Hackney

2021/22 Overall Financial Position that takes account of the estimated financial impact of Covid-19 and the on-going emergency **Key Decision No. FCR R95**

CABINET MEETING DATE (2021/22) 14 March 2022	**CLASSIFICATION:** 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, Group Director, Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the eighth Overall Financial Position (OFP) report for 2021-22. It shows that as at January 2022, the Council is forecast to have an overspend of £4.956m on the general fund - a decrease of £25k from the previous month.

1.2 As stated previously, and summarised in Table 1 of paragraph 2.4 below, much of this overspend relates to the Covid-19 expenditure and the cyberattack, but there are significant areas of non-Covid-19 and cyberattack pressures in respect of looked-after-children placements, staffing in Children's Services, and care packages in Adults Services.

1.3 Although there is only a small decrease in the forecast overspend this month the "non-essential" expenditure controls agreed by the Council's management team and reported to you in September have continued to be effective (see paragraphs 2.6 and 2.7 below). The forecast overspend of £7.3m reported for August has been significantly reduced. As part of the budget monitoring cycle the implementation of the vacancy factor has been reviewed and at this stage in the year it is forecast that 98% of the total saving of £6m will be achieved.

1.4 The Council will continue to face significant financial pressures in 2021/22, and future years. Demand for services, notably children's and adult's social care, are on an upward trend and are likely to remain high. It follows that we must continue to take all steps to mitigate the overspend in the current year.

1.5 This report also updates our approach to not recharging Council leaseholders for certain types of fire safety work and 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 £4.956m after the application of the Covid-19, Children's and cyberattack set asides as provided for in the budget. The impact of the cyberattack is estimated to be c. £6m in the current year. The vast majority of this falls in F&CR (ICT and Revenue and Benefits).

2.2 There has been a decrease in the overspend this month of £0.025m. The non-essential spend controls, set out in the July OFP, and the review of capital financing reported in the September OFP have had a positive impact on the forecast, noting we were forecasting an overspend of £7.3m in August 2021 which is £2.3m higher than the current overspend. However, we are still well short of balancing the budget and we must continue to drive down non-essential expenditure across all services to bring the budget back into balance. We also need to be mindful that further pressures following Covid-19 may still come to the fore so we will need to maintain our tight grip on the finances.

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

2.4 The financial position for services in January is shown in the first table below. The second table shows how this will be funded - by applying the Covid-19 and cyberattack set asides and the savings from the review of the funding of the capital programme noted in previous OFPs.

Table 1: Overall Financial Position (General Fund) January 2022

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month	Covid19 Impact	Cyber-attack Impact
£k		£k	£k	£k	£k
84,902	Children and Education	2,355	(132)	1,685	65
97,540	Adults, Health and Integration	4,061	1	1,214	1,191
25,415	Neighbourhood & Housing	2,883	106	2,001	260
21,264	Finance & Corporate Resources	6,228	(2)	1,276	4,262
17,396	Chief Executive	(71)	2	1,359	0
44,075	General Finance Account	0	0	0	0
290,592	**GENERAL FUND TOTAL**	**15,456**	**(25)**	**7,535**	**5,778**

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	15,456
LESS COVID SET ASIDE	-4,000
LESS CHILDREN'S SET ASIDE	-2,000
LESS CYBERATTACK SET ASIDE	-2,000
LESS CYBERATTACK ADDITIONAL RESERVE CREATED IN 2021-22	-1,000
LESS RESOURCES FREED UP BY REVIEW OF FUNDING OF CAPITAL PROGRAMME AND SLIPPAGE IN RCCO	-1,500
NET OVERSPEND	4,956

2.5 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.

2.6 Cabinet may recall the measures that are currently being undertaken in this area include:

- Increased controls on non-essential spend (non-essential spend to be determined by Group Directors of their respective directorates)
- Increased controls on filling vacancies.
- Reduction in agency staff, for example, 20 per cent reduction on current levels.
- Additional controls over remaining agency spend (i.e. ensuring long-term agency staff are required to take equivalent leave of permanent roles and work a maximum of 36 hours a week).

2.7 In addition, it should be noted that we are forecasting full achievement of the 2021-22 budget savings and 98% of the vacancy savings.

2.8 Following recent discussions with leaseholders, Cabinet is asked to consider the recommendation to agree to not recharge leaseholders in buildings above 11m for costs associated with fire safety works where recommended as a result of a Fire Risk Assessment undertaken to PAS 998. This recommendation follows the principle that the council has been following for buildings High Rise Residential Buildings.

2.9 This proposal is also inline with the announcements from government to introduce measures to force the building industry to pay to remove cladding and protect leaseholders from what it considers exorbitant costs.

2.10 Proposed new clauses in the Building Safety Act will enshrine in law the commitment government have made that no leaseholder living in their own home, or sub-letting in a building over 11m, will be required to pay for the removal of cladding or ever pays a penny for the removal of dangerous cladding

2.11 The vast majority of our buildings that fall within the scope of this recommendation have been part of the housing stock for many years and as building owners in accordance with the proposed legislative changes we would be deemed as responsible for any necessary safety works.

2.12 We also have a number of newer buildings that the council has developed, which at the time of their design and build were up to the building regulations that were in place at the time. However, as a result of the Building Safety Act, some of these buildings will need remedial action to bring them up to current regulations.

2.13 When considering the financial impact of this recommendation, it is not possible to quantify the cost as the level / nature of any works will not be known until the new FRAs are carried out. However, in light of the proposed legislative changes, it is a cost that will ultimately have to be borne by the council as building owner and/or developer.

2.14 If the recommendation is approved, it will mean that leaseholders will not be billed for any fire safety works arising from a FRA undertaken to the new PAS 9980 guidance. It will also mean that the leaseholders will be able to inform any mortgage lender that the council has committed to not passing on any costs associated with fire safety works which should remove the challenges they face when remortgaging or selling their property.

3. RECOMMENDATIONS

Cabinet is recommended to

3.1 Agree to not recharge leaseholders in buildings above 11m for costs associated with fire safety works where recommended as a result of a Fire Risk Assessment undertaken to PAS 9980

3.2 Members are asked to note the update on the overall financial position for January covering the General Fund and HRA

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to agree the proposal re Cladding described at 2.8 to 2.14

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring report is primarily an update on the Council’s financial position

6.0 BACKGROUND

6.1 **Policy Context**

This report describes the Council’s financial position as at the end of January 2022. 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, Heads and Directors of Finance and Service Directors through liaison with Finance Heads, Directors and Teams.

6.5 **Risk Assessment**

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

7. COMMENTS OF THE 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.

9. CHILDREN AND EDUCATION

9.1 Summary

9.1.1 The Children's & Education directorate is forecasting an overspend of £2.355m after the application of reserves.

9.2 The Cyberattack

9.2.1 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, and the service is working with ICT, finance and performance to ensure that we restore the system and take opportunities to build back better.

9.2.2 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 cyberattack to date for Children & Families is £65k, and this is to fund additional staffing resources in the Business Support Team to provide additional capacity in the service to respond to issues arising from the cyberattack.

9.2.3 There are no significant financial risks within Education as a result of the cyberattack.

9.3 Covid-19

9.3.1 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 (£0.2m), income from traded services (£0.3m), resulting in a total pressure of £0.5m. In more recent months the spread of the Omicron Covid-19 strain has had some impact on the normal opening of children's centres.

9.3.2 In Children and Families, we are forecasting that the impact will be in the region of £1.2m, largely due to delays in placement step downs and staffing to provide additional capacity to respond to the pandemic. The costs associated with responding to the Covid-19 pandemic will continue to be discussed with budget holders and reported through this report on a monthly basis.

9.4 Children and Families Services (CFS)

9.4.1 CFS is forecasting a £2.4m overspend (3.9%) as at the end of January 2022 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.

9.4.2 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 grant has increased incrementally year on year and in this financial year, the grant is £1.71bn nationally with the Council receiving £12.6m. 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. Further SocialCare Grant funding has been announced for 2022/23, however It is clear that this is not a sustainable way to fund demand pressures in social care services, and we continue to lobby the Government for a long term funding solution.

9.4.3 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 £1.2m 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.

9.4.4 There is a gross budget pressure in staffing across Children and Families Services of £1.7m, 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 £0.6m). However, this is not sustainable and a review has commenced by the Group Director and Director and will form part of the wider review of the service.

9.5 Corporate Parenting

9.5.1 Corporate Parenting is forecast to overspend by £2.3m 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 £1.2m since last March and is largely due to corporate parenting placements.

9.5.2 Gross expenditure on Looked-After Children and Leaving Care placements (as illustrated in the table below) is forecasted at £26.5m compared to last year's outturn of £25.3m – an increase of £1.2m.

Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements*	Current Placements
Residential	4,981	9,907	4,927	22	37
Secure Accommodation (Welfare)	-	260	260	-	1
Independent Foster Agency	7,688	7,141	(547)	154	127
In-House Fostering	2,400	2,094	(306)	99	93
Semi-Independent (Under 18)	1,570	2,182	612	21	31
Semi-independent (18+)	1,370	2,384	1,014	58	87
Family & Friends	869	962	93	52	53
Residential Family Centre (P & Child)	300	481	181	2	4
Other Local Authorities	-	162	162	-	7
Overstayers (18+)	290	36	(254)	7	-
Staying Put (18+)	500	484	(16)	40	36
Supported Lodging	-	63	63	-	4
Extended Fostering (18+)	-	48	48	-	1
UASC (Under 18)	(390)	(519)	(129)	26	18
Former UASC (18+)	390	778	388	65	100
Expenditure	19,967	26,464	6,496	545	599

**based on the average cost of placements.*

9.5.3 The table above illustrates funded placements - these are what the budget can fund based on the average cost of placements for each of the service types. The gross overspend position on Corporate Parenting placements is £6.5m including Unaccompanied asylum-seeking children (UASC) income. The UASC income is in excess of the placement costs incurred in the service, hence the extra income is funding the additional staffing unit within the Looked-After Children service. There is a shortfall in funding for those UASCs who are 18+ (Former UASC), which highlights the financial pressure caused by a lower funding rate from the Home Office when UASCs turn 18. The table below compares placement numbers to the previous month and sets out weekly unit costs of each placement type.

LAC/ Leaving Care Placement Analysis

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care	9,907	160	4,332	37	36
Secure Accommodation (Welfare)	260	7	0	1	1
Independent Foster Agency	7,141	122	959	127	125
In-House Fostering	2,094	46	496	93	90
Semi-Independent (Under 18)	2,182	44	1,414	31	30
Semi-independent (18+)	2,384	39	453	87	97
Family & Friends	962	17	321	53	57
Residential Family Centre (P&Child)	481	15	3,788	4	5
Other Local Authorities	162	2	305	7	6
Overstayers (18+)	36	-	795	0	2
Staying Put (18+)	484	13	366	36	40
Supported Lodging	63	1	254	4	5
Extended Fostering (18+)	48	0	399	1	1
UASC (Under 18)	(519)	13	725	18	18
Former UASC (18+)	774	37	370	100	98
Total	26,460	517	14,979	599	611

9.5.4 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 in Table 1D. These plans are not factored into the forecast for the Children and Families Service until they have been achieved.

9.6 Disabled Children's Service

9.6.1 The service is forecast to overspend by £353k after the use of £1.2m of reserves. Staffing is projected to overspend due to additional staff brought in to address increased demand in the service. Demand in the service continues to rise year-on-year including for homecare, direct payments and short breaks packages.

9.7 Directorate Management Team

9.7.1 The service is forecast to overspend by £184k primarily due to interpreters fee payments for the previous financial year which were unaccounted for at year end.

9.8 Domestic Abuse Intervention Service

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

9.9 Clinical Services

9.9.1 The service is forecast to underspend by £270k due to vacant / late recruitment to the Specialist Clinical Practitioner posts.

9.10 Access & Assessment and Multi Agency Safeguarding Hub (MASH)

9.10.1 The Service is showing a full year forecast underspend of £254k. The underspend relates to late recruitment of posts for both Access and Assessment & MASH units (£104k) and lower than anticipated staffing costs for the Emergency Duty Team (£92k).

9.11 No Recourse to Public Fund team

9.11.1 The Team is forecasted to underspend by £141k in Section 17 as the number of clients are declining.

9.12 The Family Learning Intervention Programme

9.12.1 The Programme is forecast to underspend by £137k due to staff vacancies.

9.13 Hackney Education

9.13.1 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.

9.13.2 Hackney Education is forecast to overspend by £5.604m. 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 and income from traded services. The balance of the overspend is mainly as a result of a £7m forecast over-spend in SEND, offset by forecast £1.3m of savings in other areas of Hackney Education. The £7m over-spend in SEND is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP’s). The EHCP forecast outturn may increase during the year: there are 134 EHCP applications currently being assessed. An assessment is expected to be completed within a 20 week cycle; the level of need for these and future applications cannot be determined at this point.

9.13.3 The Government formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued 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.

9.13.4 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. The current regulations around the treatment of any DSG overspends will cease at the end of 2022/23. There is therefore a financial risk to the Council of carrying this deficit forward beyond this period.

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

Original Budget	Virement	Revised Budget	Service Unit	Forecast Variance Before Reserves	Reserves Usage	Forecast Variance After reserves	Narrative
53,192	192	53,384	High Needs and School Places	8,100	(1,100)	7,000	The forecast is likely to change over the next few months as a result of volatility in the number of SEND plans and increased demand for services.
3,578	64	3,642	Education Operations	447	-	447	The Education Operations division is forecasting a £447k overspend. Main risk areas for this division are: (1) over establishment costs for payroll and loss of income for Tomlinson centre due to Covid-19. (2) staffing budget pressures in the Strategy, Policy & Governance (SPAG) and School Improvement and Projects team due to maternity cover costs (3) additional software costs from the Synergy SEND project and CPD booking system plus staffing budget pressures in MISA due to additional staff relating to the Synergy project. Loss of income for the Tomlinson centre due to COVID is £245k.
42,547	277	42,824	Early Years, Early Help and Wellbeing	755	(500)	255	Budget pressures from previous years expected childcare fees income increases not achieved and Covid-19 additional costs from the continuing loss of childcare fees income. Also, anticipated lower demand in 3 & 4-year-olds and 2-year-olds funding at early years establishments. This is based on the forecast of the spring term following a pattern of expenditure based on the summer term of 88%. The decrease in expenditure of approx £2.1m is offset by a corresponding reduction in income funding. In addition there has been a reduction in forecast of £78K mainly related to Children's Centres..
1,705	62	1,767	School Standards and Performance	(45)	-	(45)	Forecast underspend primarily relates to the expected in-year release of Monitoring and Brokerage Grant. Reserves relate to the funding of a post in Secondary Support.

Original Budget	Virement	Revised Budget	Service Unit	Forecast Variance Before Reserves	Reserves Usage	Forecast Variance After reserves	Narrative
8,854	-555	8,299	Contingencies and recharges	(1202)	-	(1,202)	The year-end forecast underspend relates to the education contingency budget which is utilised to offset the overall overspend.
134,360	-	134,360	Delegated school funding to maintained mainstream schools	(851)	-	(851)	Forecast variance reflects Schools' Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure.
(220,433)		(220,433)	DSG income	-	-	-	
23,803	**40**	**23,843**	**Totals**	**7,204**	**(1,600)**	**5,604**	

9.14 Vacancy Rate and 2021/22 Savings

9.14.1 A vacancy rate savings target of £1,754k has been set for the directorate in 2021-22 (£900k for Children and Families and £854k for Education). This saving is a challenging target for services with a significant number of front-line staff. At this point in the financial year, it is forecast that it will be achieved. For Education, a risk of £250k due to turnover being lower than anticipated, however the service has identified non-recurrent staffing budgets to mitigate the shortfall this financial year. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported with each OFP report.

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

9.14.3 At this stage, the directorate is on track to deliver the vacancy factor, and this will continue to be monitored closely through Children and Education SMT on a monthly basis.

9.15 Cost reduction proposals

9.15.1 The table below outlines the key proposals for cost reductions which have been endorsed across the Children & Education directorate in 2021-22. The reporting against these cost reduction proposals are being monitored on a monthly basis through this report highlighting delivery against these indicative targets. 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.

	Serv	Initiative	Description	Target
1	CFS	Reduction of residential placements	As part of the forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement). This is being monitored through the Corporate Parenting budget review meetings. This target is on track to be delivered. As at January 2021, we have achieved £822k of this target.	£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. As at January 2021, we have achieved £114k of this target but we anticipate we will meet the full target.	£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. The target cost reduction is on track to be delivered.	£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%. As at January 2021, we have over-achieved this target, and delivered £204k.	£150K
5	Ed	Developing in-borough SEND provision	The Council currently spends a significant amount on independent special schools. There is an ongoing plan to develop further in-borough provision. The plans are still being developed and likely savings/ cost avoidance are being worked up; the timescales for the delivery of these savings is unlikely to be achieved in 2021-22 and is more achievable over the medium term.	-

6	Ed	Reviewing SEND Transport eligibility	Reviewing the way transport agreements are made for children and young people with special educational needs against our legal duties. This will include benchmarking against local authorities to understand how our offer compares to others. Again the timescales for the delivery of these savings are unlikely to be achieved in 2021-22 and identified as the SEND service is reviewed.	-

9.16 Measures to control spend

9.16.1 The Directorate has forecast a £100k reduction in spend thus far as a result of the implementation of non-essential spend control measures. We will update Cabinet on further progress in forthcoming OFPs. The directorate is also looking to achieve reductions in agency spend by converting agency staff into permanent staff in budgeted posts. In Children and Families, the service has recruited five agency staff last month onto permanent contracts, and has an ongoing rolling advert as one of the strategies to reduce the level of agency assignments.

10.0 Adults, Health & Integration (AH&I)

10.1 Summary Position

10.1.1 The AH&I directorate is forecasting an overspend of £4.061m after the application of reserves. This compares to a 2020/21 outturn position of £8.6m overspend (this included £6.5m of which was attributed to Covid-19 expenditure).

10.2 Cyberattack

10.2.1 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.

10.2.2 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.

10.2.3 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 have worked in collaboration with ICT to develop a tool so we can re-commence care charging assessments from 1 February 2022. The impact from the cyberattack for this financial year relates to additional staffing deployed within the service (£247k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£943k estimated to the end of Jan-22). This estimate will continue to increase whilst the ability to undertake assessments remains unavailable.

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

10.3 Covid-19

10.3.1 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.

10.4 Adults

10.4.1 The January 2022 revenue forecast for Adult Social Care is £100.9m against a net budget of £97.1m, resulting in a £3.8m overspend (3.9%). Covid-19 related expenditure accounts for £1.15m of the reported budget overspend.

10.4.2 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).

10.4.3 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 totalled £1.71bn nationally, with the Council receiving a total of £12.6m. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we have continued to lobby Central Government for a long term funding solution.

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

* £3.6 billion to pay for the cap on care costs and the extension to means testing (£2.2bn),
* Supporting progress towards local authorities paying a fair cost of care (£1.4bn), which together aim to remove unpredictable care costs;
* and £1.7 billion to improve social care in England, including at least £500 million investment in the social care workforce.

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

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

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

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

10.4.6 We will continue to work through the announcements to establish the impact of this additional funding for Hackney and its residents.

10.4.7 In this financial year, Adult Social Care received £1.947m of Infection Control and Rapid Testing Funding for care homes to fight Covid-19. The Council has received a further £351k funding from the Omicron Support Fund. Our role in this is primarily one of passporting the funding and so the allocation we received cannot be viewed as further assistance to mitigate the financial pressures we are under. The council has also been allocated £2.707m from round 1 and 2 of the Workforce Recruitment and Retention Fund for adult social care to: - support providers to maintain the provision of safe care and bolstering capacity within providers to deliver more hours of care; support timely and safe discharge from hospital to where ongoing care and support is needed; support providers to prevent admission to hospital; enable timely new care provision in the community and support; and boost retention of staff within social care.

10.5 Care Support Commissioning (external commissioned packages of care)

10.5.1 Care Support Commissioning is the main element of the overspend in Adult Social Care, with a £4.8m pressure. The cyberattack continues to impact on the ability to forecast the expenditure accurately in this area since a number of manual processes require additional reconciliation. Again, this poses a risk to the forecast that new service users are not included in these manual processes, and understates the budget pressures in the service area. Finance is working closely with the service to ensure that manual processes seek to capture all new clients, and any changes to care package provision.

10.5.2 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 £5m and this is factored into the forecast as it materialises. The service will need to have a really robust panel process to enable closer financial scrutiny and oversight to reduce costs of care packages. It is expected alongside this, the additional work required from the manual processes will result in greater volatility in the forecast over the coming months than would normally be expected.

Care Support Commissioning

Service type	2021/22 Budget	Jan 2022 Forecast	Full Year Variance to budget	Variance from previous period
Learning Disabilities	18,002	20,155	2,153	120
Physical and Sensory	16,712	18,098	1,387	265
Memory, Cognition and Mental Health ASC (OP)	8,592	9,647	1,054	231
Occupational Therapy Equipment	740	752	13	14
Asylum Seekers Support	170	338	168	(22)
Total	44,216	48,990	4,775	608

10.6 Physical & Sensory Support

10.6.1 The Service is forecasting an overspend of £1.39m (£1.12m in Dec-21). The gross forecast spend on care packages in Physical Support for 2021/22 is £25.7m (£25.5m in Dec-21) and in Sensory Support is £0.90m (£0.92m in Dec-21). Forecasts continue to be updated based on continuous reviews of care package costs, particularly in nursing homes and the cost of home care. The forecast includes £350k of iBCF funding, £1.0m of social care grant and £1.42m of reserve funding towards the increased level of care packages in 21/22.

10.7 Memory, Cognition and Mental Health ASC (OP)

10.7.1 The Service is forecasting an overspend of £1.05m (£0.82m in Dec-21). The gross forecast spend on care packages for 2021/22 is £12.2m (£12.3m in Dec-21). The forecast includes £350k of iBCF funding, £650k of social care grant and £100k of reserve funding towards care package costs in 201/22.

10.8 The Learning Disabilities (LD) service

10.8.1 The Service is forecasting an overspend of £2.15m (£2.03m in Dec-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 for 2021/22 is £34.8m (£34.6m in Dec-21).

10.8.2 The LD forecast also includes significant non-recurrent funding from the iBCF (£1.0m) and Social Care Grant (£4.66m). In addition, a contribution from the CCG of £3.0m (£3.0m in Dec-21) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed across previous years to agree joint funding for complex health and social care packages within the service.

10.9 The Mental Health service

10.9.1 The Service is provided in partnership with the East London Foundation Trust (ELFT), and is forecasting an overspend of £1.32m (£1.32m in Dec-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.

10.10 Provided Services

10.10.1 The Service is forecasting an overspend of £0.14m (£0.39m in Dec-21). Within this position are two contrasting positions:

- Housing with Care (HwC) has an overspend of £0.87m (£1.03m in Nov-21), of which the majority is in relation to the significant cost of additional agency staff employed to cover for staff who are absent or unable to carry out full duties due to Covid-19. As a result of the occupational health risk assessment outcome (high or critical risk) completed as part of the council's vulnerability assessment procedure, a number of HwC staff who have underlying health conditions can only perform limited tasks hence the reliance on agency staff needed to complete the required duties. The forecast includes funding made available from the Infection Control Fund and the Workforce Recruitment and Retention Fund. The savings target of £500k for efficiencies across the Housing with Care schemes is not forecast to be achieved within this financial year and will be delivered through contract efficiencies within commissioned services. There are a number of void properties within Housing with Care schemes where property rental continues to be paid whilst the flats remain vacant. This cost pressure is reflected within care support commissioning budgets and will form part of the short term review of the service to deliver efficiencies.
- Day Care Services are projected to underspend by £0.73m (£0.70m in Nov-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.

10.11 ASC Commissioning

10.11.1 The Service is forecasting a £1.05m underspend (£0.85m in Dec-21) and this includes significant levels of one-off funding of £1.1m in 2021/22 supporting activity within commissioning. This includes increased capacity in the Project Management Office (PMO), ASC Commissioning, and the Direct Payments Teams.

10.11.2 Disabled Facilities Grant funding has been applied to the Telecare contract. The service has renegotiated some Housing Related Support contracts which has resulted in efficiency savings of approximately £0.5m in 21/22, and this has largely offset the underachievement of Housing with Care savings on a non-recurrent basis this financial year.

10.12 Preventative Services

10.12.1 Preventative services is forecasting an underspend of £1.46m and is primarily attributable to the interim bed facility at Leander Court (£0.7m) and Substance Misuse (£0.3m) linked to lower than expected demand for rehab placements. In addition the Carers services reflect an underspend of £0.22m due to a significant reduction in carers assessment activity linked to the Covid-19 pandemic.

10.13 Care Management and Adult Divisional Support

10.13.1 The Service is forecasting an overspend of £0.08m (£0.17m in Dec-21) and this is driven primarily by increased staffing costs within the Integrated Learning Disabilities team (£0.19m) and staffing pressure within the Long Term Team (£0.14m) which is partly offset by underspends in other areas of the service

10.14 Public Health

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

10.14.2 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.

10.14.3 The Covid-19 pandemic has seen a significant increase in Public Health activity, specifically around helping to contain the Covid-19 outbreak in the local area. This has been achieved alongside continuing to ensure demand-led services such as sexual health are monitored.

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

10.14.5 The Hackney Mortuary service is forecast to overspend by £251k, of which £67k relates to the balance remaining from Hackney’s Wave 2 mortality management contribution. The position has moved adversely by £80k this month, primarily driven by an increase in Hackney's contribution towards Coroners cost. As highlighted previously Mortuary costs increased significantly last year during Covid-19 with the response to the pandemic plan requiring the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that the demand from the initial wave could be met, and subsequently to meet increased demand for the second wave. We have received a reimbursement of £343k as a result of the pan-London provision being lower than the anticipated, with the remaining balance of £67k now being the cost for this financial year.

10.15 Vacancy Rate and 2021/22 Savings

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

10.15.2 The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular Covid-19 or cyberattck 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.

10.15.3 A review of actual spend on salaries reflects that £800k has been achieved against this target to date. This shows progress against the annual target of £864k so far - consequently the full year forecast is shown as on track at this stage in the year and will continue to be monitored closely by the AH&I Senior Management Team.

10.16 Cost Reduction Proposals

10.16.1 The service has also developed various proposals for cost reductions. The table below outlines the key proposals for cost reductions which have been endorsed across Adult Services in 2021-22. The cost reduction proposals are monitored on a monthly basis highlighting delivery against these indicative targets. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at AH&I SMT. It is essential that the service delivers against these plans, and these are then factored into the overall forecast when they are achieved. In addition to the initiatives listed in the table below, the department has reduced costs in other areas:

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

(b) 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.

	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 January-21, more than £215k 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. 15 staff who were originally assessed as being unable to carry out face to face work due to Covid-19 vulnerability have been referred to occupational health as temporary cover arrangements are unsustainable from an operational and financial perspective. As of Jan-22, of these 15 staff, 5 are currently on sick leave and 3 on limited duties. 3 have now been assessed as able to return to work on full duties. In addition there were 32 Covid-19 absences across Housing with Care. If 50% of the staff on limited duties were to return to full duties from 1st February, it is estimated that this would reduce the staffing forecast by £59k 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. 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. Detailed analysis of all agency workers against establishment reports from ITrent and finance have been carried out and a number of queries being resolved.All over establishment posts are being scrutinised along with any posts that have been covered with agency staff for more than 12 months.	£100K
4	Mental Health Budget - reduce overspend	Working with ELFT to bring expenditure back in line with the budget. This will be delivered through the joint working group meetings with ELFT. Measures include: ● A more robust panel process in line with the ASC panel process has been implemented and reductions to a number of packages have already been made, amounting to £168k costs avoided to date. This figure will increase over the coming weeks. A further £52k of costs have been reallocated to the correct primary support reasons. ● The use of the Care Cubed tool to assess the cost of care has begun, targeting the highest cost care packages as well as being used to review all existing care packages. All packages will have been reviewed in the next 12 months using Care Cubed. Packages that can be stepped down are being transferred to a new, more cost effective provision in Borough. ● A review of the use of blitz cleaning,storage facilities and kennelling is also being undertaken and some savings will be achieved. Commissioners are now working on re-introducing a framework to reduce the reliance on spot purchase and are also reviewing the HRS block contract to ensure efficiency.	£350K

10.17 Measures to control spend

10.17.1 The Directorate has forecast a £80k reduction in spend thus far as a result of the implementation of non-essential spend control measures We will update Cabinet on further progress in forthcoming OFPs.

10.17.2 All Directors are reviewing all agency assignments - including how long in post, hours worked and if they have taken leave etc along with cross referencing of vacancies showing on ITrent and the finance report. This will highlight any over established posts to allow tracking and evidence funding sources for these posts such as those agreed as additional capacity in hospital teams/brokerage. The reduction of 1 in 5 may not be possible for all services, however the directorate is pulling together an approach which demonstrates its commitment to reducing agency spend. This includes a systematic review and challenge process for all agency staff. All agency staff in post for more than 12 months are being tracked and reviewed. For example a number of these posts are additional staff brought in to support the hospital discharge service and brokerage to increase capacity during Covid-19 and to facilitate 7 day working in the hospital. In addition, Directors will consider not appointing to vacant posts (permanent or agency) and not extending existing agency staff.

10.17.3 Business cases are being produced for recruitment to permanent vacancies, and these are shared with the Director and Group Director for sign-off. There are difficulties recruiting agency social work staff which means there are vacant posts being carried for longer periods of time.

11.0 NEIGHBOURHOODS & HOUSING DIRECTORATE

11.1 Summary Position

11.1.1 The directorate is forecasting an overspend of £2.9m of which £2m is due to the impact of Covid. This is an adverse movement of £106K on the December position.

11.2 Cyberattack Narrative

11.2.1 Planning Services are forecasting an estimated £260K loss of land charges income due to the continuing impact of the cyberattack on the land charges service.

11.3 Covid Narrative

11.3.1 Parks and Green Spaces have a projected Covid-19 impact of £62k, £32k of this is due to the loss of income. This primarily relates to the Events Team as there are very few bookings this year as activity is not expected to return to pre 2020/21 levels for some time yet. There is also a £30k Covid-19 forecast relating to legal fees and other expenses, but underspends on other budgets across the service area are being held to mitigate these costs.

11.3.2 Community Safety, Enforcement & Business Regulation are forecasting a spend relating to Covid-19 of £667K, the majority of the spend is in the Civil Protection team; £40K of the spend is in Enforcement. The areas of Covid-19 expenditure are staff costs including training, uniforms, overtime and four additional staff covering Covid-19 tasks; security for infrastructure and testing sites; PPE expenditure;

temporary mortuary expenses; premises costs arising from setting up, folding down, repairs and cleaning of testing sites and the hire of vehicles.

11.3.4 Environmental Operations has a projected overspend of £792k relating to the impact of Covid-19. There is an estimated loss of £492k on Commercial Waste income, and £270k for use of agency staff to cover sickness/self-isolation absence now being forecast up to the end of Mar 2022 due to the Omicron variant. Whilst staff absences relating to Covid-19 are still low, there was a spike over the Christmas period into January, similar to 2021, however, this has not really been as severe as first thought so the forecast has been reduced. Additional vehicle cleansing still remains an essential protocol for a Covid-19 safe working environment and we are forecasting this additional spend up to the end of the financial year due to the additional measures announced by the Government to respond to the Omicron variant. There is also a forecast spend of £30k on additional PPE and other materials. The service has adopted a prudent approach to potential spend arising from the pandemic and for the forecast loss of income and will maintain close monitoring on costs and income as the year progresses.

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

11.3.6 Streetscene is forecasting a shortfall of £250K in Highways licence income which is a result of slower than expected recovery of development activity due to the impact of Covid-19. The service is containing this shortfall as far as possible within its overall cash limit by holding underspends against other budgets.

11.4 Directorate Management

11.4.1 Directorate Management is forecasting a £17k underspend, which is no change on the December return.

11.5 Planning Services

11.5.1 Planning Services is forecasting an overspend of £1,121K, after the use of £603K reserves. £103K of reserve usage is to part-fund work on area-based plans and £500K to part-fund the underlying overspend in the service. This is an increase of £38K on the overspend position reported in December, there is £341k reduction in income mainly as a result of the revised income forecast for Land Charges, Planning Fees, s106 Admin, and CIL admin. The previously reported cost of Direct Action enforcement has been removed as it will be funded from income (POCA) received in future years when fines are paid. There is a £260k variance in Land Charges income as a direct result of the cyberattack where only a partial service will be provided until the summer of 2022.

11.5.2 The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fees income, which has seen a steady decline over the past year. The service has achieved the vacancy factor savings of £150K, but this reduction in resources will impact on the resource to process planning applications and is leading to pressures on existing staff.

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

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

11.5.5 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 Section 151 Officer.

11.6 Environmental Operations

11.6.1 Environmental Operations is showing a forecast overspend of £945K which is primarily due to the impact of the Pandemic. This is an adverse movement of £40K on the December position. The underlying position has worsened due to an increase in the fuel forecast based on current trends and prices; there is a £153k underlying variance, which is primarily related to vehicle repairs and maintenance and rising fuel costs. The Covid-19 impact on the service is currently forecast at £792k, a decrease of £85k from the December 2021 position as set out above. This decrease is mainly due to forecasting the use of additional staff up to the year-end to cover covid related absences that had started to rise in December and January due to the Omicron variant but have tailed off significantly in part due to change in government rules on isolation.

11.7 Waste Strategy

11.7.1 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.

11.8 Markets and Shop Front Trading

11.8.1 Markets and Shop Front Trading is showing an overspend of £282k, a minimal increase from December's position. Additional staffing costs and a shortfall in income collection driven by Covid-19 account for £230k of this. The service is managing this overspend in particular staffing levels, which will be monitored closely as the year progresses. The other area of overspend is the non-delivery of the £30k vacancy factor saving which the Director Sustainability and Public Realm has decided will be delivered by Parking Services.

11.9 Leisure, Parks & Green Spaces

11.9.1 Other than the impact of Covid-19 relating to loss of income and legal costs (£62k) which are detailed above, Leisure, Parks & Green Spaces continue to forecast a £9k overspend, showing no in month change.

11.10 Streetscene

11.10.1 Streetscene is forecasting an underspend of £74k; there is no material movement from the previous month's forecast. There are two key risks that need to be managed, both relating to income. The recharge to capital income is dependent on Transport for London (TfL) funding. Whilst the current allocation to date is less than in previous years it has not had a significant impact on the budget as vacancies are being held in mitigation. The Head of Streetscene maintains a watching brief on the position to ensure that the service is able to react swiftly to funding announcements thereby ensuring maximisation of available funding. 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 licences has not yet recovered to pre-pandemic levels. Income will be closely monitored throughout the year and reflected in future forecasts. The Service will continue to hold underspends across other budgets to mitigate this budget pressure.

11.11 Housing GF

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

11.12 Community Safety Enforcement and Business Regulation

11.12.1 Community Safety Enforcement and Business Regulation are forecasting an overspend of £659K, an increase of £24K from the December position. The main overspend is within Civil Protection for Covid-19 related costs, an overspend of £627K, and Enforcement overtime of £40K. The cost of Covid-19 may decrease further if additional grants are applied directly to the service. The other cost pressures within the service as reported in previous OFP reports continue and the Head of Service is working with finance to resolve these pressures namely, the non-achievement of Proceeds of Crime (POCA) income, £90K and the cost of software licences, £36K. The service will continue to review the forecast expenditure and income that will mitigate the overspend.

11.13 2021-22 Vacancy Rates and Savings

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

11.14 Cost reduction Proposals

11.14.1 The table below outlines the key proposals for cost reductions of £160k from the non essential spend review which have been forecast across Neighbourhoods and Housing Directorate in 2021-22.

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

11.14.2 The reporting against these cost reduction proposals will be monitored through the monthly finance report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. It is important to emphasise that managers will continue to identify opportunities for cost reductions to mitigate the directorate overspend.

12.0 FINANCE & CORPORATE RESOURCES

12.1 Summary

12.1.1 F&R is forecasting an overspend of £6.228m. Of this, £4.26m is due to the impact of the cyberattack and £1.28m is due to Covid. The overspend is virtually unchanged from the previous month.

12.2 Cyberattack

12.2.1 The total net cost of the Cyberattack is currently estimated at £4.26m. In Revenues and Benefits and Housing Needs we are forecasting £650k and £175k respectively for the cost of resources required to restore lost data and clear the backlog incurred whilst the systems were out of action. ICT are currently reporting £3.34m of costs relating to restoring or rebuilding systems and an additional resource in finance has also been allocated to the cyberattack costing £100k.

12.3 Covid Narrative

12.3.1 The total net cost of Covid is estimated at £1.276m in additional costs and lost income after taking into account what can be covered with existing budgets, government grants and earmarked reserves. The main service areas affected are Commercial Property (rental income) and Revenues, Benefits and Housing Needs (increase in demand). £241k covid expenditure in ICT relates to agency/transport costs for the working from home project and sickness cover.

12.4 Financial Management & Control

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

12.5 Education Partnerships

12.5.1 The current budget for Education Partnerships is £308k which we anticipate will be fully utilised by the end of the financial year. There is a current forecast overspend of £35k revenue expenses at Britannia. The variance is as a result of covid related costs from Morgan Sindall that were paid this month. The variance will be resourced from reserves. In addition, the vacancy saving of £6k is being closely monitored and expected to be achieved.

12.6 Property Services

12.6.1 Overall, Property Services are forecasting an overspend of £1.1m after reserves and provisions, which includes £0.9m of lost rental income due to Covid-19. The overspend results from firstly, the significant increase in the portfolio of properties managed by this service over a period of several years which has necessitated additional staff resources, which in turn has led to an increase in agency and consultancy staff. A new structure has been developed which will address the shortfalls in resources within the service and reduce the use of unbudgeted consultants and agency staff. Secondly, there is an overspend on Commercial Property of £2.7m which includes Covid related costs of £0.9m (lost rental income) and unbudgeted security and maintenance costs of £1.2m. Additionally, there is also an overspend of £120k on Education Properties resulting from security costs on vacant sites.

12.6.2 The adverse movement of £165k from last month is mainly due to the revision of the BAM Construction and Consultancy forecast. The movement is also due to increase in security cost aka "fire watch" from the supplier CIS Security Ltd. filling a security need to monitor the Stoke Newington Municipal Offices and Northgate Building until the situation with the faulty fire alarm systems can be rectified.

12.7 Revenues and Benefits

12.7.1 Revenue and Benefits are forecasting an overspend of £0.65m after reserves usage. This is a favourable movement of £150k on December’s forecast.

12.7.2 Revenues is currently reporting an overspend of £350k, which is a reduction of £150k on December’s forecast. The overspend relates to:

- £300k staffing costs in Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax. This is a reduction of £50k on December's forecast and is a result of a change in the requirements in the Customer Services Contact Centre.

- £50k forecast relating to Cyberattack recovery, which is expected to commence in March 2022. This is a favourable movement of £100k on December’s forecast as Cyberattack recovery moves closer to 22/23 financial year. The Business Case is for a 6 month period, with costs approved up to £1m. The majority of costs are expected to be incurred in 2022/23.

12.7.3 The service is currently forecasting £1m lost income in court costs as a result of Covid and the Cyberattack, which has significantly reduced legal action across the service. The expectation remains that legal action will not re-commence until into the new financial year. The cost can be partially absorbed within the budget and any additional loss will be offset by revenue grants unapplied from previous years.

12.7.4 Benefits is currently reporting an overspend of £300k which is no change on the previous month. The overspend relates to:

- £300k forecast relating to Cyberattack recovery (7,000 cases of under/ overpayment) and working on the backlog of claims.

12.7.5 Revenues and Benefits Customer Services have recently undergone a restructure to consolidate the Corporate and Housing Contact Centres, in order to increase frontline staff and reduce the need for agency staff. The restructure remains in the transition period, and as a result there is an ongoing requirement for agency staff. The forecast overspend is £250k which is an increase of £50k on December's forecast.

12.8 Housing Needs General Fund

12.8.1 Housing Needs is currently forecasting an overspend of £175k for 2021/22, after the allocation of grant income and reserves. There has been no movement from the previous month's forecast. The 3.5% vacancy factor savings represents £244k for this function and is being achieved.

12.8.2 Covid related costs for housing needs are currently estimated at £3.4m for 21/22. This cost and its mitigations within the forecast are as follows.

- £2m relates to the ongoing support provided for rough sleepers, following the ‘everyone in’ programme which commenced as a result of the pandemic. Specific funding has now been identified for £0.8m. Homelessness grants held in reserves from previous years will be used to cover the remaining costs if no further government funding is forthcoming. The programme will finish at the end of the financial year, as residents are currently transitioning into more suitable, permanent accommodation.
- £850k relates to an expected increase in demand. Grant income received in 2021/22 that is in excess of the budgeted amount is expected to meet this cost.
- £760k relates to an anticipated reduction in rental income.

12.8.3 The £175k forecast overspend relates to additional agency staff required to work on the housing register as part of the cyberattack recovery, associated costs are also expected to be incurred in 22/23.

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

12.9 Registration Services

12.9.1 Registration Services is currently forecast to budget.

12.10 Facilities Management

12.10.1 Facilities Management are currently forecasting an overspend of £75k, which is predominantly due to increased security costs as a result of the LLW. Generally it is difficult to absorb these costs within the existing cash limits, as the security budget makes up a significant proportion of this. This pressure is being addressed in next year's budget.

12.11 Audit & Anti-Fraud

12.11.1 Audit & Anti-Fraud are forecasting an underspend of £324k due to staff vacancies. There is going to be a restructure in the next financial year.

12.12 ICT

12.12.1 Overall, the ICT Division is forecasting to overspend by £4,033k after reserves of which £3.34m is related to the cyberattack.

12.12.2 ICT Corporate is currently forecasting an overspend of £3,503k after a drawdown from reserves and recharges identified for project work across the council. The net favourable change of £110k is mainly due to a combination of Cyberattack projects no longer forecast to happen and additional spend on existing projects. The remaining £62k decrease represents a combination of small changes across the functions within ICT. The revenue forecast cost for cyberattack recovery in 2021/22 is currently £3,337k and is a decrease of £110k on last month's forecast.

12.12.3 Financial Management Systems are forecasting to underspend by £23k

12.12.4 Hackney Education ICT is forecast to overspend by £553k which is an increase of £68k month on month and this is mainly attributable to redundancy costs. The expected income from Traded Services is approximately £500k for the year, this is £498k less than the original income budget of £1.028m. Other planned spend continues to be monitored and the Strategic Director, Customer & Workspace will meet with the Director of Education to discuss a way forward.

12.13 Procurement

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

12.14 Directorate Finance Team

12.14.1 The Directorate Finance Team is currently reporting a balanced budget.

12.15 Vacancy Rate and 2021/22 Savings

12.15.1 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.

12.16 Non Essential Spend

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

13.0 CHIEF EXECUTIVE

13.1 Summary

13.1.1 The Chief Executive Directorate services are forecast to underspend by £70k after the use of reserves.

13.2 Covid-19 Narrative

13.2.1 Engagement, Culture and Organisational Development are still being impacted by the effects of Covid-19 relating to income generation activity from running events. The 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. The impact of the Omicron variant and subsequent restrictions has been factored into the forecast. The income levels are being closely monitored.

13.2.2 Libraries & Heritage have little prospect of meeting their income targets where fines are currently suspended and there are no room bookings and minimal sales etc. It is hoped that income collection will gradually pick up in the coming months but this will be a slow process and is being reviewed on a monthly basis, currently, this is giving a £72k pressure/overspend within the service. The Library service continues to provide security staff on an ongoing basis, which has been reviewed and increased due to the increasing spread of the Omicron variant and the need to reinforce correct social distancing procedures within buildings, particularly if they are shared occupancy, which is resulting in an estimated £130k overspend across the service.

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

13.3 Chief Executive Directorate Services

13.3.1 The Chief Executive Directorate services are forecast to underspend by £70k after the use of reserves. This is a marginal worsening of £3K from the December position.

13.4 Engagement, Culture and Organisational Development

13.4.1 Engagement, Culture and Organisational Development are forecasting an overspend of £195k after the use of reserves of £375k. There is no change from the previous month. The ongoing impact of Covid-19 accounts for £338k loss of income mentioned above, which is partially offset by a combination of additional income from internal bookings and holding vacancies (£154k). The other significant overspend area is Hackney Today, where there is a £194k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/Hackney Life being partially offset by reduction in agency and distribution costs. The remaining overspends are partially offset from the income generated by the design and film income teams.

13.5 Libraries & Heritage

13.5.1 Libraries & Heritage are forecasting a £90k overspend all of which can be attributed to the lasting effects of Covid-19 as detailed above. There continues to be a prudent approach in the service area - controllable budget forecasts have been scrutinised and challenged to absorb as much of this increase as possible and try to help mitigate the overspend.

13.6 Legal & Governance

13.6.1 Legal & Governance services are forecasting an underspend of £180k after usage of reserves of £218k. The service is forecasting a significant shortfall in external income targets from property, S106 income and capital recharges with activity reducing. This shortfall in income is being effectively managed through a combination of holding vacancies to reflect the reduction in activity and reducing external commissioned legal service, although an increase in case load could have an adverse impact on the current financial forecast. The approach to cost control adopted by the service has enabled it to mitigate the directorate overspend.

13.7 Inclusive Economy and Corporate Policy

13.7.1 Inclusive Economy and Corporate Policy are currently forecasting an underspend of £81k, no change from the December position. The forecast underspend is due to a combination of vacant posts, employees not on top of spinal points, and employees opting out of the pension scheme

13.8 Regeneration

13.8.1 Within Regeneration, there is a £94k underspend currently forecast after reserves usage. The majority of this underspend relates to savings within Private Sector Housing, which are offset somewhat by cost pressures in the Housing Strategy and Policy Team.

13.9 Vacancy Rate Savings and 2021/22 Savings

13.9.1 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.

13.10 Cost Reduction Proposals

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

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

13.10.2 The reporting against these cost reduction proposals is being monitored through the monthly finance report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. These cost reduction measures are on track to deliver to target.

14.0 HOUSING REVENUE ACCOUNT (HRA)

14.1 The current HRA forecast, which is at budget, reflects the continuing impact of Covid, when the repairs that could be carried out were limited and there was a moratorium on eviction during the first quarter. As restrictions have gradually been lifted, the demand for repairs has increased and the volume of work may exceed the capacity of the DLO, therefore additional work will be allocated to contractors. During the pandemic there has been a significant increase in rent arrears, procedures have been introduced to escalate those cases and it is forecast the arrears will reduce by the end of the year.

14.2 Any resultant overspend in the HRA from Covid and the cyber attack will be funded from a reduction in RCCO. The current capital contracts have ended and are being re-procured, and so there is limited value of works remaining on the expired contracts, therefore less capital funding is required during the year. However, the works and the funding will be required in future years and factored into a revision of the HRA business plan.

14.3 More specifically, Dwelling Rent and Tenant Charges is forecast at £1.501m over budget due to a continued increase in voids due to the demolition of properties on regeneration estates and the delays in the re-letting of properties. The performance of voids and relets is being monitored however, the lack of IT system makes the process manual and takes longer.

14.4 The reduction in Non-dwelling Rent income is due to restricted and limited booking in Community Halls. Bookings and usage will be monitored during the year but it is unlikely to achieve the budget level of income.

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

14.6 The reduction in the Other Charges for Services and Facilities income is due to the Thames Water contract having ended early this year.

14.7 On the Expenditure side, The Housing Repairs Account is forecast to overspend due to restrictions during the first quarter and the 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 £462k is due to an increase in lift servicing and repairs, estate cleaning and an increase in utility costs. The increase in Bad and Doubtful debt is as a result of the increase in arrears potentially being written off during the year.

14.8 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.

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