, a new 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 £1.0m 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 £2.4m, 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 commence in the next month 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 £0.97m 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 £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.

Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements	Current Placements
Residential	4,981	9,425	4,445	22	39
Secure Accommodation (Welfare)	-	234	234	-	1
Independent Foster Agency	7,688	7,125	(563)	155	139
In-House Fostering	2,400	1,809	(591)	102	73
Semi-Independent (Under 18)	1,570	1,847	277	23	25
Semi-independent (18+)	1,370	2,673	1,303	88	111
Family & Friends	869	1,030	162	44	54
Residential Family Centre (P & Child)	300	340	40	2	2
Other Local Authorities	-	135	135	-	6
No Recourse to Public Funds (18+)	290	377	87	19	14
Staying Put (18+)	500	532	32	36	33
Supported Lodging	-	49	49	-	4
Extended Fostering (18+)	-	76	76	-	2
UASC (Under 18)	-	(136)	(136)	26	23
Former UASC (18+)	-	748	748	22	58
Expenditure	19,967	26,265	6,297	539	584

based on the average cost of placements.

The table above illustrates funded placements - i.e the numbers that 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 placements costs incurred for the 23 UASC placements in the service hence the additional funding 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.

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	9,425	167	4,275	39	40
Secure Accommodation (Welfare)	234	-	0	1	1
Independent Foster Agency	7,125	-	952	139	133
In-House Fostering	1,809	3	459	73	81
Semi-Independent (Under 18)	1,847	1	1,325	25	30
Semi-independent (18+)	2,673	7	299	111	115
Family & Friends	1,030	-	379	54	45
Residential Family Centre (P&Child)	340	-	3,599	2	1
Other Local Authorities	135	20	252	6	6
No Recourse to Public Funds (18+)	377	4	292	14	12
Staying Put (18+)	532	13	406	33	41
Supported Lodging	49	1	228	4	4
Extended Fostering (18+)	76	1	692	2	4
UASC (Under 18)	(136)	115	757	23	24
Former UASC (18+)	748	6	297	58	59
Total	26,265	339	14,213	584	596

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.

Disabled Children’s Service is forecast to overspend by £338k 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.

Young Hackney is forecasted to overspend by £106k due to shortfall in funding for the Trusted Relationship service (£43k); additional staff resource due to Covid-19 which is needed for targeted services (£21k); and other staffing pressures across the Young Hackney services (£42k).

Domestic Abuse Intervention Service is forecasted to overspend by £104k primarily due to Domestic Homicide Case Review costs (£66k) which is a statutory service and an additional staff resource due to Covid-19 where we have seen an increase in referrals during the pandemic (£23k).

Safeguarding Service is forecasted to overspend by £150k. This is primarily due to the unachievement of income targets and staffing pressures.

Parenting Support Service is forecasted to overspend by £68k due to an over-established Social Worker post to support increased caseloads.

Clinical Services is forecast to underspend by £161k due to late recruitment to Specialist Clinical Practitioner posts.

No Recourse to Public Fund team is forecasted to underspend by £139k in Section 17 as the number of clients are declining.

The Directorate Management Team is showing an underspend of £122k due to legal costs being charged directly to services and the budget being held centrally in this cost centre.

Access and Assessment is showing a full year forecast underspend of £119k. The underspend relates to late recruitment of posts from the Access and Assessment staff unit realignment.

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 £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 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.

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 Hackney Education 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	375	-	375	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	832	(500)	332	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)	-	(45)	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	(1,003)	-	(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	-	-	-	-
23,805	**-**	**23,805**	**Totals**	**6,808**	**(1,600)**	**5,208**	

Vacancy Rate 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. The education finance team are highlighting a risk of around £250k, and this is linked to turnover being much lower than anticipated. 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.

This shows progress against the annual target - consequently the full year forecast is shown as on track at this stage in the year and 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 the Virtual School, 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.

	Service	Initiative	Description	Target
1	CFS	Reduction of residential placements	As part of the forensic analysis of residential placements, the service are 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 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. The plans are still being developed and likely savings are being worked up.	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.

Measures to control spend

The Directorate has forecast a £100k reduction in spend this month 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.

4.3 Adults, Health & Integration (AH&I)

Summary Position

The AH&I 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 cyberattack 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 (£316k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£566k estimated to the end of Sep-21). This estimate will continue to increase whilst the ability to undertake assessments remains unavailable.

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 an £3.6m 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.

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 £5.4bn 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. The government has recently announced an additional £388.3 million at the end of September 2021 to prevent the spread of infection in social care settings, including £25 million to support care workers to access Covid-19 and flu vaccines over the winter months.

Care Support Commissioning (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 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 very 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**	**Sep 2021 Forecast**	**Variance to budget**	**Movement from previous period**
Learning Disabilities	18,002	19,686	1,684	34
Physical and Sensory	16,712	17,217	506	(41)
Memory, Cognition and Mental Health ASC (OP)	8,592	9,158	565	31
Occupational Therapy Equipment	740	739	(1)	(2)
Asylum Seekers Support	170	342	173	25
Total	44,216	47,142	2,927	47

Physical & Sensory Support is forecasting an overspend of £0.51m. The gross forecast spend on care packages in Physical Support is £24.6m (£24.3m in Aug-21) and in Sensory Support is £0.94m (£1.15m in Aug-21). Forecasts continue to be updated 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 £0.57m (£0.5m in Aug-21). The gross forecast spend on care packages for 21/22 is £12.2m (£12.45m in Aug-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 service is forecasting an overspend of £1.68m (£1.65m in Aug-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 £34.3m (£33.8m in Aug-21). The forecast also includes significant non-recurrent funding from the iBCF (£1.0m) and Social Care Grant (£4.66m). In addition, a contribution from the CCG of £3.0m 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 £1.22m (£0.95m in Aug-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 £0.56m (£0.53m in Aug-21). Within this position are two contrasting positions:

- *Housing with Care* has an overspend of £1.23m (£1.2m in Aug-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 £0.67m (£0.63m in Aug-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 in line with the previous month, and this includes significant levels of one-off funding of £1.70m in 2021/22 supporting activity within commissioning. Within teams this includes 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 21/22, and this has largely offset the Housing with Care savings on a non-recurrent basis this financial year.

Preventative Services is forecasting an underspend of £1.0m 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 £0.25m (£0.28m in Aug-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 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 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 £94k, 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 the 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 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 through the ASC Workforce Development Board.

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.

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. At the end of September-21, an estimated £102k 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. If 50% of the staff on limited duties were to return to full duties from 1st November, it is estimated that this would reduce the staffing forecast by £148k 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. 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 £323k 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.

Measures to control spend

The Directorate has forecast a £80k reduction in spend this month 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.

4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

Summary Position

The directorate is forecasting an overspend of £2.4m of which £1.8m is due to the impact of Covid. This is an adverse movement of £50K on the position reported in August which is in the main due to increases in the overpend in Planning Services, £100K and Community Safety Enforcement & Business Regulation, £94K. The increase in the forecast has been partially mitigated by the impact of the non essential spend review which has reduced the forecast underspend by £189K. The non Covid overspend is £597K following the use of £2,125K of reserves which is an increase of £130K on the August position.

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 saving. The area of non-achievement of the vacancy factor savings is Planning Services. In respect of Planning, the Strategic Director, Sustainability and Public Realm has considered options for delivering this savings target from across the directorate however given the cost pressures across Public Realm and Sustainability services there are no opportunities to deliver this savings without adversely impacting service standards.

Senior Management have identified one off underspends of £189K as part of the non essential spend review to mitigate the overspend. Management will continue to explore opportunities to find cost reductions over the coming months.

Covid Narrative

Parks and Green Spaces have a projected Covid 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 underachievement 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 £593K 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 £685k relating to the impact of Covid-19. There is an estimated loss of £492k on Commercial Waste income, £193k for use of agency staff to cover sickness/self isolation absence to end of September 2021 as staff absences due to ovid-19 are at a minimal, however additional vehicle cleansing is now forecast up to the end of March 2022, as this remains an essential protocol re work space environment cleansing. 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 impact of £230k made up of £61k income shortfall and £169k additional expenditure on security measures and staffing to ensure Covid 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. The service is containing this shortfall within their overall cash limit by holding underspends against other budgets.

Cyber Narrative

Planning Services are forecasting an estimated £180K loss of land charges income due to the continuing impact of the cyberattack on the land charges service.

Directorate Management

The service is forecasting a £46k underspend which is a favourable movement on last month’s forecast. This is due to a rigorous review of all controllable budgets in this cost centre.

Planning Services

The service is forecasting an overspend of £884K, after the use of £603K reserves. £103K of reserve usage is to fund the completion of area action plans and £500K to part fund the underlying overspend in the Service. This is a movement of £100K on the August position which is due to a further reduction in the forecast income for land charges for the year arising from the impact of the cyberattack on the service. The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fees income. There is also a non-achievement of the vacancy factor saving of £150K and an estimated overspend of £180K relating to the impact of the cyberattack.

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 Community Infrastructure Levy (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 considered 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 Group Director of Finance and Corporate Resources.

Environmental Operations

The service is showing a forecast overspend of £694K which is primarily due to the impact of the Pandemic. The Covid impact on the service is currently forecast at £685k, a rise of £25k from the August position as set out above.

Waste Strategy

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

The service is showing an overspend of £274k which is a positive movement of (£6k) from the August position. Additional staffing costs and a shortfall in income account for £230k due to covid. The service is drawing up plans to mitigate this overspend, in particular staffing, which is being reviewed. The other area of overspend is non-delivery of the £30k vacancy factor saving which the Director Sustainability and Public Realm has decided will be delivered by Parking Services.

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

Other than the impact of Covid relating to loss of income and legal costs (£75k) which are detailed above, Leisure, Parks & Green Spaces are forecasting a £9k overspend which is an improvement of £56k since the August return. This follows a stringent review of controllable budgets to assess which expenditure can be delayed until 2022/23 with the smallest impact on the service and help mitigate the overall Council overspend.

Streetscene

The service is showing favourable movement of £64k from the August position, which is due to changes to the staffing forecast. 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

The service is forecasting an overspend of £744k, an adverse movement of £94k from the position as of August 2021. The main overspend is within Civil Protection for Covid related costs of £593K which may decrease 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 over overspend of £36K for Computer costs, and over various overspends of £27K throughout the service. The reason for the increase in the forecast is additional costs within the Civil Protection Team for Covid, essential maintenance and replacement of CCTV equipment and the purchase of E-Bikes for Enforcement Officers to enable the officers to move around the borough easily and provide a more responsive service. These cost pressures have been partially mitigated by the non essential spend review of budgets and holding underspends across the service. The Head of Service will continue to hold underspends where possible to mitigate the overspend and will continue to continually review the position to identify opportunities for cost reductions.

4.5 FINANCE & CORPORATE RESOURCES

F&R is forecasting an overspend of £6.567m. Of this, £5.5m is due to the impact of the cyberattack and £1m due to Covid. This is a reduction of £0.9m from last month mainly as a result of the re categorisation of some spend on the cyber attack from revenue to capital and the implementation of non- essential spend controls.

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 services that are affected are Commercial Property rental income, due to tenants experiencing difficulties, and Revenues and Benefits and Housing Needs due to increased 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. This year, costs in these areas are expected to be covered by grant funding and one off reserves. The residual balance should be covered by one -off Covid reserves.

It should be noted that the current extra cost in Benefits is very difficult to align against cyber, Covid or BAU as there is a large backlog of work due to cyber. Until the work is complete, we do not know what is contained and the reasons for changes in circumstances.

Cyberattack

The total net cost is an estimated £5.45m at this stage. The system problems are causing significant overspends 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. There is a possibility of some of this work being delayed into 22/23, as some work is required by an external contractor at certain points of recovery. ICT are currently reporting £3.5m of costs relating to restoring or rebuilding systems. This is a decrease of £577k from last month, and relates to re categorisation of costs from revenue to capital. Additional resources in finance have also been allocated to cyber at the cost of £100k.

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) associated with essential works 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 cyber attack, and within these areas there is a forecast overspend of £1.35m. £500k of this relates to additional demand for benefits. £850k relates to Revenues (the teams who collect our Council Tax, NNDR and benefits overpayments income), across additional staff required for recovery of cyber and lost court income. It is likely that in future months a proportion of the staffing spend might fall into next financial year with not all of it being utilised in 2021/22.

Customer Services are in the process of implementing a restructure which consolidates the corporate and housing contact centres, and is within the budget envelope. This is unlikely to be live until October/November. There are a number of moving parts, 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. There is delay in recruitment which could have a knock on effect and extend the overspend, as it was at this stage that it was intended to increase the permanent frontline staff and reduce the need for agency.

Housing Needs Housing Needs is forecasting an overspend of £500k after use of reserves of £1.7m. There are still system issues leading to the limited visibility of income levels in order to base a Temporary Accommodation rent forecast. There is currently an estimate of £500k in the forecast relating to additional resources required to catch up the backlog following the cyber attack.

There is some allowance made in this forecast for additional demand as tenants eviction protection is lifted. Additional funding has been provided by MHCLG and it is expected at this stage that this will cover the costs. 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 tenants eviction protection has ended. It is impossible 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.

<u>The ICT Division</u> The ICT Division is forecasting to overspend by £3,567m after reserve drawdown. Within this ICT Corporate is currently forecasting an overspend of £3,235k after a drawdown from reserves, and recharges identified for project work across the council. The driver for this is the estimated ICT revenue costs of cyber recovery in 2021/22 for which we are forecasting £3,508k. The outturn for the year will be affected by the speed at which the recovery progresses. Hackney Education is forecast to overspend by £339k. 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. 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.

<u>The Central Procurement Service and the Energy Team are</u> forecasting to come in at 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.

<u>Financial Management</u> is currently forecast to budget with the exception of Cyber related costs of £100k for a Project Accountant to assist with tracking and monitoring the Cyber spend as well as reviewing all business cases for further spend on the recovery .

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

<u>HR and Education Partnerships</u> 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.

Measures to control spend

The Directorate has forecast a £380k reduction in spend this month as a result of the implementation of non-essential spend control measures identified in last month's OFP. The improvement relates to vacant posts which will not now be filled (£245k), reduction in the agency forecast (£79k), and reductions in other minor items of non-essential spend (£56k).

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 Covid19 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 £45k overspend across the service.

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 clinically extremely vulnerable £97k, which are fully funded from a combination of government grants and health funding. There is £114k covid cost of 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 £217k after the use of reserves of £3,311k. This is a favourable movement of £101k from August 2021 reported position.

Engagement, Culture and Organisational Development are forecasting an overspend of £288k after the use of reserves of £375k. This is a favourable movement of £57k from the position as of August 2021. The ongoing impact of Covid19 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, There is a £191k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/ Hackney Life. This is partially offset by reduction in agency and distribution costs (£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 £21k.

Libraries & Heritage are forecasting an overspend of £69k which is an improvement of £25k from the previous month's forecast, all of which 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 scrutinised and challenged on a monthly basis to try and help mitigate the overspend.

Legal & Governance services are forecasting an underspend of £21k after usage of reserves of £218k. This is a favourable movement of £35k from the position reported in August 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 £43k due to a combination of a vacant post, employees not on top of spinal points, and employees opting out of the pension scheme

Within Regeneration, there is a £76k 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.

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

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 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.

4.6 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 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 £1.444m over budget due to a continued increase in voids due to the delays in reletting of properties. The performance of voids and relets is being monitored and we are now seeing a reversal in trends as a result of management action, however, the lack of IT system makes the process more 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 resulting loss of income is estimated at £160,000.

On Expenditure, **the Housing Repairs Account** is forecast to overspend by £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 £511k 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.

4.7 Capital

This is the second OFP Capital Programme monitoring report for the financial year 2021/22. The actual year to date capital expenditure for the four months April 2021 to September 2021 is £33.6m and the forecast is currently **£170.7m**, **£25.7m** below the revised budget of **£196.5m**. This represents a forecast of 90% of the current revised budget position. It also represents 70% of the budget of £236.4m, approved by Cabinet in February 2021 (Council's Budget Report) and is relative to the previous year's outturn of £202.2m. Covid-19 and the additional financial pressures continue to have a major impact on the Capital Programme. In some schemes it has impacted the start times and the delivery of projects and programmes which may be attributed to staff shortages and lack of materials and supplies. Each financial year, two re-profiling exercises within the capital programme are carried out so that the budgets and monitoring reflect the anticipated progress of schemes. The second phase of re-profiling for 2021-22 has been completed and the November Cabinet will be asked to approve a total of £25.7m into future years. A summary of the forecast and phase 2 re-profiling by the directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Capital Programme Q2 2021-22	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance (Under/Over)	To Re-Profile 2021/22	Updated Budget Position at Sept 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's (Non-Housing)	3,047	3,834	349	2,320	(1,514)	(1,514)	2,320
Adults, Health & Integration	39	0	0	0	0	0	0
Children & Education	15,858	17,175	2,149	14,560	(2,614)	(2,366)	14,809
Finance & Corporate Resources	15,292	12,633	1,427	11,961	(672)	(582)	12,051
Mixed Use Development	34,315	15,920	3,276	10,411	(5,508)	(5,508)	10,411
Neighbourhood & Housing (Non)	26,974	33,321	3,533	28,756	(4,566)	(4,737)	28,584
Total Non-Housing	**95,525**	**82,883**	**10,734**	**68,009**	**(14,874)**	**(14,708)**	**68,175**
AMP Housing Schemes HRA	64,175	46,440	8,325	39,463	(6,977)	(6,977)	39,463
Council Schemes GF	11,273	25,387	3,570	22,183	(3,203)	(3,203)	22,183
Private Sector Housing	2,122	2,091	242	1,580	(511)	(511)	1,580
Estate Regeneration	38,394	21,317	5,929	20,759	(558)	(569)	20,748
Housing Supply Programme	18,638	11,502	2,270	11,909	407	407	11,909
Woodberry Down Regeneration	6,263	6,927	2,669	6,782	(145)	(145)	6,782
Total Housing	**140,864**	**113,664**	**23,005**	**102,677**	**(10,988)**	**(10,998)**	**102,666**
Total Capital Budget	**236,389**	**196,547**	**33,739**	**170,686**	**(25,861)**	**(25,706)**	**170,841**

CHIEF EXECUTIVE'S (NON-HOUSING)

The current forecast is £2.3m, £1.5m below the revised budget of £3.8m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Employment, Skills & Adult Learning	0	13	0	13	(0)
Libraries and Archives	1,753	992	29	269	(723)
Area Regeneration	1,294	2,828	320	2,038	(791)
Total Non-Housing	**3,047**	**3,834**	**349**	**2,320**	**(1,514)**

Libraries and Archives

The overall programme is forecasting £0.7m underspend against the respective in-year budget of £1m. The majority of the Libraries capital programme has been pushed back to 2022/23 to reflect the phasing of the works for the Stoke Newington library project and the slippage in the general planned maintenance and improvement budgets due to the desire to link the investment in our facilities to the developing Library Strategy; this delay is to ensure that any investment in our libraries will improve the user experience in line with the future direction of the Library Service. Senior managers are also aware of the request to review capital schemes in line with HMT's request to help alleviate the council financial position and therefore most of the capital budgets will be slipped into 2023/23. The team has retained a small contingency budget this year to cover any emergency work that may arise during the year.

Area Regeneration

The overall scheme is forecasting £0.8m underspend against the respective in-year budget of £2.8m. There are several schemes in this area that pre-date 2018 causing the variance which have been raised with the Project Managers. We have requested further detail on their plans to utilise these budgets. Once reviewed a decision will be made on the action to be taken.

Ridley Road Public Realm Improvements - Works have started at Ridley Road with an approximately 9 months work period. Works have started at Ashwin Street with an approximately 4 months work period.

80-80a Eastway - MUGA and Classroom Projects - The works are progressing well and scheduled to complete this financial year.

CHILDREN AND EDUCATION

The current forecast is £14.6m, £2.6m below the revised budget of £17.2m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Children & Family Services	0	572	9	572	0
Education Asset Management Plan	3,484	3,438	1,132	2,160	(1,278)
Building Schools for the Future	0	370	19	310	(60)
Other Education & Children's Services	1,937	2,765	991	2,716	(50)
Primary School Programmes	6,548	5,854	(63)	4,247	(1,606)
Secondary School Programmes	3,889	4,175	60	4,555	379
TOTAL	**15,858**	**17,175**	**2,149**	**14,560**	**(2,614)**

Education Asset Management Plan

The overall scheme is forecasting an underspend of £1.3m against an in-year respective budget of £3.4m. This is the Borough's cyclical and periodic yearly maintenance programme to the education asset which includes works such as upgrades to lighting, heating, boiler, fire safety and refurbishments to toilets and playgrounds. Below is a brief update on a few of the schemes:

Shoreditch Park School - The project is works to the art block which includes playground resurfacing, main roof and partial soft play. Although the snagging work is in progress, the project is being held currently as the team is still awaiting the final outcome of the Section 77 process. This delay is causing the most significant variance in the overall scheme.

Jubilee Primary School - This project is the work on the upgrade to the school's lighting. The school continues to be fully engaged. The contractor has started on site and payments are being made. The contract value is less than anticipated and the underspend will cover any overspend across the overall scheme.

Colvestone Primary School - This project is to reconfigure the reception class which is near completion.

Randal Cremer School - This project is to replace the lift which the school delivered.

Sir Thomas Abney School - This project is in the initial stages and awaiting feedback on the works to be identified from the condition survey. Based on this delay the team have decided to programme the works for summer 2022. The variance will be reprofiled to reflect this change.

Daubeney Primary School - The variance was caused by the original Contractor withdrawing and another Contractor had to be procured to re-start the works to install the new LED lighting. The lighting upgrade is now complete and the purchase order raised for the boiler, air conditioning and door.

Building Schools for the Future

The overall scheme is forecasting an underspend of £0.06m against the in-year respective budget of £0.4m.

Ickburgh School (on the site Formerly used by Cardinal Pole Upper School) - The work relating to the balcony storage unit and internal modifications at this site is complete, and we await confirmation of any outstanding fees and final construction costs. The other works to rectify poor installation of heating are still ongoing and the variance will be reprofiled to recognise this change.

Other Education & Children's Services

The overall scheme is forecasting a minor underspend against the in-year respective budget of £2.7m. The schemes relate to the expansion of Hackney's specialist resource provision (SRP) for pupils with Social, Emotional and Mental Health (SEMH) and Autistic Spectrum Disorder (ASD) needs, funded by the SEN Special Provision capital grant fund. Below is a brief update on the schemes:

Queensbridge Primary School - The work to provide improved facilities on the ground floor of the school is complete and awaiting the last of the remaining fees relating to signage at the site.

The Garden School (on the site Formerly used by Ickburgh School) - There are delays due to lack of materials and limited labour. This has increased the overall cost of the project. The overspend will be funded from the underspend in the overall scheme where no further work is identified. This capital project is to deliver additional places for pupils aged 14-16 years, post 16 pupils and expand the school building.

Gainsborough Primary School - This scheme is at the defect period stage with retention due next year.

Primary School Programmes

The overall Primary School Programme is forecasting an underspend of £1.6m against the in-year respective budget of £5.9m. The main programme relates to the rolling health and safety remedial works to Facades of 23 London School Board (LSB) schools that began in 2017. Below is a brief update on the schemes:

Orchard, Southwold, Springfield, Tysen, Harrington Hill and William Patten Facade - The main variance in the overall scheme is due to these 5 Schemes. These projects are in the initial stages and awaiting the contractor to update the survey for site visits to schools in the autumn of 2021. Based on this delay the team have decided to programme the works for summer 2022. Therefore, a total of £1.5m will be re-profiled to the 2022-23 budget to reflect the anticipated spend.

Princess May, De Beauvoir, Hoxton Gardens, Millfields , Morningside, Queensbridge, Rushmore Facades - The contractor is on site for all of these schemes.

Daubeney, Colveston, Gayhurst, Woodberry Down and Mandeville Facade - The delays to these schemes were due to obtaining planning approval. Planning is now approved and completion date is still as planned.

Grasmere Facade - The start on site is delayed due to 'lead-time' in windows manufacturing. The 'lead time' is the time between the initiation and completion of the production process. The project is anticipated to be completed by early 2022.

Woodberry Down Relocation - The contract award for this project was signed off by Cabinet at the October meeting and the letters and contract will be sent out after the usual standstill period.

Secondary School Programmes

The overall scheme is forecasting an overspend of £0.4m against the in-year respective budget of £4.2m. The budget from 2022-23 has been re-profiled back to the current year to cover this overspend.

Stoke Newington BSF Life Cycle Roof & Boiler replacement.The roofing contract is above initial forecasts due to rising costs of materials and the fire doors are also expected to be above the projections.

Haggerston School Lifecycle Roof & Boiler replacement - This project is in the initial stages. The team have determined the budget forecasted to be higher based on the tender return for a similar scheme that is over-budget and likely to have a similar report to Haggerston.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £22.4m, £6.2m under the revised budget of £28.6m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Property Services	11,022	7,827	1,088	7,263	(564)
ICT	3,518	3,861	266	3,861	0
Other Schemes	752	945	73	837	(108)
Total	**15,292**	**12,633**	**1,427**	**11,961**	**(672)**
Mixed Use Development	34,315	15,920	3,276	10,411	(5,508)
TOTAL	**49,607**	**28,553**	**4,703**	**22,373**	**(6,180)**

Strategic Properties Services - Strategy & Projects

The overall scheme is forecasting an underspend of £0.6m against the in-year respective budget of £7.8m. The main variances relate to the landlord works at three sites and Stoke Newington Town Hall Assembly Hall. Below is a brief update on these projects:

61 Evering Road Reconfiguration (HRA Project) - Planning Permission granted in 2018 will expire in 2022. There is not enough time to deliver this project. The team is currently negotiating with the planning team for an extension therefore the variance has been re-profiled.

12 - 14 Englefield Road Building Defects - The scope of this project has expanded quite significantly so a new DPR has been submitted. The work is scheduled to start in February 2022 and the variance re-profiled to 2022-23.

Millfields Disinfecting Station Remedial Works - The Invitation to Tender (ITT) has been issued. A programme of work will be scheduled when the tenders are received. The costs for 2021-22 will be fees and survey costs. The construction cost will be in early next year therefore the variance has been re-profiled.

Stoke Newington Town Hall (Listed Building) - The ceiling work in the Assembly Hall is due to be completed by the winter of 2021. A new Project Manager has been engaged to drive the rest of this project forward, therefore, the remaining budget will be re-profiled to 2022-23 to support this project.

ICT Capital

The overall ICT scheme is forecast to spend the full in-year respective budget of £3.9m. The main variance resource will be held along with any other underspends across the overall scheme to support any costs relating to the cyber recovery.

Mixed Use Developments

The overall scheme is forecasting an underspend of £5.5m against the in-year respective budget of £28.6m.

Tiger Way - The school (Nightingale Primary School) and residential building are now occupied with all residential units sold. Subject to final resolution of the roof remedial works and agreement of the final account will be payable and the release of retention when due.

Nile Street - The school (New Regents College) is completed and occupied. As at Sept 2021, 89 of the 175 residential units have been sold.

Britannia Site - The overall forecast is an underspend of £5.5m against the in-year respective budget of £15.9m. Phase 1a (new Leisure centre) - The Britannia Leisure Centre is now open to the public and in operation. Phase 1b (School) - City of London Academy Shoreditch Park is now completed and occupied by the school. Phase 2a (Residential) remains under review and the variance re-profiled to 2022-23.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £28.8m, £4.6m under the revised budget of £33.3m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	13,566	14,520	599	13,260	(1,260)
Streetscene	11,856	16,845	1,621	13,540	(3,305)
Environmental Operations & Other	626	651	317	651	0
Public Realms TfL Funded Schemes	0	23	828	23	0
Parking & Market Schemes	358	100	0	100	0
Community Safety, Enforcement & Business Regulations	567	1,182	168	1,182	0
Total	**26,974**	**33,321**	**3,533**	**28,756**	**(4,566)**

Leisure, Parks and Green Spaces

The overall scheme is forecasting an underspend of £1.3m against the in-year respective budget of £14.5m.

Shoreditch Park Improvements - The project is the most significant variance in this area. Whilst there have been delays due to the pandemic, the planning was approved in the summer and the contract is out to tender. The contractors are expecting to start on site in quarter 4 of 2021-22. The works include new sports facilities, ball courts, children's play area, ecological improvements and hard/soft landscaping. It also includes demolition of the existing play hut building and construction of a new play hut building to the west of the existing hut. New play hut building to include ancillary office, welfare facilities, cycle storage and multi-faith facilities. The variance has been re-profiled to 2022-23 to reflect the actual programme of works.

Streetscene

The overall scheme is forecasting an underspend of £3.3m against the in-year respective budget of £16.8m.

Highway Works - The most significant variance relates to the Highways Works schemes funded by S106 agreements. A lot of these schemes can only be carried out when the developers have finished their work. Some of the highway works schemes pre-date 2018 and this has been raised with the service area. There is ongoing work to identify the status of these schemes. Once this has been completed then we can determine a course of action.

Public Realms TfL Funded Schemes - TfL funding confirmation was received in August 2021. Current allocation is £3.6m which needs to be spent by 11 December 2021. The service area will submit a CPRP bid to bring this budget into the capital programme by the agreed deadline.

HOUSING

The overall forecast in Housing is £102.7m, £11m below the revised budget of £113.7m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Sept 2021	Spend	Forecast	Variance
		£000	£000	£000	£000
AMP Housing Schemes HRA	64,175	46,440	8,325	39,463	(6,977)
Council Schemes GF	11,273	25,387	3,570	22,183	(3,203)
Private Sector Housing	2,122	2,091	242	1,580	(511)
Estate Regeneration	38,394	21,317	5,929	20,759	(558)
Housing Supply Programme	18,638	11,502	2,270	11,909	407
Woodberry Down Regeneration	6,263	6,927	2,669	6,782	(145)
Total Housing	**140,864**	**113,664**	**23,005**	**102,677**	**(10,988)**

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £7m against the in-year respective budget of £46.4m. The Housing AMP is under spent this year because the main contract (£40-50m p.a.) ended on 31 August 2021 and no more works can be issued under that contract. However, the work and the budget are required when the new contracts are awarded later in the year, but work and spend will not commence until 2022/23. The variance has been reprofiled to 2022/23 to recognise the change affecting the programme of works. The Bridport value of the works programme has been adjusted to reflect realistic timescales and the budget re-profiled to next year's programme.

Council Schemes GF

The overall scheme is forecasting an underspend of £3.2m against the in-year budget of £25.4m. This is based on the forecast of 25 Leaseholder buybacks expected to be completed during 2021-22, with 8 out of 25 completing during the first 2 quarters. The addition of 25 units from Local Space Properties should also be finalised this year. Therefore the variance has been re-profiled to 2022-23 in line with the actual programme.

There continues to be significant spend on Regeneration voids which are to be used as Temporary Accommodation properties, with a forecast spend this year totalling £1.2m.

Private Sector Housing Schemes

The £0.5m underspend relates mainly to a reduction in spend on Disabled Facilities Grants. This budget is totally grant-funded and the surplus will be utilised within Adult Services.

Estate Regeneration Programme (ERP)

The Estate Regeneration scheme (ERP) is forecasting an underspend of £0.56m against the in-year respective budget of £21.3m. The variance has been reprofiled to 2022-23 to recognise the change in the programme of works. Below is a brief update on these projects:

Marian Court - Award of contract expected soon and start of site should occur this financial year. Majority of spend relates to demolition and security, with the increase since last quarter relating to an increase in demolition costs.

Bridge House, Colville Phase 2 and St Leonard's Court - Projects handed over. The remaining budget is held for retention.

Colville Phase 4 and 5 - The forecast relates to the estimated buyback of 5 this financial year.

Kings Crescent Phase 2+4, Colville Phase 2C, Nightingale Block E - The schemes are all at the procurement stage with current estimated start on site dates of Spring 2022.

Tower Court - Construction progressing well. Some early units handed over and Project Completion due for Jun 2022.

Sheep Lane - Forecast relates to Sales & Marketing and Legal costs. 6 out of the 7 units have now been sold.

Garage Conversion Affordable Workspace - Forecast relates to design and consultancy fees. No work will take place this financial year.

Housing Supply Programme

The Housing Supply Programme (HSP) is forecasting an overspend of £0.4m against the in-year respective budget of £11.5m. The budget from 2022-23 has been re-profiled back to the current year to cover this overspend. Below is a brief update on these projects:

Gooch House - Contract awarded and works have started on site. Works should be completed this financial year.

Whiston Road - Final accounts and invoice to be settled this financial year.

Wimbourne Street and Buckland Street - Procurement of a main contractor on-going. Start on site is estimated for Spring 2022. Spend this year mainly relates to Consultancy Fees.

Murray Grove - Procurement exercise resulted in bids being significantly higher than pre-tender estimates. Next steps are being discussed.

Tradescant House and Woolridge Way - The Invitation to Tender (ITT) will be issued by autumn/winter 2021 with work costs expected to start early 2023.

Downham Road 1, Downham Road 2, Balmes Road and Hereford Road - These schemes are all at the Planning stage. Planning is expected to be approved by autumn/winter 2021. The procurement of a main contractor to follow with an ITT issue date of spring 2022.

Pedro Street - Rectification works relating to ground contamination to be undertaken this year. Various options for how the site progresses are being considered but all will have an adverse impact on cost and delivery timescales.

Mandeville Street - Handover expected in Oct 2021. This is a slight delay to previous expectations, owing to material supply issues, Covid-19 and meter installations. Spend has also increased slightly against last quarter's estimate, but sales values also look like they have increased which should offset most of this overspend and maintain the project's viability targets.

Lincoln Court and Rose Lipman Project - Design and value engineering works ongoing. Sites due to go to Planning this financial year.

Daubeney Road - Site expected to handover by autumn 2021. There is a slight overspend forecast relating to delays (due to covid-19), additional party wall works and design updates. It is hoped sales values will be higher than initially expected which should offset most of the increase in spend.

Woodberry Down Regeneration

The £0.1m underspend on Woodberry Down is based on the forecast of 14 Buybacks due this financial year.

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.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of September 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.

Report Author	Russell Harvey – Tel: 020-8356-2739 Senior Financial Control Officer russell.harvey@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Ian Williams – Tel: 020-8356-3003 Group Director of Finance and Corporate Resources ian.williams@hackney.gov.uk
Comments of the Director of Legal and Governance	Dawn Carter-McDonald Director of Legal and Governance Tel-0208 356-6234 dawn.carter-mcdonald@hackney.gov.uk