2022/23 Budget And Council Tax Report **Key Decision No FCR R93**

CABINET MEETING DATE 2021/22 28 February 2022	**CLASSIFICATION:** OPEN

WARD(S) AFFECTED All Wards
CABINET MEMBER Mayor Phillip Glanville
KEY DECISION Yes **REASON** Spending or Savings
GROUP DIRECTOR Ian Williams, Finance and Corporate Resources

1. MAYOR'S INTRODUCTION

1.1 It is without doubt that the coronavirus pandemic continues to be the greatest challenge that Hackney Council, our borough, its residents and our local businesses have faced in a generation. When we seem to be nearing the end of this crisis we are thwarted by new variants and the personal and economic impacts they bring. For residents, as well as the immense personal loss Covid-19 has inflicted, the pandemic has brought about significant financial pressures which are compounded by inflationary increases in key areas such as energy prices. For the Council it is no different. The pressures the Council faces were increased still further by organised criminals who targetted us in October 2020 with a cyberattack - an attack which continues to impact us today as we work to recover our systems and get back to business as usual. Although these events have inevitably had an impact on our finances, because of our sound political and financial management we have the space, capacity and leadership to respond and these seismic events have not forced us into making damaging knee jerk or short term decisions. Throughout the past year we have continued to prioritise the things that matter, stayed true to our values, continued to respond to Covid-19 and worked to deliver our ambitious manifesto through the revised Corporate Plan to Rebuild a Better Hackney. As we finalise this budget while we are starting to see a degree of normality when it comes to Covid-19, newer challenges have emerged such as the cost of living crisis and inflation that impact again on both our residents and the Council.

1.2 We do, of course, face all of this after the challenging backdrop of over 11 years of austerity. Whilst in the latest spending round we have seen an increase in funding levels it will not come close to bringing us back to 2010 levels in real terms. Of significant concern is the continued uncertainty regarding future funding which makes it ever more difficult to plan for the future. The Government also seems to be committed to introducing a new funding system, likely to be in 2023/24 and all indications are that we in common with other inner-London boroughs will lose funding at a time when need continues to rise. In addition, despite the ongoing impact of Covid-19 on our costs and loss of income, estimated at £7.5m for the current year there is no specific funding for this for 2022/23 - clearly these pressures will not stop on the 31st March 2022.

1.3 We are also faced with additional costs from increasing demands for services, in part due to cuts to other public services and damaging welfare reform. In a Budget report these can be described as 'costs' or 'pressures', but what we are really highlighting is the lived experience of thousands of Hackney residents, whose lives have been made harder by the rise in in-work poverty; unemployment, a failure to regulate the private rented sector; the hostile environment; universal credit and wider welfare reform; and Covid-19. This impacts the ability of the Council to respond and compounds the impact of austerity on our wider services as we seek to do more with less.

1.4 We maintain, as we did last year, that austerity is not over for local government nor the citizens of Hackney. As noted above there is significant uncertainty in funding levels going forward and there is also concern that more and more often any additional funds are of a one-off nature, so cannot be relied on for long-term financial planning, and do not cover gaps in existing funding in areas such as special educational needs and social care. Taking these factors into account, along with impending funding reform and the unlikely abatement of the demand for our services we estimate that we will need to develop plans to meet a gap of £14m to £29m in 2023-24 and a potential gap of £47m to £68m over the period 2023-24 to 2025-26. We will seek to do this through a fundamental review of where we spend the money, our policy priorities, and the impact it has and look to make transformational changes which improve services where possible, however, alongside this there will inevitably be hard choices to be made.

1.5 In this budget we are proposing that Council Tax will increase by 2.99%, this is never an easy decision and we know that any rise can have an impact on those that are on fixed incomes. This will raise £2.7 million to help us to continue to run the services our residents need. For the average household in Hackney, the increase will add less than £1 a week to their bill. Despite this increase, it is expected that Hackney will still have one of the lowest Council Tax rates in London. And if we look at the period 2010-11 to 2021-22, the cumulative increase in Hackney's Council Tax is over 7% less than RPI. The GLA is proposing to increase its council tax by 8.8% or £31.93, which takes its Band D charge to £395.59. This produces a total Band D charge in Hackney of £1,671.09 - an increase of 4.3%

1.6 We are very much aware that these increases come at a time when overall cost of living pressures are biting hard - not least energy costs and the cost of food for our residents. Where residents are unable to pay their council tax, the Council works with residents and advice agencies to ensure that households are claiming all applicable discounts and appropriate long term affordable repayment plans are established with residents who are unable to pay in line with the council tax instalments. In addition we continue to provide direct support for those in crisis through our Discretionary Crisis Support Scheme as well as supporting local organisations to provide advice and support for those experiencing financial difficulties.

1.7 Through over a decade of cuts to our budgets, Labour councils like Hackney have protected our frontline services, invested in our workforce and protected our most vulnerable residents from the worst impacts of austerity. We need to continue to do this and also respond to multiple impacts of the pandemic that have severely impacted those already in poverty, widened inequality and pushed more people into poverty. For 2022/23, we remain ambitious and continue to work to make Hackney fairer, safer and more sustainable. We recognise that this is going to require further change and transformation of services to tackle poverty and inequality. We will be adopting a poverty reduction framework and strengthening our focus on key inequalities, underpinned by continued investment. This budget will help us do that by supporting our poorest residents, protecting the most vulnerable, investing in frontline services we all use, and rebuilding a greener Hackney.

1.8 We know how important frontline services have been to our residents. As always and particularly throughout the pandemic our staff have been there for those relying on us and it is those services delivered directly by the Council, rather than external contractors, that have been best placed to change direction and respond to the coronavirus crisis. We will keep working to make services more accountable, innovative and ultimately better value for money for residents. We plan to do this by bringing services in-house where it is financially viable to do so and where we can deliver a better service to residents and fairer pay and conditions for those that deliver them. So far we have brought in-house school and corporate cleaning, gully cleansing, fleet maintenance and market stalls services that were previously contracted out ─ £6.3 million worth of contracts ─ and our parking enforcement contract currently outsourced at annual cost of £5.6 million will be brought back in-house by 1st April 2022, and over the course of the financial year 2022/23 we will continue to review other contracts with potentials for insourcing.

1.9 We will also continue to fund our award winning employment and apprenticeship schemes ensuring Hackney's local and vibrant economy provides direct opportunities for the borough's residents. Since the start of the Covid-19 pandemic, and the accompanying rise in unemployment as well as concerns around future job prospects, the Council's focus on creating high quality opportunities has been more pressing than ever. Our apprenticeship programme remains award winning, and we have tripled the number of inhouse, local, London Living Wage paid apprentices since 2016. Since September 2020, the Council's Adult Learning service has been integrated with the wider Employment & Skills service with a total investment of £4.9m. This creates an opportunity to ensure that the Council's investment in adult skills, funded via the GLA's Adult Education Budget, is aligned with the Council's aspirations set out in the Inclusive Economy strategy - specifically in terms of ensuring residents have the skills to access high quality jobs and careers. During the Covid-19 pandemic, the Council has delivered the Kickstart programme, creating 113 placements for 16-24 year olds with local businesses. Kickstart, alongside our Hackney Apprenticeship Network are examples of the ambitious set of programmes we are delivering alongside local employers to create high quality opportunities for residents. During the pandemic, our Hackney Works service has worked more closely than ever with local partners including New City College and Job Centre Plus to create a single front door for out of work residents seeking employment and skills support. An example of this joint working is securing the Department of Work and Pensions as a tenant to the Annex building in Hillman Street. As well as securing a welcome additional income stream this will enable closer working to the benefit of our residents. We have also secured nearly £270,000 of new resources from the GLA to help close the adult training digital divide, which includes broadening the existing Creative Enterprise Zone in Hackney Wick to focus on this priority agenda.

1.10 We know that crime and safety remains a really important issue for many of our residents, especially given some of the tragic incidents that have taken place on our streets over the last year. This budget will help make Hackney safer, investing over £10 million to fund programmes like the Integrated Gangs Unit ─ our unique partnership with the Police, Probation Service and other partners, aimed at supporting people out of gang involvement. We are also maintaining our enforcement team to ensure it can continue to deal with changes to rules concerning the pandemic to ensure that our local economy stays safe, dealing with anti-social behaviour and working with our partners to ensure safety of women in our borough. We are doing all we can to support businesses to continue to remain compliant with legal requirements and have recently introduced the Hackney Nights accreditation scheme to further improve safety in our night time economy. The scheme has been open to applications from venues since last month and will see licensees complete a series of benchmarks that go beyond their licensing conditions in order to attain the accreditation. The focus of the scheme will be on safety but will also cover Covid-19 compliance, education and staff training, community involvement, inclusivity, licensing, crime prevention, health and wellbeing and sustainability and environment. This is a further example of how the Council is investing in ensuring a safer environment for our residents and visitors to our borough.

1.11 This budget also invests in helping our children and families to thrive. Overall we will be spending over £78m on these services including our network of children's centres and associated services which sit alongside our early intervention and prevention services as well as supporting our schools to ensure children achieve the best they can. We will also look after children where they cannot be cared for within their family network. Following the consultation on children's centres last year we will look again at this provision to ensure it is delivers the best service possible which is financially sustainable. 2022/23 will also be the second year of our £300k 4-year planned investment in the attainment of our young people, specifically for groups that have historically underachieved, to reduce exclusion and assist with the transition between primary and secondary school.

1.12 We know keeping people safe, especially young people, also means providing opportunities and support. We will continue to invest £13.6 million on youth and early help services for families, including our four youth hubs, six adventure playgrounds and other satellite-based community provision. Over the last year our youth and play services have seen 58,047 named and anonymous attendances by children and young people accessing universal services. Although the pandemic has placed restrictions on the delivery of services, our youth hubs and playgrounds, and commissioned providers have worked within Public Health England and government guidance to remain open for the delivery of covid-secure services. Detached outreach to engage young people in the community has continued to provide reassurance and health messaging. Young Hackney and the Family Support Service have also continued to provide tailored support to improve children and young people's emotional and mental health, family school and peer relationships, engagement with education, or to decrease the risk of exploitation or engagement in offending. Young Hackney delivered targeted support to 1,834 young people in 2020/21, a 28% increase compared to the 1,434 interventions delivered in 2019/20. The service has also supported delivery of the Holiday Activities and Food Programme to ensure that no young person or their family goes hungry in Hackney.

1.13 In 2019 the Council declared a climate emergency, and making our borough greener and more sustainable runs through the heart of this budget. We are on course to approve the Council's Climate Action Plan (CAP) in 2022/23. We recognise that we need to engage and listen to our residents in this process and are working in partnership with everyone in the borough to develop the CAP to rebuild a greener Hackney and eliminate our impact on climate change. We will aim to ensure that our green recovery is fair and does not disproportionately impact people from disadvantaged backgrounds. We've committed significant funding for projects and plan to invest £24m in projects over the next 3 years to contribute to achieving our Net Zero target. This included £5.4m to switch our street lights and estate lighting to energy efficient LED bulbs ─ saving energy costs and reducing our electricity consumption through our streetlights by 60%. We are investing £2.4m in green initiatives across our housing estates and are making a further investment of £600k to deliver green screens in the borough's schools. We are continuing our tree planting programme and will have planted over 16,000 new trees in our streets and parks and green spaces (some through charitable partners) by the end of 2022. This year we continue the Green Homes Fund with a further investment of £217K rolling-out free home insulation, helping lower energy bills for thousands of local residents and significantly reduce the gases produced by heating our homes. We continue to invest in more sustainable transport, making our parks and leisure centres greener and better for users, increasing drinking water fountains and maintain a network of 48 School Streets throughout the borough.

1.14 We have worked with community partners to maintain support for people in food poverty as well as those directly and indirectly affected by the pandemic. By working together, to maximise our collective impact, we have sought to make the best use of all funding coming into the borough and to cater to diverse cultural and dietary needs. Thanks to the hard work of these groups, and a 1400 strong volunteer base, we have continued to deliver several thousand hot meals and parcels to residents in poverty, despite organisations also opening up their usual services again. We have also supported over 2000 people who needed to shield or self isolate. We joined other local authorities in successfully campaigning for the continuation of poverty related funding after the initial Winter Grant was set up in 2020. We have made sure that this support reaches groups most affected by poverty during holiday periods including over 20,000 children and young people. Whilst we have had to deal with the immediate needs, we have kept in mind how we can make this support sustainable in the longer term, by improving the use of food surplus and developing local food networks that can start to work together independently from the Council and connect with wider support such as help with benefits and employment support.

1.15 This budget invests in Hackney, showing that even with Hackney's budget challenge Hackney Council continues to prioritise our communities, fairness and transforming lives. This is evident in the opening during the past year of the new Britannia Leisure Centre last summer - where attendances are already exceeding pre-pandemic levels helping residents stay active and healthy. The summer also saw City of London Academy Shoreditch Park students move into their new building at Britannia. We are proud to continue to invest in these young people's future. Over the next year, Hackney Council plans to spend approximately £244 million through capital projects to continue rebuilding a better Hackney. We own and manage over 22,000 council homes, and next year we'll spend nearly £44m on improving them and maintain a focus on clearing the repairs backlog through the £1m of additional investment. We will also continue to keep Hackney building, for those who desperately need new homes through our £71 million house building programme. In 2022/23 we plan to be on site with 565 new homes and the refurbishment of 174, delivering over 300 genuinely affordable Council homes at social rent and shared ownership. We will invest nearly £15m in our schools including the continuation of our schools facades programme, general school maintenance and increasing provision for special educational needs in the borough. Nearly £23m is planned to be spent on managing and maintaining Hackney's 58 parks, gardens and open spaces and seven sport and leisure centres - ever more important as our residents have relied on our open spaces even more during the pandemic. This includes £4.5m in the London Fields Lido learning pool and over £4m in repairs at Kings Hall. We will continue to support local businesses by investing £3m in town centre regeneration schemes, supporting our businesses to recover from the pandemic through schemes such as those in Dalston and Hackney Town Centres as well as investment at Ridley Road and Hackney Wick.

1.16 We can only achieve all of this through careful and sound financial management. If we do not pass a balanced budget, and plan an illegal deficit budget, the result would be handing over budget and service management to Whitehall civil servants. We will need to continue passing prudent budgets, particularly given future risks such as the forthcoming Funding Review by the Government and the ongoing impact of the pandemic and the associated economic recession. We also need to continue to make provision for the recovery from the cyber attack as we rebuild services, capacity and trust.

1.17 I would like to thank Cllr Chapman, my Cabinet and councillor colleagues especially on Scrutiny and Audit, the Group Director for Finance and Corporate Resources Ian Williams and his entire team for their work on the budget report, as well as the continued work to maintain the financial resilience of the Council. I would also like to thank new and former members of the Corporate Leadership team for their tireless work on the budget and maintaining services across the Council.

1.18 This is an ambitious and Labour values driven Budget in the most challenging of times that protects universal services, invests in our priorities, creates more opportunities and supports the most vulnerable and I am proud to commend this report and my sixth Budget to Cabinet and then Full Council.

2.0 GROUP DIRECTOR'S INTRODUCTION

2.1 This report asks Cabinet to agree and recommend to Council for approval, the 2022/23 General Fund budget estimates, a 2.99% increase in the Hackney element of Council Tax made up of 1% in respect of adult social care and 1.99% in respect of other services, and a series of recommendations relating to the Council finances in respect of the 2022/23 financial year.

2.2 I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, Scrutiny and Audit Committee members as well as colleagues on the Corporate Leadership Team and Officers within my own team and the other Directorates throughout the budget setting process. This will be my fourteenth budget report to the Full Council on the Budget as Hackney's Group Director of Finance and Corporate Resources (Section 151 officer). It is an understatement to say that this budget is brought forward in the midst of the unprecedented challenges of the ongoing impact of the pandemic, another one year settlement and the cyber attack, but the way that everyone has worked together collaboratively has been fantastic and made what could have been a really difficult process progress smoothly. During this past year we have seen a number of former colleagues retire but also new colleagues join including Mark Carroll as Chief Executive, as well as Helen Woodland and Jacquie Burke also joining the Corporate Leadership Team who have all hit the ground running. Ajman Ali has been successful in securing a new job in his hometown of Sheffield and I would like to place on record my personal thanks to him for his friendship and support during his time on the leadership team and the close work he has done with me in what are very challenging times for the Housing Revenue Account.

2.3 The 2022/23 Revenue Budget and Capital Strategy was put together against the backdrop of £140m funding cuts since 2010/11, whilst costs in areas such as adult social care, children's services, supporting an ageing population, homelessness and inflationary impacts have increased significantly. Whilst the publication of the 2022/23 Local Government Finance Settlement gave us some certainty regarding the next financial year, we face an extremely uncertain and concerning financial environment going forward. This is because in the Settlement, the Government announced it would, in the coming months, work closely with the sector and other stakeholders to update the current funding system (Fair Funding Review); and since little work has been done on the review since 2019, presumably the Government will be consulting on proposals that were formulated then, which as we know, disadvantaged us. Worse still, the new system will not only negatively impact core funding but could also impact the current Social Care grant allocations, as the distribution is based on elements of the current funding formula (the Adult Social Care Needs Assessment) which may well be amended in the new arrangements. Further, no commitment has been given to extend the 2022/23 one off Services grant into 2023/24 and this is likely to be used to fund other things, which may result in the Council having to find the funding for the NI increase from elsewhere. Finally, in the Statement, much attention is given to the transitional arrangements (that will partially protect Councils that lose from the review) which likely implies that there will be major changes. Now if we do lose funding, it must be recognised that even if we get reasonable protection in 2023/24, our funding will continue to reduce each year after until we reach the new lower funding level.

2.4 So whilst the Settlement for 2022/23 did not surprise and we are able to present here a balanced budget, there is potentially much to be concerned about in future years. We would expect to receive exemplifications throughout the consultation process but if past practice is followed we will not get a consolidated position until the summer of the year before the new system is to be introduced, when the Government issues a technical consultation on the changes (not to be confused with the Settlement consultation which follows in December). So if the new system developed by the Fair

Funding Review is implemented in 2023/24, we may not have any firm indication of its impact on our finances until July/August of this year.

2.5 It is also very likely that the impact of Covid-19 will continue into 2022/23. We have already seen that the pandemic has greatly restricted the financial flexibility of the Council going forward as we have had to use a considerable amount of one-off funding (primarily S31 Grant) in 2020/21 and 2021/22. It has also depressed income levels for various income streams including council tax, business rates, commercial property rents, car parking and trade waste. Whilst we expect a recovery in 2022/23, it is unlikely to be full for some of these, especially property rents and trade waste, if the downturn arising out of the pandemic continues for any length of time. There could also be an impact on business rates income if the working from home trend continues after the restrictions have been lifted. Not only will it impact on income in the short term but it could also have a detrimental impact in the longer term if it results in a depression of rent levels (which largely determine rateable values) in the office sector. We also continued to face significant cost pressures which are not Covid related in 2021/22 which will continue into 2022/23 particularly in many areas which are considered in detail in the main body of the report below. Finally, the cyber attack continues to impact on the Council's finances both in terms of additional costs to restore systems and deal with backlogs of processing in key systems such as Housing Benefits, Housing Rents, Business Rates and Council Tax and on income collection levels - although it is difficult to disentangle the impact of the latter from that of the pandemic. I expect these pressures to continue through 2022/23 and provision has been made for these in both revenue and capital budgets.

2.6 Turning to Council Tax, this report proposes to set an increase of 2.99% in the Hackney element of the Tax in 2022/23. Given the significant reduction in core funding since 2010/11 which has risen to at least 40% by 2022/23, I believe such an increase is essential to protect the Council's funding position in both the short and medium term whilst balancing the demands it places on local taxpayers. Moreover, the increase must be viewed not just in the context of the external funding losses but also against the backdrop of the impact of the on-going Covid-19 pandemic, economic downturn and Brexit. In addition and as previously noted, we also face significant cost pressures in services such as Adult Social Care, Children's Services, Homelessness and Temporary Accommodation and Special Education Needs as well as the ongoing impact of the welfare reforms, the Homeless Reduction Act and Universal Credit.

2.7 With regard to the 2022/23 revenue budget proposals set out in this report, they are underpinned by efficiency proposals approved throughout the current and previous financial years. We have developed proposals that achieve expenditure reductions primarily through efficiencies, further back office savings throughout the Council and the restructuring of services. We have also sought to maximise income opportunities from the considerable asset base the Council holds to protect and sustain universal services and those to the most vulnerable.

2.8 In order to meet the financial challenges ahead, it will be necessary to continue the Council's proven record in relation to tight financial management and control. We will continue to adopt financial solutions that increase financial sustainability, with an emphasis on our customers, residents and businesses.

2.9 In preparing this budget we have ensured that the Council has in place, appropriate arrangements and controls to manage the risks and impacts. These include: -

(a) Extensive Financial Management, Monitoring and reporting. Regular finance updates are provided in the Overall Financial Position (OFP) report and detailed reporting to both the Corporate Leadership Team (CLT) and joint sessions of Cabinet and the CLT on financial planning in the short and medium term. This will be further enhanced for 2023/24 where we will undertake a more fundamental review of where we spend the money and the impact it has and look to make transformational changes which improve services where possible, however, alongside this there will inevitably be hard choices to be made.

(b) Risk Management. The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations from the Scrutiny Panel.

(c) Prioritising Resources to Corporate Plan Objectives. This report includes an update on the Corporate Plan and sets out how we continue to invest in line with our priorities.

(d) Equality. The Corporate Leadership Team makes sure that equality underpins all that we do. It also looks to ensure that all equality impact assessments on employment matters have been undertaken and details of these are available for review by Members and are published on the Council Website.

2.10 In considering the proposals set out in this report Members should have regard to the future indicative budgetary position of the General Fund that has been set out throughout the year. The Medium Term Financial Plan, at **Appendix 6**, sets out the challenges we face in future years. It is vital therefore that the work already underway to bridge this gap intensifies so that innovative plans and proposals for future years can be set out and progress on early implementation achieved to ensure that we continue to maintain our strong track record of sound financial management. To this end also set out in **Appendix 12** to this report, we have updated our self assessment of how we shape up compared to the financial standards which are a translation of CIPFA's Principles of Good Financial Management.

2.11 Finally, our current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Public Sector Audit Appointments (PSAA) is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. At this point all local government bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA. I have considered the options available in liaison with the Chair of Audit Committee and an evaluation report (**Appendix 13**) was taken to Audit Committee last month where it was agreed that a recommendation be made to Full Council to opt in to the PSAA procurement process and this recommendation is contained within this budget report.

3. RECOMMENDATION(S)

3.1 Cabinet is recommended to consider the report and make the following recommendations to Council for approval:

3.2 Council is recommended:

3.2.1 To bring forward into 2022/23 the Council's projected General Fund balances of £15.0m and to note the Housing Revenue Account (HRA) balances of £12.3m

3.2.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 2.

3.2.3 To note that the budget is a financial exposition of the priorities set out within the Corporate Plan included at Section 6 below.

3.2.4 To note that in line with the requirements of the Local Government Act 2003, the Group Director, Finance and Corporate Resources, is of the view that:

The General Fund balances of £15.0m and the level of reserves, particularly in relation to capital, are adequate to meet the Council's financial needs for 2022/23 and that considering the economic uncertainty they should not fall below this level. This view takes account of the reserves included in the Council's latest published 2020/21 Accounts and the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA Budget to maintain the balance at £12.3m by 31 March 2022 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA. In 2020/21 the HRA balance reduced from £15m because of the need to set up a provision for Thames Water agency refunds. There is a plan to get back up to £15m through the savings programme over the medium term to replenish reserves and in 2021/22 we were able to increase the HRA balance by £1.1m to £12.3m.

The General Fund estimates are sufficiently robust to set a balanced budget for 2022/23 This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2021/22 budget with the projected spend identified in the December 2021 OFP. The overall level of the corporate contingency has been set at £2m.

3.2.5 To approve the proposed General Fund fees and charges as set out in Appendix 8 for implementation from 1st April 2022.

3.2.6 To continue the policy requiring the Group Director, Finance and Corporate Resources to seek to mitigate the impact of significant changes to either

resources or expenditure requirements.

3.2.7 To note the summary of the HRA Budget and Rent setting report agreed by Cabinet on 24th January 2022.

3.2.8 To authorise the Group Director, Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.

3.2.9 To approve:

The allocation of resources to the 2022/23 Non-Housing capital schemes referred to in Section 24 and Appendix 7.

The allocation of resources to the 2022/23 Housing indicative capital programme referred to in Section 24 and Appendix 7, including the HRA approvals previously agreed by Cabinet on January 24th 2022.

3.2.10 To note that the new capital expenditure proposals match uncommitted resources for the year 2022/23.

3.2.11 To agree the prudential indicators for Capital Expenditure and the Capital Financing Requirement, the Authorised Limit and Operational Boundary for External Debt, the Affordability prudential indicators and the Treasury Management Prudential Indicators for 2022/23 as set out in Section 24 and Appendix 3.

3.2.12 To confirm that the authorised limit for external debt of £598m agreed above for 2022/23 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.

3.2.13 To continue to support the approach of using reserves to manage emerging risks and liabilities and to note the latest reserve position.

3.2.14 To note that at its meeting on 26th January 2022 the Council agreed its Council Tax Base for the 2022/23 financial year as 73,981 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D properties.

3.2.15 To agree that the following amounts be now calculated by the Council for the year 2022/23 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

(a) £1,258.507m being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) £4.353m being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

(f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

3.2.16 The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)

(a) £1,170.497m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £nil being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.

(c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and

(d) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.

3.2.17 £94.363m being the amount by which the aggregate calculated under

subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.

3.2.18 £94.363m being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, £1,275.50 as the basic amount of its council tax for the year.

3.2.19 That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2022/23 for each part of its area and for each of the categories of dwellings.

Valuation Bands Hackney

A	B	C	D	E	F	G	H
850.33	992.06	1,133.78	1,275.50	1,558.94	1,842.39	2,125.83	2,551.00

3.2.20 That it be noted that for 2022/23 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands GLA

A	B	C	D	E	F	G	H
263.73	307.68	351.64	395.59	483.50	571.41	659.32	791.18

3.2.21 That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2022/23 for each of the categories of dwellings as shown below.

Valuation Bands Combined Hackney/GLA

A	B	C	D	E	F	G	H
1,114.06	1,299.74	1,485.42	1,671.09	2,042.44	2,413.80	2,785.15	3,342.18

3.2.22 To agree, subject to the decision of Members on recommendations 3.2.15 to 3.2.18 that Hackney's Council Tax requirement for 2022/23 be £94.363m which results in a Band D Council Tax of £1,275.50 for Hackney purposes and a total Band D Council Tax of £1,671.09 including the Greater London Authority (GLA) precept. An analysis of the tax base total Band D Council

Tax across Council Tax Bands is shown in 3.2.21 above and an exemplification of the taxbase and discounts by band, is shown in Appendix 5.

3.2.23 To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council's Council Tax requirement for 2022/23 as shown at Appendix 9 is not excessive (3% or above) and therefore does not require the Council to hold a referendum.

3.2.24 To agree the Treasury Management Strategy for 2022/23 to 2024/25, set out at Appendix 3.

3.2.25 To agree the criteria for lending and the financial limits set out at Appendix 3.

3.2.26 To approve the MRP statement setting out the method of calculation to be used, as set out in paragraphs 24.18-24.28 below.

3.2.27 Approve the Audit Committee's proposal to accept the Public Sector Audit Appointments (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2023.

3.2.28 Delegate authority to the Group Director of Finance & Corporate Resources to respond to the invitation and take the necessary steps to finalise the appointment itself following the PSAA procurement process.

4.0 REASONS FOR DECISION

4.1 The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2022/23 budget.

4.2 Previous decisions in this context relate to:

- The Overall Financial Position reports presented monthly to Council during 2021/22

- The Calculation of the 2022-23 Council Taxbase & Local Business Rates report approved by Council on 26th January 2022

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.

5.2 The details of the budget, including savings, have been the subject of many reports to Cabinet and consideration by the Corporate Leadership Team (formerly Hackney Management Team) at meetings throughout 2020 and 2021.

5.3 As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 2nd March 2022.

6.0 BACKGROUND

Policy Context and Prioritising Resources to deliver the Corporate Plan

6.1 This report sets out the Council's Budget Revenue Proposals for 2022/23.

6.2 The Mayor's budget proposals set out in this report show the position in relation to the development of the 2022/23 Revenue Budget including the effect of savings proposals which were agreed by Members as part of the 2022/23 budget setting some of which were formulated during the 2021/22 process.

6.3 The annual budget decisions are among the most important of those which local authorities are called upon to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a Committee or to Officers. They affect every household and service user and the manner in which decisions must be made, is closely prescribed by law. **Appendix 1** of this report sets out the relevant legal considerations which affect the budget process of which Members must be aware. Members are required therefore to give careful consideration to the information and advice set out in this report. It is also important in taking this decision for Members to take into account the Medium-Term financial forecast (which is attached at **Appendix 6**) and recognise that the scale of reductions set out will impact significantly on the services the Council provides beyond 2022/23.

6.4 In addition, the Local Government Act 2003 placed a specific personal duty on the Group Director, Finance and Corporate Resources to report to Council on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. Members are advised that due regard has been given to the requirement of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of the General Fund reserves in paragraph 20.4. The position on the HRA reserves includes a projected level of balances of £12.3m by 31 March 2022. This level of balances is in-line with the Council's policy on reserves and balances. However, he advises that this is a matter that Members should keep under review.

6.5 It should also be noted that there is an ongoing requirement to review limits and indicators in accordance with the Prudential Code. There is a requirement to agree these indicators and limits are set in conjunction with the Council's overall budget.

Corporate Plan

6.6 The Council's revenue and capital budgets are set in the context of its Corporate Plan for 2018-22 approved by Cabinet in November 2018. The Corporate Plan committed the Council to publishing an accessible Corporate Delivery Plan (CDP) update to show how the Corporate Plan is being delivered. The CDP update helps us to assess where we are strategically and informs staff and the public, in a concise and accessible way, how we have performed against the priorities we set out in our Corporate Plan. It also enables us to drive our work across the Council more proactively.

6.7 The first update of the Corporate Delivery Plan was published along with the Budget in February 2020. The report described the challenging context. After a decade of austerity we faced acute financial challenges in local government, with increased strains on our services and in communities, as well as continued uncertainty about the future. We talked about growing inequality and vulnerability among our residents and that, in the face of this, maintaining strong, cohesive, healthy communities was one of our greatest and most difficult tasks. The report also identified some priority areas for £500k investment to tackle poverty and inequality.

6.8 This was the assessment before the pandemic. The community impact of the pandemic and the fiscal context presents far more acute challenges. For this reason, in July 2020, Cabinet adopted a refreshed Corporate Plan. From the outset the Council endeavoured to track the impact of Covid on Hackney's diverse communities. These impacts are complex and manifold and will be felt by many for years to come. The Plan took stock of the direct and indirect impacts of pandemic in the short, medium and long term.

6.9 The refreshed Corporate Plan set out a revised set of priorities and some cross cutting ways of working and, for each, provided a detailed progress update and direction of travel. The refreshed plan simplified and consolidated the 9 priorities in our 2018 corporate plan into 7. It also sets out how we need to work differently to respond to the impacts of the pandemic and to the stark inequality and poverty in Hackney pre-pandemic. Our approach to supporting the vulnerable and tackling key inequalities is now embedded across all priorities. The refresh of the corporate plan affirmed that the £500k investment proposals to tackle poverty and inequality were needed more than ever to address issues in the short and medium term.

Crosscutting: Keep in focus the **most vulnerable and and key inequalities**, and specifically racial inequality

Fairer
1. Poverty reduction
2. Rebuilding an inclusive economy
3. Lasting solutions to London's housing crisis and homelessness
4. Supporting children and families to thrive
5. Community wellbeing and tackling health inequalities

Safer
6. Reducing harm

Greener
7. Responding to the climate emergency

6.10 A brief update was provided in the 2021/22 Budget Report, focusing on our work to tackle inequality and poverty and the £500k investment. A further £500k was also approved for 2021/22. A full progress review against the refreshed corporate plan was published in July 2021. A further update is published as an Appendix Eleven to this report and is summarised below.

6.11 **Crosscutting Priority: Keep in focus the most vulnerable and tackling key inequalities, and specifically racial inequality**

Before the pandemic, we were focused on tackling key inequalities by making this front and centre of services, as well as through proactive work that focused on specific groups facing inequality. The Single Equality Scheme 2018-2022 was developed to identify the proactive work needed, informed by a detailed analysis of demographics and of inequality. The pandemic revealed the stark racial inequality faced by some groups and Hackney adopted a commitment to anti-racism in July 2020.

Over the last four years:

We have identified a wide range of solutions to make life better for younger and older people, by working with residents and partners to develop Young Futures and Ageing Well Plans. We are working towards solutions, continuing to co-design these with residents. £160k of the £1m investment has gone towards supporting the participation of young people and older people in co-designing solutions during 2021/22 and into the next two years.

We are progressing solutions to tackle racial inequality, based on a much more mature and confident understanding of what is driving inequality and of the solutions needed. As a result of this sustained focus, we have seen notable shifts in our approach especially in Childrens, Education and Health and Wellbeing. The focus on systemic change and co-production with communities, has now been strengthened by the Council's anti-racist motion adopted in July 2020.

Our workforce is becoming more diverse at senior levels, staff views about inclusivity are becoming more positive and we are starting to narrow the gap between those who think the Council is committed to equality in principle and practice. Over the last three years we have developed a 70 strong network of inclusive leadership champions who drive improvement

We have worked with partners and broadband providers to develop a more comprehensive response to tackling digital exclusion, including our Better Broadband programme offering free connectivity in community halls, temporary accommodation and housing with care schemes.

We have improved our understanding of the needs of groups who are less likely to have a voice in civil society:

Supporting people with no recourse to public funds (NRPF) -this has included distributing additional hardship support during the pandemic.

We are welcoming 5 Afghan refugee families and working with community groups so they can host more families.

We continue to campaign for a fairer immigation system and for justice for those impacted by the Windrush Scandal and to help those impacted to access the Windrush Justice funds.

We are developing a better understanding of the lived experience of trans and non binary residents and staff so that this can inform a wider LGBTQIA+ plan to make services more inclusive of gender and sexual diversity.

We have maintained activity that promotes diversity and communities coming together. A comprehensive review of Libraries was launched in April 2021. The review will be co-designed with residents and library employees and will secure a long term role of libraries. Our cultural services including libraries, museum, archives and the arts have kept over 100,000 people connected and uplifted by delivering a wide ranging programme of cultural engagement throughout the pandemic. Pre-pandemic, we had started to run regular campaigns and volunteer brokerage fairs as well as continuing to support grassroots groups to expand their volunteer base. We accelerated this work during the pandemic, seeing volunteers as key to the response and seizing the opportunity to build better approaches to promoting volunteering. 1400 volunteers were recruited, just under half to deliver food parcels and 3 times what the brokerage, Volunteer Centre Hackney (VcH) would normally recruit. 40% had never volunteered before. 84% felt more connected to their community.

Poverty reduction

6.12 Up to March 2020, we were concerned about the ways that the benefits system, housing costs and low wages had driven up levels of poverty and specifically in-work poverty. At the time we knew that just over a third of our residents and nearly half of households with children were living in poverty after housing costs. This was why the Council was committed to poverty reduction and shaping an inclusive economy and was looking at what was needed, beyond creating routes to good quality jobs, training and enterprise. This formed a part of the Council's 2020 budget and in total £840k of investment will have been made to the development work needed to be better able to support residents in poverty in between 2020 and 2023. The pandemic has pushed more people into poverty, we can see this in the increase in Universal Credit claims, unemployment rates and the increase in requests for help with food.

6.13 During 2021, we drew on all the work done pre- pandemic and on learning from the pandemic to develop a poverty reduction framework. This acknowledged the need to balance support needed for those in immediate need with a long term approach

- that addresses structural inequality and also tackles the drivers of poverty, such as low pay, childcare and housing costs and the benefits system. We also introduced more of a focus on the underlying reasons why people are more likely to be in poverty, such as trauma and abuse histories or being disabled as well as life events. Given the complex needs for some people in poverty, and the stigma involved in seeking help, how we deliver support is equally important. For example, we need to support frontline workers to take a more holistic and compassionate approach to meeting a person's needs, so we offer more effective help.

6.14 The £840k investment has followed this approach:

We have invested £220k into staff time and partnership development, ensuring that we have a more coordinated approach to meeting material needs across a system that has been too disjointed and fragmented:

- Since 2019, we have been working closely with advice providers to make sure their support is more connected, and focuses on resolving people's issues (not counting appointments given).
- We have improved the way food surplus is distributed, maximising take up by diverse organisations. We have developed local food networks that can start to work together independently from the Council and helped food partners connect with wider support. We have funded Alexandra Rose to develop their fresh food voucher scheme working with affordable and independent retailers mainly in markets, thus also boosting the local economy.
- By working together, to maximise our collective impact, we have sought to make the best use of all funding coming into the borough and to cater to diverse cultural and dietary needs. Through this, we have continued to deliver several thousand hot meals and parcels to residents in poverty, despite organisations also opening up their usual services again and have supported over 2000 people who needed to shield or self isolate. We joined other local authorities in successfully campaigning for the continuation of poverty related funding after the initial Winter Grant was set up in 2020. We have made sure that this support reaches groups most affected by poverty during holiday periods including over 20,000 children, people struggling with fuel bills and those who are in temporary accommodation and hostels.

6.15 We invested £60k into the development of the approach to early help, recognising the importance of early intervention in early years in improving life chances and tackling poverty. We are now developing six children's centres into hubs for children and families to support parenting from 0-19 and again, this will help improve reach to those experiencing poverty. We continued to work with Peabody housing association on the Pembury Children's Community which is focused on improving the outcomes and life changes of the 1,000 children and young people and their families, and an independent evaluation has found that this work is helping children being better prepared for school, helping parents maximise their income and creating supportive and active networks of residents.

6.16 We have invested £320k into changing the way we help people with housing needs to secure and maintain housing tenancies. Social workers have been embedded into the Benefits and Housing Needs to support clients with holistic, wraparound and psychologically informed services for the most vulnerable residents.

6.17 We have invested £25k to support over 100 frontline workers to work differently, so we offer more effective help, developing digital tools, arranging staff development so staff can offer good help, that respects and empowers residents. An independent evaluation has found that staff have increased knowledge and are working more closely and collaboratively with other services and partners' organisations. There is greater trust and empathy between colleagues and with residents. The work culture had also developed positively.

Summary of progress against other priorities:

Priority 2: Rebuilding an Inclusive Economy

6.18 The Inclusive Economy Strategy 2019-2025 was agreed in late 2019. The Strategy takes a broad approach to how residents, businesses and local organisations can participate in, benefit from and influence the local economy. We have developed new ways to engage and champion businesses, including the launch of the Hackney Business Network and have also distributed over £200m of pandemic related grant support and rate relief. We have continued our focus on making coordinated improvements to our town centres and commercial centres. We have worked closely with residents and businesses, bringing in new improvements and investment, underpinned by a Local Plan that protects commercial space and delivers affordable workspace. We have supported hundreds of residents impacted by the pandemic with employment support, adult learning and by using our own role as an "anchor institution" to deliver apprenticeships and make sure new contracts deliver local jobs. The Hackney Business Toolkit was approved and launched on the LBH website in August 2020 so we can ensure that larger businesses deliver local benefits. 150 businesses in Hackney have now signed up to pay the London Living Wage which represents a 15% rise from the previous year. The Council took part in a campaign as part of LLW week from 15-21st November 2021 and has held events to promote LLW every year pre-pandemic increasing substantially the number of accredited LLW employers. We have increased our focus on access to quality jobs in what we call STEM careers (jobs that require knowledge of Science, Technology, Engineering and Mathematics).

Priority 3: Lasting Solutions to London's Housing Crisis and Homelessness

6.19 Through our own housing regeneration programme we have delivered 800 homes, with 1000 more in progress, bringing us close to the target of 2000, despite the multiple issues faced in the construction industry at this time.The Local Plan 2033 and S106 SPD provide the policy framework needed to maximise delivery of affordable housing in development and through this 498 genuinely affordable homes were approved in 21/22. We have adopted a simpler, more transparent housing lettings policy because the previous policy was no longer fit for purpose in the face of growing demand and complex needs. Where someone is identified at risk of homelessness, they are supported with in depth advice about housing options. We have opened two new hostels since 2020, with one more planned. The refurbishment of three more of our 16 existing hostels is underway.

6.20 We also continue to encourage housing innovations to help meet housing needs, for example bringing empty properties back into use. Our commitment to end rough sleeping by improving prevention, outreach and support services across the borough has proven to be timely in the light of the pandemic. Our refreshed Rough Sleeper Strategy was adopted in 2020. More than one in 3 people in Hackney live in a privately rented home. We are progressing actions against our commitment to better renting which is all the more important in the light of the significant impact private renters will encounter from increased arrears and eviction rates.

6.21 Fire safety has always been a priority for the Council, but the tragic fire at Grenfell Tower four years ago showed the need to do even more. We were the first council to publish all our Fire Risk Assessments online. This programme of 850 risk assessments a year is now an integrated part of Housing Services work programmes. We are committed to improving the performance of housing repairs. We are developing a proactive approach to addressing the backlog and our response to reports of damp and mould. A repairs improvement board has been established which will develop a number of actions, immediate and long term that will improve our repairs delivery. We are also looking to develop a self service option for tenants to report repairs.

Priority 4: Supporting Children & Families to Thrive

6.22 In 2019 Hackney Children's Services was inspected under the OFSTED ILACS framework and was judged as 'requires improvement' for overall effectiveness. We have been progressing a children's action plan in response and the last Focused Visit in July 2021 found a great deal of improvement. New measures have been put in place to ensure that they continue to deliver an effective early help and we are now working towards an approach to Early Help which involves connecting services together to ensure that all Hackney's children and young people, and their families, have access to the opportunities, resources and support needed to set them up for whole-life success. Young Hackney's has continued to provide services in their youth hubs and targeted support. With Department for Education funding we set up the Context Intervention Unit (CIU) to help us identify and respond to risks to a child that are outside the family home, such as peer groups or locations (called contextual safeguarding).

6.23 During 2021, we increased the number of foster carers, as well as developing new supported accommodation and support from social workers.

6.24 Work to support schools has had measurable success. Overall Hackney schools provision is in the top 20% of local authorities in the country, with 92% (35,529) of pupils attending Ofsted Good or Outstanding schools.The Wellbeing and Mental Health in Schools (WMHS) is in almost all of our maintained schools and 7 of our independent Charedi schools. A Draft Special Educational Needs and Disability

(SEND) Strategy has now been presented to SEND Partnership Board and will be consulted on more widely with a view to launch in April 2022 so we can evolve and expand the Hackney SEND Provision. We have been working to make Hackney more child friendly, maximising opportunities for safe play and outdoor activities.

Priority 5: Community Wellbeing and Tackling Health Inequalities

6.25 Pre-pandemic, tackling health inequalities was a corporate priority along with promoting independence and preventing demand. The pandemic has directly impacted on people facing the very health inequalities and long term conditions that we were seeking to address pre pandemic. An integrated health and care system remains key to meeting population health needs and tackling inequalities. Some of this has been accelerated during the pandemic. The Neighbourhoods programme creates eight ‘Neighbourhood’ areas bringing together local health and community based services. We have established the Population Health Hub (PHH), to help us tackle inequality, as a resource for all partners to draw on that will help improve the design and delivery of existing services and pathways, and have a positive impact on service access, experience and outcomes across the health and care system.

6.26 The biggest drivers of health are linked to social, economic and environmental conditions and structural inequalities, and this touches on all aspects of the corporate plan. We are working to make Hackney a healthier environment and encourage people to be physically active. Our streets are among the cleanest in London, we have 50 schools involved in 48 school streets, involving 18000 children and we have 28 Green Flag parks, with major improvements underway in parks across the borough.We have opened the state of the art Britannia Leisure Centre and continue to improve other leisure centres.

6.27 Hackney Health and Wellbeing Board is a joint signatory of the pledge to reduce ethnic inequalities in mental health and we are diversifying the mental health provision so we reach all sections of the community, creating more capacity with additional funding. We are also at an advance stage of developing a new Health and Wellbeing Strategy through the Board and our partners.

6.28 Our Stop Smoking Service continues to deliver high quit rates. Hackney remains an area of very high need for sexual health screening and we are proactively progressing work to increase screening and treatment. Our adult weight management service, in particular, continues to perform very well and we have received additional funding from national government to expand the service.

Priority 6: Reducing Harm

6.29 Hackney’s Community Safety Partnership Plan sets out strategic priorities to 2022:

- serious violence and gang violence
- alcohol-related crime and disorder
- on-street drug markets and substance misuse

- domestic abuse / violence against women and girls (VAWG)

6.30 Tackling gang crime and serious youth violence through working with the community was a key strategic priority pre pandemic. It has always been recognised that in Hackney, a multi-agency partnership response is needed to tackle this issue. Fundamental to our approach is the role of the community.

6.31 Violence with injury, knife crime, robbery and gun crime have all reduced over the last year. Community Safety have led a number of weeks of action aimed at tackling knife crime and delivered interventions in a number of hot spots for serious violence. Hackney continues to invest in an Integrated Gangs Unit, preventative work and targeted action to tackle drug related violence. Hackney has a Safer Young Hackney Board which has oversight of youth justice practice across the partnership, focused on preventative work to tackle serious youth violence. Through the City & Hackney Safeguarding Partnership (CHSCP) we are focused on children and young people at risk of exploitation including criminal exploitation. We have also developed a process through which young people identified as being at risk of harm outside of the family can be supported and actions can also be taken to improve specific locations.

6.32 Hackney has a significant night time economy, which has grown over the last decade. Under one programme “Hackney Nights,” we are taking action to improve standards in licensed premises, keep people safe and minimise disruption. We have increased patrols from police, enforcement officers and parking officers, and expanded CCTV coverage, and the Late Night Levy Board has helped us bring in the resources needed. We are managing 30 known ASB hotspots- a recent success has been a reduction in ASB and violence in Gillett Square and Hill House Estate. We are providing support to street users combining all the Council Partners in ensuring a coordinated response to individual cases.

6.33 An internal evaluation has found that user experiences of the Council’s Domestic Abuse and Intervention Service to be positive and we have doubled investment. The Service has also offered interventions with perpetrators to reduce risk. Hackney has secured White Ribbon UK accreditation, which seeks to end violence against women by engaging with men and boys. We delivered an ambitious programme as part of the 16 Days of Activism Against Violence Against Women and Girls, including launching a borough wide engagement programme on safety.

Priority 7: Climate Emergency

6.34 Most of the major changes that are needed to avert the climate crisis require major structural changes to be achieved. Embracing the transition to a climate-neutral economy, protecting biodiversity and transforming our food systems has the potential to rapidly deliver jobs, growth and improve the way of life of all citizens.

6.35 We are taking actions to reduce borough emissions, investing nearly £2m to make homes energy efficient, delivering solar pilot projects at West Reservoir Water Sports Centre and London Field Lido, rolling out electric vehicle charging points and changing lighting stock to LED. We are decarbonising our pension fund and now buy 100% renewable energy.

6.36 5000 new street trees will have been planted by April 2022, with 11,760 trees planted in parks and green spaces to date. Low Traffic Neighbourhoods are being introduced, creating a wider network of low traffic roads that serve as cycle quietways. Work to develop the Air Quality Action Plan for approval. We have launched the country's first on-demand, on-street cargo bike rental service.

6.37 To reduce waste and increase recycling rates:

- we have installed drinking fountains in Libraries, Leisure, Parks and Green Spaces as well as streets
- We have Introduced fortnightly collections of residual waste to street level properties, increasing the overall borough recycling rate to 31%.
- whilst recycling in communal blocks is always lower than at street level properties, the results of our interventions have seen the recycling rate increase from 14.87% in 2015, to just over 19% today.
- We have opened a Library of Things located at the Dalston CLR James Library. It is a space where residents will be able to borrow items they would otherwise have to purchase. Low Plastic Zone (LPZ) launched a hyperlocal campaign in September 2020. 26 businesses signed up to reduce or stop plastic items and an online LPZ map was launched enabling consumers to identify low / plastic free shops.

6.38 The impacts of the pandemic are complex and manifold and have identified what the key challenges will be beyond 2021/22 and what our response should be. The following approaches are are planned to help us respond to these challenges:

Poverty and inequality	Poverty Reduction Framework Equality objectives - refresh of focus Young Futures and Ageing Well
Inclusive Economy	Economic recovery plans building on inclusive economy strategy
Housing crisis and homelessness	Housing Strategy under development and housing charter with social landlords and new housing lettings policy, new housing allocations policy
Children and families to thrive	New Children’s Plan; Early Help review; Child wellbeing framework.
Health and wellbeing	New strategy focused on social connection, financial security and mental wellbeing Neighbourhoods and locality based work and Integrated commissioning

Reducing harm	Partnership working across system and specific focus on trust and confidence in the police, Contextual safeguarding and transitional safeguarding
Climate emergency	A climate emergency action plan to help us consider where we place resources and leadership to have the greatest impact including the ambition for net zero

6.39 Specifically in relation to 2022/23 we will continue to invest in these areas through our ongoing revenue budgets and the table below is a high level exposition of how as well as delivering our statutory services a large proportion of what we will spend will be on teams and services that contribute to delivering against these objectives.

Reducing Poverty	We will spend around £10m including directly on paying for concessionary fares and supporting families with no recourse to public funds - and through our extensive investment across Children's and Adults Services and our Housing Needs and Revenues and Benefits Services we will be helping some of the poorer households in the borough. Our Voluntary Sector Grants programme includes an investment of £1m to deliver advice services to residents of the borough.
Rebuilding an Inclusive Economy	We will spend over £14m in areas such as Adult Skills, Business Development, supporting our markets and on economic regeneration and growth alongside a procurement strategy which supports local employment through apprenticeships and local labour requirements.
Supporting Children & Families to Thrive	We will be spending around £73m on Children and their families including statutory services and our network of children's centres and youth hubs which sit alongside our early intervention and prevention services as well as supporting our schools to ensure children achieve the best they can. We will look after children where they cannot be cared for within their family network.
Lasting Solutions to London's Housing Crisis and Homelessness	As well as investment in our housing stock and tenants services through the Housing Revenue Account we will spend around £57m on areas such as temporary accommodation for those who are homeless during this housing crisis, our private sector housing licensing scheme and on our housing related support services.
Community Well-being & Tackling Health Inequalities	This is a major area of investment and covers a range of services. We will spend over £167m. As well as on public health initiatives and care for some of our more vulnerable adults we invest in parks and open spaces and programmes to support our residents to enjoy the open

	spaces, get active and stay healthy.
Climate Emergency	This is a thread which runs throughout our services, for example, it is a key factor in our procurement strategies. We will spend over £38m on teams which support this priority directly through, for example, waste management, recycling, sustainable travel and traffic and energy management. This also includes spend on our parking services and traffic management arrangements, which are funded from parking income and are underpinned by our low carbon policies.
Reducing Harm	Services across the Council contribute to this objective, but in particular we will spend over £10m on a range of specific services including our innovative gangs work alongside our partners, working with young people in the youth justice system to get them back on track, our domestic abuse intervention service, as well investment in early intervention and our wider community safety work.

6.40 In addition to the above, our programme of capital investment continues to support these priorities. Notably, next year, aligning with our priority to provide lasting solutions to London's housing crisis and homelessness we own and manage over 22,000 council homes, and next year we'll spend nearly £44m on improving them and plan to invest £71 million in our house building programme.

Cumulative Impacts

6.41 Guidance from the Equality and Human Rights Commission advises that the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. This means that alongside ensuring that equality impact assessments are carried out for individual decisions that have a material impact on staff or residents, we also undertake a cumulative impact assessment. This has informed corporate planning, for example previous cumulative impact assessments have informed our 2018 corporate plan and Single Equality Scheme. For 2021/2 we undertook a cumulative impact assessment. The purpose of a cumulative impact assessment was to understand the compounding impacts on a specific equality or vulnerable group that arise from changes across a set of services; and the knock on impact on other services arising from a cut or change to a Council Service. The assessment of cumulative impacts was shared back with directors to take on board both at this stage and during implementation. As savings for 2022/23 are efficiencies, we have not undertaken a further cumulative impact assessment.

7.0 COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

7.1 The Group Director's comments are set out in section 2 of this report

8.0 COMMENTS OF THE DIRECTOR OF LEGAL

8.1 Under the Local Government Act 2003 calculation of the Council Tax and adoption of an annual budget must be carried out by full Council on the recommendation of the Mayor and Cabinet.

8.2 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix 1.** When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

9. THE COUNCIL'S GENERAL FUND FINANCIAL PERFORMANCE IN 2021/22

9.1 Based on Directorate returns, the General Fund forecast for 2021/22 at the end of December 2021 is forecasting an outturn which is overspent against the revenue budget of £5m. This includes a Covid-19 related overspend of £1.5m (after the application of budgeted set asides of £6m), a cyber related overspend of £1.5m (after the application of £3m budgeted set asides and £1.5m funding released from a review of the capital programme and slippage in the RCCO) and a non-covid19 overspend of £2m.

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month	Covid19 Impact	Cyber-attack Impact
£k		£k	£k	£k	£k
84,902	Children and Education	2,487	96	1,677	64
97,540	Adults, Health and Integration	4,060	(1)	1,214	1,165
25,415	Neighbourhood & Housing	2,777	198	2,002	230
21,264	Finance & Corporate Resources	6,230	(34)	1,245	4,557
17,396	Chief Executive	(73)	(276)	1,359	0
44,075	General Finance Account	0	0	0	0
290,592	**GENERAL FUND TOTAL**	**15,481**	**(17)**	**7,497**	**6,016**

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	15,481
LESS COVID SET ASIDE	-4,000
LESS CHILDREN'S SET ASIDE	-2,000
LESS CYBER SET ASIDE	-2,000

LESS CYBER ADDITIONAL RESERVE CREATED IN 2021-22	-1,000
LESS RESOURCES FREED UP BY REVIEW OF FUNDING OF CAPITAL PROGRAMME AND SLIPPAGE IN RCCO	-1,500
NET OVERSPEND	4,981

9.2 This reflects the position part way through the year and as with all forecasts, particularly given Covid-19 and the Cyberattack, there is always a possibility of unforeseen circumstances changing things but assuming the position remains unchanged to the end of the financial year 2021/22 unallocated General Fund reserves of £15.0m brought into 2021/22 will be unchanged going into 2022/23, and any deficit in 2021-22 will be funded by unspent S31 grants.

9.3 The maintenance of corporate contingencies continues to be an important element of the Council's Financial Strategy and the inclusion of adequate contingencies in the base budget going forward is essential. However, this must be balanced between holding back contingencies to mitigate unforeseen circumstances with the recognition that in an environment of budget reductions, contingencies at too high a level could result in reductions to other budgets and therefore services. The Group Director, Finance and Corporate Resources is content to maintain the total level of corporate contingencies at £2m for 2022/23. This will however be reviewed on an annual basis. It should be noted however, that contingencies are a buffer against unforeseen and exceptional circumstances and there is still the same requirement for Group Directors to ensure they keep within their base budget allocation.

9.4 It is recommended that similar reporting arrangements for contingencies apply for 2022/23, as those that apply to 2021/22, i.e. that the commitment of these sums in-year should continue to be permitted only on the agreement of Cabinet after it has considered a written report from the Group Director, Finance and Corporate Resources setting out the circumstances of each case and with a full justification provided by the relevant Group Director.

10.0 THE GENERAL FUND BUDGET STRATEGY 2022/23

Background and context

10.1 Planning for the 2022/23 budget has been set against the continuing uncertainty over the main funding streams, which was not fully resolved until the Provisional 2022/23 Local Government Finance Settlement was published on 16th December (and the final settlement published on 7th February 2022) following the 2021 Spending Review in November. Disappointingly this was once again a one-year settlement and includes significant levels of funding of a one-off nature which makes it extremely difficult to plan with any great certainty. This uncertainty is further underpinned by the ongoing impact of the Covid-19 pandemic and the economic downturn. It is also noted that in its statement the Government signalled that in the coming months they will work closely with the sector and other stakeholders to update the current funding system. As part of this, it will look at options to support local authorities through transitional protection. Given the prominence transitional arrangements are given in the written statement this could imply that there will be major changes. It must also be noted that the redistribution of funding resulting from the new funding system will not only impact on core funding but could also impact on the distribution of Social Care Grants as much of the current funding is distributed on the basis of elements of the current funding formula (Adult Social CAre Needs Assessment).

10.2 The Local Business Rate retention scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012. In essence the scheme allowed Local Government to keep 50% of any Business Rate growth from its baseline position. For Hackney and all other London Boroughs the remaining 50% share was split on a 60/40 basis with the Greater London Authority (GLA). In 2017/18 these proportions were amended to the following distribution of all business rates collected: - the GLA 37%; Central Government 33% and London Boroughs 30%.

10.3 A change to the system was made in 2018/19 with the introduction of the London 100% Business Rates Retention and Pooling Pilot scheme. Under this scheme Hackney retained 64% of the rates raised and the GLA kept 36% with no Government share plus a share of any growth achieved by the boroughs

10.4 Yet another change was made in 2019/20 with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney retained 48% of the rates raised, the GLA retained 27% and Central Government 25%. In both 2020/21 and 2021/22 the Government decided it would not provide for the continuation of the 75% local shares scheme and that the 2017/18 shares of business rates income will apply, i.e. GLA 37%; Central Government 33% and London Boroughs 30%. This reduces the amount of business rates retained by Hackney from 48% to 30% but the losses in income will be mitigated to some extent by additional Government funding.

10.5 In 2020/21, even though the financial benefits of the London Business Rates Retention and Pooling Pilot scheme were lower than previous years, the boroughs decided to continue with the pooling arrangement. This decision in part was made for strategic reasons as boroughs regarded the scheme as a key milestone on the journey towards greater fiscal and functional devolution, demonstrating the clear benefits of collective working between London authorities.

10.6 For 2021/22, the outlook for business rates in London has changed as a result of Covid-19, the associated downturn in the economy, Brexit and a potential decision by the Valuation Office to devalue office and retail rateable values in England. Because of these factors, the risk of boroughs making business rates losses is much greater than in previous years, losses which would not be equally distributed amongst the boroughs, and so the boroughs unanimously decided not to continue the London Rates Retention and Pooling scheme in 2021/22 and in 2022/23. However, given the way pools work, there is an opportunity for a smaller and more localised pooling arrangement in London in 2022-23, to generate additional income for the pooling boroughs with a very limited risk. LBH therefore will be joining a localised pool with the City of London and the following other boroughs: Tower Hamlets, Brent, Haringey, Enfield, Waltham Forest and Barnet in 2022/23. The agreed distribution method is that the City will receive 40% of the financial benefit (appropriate as the City is taking most of the risk) with the balance being shared out to the remaining boroughs on the basis of equal shares. Hackney's share of the levy gain (i.e. before any growth) is estimated to be £2.8m. The localised pool is for one year only and does not commit us beyond 2022/23'

10.7 Directorate savings plans have been formulated as part of the 2022/23 and 2023/24 budget processes totalling £10.274m, and these were approved as part of the October OFP report at December 2021 Cabinet.

10.8 These savings have allowed the Council to propose a balanced budget despite the ongoing impact of significant reductions in financial support from Central Government.

10.9 Of course identifying savings to offset a reduction in financial support is only part of the budget setting process. For 2022/23, as has been the case for many years, there have been emerging cost pressures and areas of unavoidable growth. These have been addressed, in the same way as previous years, by a combination of reallocating existing resources and additional savings. The following paragraphs set out some of the cost pressures and growth in more detail.

Cost Pressures and Growth

10.10 The Council's preferred strategy to manage growth and cost pressures has for the last 5 years been for service areas to manage pressures within their budgets wherever possible. A similar approach has been taken for managing non-pay inflation (see paragraph 12). This strategy will continue for 2022/23. However, it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable.

10.11 For 2022/23 whilst again most cost pressures have been contained within existing budgets and, or met in part by one-off funding (e.g. the Social Care Grant) the following have been added to budgets.

- Assumed Pay award
- Directorate Cost pressures - primarily pressures in social care (see below) which are not met by one-off grants.

Funding for Directorate cost pressures are held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director, Finance and Corporate Resources and after it is clear that the pressure cannot be managed from within the current directorate cash limits.

10.12 £7.7m of growth has been allocated to Adults and Children's services in 2022/23 to reflect demographic pressures, LLW increases, transitions, homecare and children's placement costs. A further £1.9m has been allocated across other directorates to pick up a range of cost pressures arising from shortfalls in income which are not expected to pick up fully post-pandemic (e.g. planning income and proceeds of crime) and other inflationary cost pressures such LLW increases .

10.13 Given the ongoing impact of the cyber attack the budget for 2022/23 incorporates a one-off contingency to fund work still required to get systems up-to-date. Furthermore, expenditure in Adults and Children's Social care continues to outstrip demographic forecasts and a contingency has been set aside to mitigate against the financial impact of management actions to reduce spending being delayed.

Summary

10.14 To summarise, this strategy produces a balanced budget for 2022/23. However, there are numerous further potential cost pressures on the horizon attributable to a variety of factors including increased demand for services and changes in Central government policy. These are dealt with in detail at paragraph 19 below.

11. THE LOCAL GOVERNMENT SETTLEMENT 2022/23

11.1 The Provisional Local Government Settlement for 2022/23 was announced on 16th December 2021 and the Final Settlement was published on 7th February. The main points of the Provisional Settlement are shown below and these were confirmed by the Final Settlement.

- Core Spending Power for Local Government will increase by £3.5bn. An increase of 7% over the previous year. Our increase is slightly higher at 8% but adjusting for the assumed Council Tax increase and one-off grants the increase is 3.6% which is lower than the rate of inflation.
- The main council tax referendum principle will be 2% and the Adult Social Care Precept will be 1% for relevant authorities which was in line with the Spending Review and our budget assumptions. These principles will apply to Hackney
- A one off "Services Grant" worth £822m nationally was confirmed. Part of this will be used to fund the National Insurance increase of 1.25%. Hackney's allocation is £7.7m but the key is that it will only be for one year.
- £162m to deliver adult social care funding reforms will be allocated in 2022-23 with a further £600m in both 2023-24 and 2024-25 nationally but no funding towards current pressures. Our share of the £162m is £0.9m
- The Social Care Grant will increase by £636m mostly paid for out of the Local Government Pot. Hackney's increase is £4.3m, which takes our grant up to a total of £17m
- The Improved Better Care Fund will increase by 3% to £16.6m. Our allocation increases by £0.5m. This increase is for inflation only.
- Funding for New Home Bonus will decrease from £622m to £555m (11%). Hackney's allocation decreases by £2m to £2.5m (44%)
- The Lower Tier Services Grant of £111m will continue. Hackney's allocation is £1.2m virtually unchanged from last year.
- The Homelessness Prevention Grant is £5.75m for 22/23. An additional allocation of £0.09m from 21/22 to meet the new burdens following from the

Domestic Abuse Act 2021.

- The Public Health Grant will increase by 2.81% to £35.87m in 2022/23. Our allocation increases by £0.9m.
- The Independent Living Fund allocation is £709k, no change from the previous year.
- Allocations have not yet been published for the Rough Sleeping Initiative Fund.
- The government will work with the sector and consult in the coming months on reforms to measuring relative need and resources.

11.2 The Final Settlement confirmed our initial view and along with final levy figures allows us to close off the 2022-23 residual budget gap reported previously to Group.

12. GENERAL FUND PRINCIPLES 2022/23

Inflation and Local Government pay

12.1 The Government's preferred measure of inflation for economic management purposes is the Consumer Price Index (CPI). CPI is also the measure that the Bank of England's Monetary Policy Committee must target when setting the Bank Rate. The latest Office for Budget Responsibility (OBR) inflation expectations, are as follows:

	CPI
2020	1.4%
2021	2.8%
2022	3.5%
2023	2.3%

12.2 There will inevitably always be some costs which don't correlate with CPI e.g. Levies and Concessionary Fares and care contracts which are aligned to more local indices. Where known to be unmanageable within existing cash limits, specific provision has been made in the budget proposals.

12.3 Negotiations are still ongoing in relation to the 2021 pay award and the outcome is uncertain. For 2022/23 we have assumed an additional 3% on pay budgets (£6m) to reflect the estimated shortfall on the assumption made for the 2021/22 pay award and a further anticipated increase for 2022/23.

National Insurance Increase

12.4 In September 2021 the Government announced its plans to introduce a UK-wide 1.25% Health and Social Care Levy based on National Insurance Contributions (NICs). From April 2022, this will be collected through NICs and will be added to the existing NHS allocation. From April 2023, the Levy will be formally separated and NICs will return to their previous levels. Directorate budgets have been increased to reflect the estimated impact of this measure on employers' NI contributions. We are cognisant that this Government measure is likely to result in inflationary pressures in respect of contracts which are predominantly made up of staff costs and budget has been set aside corporately to mitigate against this risk. Virement of this budget will be subject to business case and determined by the Group Director of Finance and Resources.

Energy Costs

12.5 The budget is set in the context of wholesale energy prices rising steeply. As mentioned elsewhere in this report, we are acutely aware of the impact this will have on our residents and continue to point those in difficulty to the support in place. In terms of the Council's own energy consumption, provision has been made in the budget for the expected increases in this area.

Concessionary Fares Update

12.6 The method of calculating Hackney's contribution to the Concessionary Fares Scheme in 2022/23 has been advised by London Councils. The past 2 years have been unprecedented in the history of the Freedom Pass scheme. Covid-19, consequent restrictions, and less demand for travel have significantly reduced journey volumes by Freedom Pass holders. As a result borough charges are significantly less for 2022/23 than has been the case in recent years. For 2022/23 Hackney's charge is £7.641m, a £2.434m reduction on the previous year. This reduction has been factored into our budget assumptions for 2022/23. We expect a recovery in usage in the years following 2022/23, as the Covid impact lessens, and we remain in close contact with London Councils on cost projections, which are built into our medium term financial planning.

North London Waste Authority Levy

12.7 The North London Waste Authority (NLWA) charges Hackney, by way of an annual levy, for the disposal of the Borough's waste from residents and businesses. The levy in 2022/23 will be £7.47m, which is circa £100k lower than the previous year.

12.8 As has been documented for some time, NLWA's existing waste management infrastructure at Edmonton is reaching the end of its operating life. NLWA approved entering into a contract with Acciona to build a new Energy Recovery Facility (ERF) on 16 December 2021. The total contract price is £799m, plus a small amount for inflation (estimated at £15m). This cost excludes the cost of financing the expenditure, meaning the true aggregate cost will be considerably higher. The construction of this new plant will increase the annual cost to all seven boroughs in the medium to long term, as the capital cost is charged back to boroughs via the annual levy (through the minimum revenue provision mechanism - see section 25 of this report for an explanation of this concept).

12.9 We could see our annual levy increase to over £12m before 2030. Mitigating this additional cost, through waste minimisation and maximising recycling, is key.

Use of Reserves

12.10 Other than planned use of reserves already agreed by Members as part of previous reports, these budget proposals do not include any further planned usage.

Pension Fund

12.11 In the previous Budget Reports, Members have been provided with updates on the impact on the Pension Fund of auto-enrolment, the changes to the Fund through asset pooling and the effects of the 2019 valuation, and how these might impact on Council budgets.

12.12 Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. For budget setting purposes all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there is no financial impact on the 2022/23 budget. The introduction of freedom and choice in pensions, which has given pension savers the opportunity to access pension benefits early and withdraw cash from pension schemes, has to date continued to have minimal impact on LGPS members, with very little interest to transfer benefits out of the secure defined benefit structure offered by the LGPS.

12.13 31 March 2019 saw the last completed triennial valuation process for the Pension Fund. The Fund's actuarial advisers took into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and the assets that the Fund holds to meet these liabilities. At 31st March 2019, fund assets totalled nearly £1.6bn whilst liabilities were £1.7bn, resulting in an overall funding level of 92%. The overall monetary deficit (the gap between assets and liabilities) was £131m.

12.14 Following the receipt of the valuation data, discussions took place with employers in the fund in order to determine appropriate contribution rates. Given the position of the Council as a long-term stable employer, we were able to agree a reduction in the Council's overall contribution rate to 31.5% for 2020/21 and 30.0% for 2021/22, with rates held at 30.0% for 2022/23. This has been accounted for in the 2022/23 budget. The reductions have been achieved through a realistic approach to funding the Council's pension scheme, recognising that maintaining contribution rates in the short term can reduce longer term funding pressure on the Council.

12.15 It is recognised that the value of assets and liabilities has been particularly volatile during the current pandemic crisis, however the fund's funding level has returned to levels similar to that at the completion of the valuation exercise. The Fund's actuary has confirmed that the assumptions used for the 2019 valuation remain valid; they will be revisited as planned at the next valuation. This will take place as at 31 March 2022, with results feeding through to the 2023/24 budget.

12.16 Benefits built up by some LGPS members between 2014 and 2022 may be increased in future following the outcome of the McCloud case, which ruled that transitional protections introduced in 2014 to older members were discriminatory against younger members of the scheme. This could potentially require increases to employer contributions in the future; however, the impact for the 2022 valuation is expected to be minimal.

12.17 The Pension Fund has continued to work hard to collaborate with other LGPS funds both through national procurement frameworks and through the London Collective Investment Vehicle (LCIV). LCIV is part of the Government's asset pooling agenda for LGPS funds, which requires funds to pool their investment assets to achieve economies of scale, greater assurance around governance, reduced costs and an improved capacity to invest in infrastructure. The Pension Fund has now transferred a significant portion of its assets onto the CIV platform, through implementation of its agreed investment strategy.

12.18 The Fund will continue to move further assets to the LCIV as suitable funds to deliver its investment strategy become available. Over time such changes will deliver significant benefits in terms of cost savings and opportunities to benefit from investment returns. Such benefits will however take time to flow through to the Pension Fund and ultimately the Council and therefore are not able to contribute to budget savings at this time.

12.19 The Fund continues to monitor progress against its carbon reduction target. In 2016, the Fund set a target to reduce its exposure to carbon reserves across its equity portfolio by 50% over 6 years. Between 2016 and 2019, the Fund was able to reduce this exposure by 31.4%, putting it well on track to achieve the overall 6 year target. A final assessment against the target is due in Spring 2022. The results will be used to inform the Fund's review of its Responsible Investment strategy, helping ensure that environmental, social and governance (ESG) risks to the Fund's investments are well managed. Whilst this does not contribute directly to the Council's budget savings, robust management of ESG risk could make a positive contribution to future Fund performance, helping to reduce pressure on the Council's contribution rate.

13.0 GROWTH, EFFICIENCY SAVINGS AND COST PRESSURES

13.1 Growth allocations are noted in 10.11 and 10.12 and Efficiency savings in 10.7 and 10.8. A number of specific cost pressures are discussed in section 19 below. The Group Director, Finance and Corporate Resources will in liaison with other Group Directors seek to manage any further pressures if/when they emerge during 2022./23

14.0 COUNCIL TAXBASE, COLLECTION RATE AND COLLECTION FUND SURPLUS

14.1 For 2022/23, the referendum limit is 1% for the social care precept and 1.99% for general spending.

14.2 In recognition of the significant pressures on adult social care budgets, both in terms of increased cost of provision and increased demand for the service; and significant cost pressures in other services; this budget proposes to increase the Band D Council Tax rate by 1% in respect of adult social care and 1.99% in respect of other services giving a total increase of 2.99% for 2022/23. This proposal will generate around £2.7m in additional resources which will help protect adult social care services and other services.

14.5 To determine the total amount of income to be raised from Council Tax for 2022/23, both the amount expected to be collected (the collection rate) and the physical number of properties in the Borough (the taxbase) must be considered.

14.6 There are a number of factors to be considered when assessing the likely ultimate collection rate for 2022/23. 2013/14 marked the first year of the new Local Council Tax Reduction Scheme and significant changes in the level of discounts allowed for second homes and empty properties, which in turn led to increased volatility regarding the eventual collection rate to be achieved, particularly as the Council was often issuing bills for monies it has not had to previously collect. Despite this, collection rates have held up very well since this time but in 2020/21, they were adversely affected by the Covid-19 pandemic and fell to an estimated 92% and in 2021/22 the ongoing impact of the cyber attack on billing and recovery and Covid-19 is likely to reduce it to 90%. We expect collection rates to recover in 2022/23, albeit at a reduced level compared to pre Covid-19 and cyber rates, to 93%. It is very difficult to estimate what the actual rate will be in 2022/23 given the uncertainties resulting from the ongoing impact of the cyber attack, Covid-19 and Brexit. We are also mindful of the wider cost of living pressures, and the impact this will have on residents ability to pay and it is ever more important that we continue to provide and signpost to support where it is needed in a timely manner to prevent arrears positions escalating for council taxpayers. Notwithstanding this we believe that the assumed rate of 93% is a prudent estimate.

14.7 If actual collection in the forthcoming year exceeds the budgeted collection rate this is likely to generate a surplus in the Collection Fund which would provide additional one-off resources available for use in 2023/24 and beyond, either for one-off revenue spending or the Capital Programme. If on the other hand, the collection rate set is over-optimistic, this may result in a deficit on the collection fund at the end of 2022/23, the major part of which would need to be met from Hackney's 2023/24 Budget.

14.8 A collection rate of 93% will result in a tax base of £73,981 Band D equivalents,pay.

14.9 The calculation of the taxbase for 2022/23 was finalised and approved by Council on 26th January 2022.

15. OVERALL POSITION ON THE GENERAL FUND

15.1 The overall 2022/23 proposed budget position is summarised in the table below.

TABLE 2: PROPOSED NET EXPENDITURE BUDGETS 2022-23

Table 2	**2022/23 Budget £m**	**2021/22 Budget £m**
Net Expenditure Budgets		
Adults Services (Note 1)	84.786	92.651
Public Health	35.337	34.334
Children's Services	58.485	56.132
Education	20.233	18.531
Education – Schools Budget (estimate)	228.396	220.433
Less Dedicated Schools Grant (estimate)	-228.396	-220.433
Climate, Homes & Economy (Note 3)	17.033	17.587
Chief Executives (Note 3)	19.674	19.911
Finance & Resources	49.854	48.871
HRA Recharge	-8.000	-8.000
Directorate Cash Limits	**277.403**	**280.020**
General Finance Account (Note 2)	53.271	41.581
RCCO in base budget	3.000	2.880
Collection Fund surplus used to fund capital and other one-off spend	0.000	0.000
Net Expenditure Budget	**333.674**	**324.481**
Revenue Support Grant Allocation	-36.649	-35.556
Top up Grant	-72.526	-72.526
Retained Business Rates adjusted for deficit	-35.746	-43.663
Collection Fund surplus/-deficit (incl 2020-21 Spread)	1.297	1.600
Public Health Grant	-34.890	-33.888
New Homes Bonus Grant	-2.480	-4.514
Better Care Fund	-7.700	-7.700
Additional Better Care Fund	-14.136	-14.148
Covid19 Emergency Funding	0.000	-11.000
Other Income including S31 Grants (Note 1)	-36.481	-13.867
Resources	**-239.311**	**-235.262**
Council Tax Requirement	**94.363**	**89.219**

Note 1: The reduction in the ASC budget reflects the transfer of the concessionary fares budget to the GFA (£10.2m in 2021/22). This does not affect the service and has been made for accounting reasons.

Note 2: The increase in S31 Grants is primarily due to: - RHL S31 grants being accounted for in year (Government policy) £6m, the award of the new one-off Services Grant (£8m) in 2022-23 and a S31 new business rates grant & inflationary increases in other S31 grants (£6m)

Note 3: To ensure a valid comparison between the two years, the 2021/22 Climate Homes and Economy, and Chief Executive budgets have been revised to reflect the new structures in each directorate following the recent restructure

15.3 At paragraph 3.2.2 Cabinet is recommended to agree the budget estimates for 2022/23 for expenditure budgets totalling £333.674m, included in the table above. Of this total £285.403m is allocated to directorates to deliver a range of services to residents ranging from statutory support to some of our more vulnerable residents such as social care packages and support for those who are homeless and investment in targeted work to prevent escalation of need, such as targeted youth work and housing-related support through to the provision of universal services which all residents will be familiar with such as waste collection and maintaining our parks to a high standard. Further details on how these budgets will be spent are set out in the table below.

Table two: Where the Council will spend the money in 2022/23

Adult Services - Net budget £84.8m
Adult Services plan to spend their budget on statutory Adult Social Care services from assessment of need, hospital discharge planning and the commissioning and provision of care and housing related support. We will support residents with learning disabilities, mental health conditions, physical disabilities, sensory impairments as well as older people and unpaid carers. Services provided include: safeguarding vulnerable adults; providing information and advice to residents including linking people to universal and preventative services including reablement; planning and paying for individual packages of care for clients ranging from support in the home to residential and nursing placements for those with a high level of need and ensuring our service users have out of hours support in an event of an emergency. Adults Services work with a number of key stakeholders, including the North East London Clinical Commissioning Group (CCG), Homerton University Hospital Foundation Trust (HUHFT), the East London NHS Foundation Trust (ELFT), and a range of third sector partners as well as independent providers to deliver joined up care for people in Hackney.
Public Health - Net budget £35.3m
Spending will be in accordance with conditions of the ring-fenced Public Health Grant. In 2022/23 we will spend our money on a range of services including sexual health services, services for the 0-5s (including health visiting), substance misuse services, health promotion and prevention for children aged 5-19 (including school nursing and young people’s sexual health services), obesity prevention work, mental health services, smoking cessation and dental health checks. We will also use the ring-fenced grant to provide continuation funding for the community champions programme. The Public Health grant also funds the core staff team for the Population Health Hub, as well as staffing for public health intelligence and strategy, commissioning and contract management.

Children's Services - Net budget £58.5m
The Service will work with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the Service will look after those children. The core focus is child protection, children in need, supporting families where their children are on the edge of care, securing positive long-term life chances of children looked after by the Council and providing universal (for example, youth services provision) and targeted early help and prevention services for Hackney's children and young people (for example, parenting support). Expenditure in this area will be predominantly on staffing (mainly social workers, youth workers and other practitioners) and on the care (foster care or residential) for our looked after young people. The Council will also deliver a Domestic Abuse Intervention Service from this budget.
Education - Net Budget £20.2m
Hackney Education (HE) plans to spend around £275.6m (gross expenditure) in 2022/23, which includes around £228.4m delegated to maintained mainstream schools and maintained special schools. HE's will spend its non-delegated budgets on statutory services such as admissions and school place planning and also services such as school improvement services to ensure delivery against the vision to ensure that all schools in the borough are graded good or better as soon as possible. Currently 92% of pupils at maintained provision attend good or better schools. HE also invests in young people with Education & Health Care Plans (EHCP) to ensure they receive the support and education they need in mainstream schools or specialist schools and provision. The High Needs Budget also provides for our pupil referral unit at New Regent's College. The early years service passes on government funding for 2,3, and 4 year old provision across the borough. We also maintain a range of early years activities, services, support and childcare across our children's centres. The early years service provides quality assurance for the range of settings across the borough.
Climate, Homes and Economy- Net Budget £17.0m
These General Fund budgets will be spent on a wide variety of front-line services which benefit all of our residents. These include: ● Cleaning our streets and collecting and recycling both domestic and commercial waste - including activities to promote and directly impact recycling in the borough - including the provision and emptying of 'recycling & go bins', zero waste hubs for unwanted electrical and other goods, work in schools to actively promote recycling. ● Managing parking and parking enforcement. ● Managing our six markets and management and marketing of shop front trading with an emphasis on local growth. ● Management and maintenance of our public highways, cycle ways, footpaths and streetlights including ensuring our increased number of street trees are maintained and

promoting walking and cycling in the borough.

- Managing and maintaining Hackney's parks, and green spaces and its seven sport and leisure centres including the new Britannia Leisure Centre which opened last summer. Hackney's green spaces range from potentially the largest concentration of football pitches in Europe at Hackney Marshes to 27 Green Flag Parks including Springfield and Clissold.

- Developing and implementing planning policy for the borough, consulting and determining planning applications and enforcing planning breaches where necessary. The preparation of the Council's Local Plan, and accompanying Area Action Plans, Supplementary Planning Documents, the Authority Monitoring Report and a broad range of evidence and research documents to justify/inform the plans and ensure effective implementation. Building Control ensures that buildings are properly designed and constructed to meet regulatory requirements that guarantee the health, safety and welfare of people in or around buildings.

- Providing community safety and enforcement services across the borough. This ranges from a preventative focus through our integrated gangs work as well as civil protection, and an enforcement team with officers empowered to enforce a range of legislation, including streetscene enforcement, anti-social behaviour (ASB) and noise nuisance.

- Regeneration services including estate regeneration, supplying new affordable homes including Hackney Living Rent properties alongside teams focussed on area regeneration delivering and coordinating strategic regeneration in the borough in line with the Council's Inclusive Economy Strategy which sets out a new approach to regeneration and economic development aimed at maximising the local benefits of growth.

- Private Sector Housing is responsible for driving up standards in Hackney's privately rented homes by tackling rogue landlords, supporting private renters and encouraging the professionalisation of the sector, in line with the Council's #BetterRenting commitments. As well as providing a responsive complaints service, the team proactively enforces property licensing schemes across three wards.

- Housing Strategy and Policy Service is responsible for developing, monitoring and implementing housing policy in line with the Council's strategic objectives and manifesto commitments, developing and overseeing the implementation of the Council's Housing Strategy.

- An integrated Adult Education and Hackney Works team supporting local people into work through one to one work and working in partnership with other agencies. In addition, Hackney's Supported Employment Team has continued to deliver on the commitment to ensuring young people, with Special Educational Needs and Disabilities (SEND) aged 16-24, have access to high quality employment opportunities, through further development of its Supported Internship Programme.

Chief Executives - Net Budget £19.7m

This area of the budget delivers key strategic functions as well as some frontline delivery including:

- Running the legal and governance services for the Council, ensuring it is legally compliant and that processes are clear and transparent and includes servicing the Council's many meetings throughout the municipal year.

- The Council's Policy and Strategic Delivery as well communication functions.

- Business Intelligence, Elections and Member Services

- Culture services, including the provision of eight libraries and a community library service with a range of partners to deliver a service which aims to connect with all sectors of the community, as well as Hackney Museum which is recognised as one of the best community museums in the capital. These services will also continue to tackle digital exclusion through provision of public PC use.

Finance & Resources - Net Budget £49.9m

The Finance and Corporate Resources directorate contains a combination of front-line and back-office services.

Significant front-line services supporting our communities will be delivered, including housing benefit services and overseeing the crisis support scheme for residents as well as managing housing allocations, providing housing advice, working to prevent homelessness but also providing temporary accommodation where it is needed. There are currently over 3,000 households in TA across the borough, and TA approaches from residents have increased. Improvements in the prevention and relief services offered to residents facing homelessness have contributed to a reduction in the number of households placed in TA. In 19/20 the number of households placed in TA totalled 1,645 across the year, in 20/21 this figure was 1,337 and in 21/22 803 households have been placed in temporary accommodation up to December.

Back office functions include Finance, ICT, HR and Property Services.

The finance function manages the Council's finances, producing financial plans, supporting services to deliver against these plans, producing statutory accounts, undertaking audits to ensure we have the proper controls in place to protect public money and collecting income due including Council Tax and Business Rates.

The Strategic Property Services team runs the Council's portfolio of commercial and voluntary sector properties as well as delivering capital projects (including for schools) and managing the maintenance of the estate.

The ICT function provides and manages our ICT networks, supporting residents to access our services in an efficient way and also running a contact service ensuring residents can reach us with a range of queries and requests regarding our services.

Finally, our Human Resource services work to support our managers and staff including in recruitment and delivering the payroll service.

15.4 In addition to the above there is also the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; NWLA Levy, Corporate contingencies, Pension Back funding, Concessionary

Fares, Minimum Revenue Provisions, contribution to lifecycle funding for the Hackney Service Centre and Revenue Contributions to Capital Outlay.

16.0 LEVIES

16.1 The Council receives levies from a variety of other bodies, which it must meet from within its total budget requirement. The levies include those from the North London Waste Authority (NLWA), the Environment Agency, the Lee Valley Regional Park Authority (LVRPA), and the London Pensions Fund Authority. In addition, the Council also pays into the London Borough Grants Scheme (LBGS).

16.2 Other than the NLWA levy, which is apportioned on a different basis, the levies are apportioned on Band D taxbase. As mentioned at Paragraph 14.7 above, the taxbase for Hackney for 2022/23 was agreed at 73,981 Band D equivalent properties and this figure has been used for apportionment of the applicable levies.

16.3 The following table summarises the 2022/23 levies and the 2021/22 levies for comparison.

Levying Authority	**2022/23**	**2021/22**
	Levy	**Levy**
	£m	**£m**
North London Waste Authority	7.47	7.58
London Pensions Fund Authority*	1.06	1.04
Lee Valley Regional Park	0.18	0.17
Environment Agency*	0.17	0.17
London Borough Grants Scheme*	0.21	0.21
TOTAL	**9.08**	**9.17**

*Provisional

17.0 PRECEPTS

17.1 The only body which issues a precept to the Council is the Greater London Authority [GLA]. Payments to the GLA will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of Council Tax this equates to. The precept will be net of government support. The amount of Council Tax required as calculated by the GLA, is added to the Council's own calculation to give the total Council Tax to be charged.

17.2 The GLA Group Budget Proposals and Precepts were published in December 2021. The final consolidated draft budget was published on 18 January 2022 and will be presented to the London Assembly for final decision on 24th February 2022. The final consolidated budget requires a precept of £395.59 per

Band D property, which is a 8.8% increase from 2021/22. The total GLA precept for Hackney will be £29.3m.

18. HACKNEY'S COUNCIL TAX FOR 2022/23

18.1 A description of the Council Tax regime is set out in **Appendix 4** as background information for Members. The Council Tax figures set out below are based on a 2.99% increase in the Council Tax and a collection rate of 93.0%. The collection rate is in line with the Council's Medium-Term Planning Forecast and supports Mayoral Priority 2, to ensure the Council delivers high quality services, financial stability and first-class local facilities, by ensuring that everyone pays what they owe and that the Council spends the money in the most effective way.

Table 3: Council Tax Income

COUNCIL TAX TO BE RAISED	**2022/23**
	£m
Net Budget Requirement	**333.674**
External Support	-204.862
Retained Business Rates	-35.746
Collection Fund Surplus	1.297
Council Tax requirement for Hackney	94.363
Council Tax requirement for the Greater London Authority (GLA)	29.266
Overall Council Tax Requirement	**123.629**
No. of Band D equivalent properties (the Council's Taxbase)	73,981
Basic amount of Council Tax for Hackney £	1275.50
Basic amount of Council Tax for GLA £	395.59
Total Basic amount of Council Tax (per Band D property) £	**1,671.09**

18.2 Members should note that decisions around the level of Council Tax increase must be made with reference not only to local political and financial considerations but also taking into account the Government's controls over Local Government spending such as the use of local referendum powers. In addition, the Council has to formally consult with representatives of the local business community. Local business representatives were invited to a consultation meeting held on the 21st February 2022 to discuss the final budget proposals.

18.3 The amount of the Council's General Fund revenue expenditure to be funded from Council Tax is £94.363m

18.4 The formal resolutions by Council to agree the budget and Council Tax rate are set out in the recommendations to this report. These can only be agreed by Council. The decisions cannot be delegated

19.0 FUTURE YEARS COST PRESSURES AND BUDGET PLANNING

19.1 The finance strategy underlying the budget is unchanged from previous years such that the budget is not looked at solely in isolation of the year in question but also in terms of the issues that may affect the budget in future years.

19.2 The Council produces its Medium-Term Planning Forecast and the Group Director, Finance and Corporate Resources also updates CLT and Cabinet on the future year's indicative budgets on a regular basis throughout each year.

19.3 The Council continues to feel the financial impact of Covid-19 both in terms of growth in demand in some services areas, as set out below and in the loss of income in others. The Council will not receive specific support for Covid-19 pressures in 2022/23, however, the budget includes provision for growth in demand and loss of income in specific areas which are linked in part to the ongoing impact of the pandemic.

19.4 The cyber attack on the Council in October 2020 also continues to have financial ramifications which have been considered as part of the budget setting process for 2022/23 and funds have been set aside for costs associated with the ongoing system recovery as well as impacts taken account of when estimating collection levels.

19.5 At a service level, the following cost pressures and management actions are noted:

(a) In Adult Services increases in the cost of care packages have exceeded allocated demographic growth year on year, primarily driven by additional demand and increasing complexity of care needs.

There has also been an increase in people being discharged from hospital with intensive support packages and this pressure has risen significantly during the ongoing Covid-19 period. These pressures will be partially offset by the proposed 1% rise in Council Tax to directly contribute to adult social care, NHS discharge funding and additional one-off funding for social care announced by the Government, however this additional revenue is significantly below the additional cost pressures forecast.

Work to reduce cost pressures in this area includes:

- implementation of a new panel process, bringing together multiple panel processes into one enabling closer financial oversight and strategic oversight across all operational services

- working with mental health partners to bring expenditure back in line with the budget. This will be delivered through the joint working group meetings and measures include the use of the Care Cubed tool to assess the cost of care, 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 the tool.

- investing in non-statutory support to help people maintain their tenancies and live independently whilst remaining connected to their communities. Although there have been reductions in spend on Housing Related Support services Hackney continues, given the level of need, to be one of the highest investors in this area in London.

(b) In looked after children and leaving care services there is a continuing financial pressure resulting from increases in the number of children and young people that have come into care since 2011/12, the significant increase in residential placements (37 placements as at January 2022) and the adverse ratio between independent foster care and in-house placements. In comparison to the previous year, the gross forecast for 2021/22 for looked after children and leaving care placements has increased by £1m. Over the period from 2015/16 to 2021/22 the service has seen budget growth of £9.5m, however, increases in spend outstrips this growth year on year. Management actions have been developed by the service in this area and these include:

- a forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement)

- bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services.

(c) The cost of services in respect of young people with special education needs due to the significant increase in young people with Education and Health Care Plans continues to be a significant issue for the Council. A cost which is meant to be met by the High Needs Block of the Dedicated Schools Grant; a funding source which until recently has seen minimal growth despite the increase in demand. Announcements last calendar year in respect of additional funding in this area will assist the position but will not be sufficient to address the full extent of this growing pressure and as yet it is unclear what the funding will be beyond 2022/23. In 2022/23, Hackney expects to receive an additional £4.8m in High Needs Block funding. There is also an additional £2.2m funding recognising the additional costs (including the Health and Social Care Levy) that local authorities and schools will face in the coming year. The 2021/22 in year pressure on SEND alone is £7m so the funding is way below what is required. As a result, a major issue facing the Council is the continuing escalation in unfunded SEND costs and the resulting overspend in DSG. This is considered in more detail in 19.4 below

(d) As reported in OFP throughout this year, Planning services is forecast to overspend by £1m this year due to an income shortfall. The shortfall in planning application fee income 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 3 years. The reduction in major planning applications has inevitably resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. A review of the service has been completed and recommendations to bring the Planning budget back into balance over the medium term are being implemented. This plan includes efficiency savings that have been delivered this year to improve processing of planning applications, an increase to the base budget and the use of reserves. The pandemic has had some impact on the Planning budget recovery as the construction market recovery has been delayed and this has impacted further on Planning income but the expectation is that the plan over the medium term will see the resolution of this budget pressure.

19.4 As referred to above, the cost of providing services for young people on ECHCPs continues to outstrip the funding available by a considerable margin. Since 2006 the dedicated schools grant (DSG) has funded local authorities for their current expenditure on schools, early years and children and young people with high needs. This specific grant must be spent on the local authority's Schools Budget. At the end of each financial year, a local authority may have underspent or overspend of its DSG allocation.

19.5 Until the last few years, few local authorities were recording DSG overspends, and those overspends were small. However, pressures on the high needs budget have led to more and larger overspends in recent years. Further many local authority Section 151 Officers concluded that if their DSG account is in deficit, they need to be able to cover the deficit from the authority's general reserves – a view shared by organisations that audit local authority accounts. Given the size of some authorities' DSG deficits, and the other pressures on authorities' reserves, there was a risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make.

19.6 In response to this, the Government announced at the beginning of 2020 that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. No timescale has been set for the length of this process. The DfE have held discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (formerly the Ministry for Housing, Communities and Local Government) about changes that it might make to the DSG conditions of grant and the regulations in order to create certainty that local authorities will not have to pay for DSG deficits out of their general funds. Such changes have now been written into regulations and under the new regulations, effectively Local Authorities will not be permitted to fund any part of a DSG deficit from sources other than DSG itself until the end of 2022/23. Should they wish to use core council funds then they will need to apply to the Secretary of State for permission.

19.7 The implications of what the DfE are doing is in theory helpful – they are suggesting that the DfE needs to be responsible for the funding of the accumulated deficits. Where there is a DSG deficit, Councils must include the deficit on the balance sheet with an assumption that some, as yet unspecified, amount of extra funding will come along to make it good at some point in the future. However, given the lack of clarity on the timing and conditions of any funding along with the amount this still represents a significant risk to local authority balance sheets. The matter has been raised with DfE and DLUHC and we understand that conversations continue to take place with CIPFA and other key stakeholders. This issue becomes ever more present as the regulation referred to at 19.6 above applies only to the end of 2022/23.

19.8 The above highlights that whilst the majority of efforts from Officers will be to manage existing services in the light of further reduced resources, there are also potentially big future demand and cost pressure issues that will need to be considered and any future planning strategy needs to look at managing these as part of any future plans.

20.0 ROBUSTNESS OF THE ESTIMATES, ADEQUACY OF RESERVES AND CONTINGENCY

20.1 All local authorities face a number of corporate risks. Risks identified as emerging after the period of this budget will be dealt with through the risk register and are not repeated in this report.

20.2 Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer (The Group Director, Finance and Corporate Resources) to report on the following matters; the robustness of the estimates and the adequacy of the proposed financial reserves.

20.3 The Council has taken a long term and strategic approach to managing the budget gap over a number of years and this has allowed and continues to allow proposals to be developed to cover a range of years to enable services to be properly and fully reviewed. The authority enjoys a high measure of financial stability and has over a number of years managed its finances well. Inevitably there are several risks to the budget, and these have been set out in this report including the challenges around cost pressures and the measures in place to mitigate these risks. The clear advice of the Group Director, Finance and Corporate Resources is that the current level of General Balances should be held at the existing position of £15m which is in line with our current policy to not allow the general balance to drop below £15m and to hold earmarked reserves for a range of specific purposes.

20.4 To summarise, based upon the measures in place to manage the delivery of the savings, the provisions made in relation to contingency sums, levels of reserves and balances the Group Director, Finance and Corporate Resources is of the view that the estimates are sufficiently robust and reserves adequate on the basis that no allocations unless already planned are undertaken.

21. HOUSING REVENUE ACCOUNT

21.1 Formal proposals for the Housing Revenue Account Budget including Tenants Rent and Service Charges for 2022/23 were included in a report to Cabinet in January 2022.

21.2 The rent increase of 4.1% in the 2022/23 budget is in line with the Social Housing Regulator's recommendation of CPI+1%. This will result in an average rent increase of £4.17 from £103.42 per week to £107.59 per week.

21.3 Most Tenant service charges will be frozen at 2021/22 rates. The exceptions to this are Concierge service charges, these charges will be increased to reflect the inflationary increase in respect of the London Living Wage, heat charges for communal heating systems and charges for landlord lighting, these will be increased to reflect increases in energy prices, and garage rents, these will be increased by £1 per week. All other fees and charges are to be held at 2021/22 levels.

21.4 During the year, the pandemic has continued to impact on the budget for managing and maintaining Council homes, with more tenants put into financial difficulty and struggling to pay their rent, resulting in higher costs from providing additional support to those residents most in need, and less extra income from other sources such as hiring out community halls. Unlike other Council services, central government funding has not been available to support the HRA in respect of the costs incurred directly as a result of the pandemic. Additional provision for unpaid rent will be made in 2021/22 and we continue to maintain the budget for provision for bad debt in 2022/23. We are closely monitoring rent collection through the OFP process and we are seeing some slowing down in the rate of increase in rent arrears. If arrears continue to increase and additional provision for bad debt is needed additional saving will be required.

21.5 In order to support tenants to pay their rent, we continue to invest in tenant sustainability services and work collaboratively across the Council, and in partnership with the Department for Work and Pensions (DWP), advice providers, and other partners to co-design ways to boost benefit take up and income maximisation (involving the local Universal Credit Partnership), prevent debt, as well as consolidating approaches to debt collection and preventing evictions. We are committed to working with tenants providing crisis support, income maximisation and debt support. We continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

22.0 RECHARGES

22.1 The budgets shown at paragraph 15 are before central recharges. The majority of central services cost centres will be fully or partially recharged to front line services in accordance with CIPFA Service Reporting Code of Practice.

22.2 This will be carried out in March 2022, after consideration of the budget by full Council but this has no impact on the Council's overall budget.

23.0 CAPITAL

23.1 This Section and Appendix 7 present the Council's indicative three-year capital budget, for 2022/23 to 2024/25, although it should be noted that formal resource approval is sought only for 2022/23. Annual profiling of capital spend will change, as schemes are developed more fully. Robust business cases are required before formal resource and spend approvals are sought. The three year programme is included as it is used to inform the calculation of our prudential indicators, which are required for the next three financial years. The current year's (2021/22) forecast capital outturn position is included, to provide better understanding of the whole capital programme and put into context the capital investment of the following years.

23.2 The Council's programme for 2022/23 is budgeted at £244m, of which £124m relates to Housing and Regeneration, and £120m is non-Housing schemes. For the four years from 2020/21 to 2023/24, the programme budgets as a whole total £1.1bn. There are of course risks associated with the capital programme. A significant proportion requires substantial upfront investment financed by increased borrowing, to be repaid as capital receipts are realised from the sale of assets developed within mixed-use schemes (in the General Fund) and our substantial regeneration programme.

23.3 The Housing Self-Financing Settlement of 2012 left the London Borough of Hackney in a fortunate position. £752m of HRA debt that was until that point serviced through the Housing Subsidy system was effectively repaid by the Government, leaving us debt free. This has meant that we have not needed to borrow externally on a long-term basis until the 2019/20 financial year, when we borrowed £80m from PWLB. The expectation is that we will require more external borrowing over the medium-term window of 2022/23 to 24/25, to at least temporarily cashflow significant parts of the capital programme being presented here.

Schemes

23.4 A granular analysis of the three-year indicative Capital Programme is presented in Appendix 7. The programme provides a breakdown for each directorate with a further summary of the Housing and Non-Housing requirements. The 2022/23 budget incorporates the re-profiling work carried out in 2021/22 during September and December, and includes schemes which have already been approved through previous decisions of the Cabinet and Council. As already stated, all schemes where spend approval is not already in place will require robust business cases before any further resource and/or spend approval is given. Such schemes cannot proceed until this has been completed. Details of the new resource approvals being sought as part of this budget setting process are included in the schedules at Appendix 7.

23.5 The indicative programme incorporates schemes that will deliver the following:

- An ongoing and ambitious regeneration programme which will bring homes of different tenures to the market.
- Continued investment in our schools to ensure these are kept in a good state of repair.
- Regeneration of our town centres.
- Ongoing maintenance of the corporate property estate and maintenance of our ICT infrastructure going forward following the current investment in upgrades to the Council's main technology platforms. This continues to include bringing forward some investment as a result of the cyber attack.
- A highways maintenance programme retained at the current level of £4m pa and associated schemes
- Maintenance of the Council's parks and green spaces and libraries, including refurbishment of Stoke Newington and Stamford Hill Libraries.
- An ongoing commitment towards delivering on our zero carbon target, including LED street lighting and tree planting.
- Working in partnership with City and Hackney CCG to build two new primary care facilities in the borough.

23.6 In April 2017 Cabinet considered and approved proposals to replace the Britannia Leisure Centre, deliver a new secondary school (City of London Academy Shoreditch Park) and at least 80 genuinely affordable homes paid for in part by the development of private for sale housing units. The Council prioritised the up front delivery of the social infrastructure and affordable housing with the majority of the private for sale housing being delivered as part of the latter phases of the project. The brand new Britannia Leisure Centre opened last June and with its modern and wide-ranging facilities usage has already risen above the pre-pandemic levels of the old leisure centre. Also last June, the City of London Academy Shoreditch Park were able to move from their temporary site in Audrey Street to the newly built school building adjacent to Shoreditch Park. Work continues in relation to the affordable and private for sale housing and we anticipate providing Cabinet with an update in the coming months. As this scheme is funded primarily by sale of on-site private residential accommodation there is a significant element of risk. Brexit, followed by Covid has destabilised the housing market and there is considerable work continuing to monitor and manage this risk. There is a separate project board and governance process for Britannia in terms of ongoing project management and the relevant financial scrutiny.

23.7 The Council wishes to sustain its investment in its housing assets by ensuring all homes are maintained to a high standard, through a wide range of works and cyclical programmes that ensure compliance with legal and safety regulations and that protect against, and prevent deterioration of its buildings. In addition to investment in existing properties, the Council continues to progress three extensive regeneration programmes within the borough: Woodberry Down, the Estate Regeneration Programme (ERP), and the Housing Supply Programme (HSP). The financial plans for the existing HRA stock and the regeneration programmes are presented and monitored separately to ensure the viability of each of the asset investments. The numbers presented here include regeneration schemes which are at tender stage, and which can only go ahead where it is financially viable to do so.

Hackney Capital Programme

Non-Housing	2021/22	2022/23	2023/24	2024/25	Total
	Forecast	Estimate	Estimate	Estimate	
	£m	£m	£m	£m	£m
Chief Executive's	0.3	4.0	2.1	0.0	6.4
Adults, Health and Integration	0.0	0.0	0.0	2.4	2.5
Childrens and Education	11.4	14.9	11.4	8.9	46.6
Climate, Homes and Economy	26.2	40.3	14.0	10.2	90.8
Finance/Corp Resources – mixed use schemes	13.3	32.4	79.1	72.4	197.2
Finance/Corp Resources - other	8.6	28.7	6.4	4.7	48.3
Non-Housing budget	**59.9**	**120.3**	**113.0**	**98.7**	**391.8**

Housing					
Asset Management Plan	43.3	43.9	56.1	61.7	205.0
Regeneration	27.5	37.6	88.6	102.2	255.9
Housing Supply Programme	11.9	33.4	86.7	81.3	213.3
GF schemes/Private sector hsg	23.8	9.2	3.5	3.6	40.1
Housing budget	**106.5**	**124.1**	**234.9**	**248.8**	**714.2**

Total Annual Capital Budgets	**166.3**	**244.3**	**347.9**	**347.4**	**1,106.0**

Resources

23.8 The Capital Programme is funded through various sources including;

1) Specific & non-specific government grants
2) Capital receipts
3) Council Reserves
4) Revenue contributions to capital
5) Other one off funding sources e.g. S106 developer contributions
6) Borrowing (internal - against our balance sheet - and external)

23.9 The indicative resources available for each year of the Capital Programme are set out below. It is important to note that these are based upon the work done as part of the development of the Capital Strategy, taking account of the progression of various negotiations with Developers and other External Parties. They are therefore best estimates using the information currently available and will be subject to change. Any change in resources available will result in changes to the associated expenditure and/or financing plans in order that a net balanced position for the capital budget is maintained.

Resourcing of the non-housing side of the programme is as follows.

Non - Housing Financing		**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
		£m	**£m**	**£m**	**£m**	
Medium-term borrowing		12.2	6.5	79.1	72.4	**170.3**
Capital Receipts – other		13.1	61.8	14.3	7.9	**97.1**
Reserves/Discretionary		0.4	0.0	1.8	0.0	**2.2**
Grants		14.9	8.3	3.6	4.1	**29.1**
Revenue contribution		2.9	3.0	4.0	4.0	**13.9**
S106/CIL		8.2	20.5	2.7	2.7	**34.1**
Borrowing		8.2	20.3	7.5	7.5	**43.5**
TOTAL		**59.9**	**120.3**	**113.0**	**98.7**	**391.8**

23.10 The detailed resource position reflects the following:

- The "medium-term borrowing" line reflects expenditure in the programme on the Britannia scheme that is funded by sales of dwellings, and which in large part will happen post-construction. Income from capital receipts occurs after construction, meaning there will be a short to medium term borrowing requirement. Further, where actual sales are lower than anticipated, and/or where they are later than expected, there may then become funding that needs to be financed by other means.

- The Grants & Contributions incorporates resources announced by the government for 2022/23 and the figure for the following two years captures our forecast based on initial agreements with various governmental Departments. These largely relate to the education programme where we are expecting some limited, albeit not sufficient, Government support for the delivery of ongoing maintenance and SEN provision.

23.11 The resources available to finance the Housing capital programme are summarised in the table below.

Housing Financing	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	
Medium-term borrowing	4.4	44.9	115.6	88.0	252.9
Capital Receipts	43.3	16.9	13.9	74.5	148.6
Grants	0.0	3.9	6.2	3.2	13.3
S106	14.6	13.5	23.1	21.3	72.5
Revenue contribution	44.1	44.9	56.1	61.7	206.9
Borrowing	0	0	20.0	0	20.0
Total	**106.5**	**124.1**	**234.9**	**248.8**	**714.2**

23.12 The detailed resource position reflects the following:

- The medium-term borrowing line denotes the cash flowing requirement of the regeneration programme, which will be recouped via capital receipts from private for sale dwellings from various current and future schemes including Woodberry Down and Colville Estate. These figures are in line with those included in the approved HRA business plan.

- The revenue contribution includes the Major Repairs Reserve (MRR), which is the depreciation calculation on the housing stock recycled to create resources for re-investment. The amount of MRR for 2022/23 is £44m.

- The remainder of the Revenue Contributions include the Revenue Contributions to Capital Outlay (RCCO) and leaseholder contributions.

- The Capital Receipts line incorporates the Council's projected share of brought forward Right to Buy disposals. We anticipate additional RTB receipts over this medium term window, however for prudent measures these have not been included as it is difficult to precisely estimate the number of RTB sales in future years.

- With the allocation of all expected and known resources, the Housing Capital Plan is projecting a significant and rising borrowing requirement through this three year programme. A surplus in capital receipts is anticipated in the years after the medium term window to 2024/25, which will reverse the trend and repay borrowing, however long term affordability of the Housing programme remains the focus.

23.13 The Council continues to budget for Revenue Contributions to Capital outlay (RCCOs) in 2022/23, amounting to £3m within the General Fund and £10.7m in the Housing Revenue Account. This level of contribution, particularly in the General Fund may, not be feasible in future years as the Council continues to deal with significant reductions in revenue funding from the government.

Financial exposure within the programme

23.14 As mentioned above, the key risk to financing Hackney's capital programme for this medium-term window is capital expenditure that is funded by private for sale dwellings. The combined impact of the short-term borrowing requirement of Britannia and regeneration schemes as planned puts an additional £0.4bn on our capital financing requirement (underlying need to borrow) between 2021/22 to 2024/25. Whilst we expect to generate capital receipts in the years directly after 2024/25 to fund this expenditure, a funding gap is realised where receipts are not recouped at levels incorporated at the planning stage. The risk of this has increased with the advent of Covid-19 which has destabilised the housing market further.

23.15 This risk is being closely monitored through the Housing Delivery Board and the Britannia delivery board. For Britannia the financial business case is regularly revisited to test assumptions and sensitivity modelling around cost inflation and house price forecasts are kept under ongoing review.. Regeneration schemes must demonstrate viability (which would take into account risk around sales) before being permitted to commence.

23.16 Outside of this risk, it should also be noted that on the non-housing side, and excluding Britannia, the commitments within the capital programme as laid out, exhaust us of available capital receipts (£77m), and there are currently no significant anticipated future receipts. Within the programme that has been laid out here, and outside of the financing for Britannia and housing, we have assumed that £7.5m a year (£30m in total) of borrowing is used to fund the programme. This has an impact on revenue via Minimum Revenue Provision (MRP - see below for further detail) and potentially borrowing costs (where we borrow externally rather than internally). Borrowing will become a bigger constituent part of funding our capital programme in the years after this medium-term period.

Capital Overall Summary

23.17 This report sets out an indicative three year programme which is designed to deliver an ambitious Capital plan in order that the objectives set out earlier are met. It also details the impact of reduced supported funding for the Capital schemes and that the Council will need to borrow in order to ensure it has sufficient resources to deliver the ambitious plan. Having a longer-term outlook of the Capital programme, as presented here, will allow for better financial management of the resources as this captures requirements over the life of the projects which can then effectively be fed into the Council's Treasury Management.

23.18 Due consideration continues to be given, through the governance structures already in place, to how the UK's changing economic position is impacting on key parts of the capital programme as it currently stands. Adjustments to plans will be made where it is deemed in the best interests of the borough's long term financial sustainability.

24.0 PRUDENTIAL CODE

Background

24.1 The Prudential Code for Capital Finance in Local Authorities (the Code) was originally implemented in 2004/05 and the latest version is 2021. This is a professional Code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable. The Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority's borrowing.

24.2 Under section 3(1) of the Local Government Act 2003 Local Authorities are required to maintain the prudential indicator for the authorised limit for external debt for the current year. Regulation around local authority borrowing and capital investment is subject to change by Government at any point and dependent on macroeconomic circumstances.

24.3 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which for housing authorities are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation.

24.4 The indicators from both Codes are purely for internal use by the Council because any comparisons with other Councils would not necessarily be meaningful. However, comparing the level of the indicators over time does add value to the capital and treasury management process. The codes require projections for the next three financial years up to 2024/25.

24.5 The latest iteration of the Prudential Code sees a further increase in focus on exposure to commercial investments in the local government sector. Central government has voiced its concern in recent years over local government's involvement in property deals and other more esoteric investments and, on the back of this, CIPFA has moved to reinforce the principle within the Prudential Code that local authorities cannot invest purely for commercial gain/borrow in advance of need. It has also bolstered requirements so that boroughs must demonstrate both exposure to commercial investment and subsequent risk management.

24.6 There is a new prudential indicator emanating from the latest review, covering net income from commercial and service investments (ie non treasury investments) against net revenue stream. Hackney's exposure in this area is deemed low. There are no instances where we have externally borrowed specifically for commercial investments, in the main our commercial property portfolio is one that has accumulated over a long period of time, and the income stream is proportionate to our wider revenue budget. Central Government's concerns over commercial investments have also led to a consultation on minimum revenue provision regulations - this is covered below.

Capital Expenditure and the Capital Financing Requirement

24.7 The Prudential Code requires local authorities to calculate the Capital Financing

Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.

24.8 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes (which may have previously been limited by the credit approval system) or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing the authority must be satisfied that the additional borrowing costs can be afforded within future year's revenue budgets, for both the General Fund and HRA.

24.9 Once again, the Council anticipates the potential need to undertake unsupported borrowing to fund both its Housing and non-Housing capital programme, given the nature of the programme set out, particularly in respect of the provision of new social infrastructure and housing projects that will require forward funding before realisation of capital receipts.

24.10 The capital expenditure presented in this report is based on the level of capital resources that can be realistically estimated over the next three years. Decisions on the actual financing of capital expenditure are taken each year during the year-end closure of accounts process on the basis of all the relevant information available at that time. It is therefore possible that the balance of the resources used in a particular year, for example, between capital receipts and Major Repairs Reserve (MRR), may change, although the totals over the three year period are expected to remain broadly the same.

24.11 Following Royal Assent of the Localism Act 2011, HRA Self Financing started in April 2012. The subsidy system was replaced and the Council now retains all rent and service charge income in return for delivering housing services to tenants and taking on investment in its housing assets based on a 30 year business plan. A "once and for all settlement" between Government and local authorities, in the form of a "one off" reallocation of debt was also undertaken. Government may reopen the settlement in very limited circumstances for major policy changes making a "substantial and material impact on the landlord business". For the Council, this equated to a reduction in debt and DCLG settled this by repaying a proportion of each of the Council's PWLB loans. As a result Hackney was debt free until 2019/20.

Table 1: Capital Expenditure and Financing 2021/22 to 2024/25

	2021/22 Forecast	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate

	£m	£m	£m	£m
Capital Programme:				
Non-Housing	59.9	120.3	113.0	98.7
Housing	106.5	124.1	234.9	248.8
Total spend	**166.4**	**244.4**	**347.9**	**347.4**
Financed by:				
Capital Receipts	56.4	78.7	28.2	82.5
Government Grants	29.5	21.7	26.6	25.4
Reserves	0.4	0	1.8	0
Revenue	47.0	47.9	60.1	65.7
S106/CIL	24.8	71.7	222.2	167.9
Borrowing	8.2	24.4	8.9	5.9
Leasing and PFI	0	0	0	0
Total Financing	**166.4**	**244.4**	**347.9**	**347.4**

Table 2: Capital Financing Requirement and External Debt 2021/22 to 2024/25

	2020/21 Actual £m	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Capital Financing Requirement At Year End					
CFR – Non Housing	372	374	351	375	342
CFR – Housing	131	135	180	315	403
Total CFR	**503**	**509**	**531**	**690**	**745**
Net CFR movement		6	22	159	55
External Debt					
Borrowing	77	80	125	261	349
Other long term liabilities	13	12	12	11	10
Total Debt 31 March	**90**	**92**	**137**	**272**	**359**

Limits to Borrowing Activity

24.12 The first key control over the Council's activity is to ensure that over the medium term debt is only for a capital purpose. The Council needs to ensure that external debt (i.e. borrowing for any purpose, plus other long-term liabilities) does not, except in the short term, exceed the total of the capital financing requirement in the previous year plus the estimates of any increase in the capital financing requirement at the end of the current and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 3: Gross Debt Compared to Capital Financing Requirement

	2021/22	2021/22	2022/23	2023/24	2024/25
	Approved	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
Gross Debt	90	92	127	272	359
CFR	**503**	**509**	**531**	**690**	**745**

24.13 The Group Director, Finance Corporate Resources confirms that the Council will comply with the requirement to keep gross debt below the Capital Financing Requirement over the next 3 years. The estimated movement in gross debt and the CFR is set out in Table 3 and takes into account current commitments, existing plans, and the proposals in the budget report. The increase in gross debt over the period reflects both the anticipated increase in the CFR and prudent assumptions on the future movement of revenue reserves and balances.

24.14 A further two Prudential Indicators assist in exercising control of the overall level of borrowing which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.
- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

24.15 The authorised limits and operational boundary need to be set at a level which will allow for borrowing to support the delivery of the capital programme as set out earlier in this report. Increases in the HRA CFR arise from HRA Unsupported Borrowing undertaken to support the HRA Business Plan. The increases in the General Fund CFR arise from GF Unsupported Borrowing undertaken to fund the capital programme as reserves and cash balances held by the Council reduce, and shorter term cash flowing of our mixed-use schemes, where there is a lag in the receiving of capital receipts from residential sales.

24.16 The Council is asked to approve the following Authorised and Operational Limits, which have been calculated in the case of the Operational Limit on the basis of anticipated cash flow and the potential increase in the Capital Financing Requirement, and in the case of the Authorised Limit allowing a margin for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts:

Authorised Limit and Operational Boundary

	2021/22 Approved £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Authorised limit for external debt				
Borrowing	519	580	740	796
Other long term liabilities	18	18	17	16
Total	**536**	**598**	**757**	**811**
Operational limit for external debt				
Borrowing	489	550	710	766
Other long term liabilities	18	18	17	16
Total	**507**	**568**	**727**	**781**

Affordability Prudential Indicators

24.17 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

- **Actual and Estimates of the ratio of financing costs to net revenue stream** This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream, separately for housing and non-housing services. The higher ratio for the HRA reflects the high depreciation charges which are included as financing costs in the HRA and represent a significant proportion of the HRA revenue budget. The increase in the Non-HRA indicator is largely the result of the requirement to replace internal borrowing with external as cash reserves reduce in future years. The estimates of financing costs allow for the level of borrowing set out in the capital expenditure plans.

Ratio of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	2021/22 Approved	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	1.1%	1.3%	1.5%	1.8%	1.9%
HRA	34.7%	31%	31%	32%	32%

Estimates of net income from commercial and service investments to net revenue stream

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Net income from Commercial/Service investments	1.5%	2.1%	2.2%	2.4%

MRP Statement

24.18 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017 place a duty on local authorities to put aside resources to repay debt that has been used to finance capital expenditure in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision.

24.19 On the back of concerns over application of the regulations, particularly in relation to commercial investments, central government has consulted on MRP guidance in recent years, once in November 2017 and again over December 2021/January 2022. The latest consultation in particular looks to strengthen the wording on charging MRP against commercial investments (where some boroughs are not charging MRP for borrowing associated with investment assets or capital loans). Hackney complies with the areas being scrutinised by Central Government and with the spirit of the code, making an appropriate annual charge to revenue against our underlying need to borrow.

24.20 The broad requirement of the MRP regulations is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, although it does not preclude other prudent methods.

24.21 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

24.22 The MRP Statement must be submitted to Council before the start of the relevant financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

24.23 The following statement incorporates options recommended in the Guidance:

24.24 For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets.

24.25 For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

24.26 For assets acquired by finance leases or Private Finance Initiative (PFI), MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

24.27 No MRP will be charged in respect of assets held within the Housing Revenue Account

24.28 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

APPENDICES

The following are appended to this report

Legal framework governing budget decisions	Appendix 1
Gross and Net budgets by Directorate 2022/23	Appendix 2
Treasury Management Strategy 2022/23 to 2024/25	Appendix 3
The Council Tax regime	Appendix 4
The Council Tax base 2022/23	Appendix 5
Medium Term Financial Forecast 2022/23 to 2025/26	Appendix 6
Proposed Capital Schedules 2022/23 to 2024/25	Appendix 7
Proposed Fees and Charges 2022/23	Appendix 8
Referendum Calculation 2022/23	Appendix 9
Capital Strategy 2022/23	Appendix 10
Corporate Plan Update	Appendix 11

Financial Management Code Position Statement	Appendix 12
Audit Committee Report on Auditor Appointment	Appendix 13

Report Author	Russell Harvey, Senior Financial Control Officer Tel: 020 8356 2739 russell.harvey@hackney.gov.uk
Comments for the Group Director of Finance and Corporate Resources	Ian Williams, Group Director, Finance & Corporate Resources Tel: 020 8356 3003 Ian.williams@hackney.gov.uk
Comments for the Director of Legal and Governance Services	Dawn Carter-McDonald, Director for Legal and Governance Services Tel: 020 8356 4817 dawn.carter-mcdonald@hackney.gov.uk