Hackney

2021/22 Overall Financial Position that takes account of the estimated financial impact of Covid-19 and the on-going emergency **Key Decision No. FCR R91**

CABINET MEETING DATE (2021/22) **28 February 2022**	**CLASSIFICATION:** **OPEN**
WARD(S) AFFECTED All wards	
CABINET MEMBER Councillor Robert Chapman, Cabinet Member for Finance	
KEY DECISION Yes **REASON** Spending or Savings	
GROUP DIRECTOR Ian Williams, Group Director, Finance and Corporate Resources	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the sixth Overall Financial Position (OFP) report for 2021-22. It shows that as at December 2021 the Council is forecast to have an overspend of £4.981m on the general fund - a decrease of £17k from the previous month.

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

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

1.4 The Council will continue to face significant financial pressures in 2022/23, and future years. Demand for services, notably children's and adult's social care, are on an upward trend and are likely to remain high. It follows that we must take all steps to mitigate the overspend in the current year.

1.5 This report also updates on recent developments in relation to the London Housing Consortium, a purchasing organisation set up as Joint Committee of Local Authorities in 1966, and recommends that the Council does not accept a proposal to become 'host' authority for the LHC and supports the decision to disband the current Joint Committee of the LHC and look for a more appropriate governance structure for the future. Further details are set out in paragraph 2.8 to 2.11 below.

1.6 I commend this report to Cabinet.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have an overspend of £4.981m after the application of the Covid-19, Children's and cyberattack set asides as provided for in the budget. The impact of cyberattack is estimated to be c. £6m in the current year. The vast majority of this falls in F&CR (ICT and Revenue and Benefits).

2.2 There has been a decrease in the overspend this month of £0.017m. The non-essential spend controls, set out in the July OFP, and the review of capital financing reported in the September OFP have had a positive impact on the forecast, noting we were forecasting an overspend of £7.3m in August 2021 which was £2.3m higher than the current overspend. However, we are still well short of balancing the budget and we must continue to drive down non-essential expenditure across all services to bring the budget back into balance. We also need to be mindful that in the winter months further pressures following Covid-19 may still come to the fore so we will need to maintain our tight grip on the finances.

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

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

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 CYBERATTACK SET ASIDE	-2,000
LESS CYBERATTACK ADDITIONAL RESERVE CREATED IN 2021-22	-1,000
LESS RESOURCES FREED UP BY REVIEW OF FUNDING OF CAPITAL PROGRAMME AND SLIPPAGE IN RCCO	-1,500
NET OVERSPEND	4,981

2.5 Work continues in relation to non-essential spend, particularly around the impetus to reduce agency spend where it is appropriate to do so. The impact of this will not be shown in the forecast until agency staff have left the Council. Furthermore at this stage the corporate contingency of £2m has not been applied to the forecast. We are mindful of the potential impact of the pay award for the current year which has not yet been agreed. A zero increase was being mooted at one point, but we as a council did make provision for an increase, although the outcome is likely to be higher than was provided for and therefore a call on the corporate contingency may be required.

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

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

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

2.8 The London Housing Consortium (LHC) is a purchasing organisation set up in 1966 and since its inception, it has been operating as a Joint Committee of Local Authorities. The Constituent Authorities have varied over the years but the number is currently ten and Hackney is one of the ten Councils that constitute the Joint Committee of the LHC. LHC is an unincorporated association with no legal status and LB Hillingdon, who is also one of the Constituent Authorities, acts as the lead Authority. It employs all LHC staff and holds all staffing contracts in its name.

2.9 The Council's rationale for joining the LHC Joint Committee was to work collaboratively with other London Councils to improve the procurement of housing and construction products and services. Up until recently LHC was one of the few providers of these services. In addition, the Council benefited annually from a share of LHC's surpluses.

2.10 Even though the Council is still actively involved in the governance arrangement for LHC, the Council no longer relies on LHC for procurement solutions, preferring instead to use a mixture of its own procurement capability; main contractor services; alternative procurement consortia sometimes including LHC. There are now varied purchasing organisations in the market which the Council engages with from time to time, and appraise their frameworks, as appropriate, when considering routes to the market for the procurement of its contracting requirements.

2.11 Members of the LHC Joint Committee recently commissioned a review of LHC governance arrangements which concluded that the LHC Joint Committee be disbanded, and a new corporate entity established by LHC. As part of the appraisal of the options for future governance arrangements of the LHC, the current Chair of the Members group recently approached the Council through our elected Mayor to engage in discussions with a view to assess Hackney's appetite to be part of the organisation's future governance, either as a single Council owner or in partnership with Haringey. Following a detailed review of current arrangements it is recommended that the Council should support the dissolution of the existing Joint Committee of ten Councils, but that it should decline the offer to host the LHC in any capacity. The main rationale for this recommendation being that the Council's current spend through the framework is nil and the additional burden of taking up ownership of the LHC outweighs the potential benefit.

2.12 The Mayor's scheme of delegation sets out he is responsible for establishment of joint arrangements in relation to the delegation of any function which is the responsibility of the Executive, However, he has opted to delegate this decision to Cabinet on this occasion.

3. RECOMMENDATIONS

3.1 Agrees that Hackney, as one of the ten Constituent Authorities of the LHC Joint Committee, withdraws from the LHC Joint Committee, resulting in its potential disbandment in December 2022 at the earliest.

3.2 Agrees that Cabinet will consider in a future meeting, the options for continued participation in the new LHC corporate entity when it is known in March 2022.

3.3 That Members note the update on the overall financial position for December covering the General Fund, Capital and HRA

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to consider the LHC proposal.

4.2 CHILDREN AND EDUCATION

4.2.1 Summary

The Children's & Education directorate is forecasting an overspend of £2.487m after the application of reserves.

4.2.2 The Cyberattack

The cyberattack continues to have a significant impact on a number of key systems across the local authority. There is a clear project plan to restore the social care system, and the service is working with ICT, finance and performance to ensure that we restore the system and take opportunities to build back better. For Children and Families Services the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored. The estimated cost impact of the cyberattack to date for Children & Families is £64k, and this is to fund additional staffing resources in the Business Support Team to provide additional capacity in the service to respond to issues arising from the cyberattack. There are no significant financial risks within Education as a result of the cyberattack.

4.2.3 Covid-19

The financial impact of Covid-19 across the Children and Education directorate continues to have an impact on the overall forecast. The main impact in the forecast this year is in relation to childcare fee income losses in Hackney's children's centres (£0.2m), income from traded services (£0.3m), resulting in a total pressure of £0.5m. The impact of these forecasts may change as the year progresses, especially in the next few months with the spread of the Omicron Covid-19 strain, and this has had some impact on the normal opening of children's centres recently. In Children and Families, we are forecasting that the impact will be in the region of £1.2m, largely due to delays in placement step downs and staffing to provide additional capacity to respond to the pandemic. The costs associated with responding to the Covid-19 pandemic will continue to be discussed with budget holders and reported through this report on a monthly basis.

4.2.4 Children's Services

Children and Families Services (CFS) is forecasting a £2.5m overspend as at the end of December 2021 after the application of reserves. Covid-19 related expenditure accounts for £1.2m of the reported budget overspend. The draw down from reserves includes:

- £4.2m from the CFS Commissioning and CACH Transformation reserves (£3.7m and £0.5m respectively) to meet the cost of placements where these exceed the current budget.
- £1.2m from the Disabled Children's Reserve, to offset homecare and direct payments care package pressures in Disabled Children Services.

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, the funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services. This has increased incrementally year on year and in this financial year, the grant increased further to £1.71bn nationally and this has meant the Council has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. Further SocialCare Grant funding has been announced for 2022/23, however It is clear that this is not a sustainable way to fund demand pressures in social care services, and we continue to lobby Central Government for a long term funding solution.

Set against this, there is a significant increase in spend driven by looked-after children (LAC) and leaving care (LC) placements costs within Corporate Parenting where the net overall spend is forecast to increase by £1.0m compared to last year (this excludes use of reserves and the additional social care grant). The service view is that the increasing numbers are partly due to an increase in adolescents coming into care with more complex needs, and the impact of austerity measures and overcrowded housing leading to increased family pressures.

There is a gross budget pressure in staffing across Children and Families Services of £1.9m, and this is on top of the £1.3m that was added into the budget last year to create permanent posts linked to the Social Care Grant. Following the Ofsted inspection in 2019, £1.6m of non-recurrent funding was agreed for 2020/21 to increase staffing levels to manage demand alongside additional posts to respond to specific recommendations from the inspection. The intention was that after 2020/21, the funding would cease pending a wider strategic staffing review of the service, however this has been delayed. For this financial year, £1.1m of additional resources has been funded from the increase in the Social Care Grant (bringing the net staffing budget pressure to £1.3m). However, this is not sustainable and a review has commenced by the Group Director and Director and will form part of the wider review of the service.

4.2.5 **Corporate Parenting** is forecast to overspend by £2.2m after the use of £4.2m of commissioning reserves. This overspend includes £0.97m of Covid-19 related expenditure. This position also includes the use of £4.5m of Social Care Grant funding - £0.6m is in relation to staffing costs and the remaining £3.9m is for placements. The overall position for Corporate Parenting has increased by £0.9m since March and is largely due to corporate parenting placements.

Gross expenditure on Looked-After Children and Leaving Care placements (as illustrated in the table below) is forecasted at £26.3m compared to last year's outturn of £25.3m – an increase of £1.0m.

Placements Summary for LAC and Leaving Care

Service Type	Budget	Forecast	Forecast Variance	Funded Placements*	Current Placements
Residential	4,981	9,524	4,543	21	36
Secure Accommodation (Welfare)	-	234	234	-	1
Independent Foster Agency	7,688	7,145	(543)	149	125
In-House Fostering	2,400	2,104	(296)	98	90
Semi-Independent (Under 18)	1,570	2,134	564	21	30
Semi-independent (18+)	1,370	2,468	1,098	86	97
Family & Friends	869	963	94	50	57
Residential Family Centre (P & Child)	300	681	381	1	5
Other Local Authorities	-	162	162	-	6
Overstayers (18+)	290	62	(228)	24	2

Service Type	Budget	Forecast	Forecast Variance	Funded Placements*	Current Placements
Staying Put (18+)	500	510	10	38	40
Supported Lodging	-	65	65	-	5
Extended Fostering (18+)	-	48	48	-	1
UASC (Under 18)	(390)	(510)	(120)	37	18
Former UASC (18+)	390	763	373	90	98
Expenditure	19,968	26,354	6,386	615	611

**based on the average cost of placements.*

The table above illustrates funded placements - these are what the budget can fund based on the average cost of placements for each of the service types. The gross overspend position on Corporate Parenting placements is £6.4m including UASC income. The UASC income is in excess of the placement costs incurred in the service, hence the extra income is funding the additional staffing unit within the Looked-After Children service. There is a shortfall in funding for those UASCs who are 18+ (Former UASC), which highlights the financial pressure caused by a lower funding rate from the Home Office when UASCs turn 18.

LAC/ Leaving Care Placement Analysis

Placement Type	Annual Forecast £ 000	Weekly Cost £ 000	Weekly Unit Cost (Avg)	Current YP No	Last month YP No
Residential Care	9,524	161	4,466	36	40
Secure Accommodation (Welfare)	234	-	0	1	1
Independent Foster Agency	7,145	-	988	125	129
In-House Fostering	2,104	-	481	90	85
Semi-Independent (Under 18)	2,134	1	1,460	30	23
Semi-independent (18+)	2,468	9	307	97	90
Family & Friends	963	-	330	57	55
Residential Family Centre (P&Child)	681	-	5,490	5	4
Other Local Authorities	162	-	379	6	6
Overstayers (18+)	62	0	230	2	2
Staying Put (18+)	510	15	381	40	34
Supported Lodging	65	1	256	5	4
Extended Fostering (18+)	48	0	398	1	1
UASC (Under 18)	(510)	95	516	18	18
Former UASC (18+)	763	4	267	98	94
Total	26,354	288	15,950	611	586

The pattern in the last few years has been a consistent increase in numbers of young people in residential placements and in high-cost semi-independent placements. Where children in their late teens are deemed to be vulnerable, and in many cases are transitioning from residential to semi-independent placements, they may still require a high-level of support and in extreme circumstances bespoke crisis packages. Covid-19 has also been a factor, and has resulted in delays in young people being able to transition from these placements. The annual cost of an IFA placement (£50k) is twice as much as an In-house fostering placements (£25k) so it is increasingly important that we maximise our in-house placements. It is essential that the service delivers the cost reduction plans outlined below. These plans are not factored into the forecast for the Children and Families Service until they have been achieved.

4.2.6 **Disabled Children's Service** is forecast to overspend by £316k after the use of £1.2m of reserves. Staffing is projecting an overspend due to additional staff brought in to address increased demand in the service. Demand in the service continues to rise year-on-year in care packages including homecare, direct payments and short breaks.

4.2.7 **The Directorate Management Team** is forecast to overspend by £188k primarily due to interpreters fee payments for the previous financial year which were unaccounted for at year end.

4.2.8 **Domestic Abuse Intervention Service** is forecasted to overspend by £92k primarily due to Domestic Homicide Case Review costs (£66k) which is a statutory service and an additional staff resource due to Covid-19 where we have seen an increase in referrals during the pandemic (£23k).

4,2,9 **The Children's Procurement and Business Support Teams** are forecasted to overspend by £71k which primarily relates to agency premiums for both the procurement and the business support teams.

4.2.10 **Safeguarding Service** is forecasted to overspend by £63k. This is primarily due to the unachievement of income targets and staffing pressures.

4.2.11 **Clinical Services** is forecast to underspend by £209k due to vacant / late recruitment to the Specialist Clinical Practitioner posts.

4.2.12 **Access & Assessment and MASH** are showing a full year forecast underspend of £179k. The underspend relates to late recruitment of posts from both Access and Assessment & MASH units (£104k) and lower than anticipated staffing costs from the Emergency Duty Team (£75k).

4.2.13 **The Family Learning Intervention Programme** is forecast to underspend by £102k due to staff vacancies.

4.2.14 **No Recourse to Public Fund team** is forecasted to underspend by £79k in Section 17 as the number of clients are declining.

4.2.15 Hackney Education

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

Hackney Education is forecasting to overspend by around £5.695m. Approximately £0.5m of this is the forecast financial impact of the pandemic in relation to childcare fee income losses in Hackney's children centres and income from traded services. The balance of the overspend is mainly as a result of a £7m forecast over-spend in SEND, offset by forecast £1.3m of savings in other areas of Hackney Education. The £7m over-spend in SEND is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCP's). The EHCP forecast outturn may increase during the year: there are 134 EHCP applications currently being assessed. An assessment is expected to be completed within a 20 week cycle; the level of need for these and future applications cannot be determined at this point.

The Government formally confirmed its intention to ensure that local authorities are not left with the burden of SEND cost pressures and have issued new funding regulations which state that deficits arising from DSG shortfalls will not be met from local authorities' general funds unless Secretary of State approval is gained.

Government expectation is that the DSG overspend will remain in the Council's accounts as a deficit balance which will then reduce in future years as additional funding is received. However, the Government's commitment to this additional funding and the level this will be at remains unclear. The current regulations around the treatment of any DSG overspends will cease at the end of 2022/23. There is therefore a financial risk to the Council of carrying this deficit forward beyond this period.

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

Original Budget	Virement	Revised Budget	Service Unit	Forecast Variance Before Reserves	Reserves Usage	Forecast Variance After reserves	Narrative
53,192	192	53,384	High Needs and School Places	8,100	(1,100)	7,000	The forecast is likely to change over the next few months as a result of volatility in the number of SEND plans and increased demand for services.
3,578	64	3,642	Education Operations	460	-	460	The Education Operations division is forecasting a 402k overspend. Main risk areas for this division are: (1) over establishment costs for payroll and loss of income for Tomlinson centre due to Covid-19. (2) staffing budget pressures in the Strategy, Policy & Governance (SPAG) and School Improvement and Projects team due to maternity cover costs (3) additional software costs from the Synergy SEND project and CPD booking system plus staffing budget pressures in MISA due to additional staff relating to the Synergy project.
42,547	277	42,824	Early Years, Early Help and Wellbeing	833	(500)	333	Budget pressures from previous years expected childcare fees income increases not achieved. Covid-19 additional costs from the continuing loss of childcare fees income.
1,705	62	1,767	School Standards and Performance	(45)	-	(45)	Forecast underspend primarily relates to the expected in-year release of Monitoring and Brokerage Grant. Reserves relate to the funding of a post in Secondary Support.
8,854	-555	8,299	Contingencies and recharges	(1202)	-	(1,202)	The year end forecast underspend relates to the education contingency budget which is utilised to offset the overall overspend.
134,360	-	134,360	Delegated school funding to maintained mainstream schools	(851)	-	(851)	Forecast variance reflects Schools Forum agreement to vire from Schools Block of the DSG to the High Needs block to contribute to the SEND pressure.
(220,433)		(220,433)	DSG income	-	-	-	-
23,803	**40**	**23,843**	**Totals**	**7,295**	**(1,600)**	**5,695**	

4.2.16 Vacancy Rate and 2021/22 Savings

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

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

This shows progress to date against the annual target. At this stage, the directorate is on track to deliver the vacancy factor, and this will continue to be monitored closely through Children and Education SMT on a monthly basis.

4.2.17 Cost reduction proposals

The table below outlines the key proposals for cost reductions which have been endorsed across the Children & Education directorate in 2021-22. The reporting against these cost reduction proposals are being monitored on a monthly basis through this report highlighting delivery against these indicative targets. It is important to emphasise that further cost reduction proposals will need to be identified as the current proposals will not bring the forecast back in line with the budget. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at C&E SMT.

Cost Reduction Proposals

	Serv	Initiative	Description	Target
1	CFS	Reduction of residential placements	As part of the forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement). This is being monitored through the Corporate Parenting budget review meetings.	£1m
2	CFS	Operations: Implementation of an overall panel process and forensic review of the Top 20 high cost placements.	Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services. The £250k cost reduction will be achieved by reviewing the top 20 high cost placements and seeking a 5% reduction in costs through analysis of care package support (through the CFC tool) and through targeted negotiations with care providers.	£250K
3	CFS	Review Agency Spend & implement a new process for sign off for new agency staff	Reviewing spend on agency staff will enable us to make savings/reduce overspend. Regular reporting and scrutiny through the Workforce Development Board for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. This will also prevent new staff being employed without agreement over the staffing establishment, preventing overspend.	£100K
4	CFS	Placement Management Business Support Improvement	The cost reductions realised from the Leaving Care Welfare/ Benefits Officer post will achieve in the region of £130k-£230k, by increasing the number of young people claiming housing benefit post 18 from 50% to between 60%-70%.	£150K
5	Ed	Developing in-borough SEND provision	The Council currently spends a significant amount on independent special schools. There is an ongoing plan to develop further in-borough provision. The plans are still being developed and likely savings/ cost avoidance are being worked up; the timescales for the delivery of these savings is unlikely to be achieved in 2021-22 and is more achievable over the medium term.	TBC
6	Ed	Reviewing SEND Transport eligibility	Reviewing the way transport agreements are made for children and young people with special educational needs against our legal duties. This will include benchmarking against local authorities to understand how our offer compares to others. Again the timescales for the delivery of these savings are unlikely to be achieved in 2021-22 and identified as the SEND service is reviewed.	TBC

4.2.18 Measures to control spend

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

4.3 Adults, Health & Integration (AH&I)

4.3.1 Summary Position

The AH&I directorate is forecasting an overspend of £4.060m after the application of reserves. This compares to a 2020/21 outturn position of £8.6m overspend (this included £6.5m of which was attributed to Covid-19 expenditure). The cyberattack continues to have a significant impact on a number of key systems across the local authority. There is a clear project plan to restore the social care system as well as an interim system that has been developed by ICT. The service is working with ICT, finance and performance to ensure that we restore the system and take opportunities to build back better.

For Adult Social Care the significant area of financial risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible. Mitigation plans continue to be developed in collaboration with ICT colleagues which includes the development of an interim finance solution to capture additional demand and changes to existing care provision, until we have fully restored and recovered the social care system. A key issue to highlight is that these mitigating actions will require extensive reconciliations once the data is restored. In addition, the service is currently unable to complete financial assessments for new service users, resulting in a significant loss of care-charging income. We have worked in collaboration with ICT to develop a tool so we can re-commence care charging assessments from 1 February 2022. The impact from the cyberattack for this financial year relates to additional staffing deployed within the service (£315k estimated for the full year) and loss of care charges income as a result of not being able to undertake financial assessments (£849k estimated to the end of Dec-21). This estimate will continue to increase whilst the ability to undertake assessments remains unavailable.

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

4.3.2 Covid-19

Covid-19 presents a significant financial risk to the Adults, Health & Integration forecast for 2021-22 with the costs resulting from actions undertaken to limit the spread of infection. In recognition of this risk, the local authority has provided corporate growth of £3m to offset increased costs attributed to Covid-19 within Adult Social Care. However, the reduction of NHS funding to 6 weeks in 2021/22 for hospital discharge care packages has led to a £3.2m reduction in Covid-19 funding this year. The estimated net cost of the pandemic for the directorate above the level of corporate and grant funding received is a net cost of £1.2m this financial year. The impact of these forecasts may change as the year progresses, especially in the next few months with the spread of the Omicron Covid-19 strain, and this will continue to be monitored and reported through this report.

4.3.3 Adults

The December 2021 revenue forecast for Adult Social Care is a £3.9m overspend. Covid-19 related expenditure accounts for £1.16m of the reported budget overspend. The overall position for Adult Social Care last year was an overspend of £6.9m (this included £5.1m attributed to the Covid-19 pandemic). The revenue forecast includes significant levels of non-recurrent funding including iBCF (£2m), Social Care Support Grant (£6.3m), and Independent Living Fund (£0.7m).

In 2019/20, a Social Care Grant was announced for both children's and adult social care, and at that time, the funding split between the services was to be agreed locally, and so we opted to split the funding equally between both services. This has increased incrementally year on year and in this financial year, the grant increased further to £1.71bn and this has meant the local authority has received a total of £12.6m this year. Children's Services and Adult Social Care have each been allocated £6.3m, and this has been fully factored into the forecast this financial year. It is clear that this is not a sustainable way to fund demand pressures in social care services, and we have continued to lobby Central Government for a long term funding solution.

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

4.3.4 Social Care Reform

In early December, the Government finally presented its long overdue white paper (*People at the Heart of Care: Adult Social Care reform*). The paper describes the key investment priorities for social care and how the additional money will be used. The investment is being funded from the new Health and Social Care Levy. It details the priorities following the settlement announcements of £5.4 billion over three years solely for adult social care reform:

- £3.6 billion to pay for the cap on care costs and the extension to means testing (£2.2bn), and supporting progress towards local authorities paying a fair cost of care (£1.4bn), which together aim to remove unpredictable care costs; and

- £1.7 billion to improve social care in England, including at least £500 million investment in the social care workforce.

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

(1) how to support people to have choice, control and independence;
(2) how to provide an outstanding quality of care; and
(3) how to ensure that care is provided in a way that is fair and accessible to everyone who needs it.

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

4.3.5 **Care Support Commissioning** (external commissioned packages of care) contains the main element of the overspend in Adult Social Care, with a £4.2m pressure against the £44.2m budget. The cyberattack continues to impact on the ability to forecast the expenditure accurately in this area since a number of manual processes require additional reconciliation. Again, this poses a risk to the forecast that new service users are not included in these manual processes, and understates the budget pressures in the service area. Finance is working closely with the service to ensure that manual processes seek to capture all new clients, and any changes to care package provision. The current forecast includes only existing service users and does not include any potential costs arising from additional demand above estimated initial demographic growth assumptions. Year-on-year, the forecast increases by approximately 10% which represents an additional cost in the region of £4m and this is factored into the forecast as it materialises. The service will need to have a really robust panel process to enable closer financial scrutiny and oversight to reduce costs of care packages. It is expected alongside this, the additional work required from the manual processes will result in greater volatility in the forecast over the coming months than would normally be expected.

Service type	2021/22 Budget	Dec 2021 Forecast	Full Year Variance to budget	Variance from previous period
Learning Disabilities	18,002	20,035	2,033	189
Physical and Sensory	16,712	17,834	1,122	120
Memory, Cognition and Mental Health ASC (OP)	8,592	9,416	823	(77)
Occupational Therapy Equipment	740	739	(1)	0
Asylum Seekers Support	170	360	190	(1)
Total	44,216	48,384	4,167	231

4.3.6 **Physical & Sensory Support** is forecasting an overspend of £1.12m (£1.0m Nov-21). The gross forecast spend on care packages in Physical Support is £25.5m (£25.3m in Nov-21) and in Sensory Support is £0.92m (£0.90m in Nov-21). Forecasts continue to be updated based on continuous reviews of care package costs, particularly in nursing homes and the cost of home care. The forecast includes £350k of iBCF funding, £1.0m of social care grant and £1.62m of reserve funding towards the increased level of care packages in 21/22.

4.3.7 **Memory, Cognition and Mental Health ASC (OP)** is forecasting an overspend of £0.82m (£0.90m in Nov-21). The gross forecast spend on care packages for 21/22 is £12.3m (£12.5m in Nov-21). The forecast includes £350k of iBCF funding, £650k of social care grant and £400k of reserve funding towards care package costs in 21/22.

4.3.8 **The Learning Disabilities (LD) service** is forecasting an overspend of £2.03m (£1.84m in Nov-21). There continues to be pressures driven by the increasing complexity of care needs for new and existing clients coupled with inflationary pressures requested by care providers. The gross forecast spend on care packages in Learning Disabilities is £34.6m (£34.4m in Nov-21). The LD forecast also includes significant non-recurrent funding from the iBCF (£1.0m) and Social Care Grant (£4.66m). In addition, a contribution from the CCG of £3.0m (£3.0m in Nov-21) for jointly funded care packages for service users has been factored into the forecast. This is building on the work completed across previous years to agree joint funding for complex health and social care packages within the service.

4.3.9 **The Mental Health service** is provided in partnership with the East London Foundation Trust (ELFT), and is forecasting an overspend of £1.32m (£1.31m in Nov-21). The overall position is largely attributed to an overspend on externally commissioned care services, and as part of the cost reduction plans, Adult Services and the ELFT will work closely to forensically review care packages within the service to seek a reduction of at least £350k this financial year.

4.3.10 Provided Services is forecasting an overspend of £0.39m (£0.33m in Nov-21). Within this position are two contrasting positions:

- Housing with Care has an overspend of £1.11m (£1.03m in Nov-21), of which the majority is in relation to the significant cost of additional agency staff employed to cover for staff who are absent or unable to carry out full duties due to Covid-19. As a result of the occupational health risk assessment outcome (high or critical risk) completed as part of the council's vulnerability assessment procedure, a number of HwC staff who have underlying health conditions can only perform limited tasks hence the reliance on agency staff needed to complete the required duties. The forecast includes funding made available from the Infection Control Fund and the Workforce Recruitment and Retention Fund.

  The savings target of £500k for efficiencies across the Housing with Care schemes is not forecast to be achieved within this financial year and will be delivered through contract efficiencies within commissioned services. There are a number of void properties within Housing with Care schemes where property rental continues to be paid whilst the flats remain vacant. This cost pressure is reflected within care support commissioning budgets and will form part of the short term review of the service to deliver efficiencies.

- **Day Care Services** are projected to underspend by £0.72m (£0.70m in Nov-21). The Oswald Street day centre re-opened in October 2020 but is still currently supporting a reduced number of service users due to Covid-19 restrictions. Consequently, staff vacancies are forecast to remain vacant across the remainder of the financial year.

4.3.11 ASC Commissioning

ASC Commissioning is forecasting a £0.85m underspend (£0.83m in Nov-21) and this includes significant levels of one-off funding of £1.21m in 2021/22 supporting activity within commissioning. This includes increased capacity in the Project Management Office (PMO), ASC Commissioning, and the Direct Payments Teams. Disabled Facilities Grant funding has been applied to the Telecare contract. The service has renegotiated some Housing Related Support contracts which has resulted in efficiency savings of approximately £0.5m in 21/22, and this has largely offset the underachievement of Housing with Care savings on a non-recurrent basis this financial year.

4.3.12 Preventative Services

Preventative services is forecasting an underspend of £1.3m and is primarily attributable to the interim bed facility at Leander Court (£0.68m) and Substance Misuse (£0.3m) linked to lower than expected demand for rehab placements. In addition the Carers services reflect an underspend of £0.22m due to a significant reduction in carers assessment activity linked to the Covid-19 pandemic.

4.3.13 **Care Management and Adult Divisional Support** is forecasting an overspend of £0.17m (£0.24m in Nov-21) and this is driven primarily by increased staffing costs within the Integrated Learning Disabilities team (£0.19m) and staffing pressure within the Long Term Team (£0.16m) which is partly offset by underspends in other areas of the service.

4.3.14 **Public Health** is forecasting a breakeven position, this includes the delivery of planned savings of £217k. The Public Health (PH) grant increased by approximately £1m in 2021/22, although £775k of the total increase relates to the funding allocated for PrEP related activity, as this was previously funded via a separate grant in 2020/21 (£344k). The 2021/22 grant will continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant exclusively for public health activity which may include public health challenges arising directly or indirectly from Covid-19.The Covid-19 pandemic has seen a significant increase in Public Health activity, specifically around helping to contain the C19 outbreak in the local area. This has been done alongside continuing to ensure demand-led services such as sexual health continue to be monitored.

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

The Hackney Mortuary service is forecast to overspend by £172k, of which £67k relates to the balance remaining from Hackney's Wave 2 mortality management contribution. As highlighted previously Mortuary costs increased significantly last year during Covid-19 with the response to the pandemic plan requiring the Mortality Management Group to activate the Dedicated Disaster Mortuary (DDM) plans for London. Additional capacity was required rapidly to ensure that there was enough capacity to meet demand from the initial wave, and subsequently to meet increased demand for the second wave. We have received a reimbursement of £343k as a result of the pan-London provision being lower than the anticipated, with the remaining balance of £67k now being the cost for this financial year.

4.3.15 Vacancy Rate and 2021/22 Savings

A vacancy rate savings target of £864k has been set for Adult Social Care in 2021-22. This saving is a challenging target for a service with a significant number of front-line staff. At this stage in the financial year, it is forecast that it will be achieved. Progress against the target will be carefully monitored and tracked by the AH&I Senior Management Team and this will continue to be monitored closely and reported with each OFP report. The directorate has outlined a series of actions that will aim to achieve the vacancy rate savings in 2021-22. Actions include identifying specific vacant posts and holding them vacant, identifying all staff who are below the top of their salary grade or part-time in full-time posts, waiting to recruit to any vacant posts, except where there are multiple vacancies within teams (i.e. due to long term sickness) or particular Covid-19 or cyberattack related pressures, continuing to seek external funding sources - e.g. through partnership working, monitoring agency spend closely and ensuring those staff take the annual leave they have accrued, as well as identifying any non-essential budgets that can be held for the year. However, there are long term risks to the sustainability of this approach, and the directorate approach will need to be reviewed to take into account where the vacancy factor is being met by non-recurrent savings. A review of actual spend on salaries showed that £727k had been achieved against this target to date. This shows progress against the annual target of £864k so far - consequently the full year forecast is shown as on track at this stage in the year and will continue to be monitored closely by the AH&I Senior Management Team.

4.3.16 2021-22 Cost Reduction Proposals

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

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

(b) The Occupational Therapy team is delivering a Better Care project between April 2021 - Oct 2021, aiming to reduce the number of residents receiving double-handed care, through implementing new and innovative moving and handling equipment and techniques. To date, this has resulted in cost reductions of £300k.

4.3.17 Cost Reduction Proposals

	Initiative / Area	Description	Initial Indicative Target
1	Operations: Implementation of an overall panel process	Bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services. The £250K indicative target is based on the avoidance of approximately 3-4 placements, through the introduction of the new panel process to reduce the number of longer term placements. Alternatives to residential care placements are being explored thoroughly along with the use of assistive technology to reduce care package costs. The process also means that the importance of 6 week reviews to step down packages is being highlighted. At the end of November-21, more than £208k of costs had been avoided by the use of robust challenge.	£250K
2	Provided Services: Review of operational staffing issues	Reviewing operational staffing issues across Housing with Care will enable us to ensure that we are getting the most from our workforce. 15 staff who were originally assessed as being unable to carry out face to face work due to Covid-19 vulnerability have been referred to occupational health as temporary cover arrangements are unsustainable from an operational and financial perspective. As of Jan-22, of these 15 staff, 5 are currently on sick leave and 3 on limited duties. 3 have now been assessed as able to return to work on full duties. In addition there were 32 Covid-19 absences across Housing with Care. If 50% of the staff on limited duties were to return to full duties from 1st February, it is estimated that this would reduce the staffing forecast by £59k to the end of the financial year.	TBC
3	Adult Services: Review Agency Spend & implement a new process for sign off for new agency staff	Reviewing spend on agency staff will enable us to make savings/reduce overspend.This includes a review of every agency member of staff with managers and checking that no agency staff are working more than 36 hours per week and that they are all regularly taking annual leave. A new process for sign-off for new agency staff will enable the directorate to closely monitor the use of agency staff and related expenditure. This will also prevent new staff being employed without agreement over the budgeted staffing establishment. Detailed analysis of all agency workers against establishment reports from ITrent and finance have been carried out and a number of queries being resolved.All over establishment posts are being scrutinised along with any posts that have been covered with agency staff for more than 12 months.	£100K
4	Mental Health Budget - reduce overspend	Working with ELFT to bring expenditure back in line with the budget. This will be delivered through the joint working group meetings with ELFT. Measures include: ● A more robust panel process in line with the ASC panel process has been implemented and reductions to a number of packages have already been made, amounting to £168k costs avoided to date. This figure will increase over the coming weeks. A further £52k of costs have been reallocated to the correct primary support reasons. ● The use of the Care Cubed tool to assess the cost of care has begun, targeting the highest cost care packages as well as being used to review all existing care packages. All packages will have been reviewed in the next 12 months using Care Cubed. Packages that can be stepped down are being transferred to a new, more cost effective provision in Borough. ● A review of the use of blitz cleaning,storage facilities and kennelling is also being undertaken and some savings will be	£350K

		achieved. Commissioners are now working on re-introducing a framework to reduce the reliance on spot purchase and are also reviewing the HRS block contract to ensure efficiency.	

4.3.18 Measures to control spend

The Directorate has forecast a £80k reduction in spend thus far as a result of the implementation of non-essential spend control measures We will update Cabinet on further progress in forthcoming OFPs. Also, all Directors are reviewing all agency assignments - including how long in post, hours worked and if they have taken leave etc along with cross referencing of vacancies showing on ITrent and the finance report. This will highlight any over established posts to allow tracking and evidence funding sources for these posts such as those agreed as additional capacity in hospital teams/brokerage. The reduction of 1 in 5 may not be possible for all services, however the directorate will pull together an approach which demonstrates its commitment to reducing agency spend. This will include a systematic review and challenge process for all agency staff. All agency staff in post for more than 12 months are being tracked and reviewed. For example a number of these posts are additional staff brought in to support the hospital discharge service and brokerage to increase capacity during covid and to facilitate 7 day working in the hospital. In addition, Directors will consider not appointing to vacant posts (permanent or agency) and not extending existing agency staff. Business cases are being produced for recruitment to permanent vacancies ,these are shared with the Director and Group Director for sign-off. There are difficulties recruiting agency social work staff which means there are vacant posts being carried for longer periods of time. Finally, all appointments (permanent or agency) and agency extensions require justification from the relevant Director and Group Director.

4.4 NEIGHBOURHOODS & HOUSING DIRECTORATE

4.4.1 Summary Position

The directorate is forecasting an overspend of £2.777m of which £2m is due to the impact of Covid as set out above. This is an adverse movement of £198K on the position reported for November. The non Covid-19 overspend is £775K following the use of £2,235K of reserves. The Directorate is forecasting a full achievement of the directorate savings plan of £1.4m and a full achievement of the vacancy factor saving, though there remains a risk relating to this saving, especially with the impact of the new variant of Omicron on sickness and self isolation absences. In respect of the vacancy factor, saving in Environmental Operations, £119K of the savings target has been delivered through staffing savings, however, it has not been possible to deliver the remaining £435K from staffing budgets. The delivery of the remainder of the savings will be made through underspends against other budget lines.

Across the directorate one off underspends of £160K were identified from the non essential spend review and are being held to mitigate the overspend. Management continues to explore opportunities to find cost reductions as is evident from the reduction in the underlying overspend over the last 2 months which demonstrates the tight financial management within the directorate.

4.4.2 Covid Narrative

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

(b) Community Safety, Enforcement & Business Regulation are forecasting a spend relating to Covid-19 of £583K in the Civil Protection team. This has increased by £72K, as additional staff and purchases were required to cover the impact of the new variant, Omicron. The areas of Covid-19 expenditure are: Staff costs including training, uniforms,overtime and four additional staff covering Covid-19 tasks; security for infrastructure and testing sites; PPE expenditure; temporary mortuary expenses; premises costs arising from setting up, folding down, repairs and cleaning of testing sites and the hire of vehicles.

(c) Environmental Operations has a projected overspend of £877k relating to the impact of Covid-19. There is an estimated loss of £492k on Commercial Waste income and £367k for use of agency staff to cover sickness/self isolation absence now being forecast up to the end of March 2022 due to the new variant Omicron which has recently emerged. Whilst staff absences relating to Covid-19 are still low, there has been a spike over the Christmas period into January, similar to 2021. Additional vehicle cleansing still remains an essential protocol for a Covid-19 safe working environment and we are forecasting this additional spend up to the end of the financial year due to the additional measures announced by the Government to respond to the new variant. There is also a forecast spend of £20k on additional PPE and other materials. The service has adopted a prudent approach to potential spend arising from the pandemic and for the forecast loss of income and will maintain close monitoring on costs and income as the year progresses.

(d) Markets and Shop Front Trading is showing an estimated Covid-19 impact of £230k made up of £61k income shortfall and £169k additional expenditure on security measures and staffing to ensure

Covid-19 safe trading. This is based on the assumption that there will be no further lockdowns.

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

4.4.3 Cyberattack Narrative

Planning Services are forecasting an estimated £230k loss of land charges income due to the continuing impact of the cyberattack on the land charges service.

4.4.4 Directorate Management is forecasting a £17k underspend, which is no change since the November return.

4.4.5 Planning Services is forecasting an overspend of £1,083K, after the use of £603K reserves. £103K of reserve usage is to part-fund work on area-based plans and £500K to part-fund the underlying overspend in the service. This is an increase of £94K on the overspend position reported in November, mainly as a result of Direct Action enforcement for which income (POCA) is received in future years. There is a £230k variance in Land Charges income as a direct result of the cyberattack where only a partial service will be provided until the summer of 2022. The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fees income, which has seen a steady decline over the past year. The service has achieved the vacancy factor savings of £150K, but this reduction in resource will impact on the resource to process planning applications and is leading to pressures on existing staff. The shortfall in planning application fee income, within the underlying overspend, is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 2 - 3 years. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. There has been an increase in Planning Performance Agreement income which is now meeting its budgeted income levels, and additional charges have been introduced for commercial planning enquiries. In addition, there has been a recent promotion of the building control services. Despite a 20% uplift in planning fees 3 years ago, the income has consistently fluctuated between £1.5-1.7m over the past 3 years and a further decline to £1.3m has been seen during this year. With a budget of £2.2m and a plateau in the housing market, this level of income is unachievable. The income target for minor applications of £1.2m is now forecast not to be achieved, and the cost of determination of minor applications is more than the fee received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications will also detrimentally affect this cross subsidy. The Head of Planning has worked with finance to undertake a review of the service to address the cost pressures in the service. The review is now complete and the report recommendations bringing the Planning budget into balance over the medium term are being implemented. This includes an allocation from reserves to mitigate part of the overspend as agreed with the Section 151 Officer.

4.4.6 **Environmental Operations** is showing a forecast overspend of £905K which is primarily due to the impact of the Pandemic. The Covid-19 impact on the service is currently forecast at £877k, a rise of £89k from the November 2021 position as set out above. This increase is mainly due to forecasting the use of additional staff up to the year end to cover Covid related absences that have started to rise in December and January due to the new Omicron variant.

4.4.7 **Waste Strategy** is expected to break even as any underspend within the service will be applied to any ongoing or new recycling initiatives and to support the fortnightly refuse and recycling collection service change which will reduce the call on reserves to deliver the project.

4.4.8 **Markets and Shop Front Trading** is showing an overspend of £277k, no material change from November's position. Additional staffing costs and a shortfall in income account for £230k due to the Covid-19 impact on income and expenditure. The service is drawing up plans to mitigate this overspend, in particular staffing levels, which will be monitored closely as the year progresses. The other area of overspend is non-delivery of the £30k vacancy factor saving which the Director Sustainability and Public Realm has decided will be delivered by Parking Services. There is a risk within the Market Service with regards to the contract for setting up and dismantling stalls. Work is being carried out to bring this service in-house and there is a risk that this may not be achievable within this financial year which would add an additional £123k to the contractor costs. The Head of Service is exploring strategies to mitigate this risk.

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

4.4.10 **Streetscene** is forecasting an underspend of £73k, which is a favourable movement of £27k as a result of additional income from November's position. There are two key risks which need to be managed, both relating to income. The recharge to capital income is dependent on Transport for London (TfL) funding. Whilst the current allocation to date is less than in previous years it has not had a significant impact on the budget as vacancies are being held in mitigation. The Head of Streetscene maintains a watching brief on the position to ensure that the service is able to react swiftly to funding announcements thereby ensuring maximisation of available funding. The Network team income collection is the other risk area and the forecast has been reduced as the service is being prudent on income projections because the income from highways licences has not yet recovered to pre pandemic levels. Income will be closely monitored throughout the year and reflected in future forecasts. The Service will continue to hold underspends across other budgets to mitigate this budget pressure.

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

4.4.12 **Community Safety Enforcement and Business Regulation** are forecasting an overspend of £635K, an increase of £34K from the October position. The main overspend is within Civil Protection for Covid-19 related costs, an overspend of £583K, which has increased since November due to the surge of Omicron. It may decrease if additional grants are applied directly to the service. The other cost pressures within the service as reported in previous OFP reports continue and the Head of Service is working with finance to resolve these pressures namely, the non-achievement of Proceeds of Crime (POCA) income, £90K and the cost of software licences, £36K. The service will continue to review the forecast expenditure and income that will mitigate the overspend.

4.4.13 Non Essential Spend Reductions

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

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

Across the directorate one off underspends of £160k were identified from the non essential spend review and are being held to mitigate the overspend. Management continues to explore opportunities to find cost reductions and the reporting against these cost reduction proposals will be monitored through the monthly finance report highlighting delivery against these indicative targets. It is essential that the service delivers against these plans as this has been factored into the overall forecast for the directorate. It is important to emphasise that managers will continue to identify opportunities for cost reductions to mitigate the directorate overspend.

4.5 FINANCE & CORPORATE RESOURCES

4.5.1 F&R is forecasting an overspend of £6.230m. Of this, £4.56m is due to the impact of the cyberattack and £1.25m is due to Covid.

4.5.2 Covid Narrative

The total net cost of Covid is estimated at £1.25m in additional costs and lost income after taking into account what can be covered with existing budgets, government grants and earmarked reserves. The main service areas affected are Commercial Property (rental income) and Revenues, Benefits and Housing Needs (increase in demand). £245k covid expenditure in ICT relates to agency/transport costs for the working from home project and sickness cover.

4.5.3 Cyberattack

The total net cost of the cyberattack is currently estimated at £4.6m. The system problems are causing significant overspends across Revenues and Benefits (£800k) and Housing Needs (£175k). This is the estimated cost of resources required to restore lost data and clear the backlog incurred whilst the systems were out of action. ICT are currently reporting £3.48m of costs relating to restoring or rebuilding systems and an additional resource in finance has also been allocated to cyberattack costing £100k.

4.5.4 Non Essential Spend

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

4.5.6 Financial Management & Control

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

4.5.7 Property Services

Overall, Property Services are forecasting an overspend of £0.97m after reserves and provisions, which includes £0.9m of lost rental income due to Covid-19. The overspend results from firstly, the significant increase in the portfolio of properties managed by this service over a period of several years which has necessitated additional staff resources, which in turn has led to an increase in agency and consultancy staff. A new structure has been developed which will address the shortfalls in resources within the service and reduce the use of unbudgeted consultants and agency staff. Secondly, there is an overspend on Commercial Property of £2.7m which includes Covid related costs of £0.9m (lost rental income) and unbudgeted security and maintenance costs of £1.2m. Additionally, there is also an overspend of £120k on Education Properties resulting from security costs on vacant sites.

4.5.8 R&B Core Services

Revenue and Benefits are forecasting an overspend of £0.8m after reserves usage.

Revenues is currently reporting an overspend of £500k which is a £200k reduction on the previous month. The overspend relates to:

£350k staffing costs in Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax.

£150k forecast relating to cyberattack recovery, which is expected to commence in February 2022. This is a reduction of £200k on November's forecast as cyberattack recovery moves closer to the 2022/23 financial year. The Business Case is for a 6 month period, with costs approved up to £1m. The majority of costs are expected to be incurred in 2022/23.

Currently the service is forecasting £1m lost income in court costs as a result of Covid and the cyberattack, which has significantly reduced legal action across the service. The cost can be partially absorbed by underspends elsewhere and any additional loss will be offset by unspent Revenue Grants from previous years.

Benefits is currently reporting an overspend of £300k which is no change on the previous month. The overspend relates to a £300k forecast relating to cyberattack recovery and working on the backlog of claims.

There is an expectation that there will be additional demand for the service, which has been factored into the forecast and can be offset by Revenue Grants unapplied from previous years. The extent/ source of increase in demand will be refined within the finance forecasts as the backlog of claims are cleared.

4.5.9 R&B Customer Services

Customer Services have recently undergone a restructure to consolidate the Corporate and Housing Contact Centres, in order to increase frontline staff and reduce the need for agency staff. The restructure remains in the transition period and it has been agreed with the Head of Service that a forecast overspend of £200k is reasonable to cover any additional agency costs which continue to be incurred during the transition period

4.5.10 Housing Needs GF

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

Covid related costs for housing needs are currently estimated at £3.4m for 2021/22. This cost and its mitigations within the forecast are as follows.

- £2m relates to the ongoing support provided for rough sleepers, following the 'everyone in' programme which commenced as a result of the pandemic. Specific funding has now been identified for £0.8m (an addition of £0.5m from November's forecast and relates to COMF). Homelessness grants held in reserves from previous years will be used to cover the remaining costs if no further government funding is forthcoming. The programme as it stands is expected to run to the end of the financial year, at which point it is currently anticipated that more suitable, permanent accommodation will be secured.
- £850k relates to an expected increase in demand. Grant income received in 2021/22 that is in excess of the budgeted amount is expected to meet this cost.
- £760k relates to an anticipated reduction in rental income.

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

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

4.5.11 Registration Services

Registration Services is currently forecast to budget.

4.5.12 Facilities Management

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

4.5.13 Audit & Anti-Fraud

Audit & Anti-Fraud are forecasting an underspend of £328k due to staff vacancies. There is going to be a restructure in the next financial year.

4.5.14 ICT

Overall, the ICT Division is forecasting to overspend by £4,140k after a 183k reserve drawdown. This is a £210k adverse movement on November's forecast. ICT Corporate is currently forecasting an overspend of £3,679k after a drawdown from reserves and recharges identified for project work across the council. The £230k change on last month is mainly due to the predicted overspend of £200k on telephony due to the delayed migrations to O2 for mobile and Vonage for telephony/contact centre. Consequently, the costs of twin tracking are having an adverse effect on the budget. It has been advised that the contracts team need to discuss timeframes to progress the migration with suppliers as a matter of urgency. The remaining £30k represents a combination of small changes across the functions within ICT. The revenue forecast cost for cyberattack recovery in 2021/22 is currently £3,484k and remains the same as last month's forecast.

4.5.15 Financial Management Systems are forecasting to underspend by £17k

4.5.16 Hackney Education ICT is forecast to overspend by £483k which is a decrease of £2k month on month. Service heads met to go through the budgets and expenditure, it was advised that all the main recharges for SLA's have now gone through and the expected income from Traded Services is approximately £500k for the year, this is £498k less than the original income budget of £1.028m. Other planned spending continues to be reduced as these are unlikely to happen. The Strategic Director, Customer & Workspace is to meet with the Director of Education to discuss a way forward.

4.5.16 Procurement

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

4.5.17 Directorate Finance Team

The Directorate Finance Team is currently reporting a balanced budget.

4.5.18 Vacancy Rate and 2021/22 Savings

The vacancy target is £1.622m and it is forecast that £1.521m will be achieved. The underachievement of £0.101m is in Property and the directorate is looking at ways to deliver offsetting savings in other areas. All of the budgeted 2021-22 savings are forecast to be achieved.

4.6 CHIEF EXECUTIVE

4.6.1 The Chief Executive Directorate services are forecast to underspend by £73k after the use of reserves. This is an improvement of £276k from the November position. This improvement is due to a reduction in the staffing forecast across the directorate as managers hold vacancies and hold spending on non staffing budgets.

4.6.2 Covid-19

Engagement, Culture and Organisational Development are still being impacted by the effects of Covid-19 relating to income generation activity from running events. Hackney Council has taken a local decision to maintain restrictions such as social distancing at venues resulting in an increased number of cancellations and refunds.The service is currently estimating a loss of income in the region of £338k. The impact of the new variant (Omnicron) and subsequent restrictions has been factored into the forecast. The income levels are being closely monitored.

Libraries & Heritage have little prospect of meeting their income targets where fines are currently suspended and there are no room bookings and minimal sales etc. It is hoped that income collection will gradually pick up in the coming months but this will be a slow process and is being reviewed on a monthly basis, currently this is giving a £72k pressure/overspend within the service. The Library service continues to provide security staff on an ongoing basis, which has been reviewed and increased due to the increasing spread of the new omicron variant and the need to reinforce correct social distancing procedures within buildings, particularly if they are shared occupancy, which is resulting in an estimated £130k overspend across the service. This is an increase of £40k on the November forecast as security staff are required to be present during all the library opening hours and not just peak times.

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

4.6.3 Chief Executive Directorate services are forecast to underspend by £73k after the use of reserves. This is an improvement of £276k from the November position. This improvement is due to a reduction in the staffing forecast across the directorate as managers hold vacancies and hold spending on non staffing budgets.

4.6.4 Engagement, Culture and Organisational Development are forecasting an overspend of £195k after the use of reserves of £375k. This is an improvement of £91K from the November position. The ongoing impact of Covid-19 accounts for £338k loss of income mentioned above, which is partially offset by a combination of additional income from internal bookings and holding vacancies (£154k). The other significant overspend area is Hackney Today, where there is a £194k loss of income generated from advertising and publishing statutory notices due to the court ruling to limit the publications of Hackney Today/ Hackney Life being partially offset by reduction in agency and distribution costs. The remaining overspends are partially offset from the income generated by the design and film income teams.

4.6.5 **Libraries & Heritage** are forecasting a £90k overspend which is an adverse movement of £21k from the November forecast, all of which can be attributed to the lasting effects of Covid-19 as detailed above. There continues to be a prudent approach in the service area and although security forecasts have increased yet again in December with the need to provide two full time security officers in one library, controllable budget forecasts have been scrutinised and challenged to absorb as much of this increase as possible and try to help mitigate the overspend.

4.6.6 **Legal & Governance** services are forecasting an underspend of £180k after usage of reserves of £218k, an improvement of £162K since the November forecast. The service is forecasting a significant shortfall in external income targets from property, S106 income and capital recharges with activity reducing. This shortfall in income is being effectively managed through a combination of holding vacancies to reflect the reduction in activity and reducing external commissioned legal service, although an increase in case load could have an adverse impact on the current financial forecast. The approach to cost control adopted by the service has enabled it to mitigate the directorate overspend.

4.6.7 **Inclusive Economy and Corporate Policy** are currently forecasting an underspend of £81k, an improvement of £29k from the November position. The forecast underspend is due to a combination of vacant posts, employees not on top of spinal points, and employees opting out of the pension scheme

4.6.8 Within **Regeneration**, there is a £97k underspend currently forecast after reserves usage, an improvement of £15K on the November forecast. The majority of this underspend relates to savings within Private Sector Housing, which are offset somewhat by cost pressures in the Housing Strategy and Policy Team.

4.6.9 **Vacancy Rate Savings and 2021/22 Savings.** The vacancy target is £0.677m and it is forecast that this will be achieved. All of the budgeted savings are forecast to be achieved.

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

	Service	Team	Description	Indicative target
1	ECOD	Venues	Forecasting additional income from internal recharges for bookings combined with holding vacancies.	£118k
2	ECOD	Design Team	Forecasting above budgeted income. However, this mainly from internal recharge from across the council	£39k
3	ECOD	Film Location Management	Forecasting additional income from more filming in the borough. However, there is risk regarding sustainability as income levels fluctuates	£35k

4	ECOD	Hackney Today	Forecasting a reduction in agency and distribution cost as result of the court ruling	£28k
5	ECOD	Various	Forecasting a combination of holding vacancies and a net reduction in supplies and services (including transport cost).	£21k
6	Legal	Legal	Forecasting a combination of holding vacancies and reducing external commissioned legal service. However, an increase in case load would have an adverse impact on the current financial forecast.	£100k
7	Libraries and Heritage	Various	Forecasting a net reduction in supplies and services (including transport cost), but this is only sustainable as a short term one off commitment.	65K

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

It is important to emphasise that further cost reduction proposals will need to be identified as the current proposals reduce the overspend. However, they do not bring the forecast back in line with the budget.

4.7 HOUSING REVENUE ACCOUNT (HRA)

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

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

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

4.7.4 The reduction in Non-dwelling Rent income is due to a continued increase in voids due to the demolition of properties on regeneration estates and the delays in the re-letting of properties. The performance of voids and relets is being monitored however, the lack of IT system makes the process manual and takes longer.

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

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

4.7.9 On the Expenditure side:-

The Housing Repairs Account is forecast to overspend due to restrictions during the first quarter and the increased demand as restrictions are lifted. In addition, there is an increasing number of legal disrepair cases that will require work.

The Special Services variance of £462k is due to increase in lift servicing and repairs and a potential increase in utility costs.

The increase in Bad and Doubtful debt is as a result of the increase in arrears potentially being written off during the year.

To off-set the variances, the RCCO has been reduced to forecast a balanced budget. This capital resource is not required in the year due to a reduced capital programme.

4.8 CAPITAL

4.8.1 Summary

This is the third OFP Capital Programme monitoring report for the financial year 2021/22. The actual year to date capital expenditure for the nine months April 2021 to December 2021 is £68.9m and the forecast is currently **£165.8m, £5.9m** below the revised budget of **£171.8m.** This represents a forecast of 97% of the current revised budget position at December 2021. It also represents 70% of the budget of £236.4m, approved by Cabinet in February 2021 (Council's Budget Report). Covid-19 and the consequent additional financial pressures continue to have a major impact on the Capital Programme and have impacted the start times and the delivery of projects and programmes. An additional re-profiling exercise is imperative to align the capital programme with the anticipated progress of schemes. This third phase of re-profiling for 2021/22 has been completed and the February Cabinet will be asked to approve a total of £9.4m into future years. A summary of the forecast and phase 3 re-profiling by the directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary

Capital Programme Q3 2021-22	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance (Under/Over)	To Re-Profile 2021/22	Capital Adjustments	Updated Budget Position at Dec 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's (Non-Housing)	3,047	2,320	968	2,050	(270)	(41)	0	2,279
Adults, Health & Integration	39	0	0	(274)	(274)	0	0	0
Children & Education	15,858	15,230	4,180	11,180	(4,049)	(3,808)	0	11,422
Finance & Corporate Resources	15,292	12,124	3,937	11,937	(187)	(3,574)	0	8,550
Mixed Use Development	34,315	10,411	5,468	13,332	2,921	2,921	0	13,332
Neighbourhood & Housing (Non)	26,974	28,999	6,106	20,565	(8,434)	(8,682)	0	20,317
Total Non-Housing	**95,525**	**69,084**	**20,659**	**58,790**	**(10,294)**	**(13,184)**	**0**	**55,900**
AMP Housing Schemes HRA	64,175	39,463	16,076	43,281	3,817	3,817	0	43,281
Council Schemes GF	11,273	22,183	16,300	23,996	1,813	0	0	22,183
Private Sector Housing	2,122	1,580	399	1,200	(380)	0	0	1,580
Estate Regeneration	38,394	20,748	8,572	19,573	(1,175)	0	(12)	20,736
Housing Supply Programme	18,638	11,909	4,218	11,968	59	0	0	11,909
Woodberry Down Regeneration	6,263	6,782	2,713	7,005	223	0	0	6,782
Total Housing	**140,864**	**102,666**	**48,278**	**107,023**	**4,357**	**3,817**	**(12)**	**106,471**
Total Capital Budget	**236,389**	**171,750**	**68,936**	**165,814**	**(5,936)**	**(9,367)**	**(12)**	**162,371**

4.8.2 CHIEF EXECUTIVE'S (NON-HOUSING)

The current forecast is £2.05m, £0.27m below the revised budget of £2.32m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Employment, Skills & Adult Learning	0	13	1	13	(0)
Libraries and Archives	1,753	269	29	40	(229)
Area Regeneration	1,294	2,038	938	1,997	(41)
Total Non-Housing	**3,047**	**2,320**	**968**	**2,050**	**(270)**

(a) Libraries and Archives

The overall scheme is forecasting a £0.23m underspend against the respective in-year budget of £0.27m. As reported at quarter 2, the majority of the Libraries capital programme has been pushed back to 2022/23 to reflect the phasing of the works for the Stoke Newington library project and the slippage in the general planned maintenance and improvement budgets due to the desire to link the investment in our facilities to the developing Library Strategy. The team has retained a small contingency budget this year to cover any emergency work that may arise during the year.

(b) Area Regeneration

The overall scheme is forecasting minor underspend against the respective in-year budget of £2.04m. Below is a brief update on a few of the schemes:

Multi Use Games Area (MUGA) and Classroom Project at 80-80a Eastway

The Project was officially opened on 17th February

Trowbridge Refurbishment Project - This budget is now going to be utilised against the public realm improvements at this site as opposed to purchasing an additional artist studio pod. The variance has been reprofiled to 2022/23 to reflect the delay to the programme.

Ridley Road Improvements - Works have now started on site at Ridley Road and Ashwin Street and due to complete early 2022/23.

Plough Yard Fit Out - Works have accelerated causing the variance and should be completed this financial year. The expenditure this year includes fit out costs and ventilation works both to be undertaken by Plexal who will invoice the Council. Plexal is the affordable workspace provider for the Council. The space will see a range of services delivered in Shoreditch and Hoxton including discounted affordable workspace and free business support services for local entrepreneurs, freelancers, and small and medium-sized enterprises (SMEs). The remaining budget is to be kept as contingency.

4.8.3 CHILDREN AND EDUCATION

The current forecast is £11.2m, £4.1m below the revised budget of £15.2m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Children & Family Services	0	572	26	371	(201)
Education Asset Management Plan	3,484	2,262	1,567	2,193	(69)
Building Schools for the Future	0	310	190	302	(9)
Other Education & Children's Services	1,937	3,187	1,213	2,460	(727)
Primary School Programmes	6,548	4,344	719	2,406	(1,938)

Secondary School Programmes	3,889	4,555	465	3,449	(1,106)
TOTAL	**15,858**	**15,230**	**4,180**	**11,180**	**(4,049)**

(a) Education Asset Management Plan

The overall scheme is forecast to spend the in-year respective budget of £2.3m with a minor underspend. This is the Borough's cyclical and periodic yearly maintenance programme to the education asset which includes works such as upgrades to lighting, heating, boiler, fire safety and refurbishments to toilets and playgrounds. Below is a brief update on a few of the schemes:

Shoreditch Park School - The project is still being held currently as the team await clarification regarding the Section 77 decision.

Jubilee School - The work on the upgrade to the school's lighting and snagging completed in November 2021. The 'scope changes' increased the contract value whereby a two year delivery was completed in one year due to Covid-19. The interim valuation from the Contract is pending and other planned expenditure has been reflected in the increase in forecast compared to last quarter. Despite these changes, the estimated final account due in 2022/23 will be below the original budget value allocated for the two years.

Colvestone School - The ground floor corridor works is progressing and on target to spend the full in-year budget.

Sir Thomas Abney School - The results from the condition survey have highlighted the water tank as a Health and Safety item. Awaiting a second quote to complete this work in this financial year.

Berger School - The contract for the comfort cooling upgrade is at the procurement stage and on track to complete the majority of the works this financial year.

(b) Building Schools for the Future

The overall scheme is forecast to spend the in-year respective budget of £0.3m with a minor underspend.

Ickburgh School (on the site Formerly used by Cardinal Pole Upper School) - There are two capital projects at this site. The first phase is completed with no further spend in this financial year. The additional work at the site is planned for summer 2022. The remaining balance will be profiled to 2022/23 to support the next phase.

(c) Other Education & Children's Services

The overall scheme is forecasting £0.7m underspend against the in-year respective budget of £3.2m. The schemes relate to the expansion of Hackney's specialist resource provision (SRP) for pupils with Social, Emotional and Mental Health (SEMH) and Autistic Spectrum Disorder (ASD) needs funded by the SEN Special Provision capital grant fund. Below is a brief update on the schemes:

The Garden School - Construction project is due to complete February/March 22 but there will be other works to be undertaken in the next financial year including landscaping, some furniture and equipment. The underspend will be re-profiled to 2022/23 to support the anticipated work.

Gainsborough School - This scheme is at the defect period stage with retention due next year. The variance will be reprofiled to 2022/23.

(d) Primary School Programmes

The overall scheme is forecasting an underspend of £1.9m against the in-year respective budget of £4.3m. The main reason for this variance are: n:

Woodberry Down School - The start on site date for the children centre has been delayed slightly due to Berkeley Home digging up and re-laying the only access into the site. Berkeley's have advised that they will be completed by the end of February 2022 and we are now targeting a start on site date in March. Planned spend for 2021/22 will be on site setup and mobilisation costs. The underspend will be re-profiled to 2022/23 to recognise the change in the programme of works.

Daubeney, Colvestone, Gayhurst, Mandeville and Harrington Hill School - Delays in the procurement process means the remedial works to the facades to these schools will start next financial year. The expenditure this financial year will be consultancy fees which is

10% of the total budget. The underspend will be re-profiled to 2022/23 to support the anticipated work.

(e) Secondary School Programmes

The overall scheme is forecasting an underspend of £1.1m against the in-year respective budget of £4.6m. This is the upgrade and improvement to the lifecycle of the Education Estate based on statutory surveys which includes works such as upgrades to roofing, emergency lighting, heating, boiler, fire safety and CCTV upgrades. Below is a brief update on a few of the schemes:

Stoke Newington School Lifecycle - There were delays in starting the works to remove the asbestos. The contractor is on site now and the works are progressing.

The Urswick School Lifecycle - The modular building hire costs are lower than estimated causing the underspend. The remaining balance will be re-profiled to 2022/23 to support the continued work and to reflect the actual spend.

Fire Doors Replacement for Schools (Cardinal Pole, Our Ladys, Urswick, Ickburgh, The Garden, Stormont House and Thomas Fairchild) - Awaiting the costs to replace fire doors across these schools which is causing the variance. There will be minimal spend towards the end of the financial year with the majority of the spend to be more likely in the next financial year. The variance has been re-profiled to 2022/23 to recognise the delay in the programme.

Haggerston School Lifecycle Roofing and CCTV Upgrade - The tenders for the roofing works have been returned and the team are working on the detailed budget forecast. The CCTV works are delayed currently. The team will review the budget expenditure by quarter 4.

4.8.4 FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £25.3m, £2.7m over the revised budget of £22.5m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Property Services	11,022	7,371	1,543	4,230	(3,142)
ICT	3,518	3,861	2,271	7,050	3,188
Other Schemes	752	892	123	658	(234)
Total	**15,292**	**12,124**	**3,937**	**11,937**	**(187)**
Mixed Use Development	34,315	10,411	5,468	13,332	2,921
TOTAL	**49,607**	**22,535**	**9,404**	**25,270**	**2,734**

(a) Strategic Properties Services - Strategy & Projects

The overall scheme is forecasting an underspend of £3.1m against the in-year respective budget of £7.4m. Below is a brief update on the schemes:

The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project - All the spend to date is on the feasibility and project management costs. The tenders are being reviewed currently with the plan to appoint the Contractor by February/March 2022 and to complete works by 2023/24. The construction market faces a continued period of uncertainty therefore the variance has been reprofiled to 2022/23 to reflect the estimated construction start date.

Demolition at 39-43 Andrews Road - This budget is for the demolition of some old buildings on the site. The Project Manager is not expecting further spend on site but will confirm by the next quarter.

Refurbishment at 40-43 St Andrews Road - The plan is to refurbish and install a portacabin for the Council's SEND Department to use as office accommodation. The forecast is to spend most of the budget for the construction work this financial year and the remaining budget will be re-profiled to 2022/23.

Roof Renewal at 14 Andrews Road - There is no spend to date on this project due to the identified scope of the work being significantly higher than the current budget. This project is under review and will likely progress next financial year rather than the current year. The forecasted spend this financial year will be fees and surveys and the remaining budget will be reprofiled to 2022/23.

Stoke Newington Assembly Rooms - Three Single Tender Action (STA) has been submitted to replace the ceiling in the Assembly Hall. Work will commence by January/February 2022. The Project Manager is forecasting full spend of the in-year respective budget.

Remedial Fabric Works at Millfields Disinfecting Station - The Contract has been awarded and work is expected to commence in February 2022. The spend this financial year will be mainly on fees and survey costs.

Landlord Works to 80-80a East Way (The Old Baths) - Most of the spend to date have been on ground contamination work (related to old oil tanks). A review of the budget is being prepared to capture the additional funds needed to complete the project.

Landlord Works to 12-14 Englefield Road (East and Southeast Asian Community Centre) - Additional spend on fees, surveys, site clearance and asbestos removal up to the end of March. The remaining budget will be re-profiled to 2022/23.

Landlord Works to 37-39 Leswin Road (The Hackney Caribbean Elderly Organisation) - Refurbishment, ceiling and decoration work is still ongoing and the Project Manager is expecting a full spend this financial year but will confirm the full costs by quarter 4.

Landlord Works to 329 Queensbridge Centre (Marie Lloyd Day Centre) - The contract awarded is imminent. The site work will not commence until probably just before the end of the financial year. Most of the spend will be on fees, surveys and small amounts of work on site. The remaining budget will be re-profiled to 2022/23.

Landlord Works to 42-44 Brooksby's Walk (Chats Palace Arts Space and Theatre) - _The main spend this financial year will be fees and surveys. The remaining budget will be reprofiled to 2022/23. Discussion is in progress to determine what the site can be used for in the future.

(b) ICT Capital

The overall ICT scheme is forecasting an overspend of £3.2m against the revised in-year respective budget of £3.9m. Below is a brief update on a few schemes:

Cyberattack Recovery - The most significant variance in ICT relates to the cyberattack recovery and the acceleration of upgrades due to the loss of data as a result of the cyberattack. The main reason for the increase in forecast since last quarter is further costs coming through being identified as 'capital' costs together with other increasing project costs. Some of the overspend will be covered by underspends in projects across the overall scheme.

Financial Management System - The variance relates to capital developments expected, namely the DCS integration (Distribution Control System), this is for the invoice/scan solution, Civica upgrade, the new chip/pin machine and the PCI Compliance upgrade (Payment Card Industry).

(c) Mixed Use Developments

The overall scheme is forecasting an overspend of £2.9m against the in-year respective budget of £10.4m.

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

Nile Street - The school (New Regents College) is completed and occupied. As at December 2021, 91 of the 175 residential units have been sold.

Britannia Site - Phase 1a (new Leisure centre) - The Britannia Leisure Centre opened to the public in June 2021. Phase 1b (School) - City of London Academy Shoreditch Park opened in July 2021. The demolition of the old Britannia Leisure Centre was completed in November 2021. Final external works to both phase 1a and 1b were completed in December 2021 and the remainder of the site was handed over from Morgan Sindall back to the council. Phase 2a - delayed due to ongoing uncertainty regarding the S77 decision. Phase 2b (Private Residential) - Outline planning permission for this phase was granted in 2019. Reserved Matters for detailed planning permission for this phase was submitted and validated in November 2021 with an expected determination date of February/March 2022. The variance in the overall scheme for 2021/22 relates to development work on 2b and will be funded by the budget in 2022/23 and will not lead to an overall overspend on the scheme.

4.8.5 NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £20.6m, £8.4m under the revised budget of £29m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	13,566	13,133	805	5,624	(7,509)
Streetscene	11,856	13,960	2,976	13,264	(696)
Environmental Operations & Other	626	601	317	601	0
Public Realms TfL Funded Schemes	0	23	1,638	23	0
Parking & Market Schemes	358	100	0	50	(50)
Community Safety, Enforcement & Business Regulations	567	1,182	371	1,003	(179)
Total	**26,974**	**28,999**	**6,106**	**20,565**	**(8,434)**

(a) Leisure, Parks and Green Spaces

The overall scheme is forecasting an underspend of £8.4m against the in-year respective budget of £29m. Below is a brief update on the schemes:

Leisure - The main underspend relates to Kings Hall Leisure Centre and the essential maintenance budget for Leisure Centres. The feasibility and design for the refurbishment of Kings Hall will commence in April 2022, therefore, the variance has been re-profiled to 2022/23 to reflect the anticipated programme. The delay in the progress of the project is due to the need to consider the best procurement strategy for this complex project which would give the best value to the Council pulling together three strands of work, essential structural repairs, invasive investigative works to inform the repairs and refurbishment plans, and the design work to get the RIBA stage 3. The other area of underspend is on essential maintenance of Leisure Centres - this capital budget is to fund landlord responsibilities in respect of repairs to our Leisure Estate in the event we need to carry out essential repairs rapidly. Some expenditure will take place this financial year so under 10% of the budget is retained and reprofiled into 2023/24.

Parks and Green Spaces - The Contractor for Abney Park Refurbishment started on site in November 2021. The practical completion is currently expected November 2022. The Hackney Procurement Board has approved the award of the contract to the main contractor for Shoreditch Park Refurbishment. The contractor will be on site February/March 2022 to complete works by September 2022. In terms of the slippage on delivery across Parks and Green Spaces it has been significantly impacted by the pandemic in terms of capacity both within the service and with our contractors.

(b) Public Realms TfL Funded Schemes

The overall scheme is on target to spend the full budget. TfL funding confirmation was received in August 2021 and the current allocation is £3.857m. January Cabinet approved the CPRP bid to bring this budget formally into the capital programme and deliver the projects by the agreed TfL deadline.

(c) Community Safety, Enforcement & Business Regulations

The Enforcement database is in progress and aimed for completion this financial year. Shoreditch and Dalston CCTV upgrade is delayed and completion is now planned for 2022/23. The variance has been re-profiled to recognise this change.

4.8.6 HOUSING

The overall forecast in Housing is £107m, £4.4m above the revised budget of £102.7m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2021	Revised Budget Position at Dec 2021	Spend	Forecast	Variance
		£000	£000	£000	£000
AMP Housing Schemes HRA	64,175	39,463	16,076	43,281	3,817
Council Schemes GF	11,273	22,183	16,300	23,996	1,813
Private Sector Housing	2,122	1,580	399	1,200	(380)
Estate Regeneration	38,394	20,748	8,572	19,573	(1,175)
Housing Supply Programme	18,638	11,909	4,218	11,968	59
Woodberry Down Regeneration	6,263	6,782	2,713	7,005	223
Total Housing	**140,864**	**102,666**	**48,278**	**107,023**	**4,357**

(a) AMP Housing Schemes HRA

The overall scheme is forecasting an overspend of £3.8m against the in-year budget of £39.5m. The budget from 2022/23 has been re-profiled back to current year to cover the overspend caused by the acceleration of completed works after the initial delays from Covid-19.

Expectations are high for Bannister House to be completed in-year subject to snaggings and final accounts; certifications have quickened at Regent Estates and works have started at Fermain Court having previously been deferred to next year.

The Integrated Housing Management System has witnessed an increase of 25% in contract extensions as it implements a variety of initiatives in the wake of the Cyberattack.

(b) Council Schemes GF

The overall scheme is forecasting an overspend of £1.8m against the in-year budget of £22.2m. The main expenditure relates to Leaseholder Buybacks, including bulk purchases from Local Space (24 units) and London & Quadrant Housing Trust (15 units) alongside 15 individual buybacks. These purchases will be funded in part from RTB receipts.

There continues to also be significant spend on Regeneration voids which are to be used as Temporary Accommodation properties, alongside capital improvements to Housing Needs properties.

(c) Private Sector Housing Schemes

There is a £0.4m underspend forecast against budget. This is based on the activity levels to date and an estimate of new grants to be awarded within the final quarter.

(d) Estate Regeneration Programme (ERP)

The Estate Regeneration scheme (ERP) is forecasting an underspend of £1.2m against the in-year respective budget of £20.7m. Below is a brief update on the projects:

<u>Marian Court</u> - £1.9m forecast spend this year, with the majority relating to demolition and security. The construction contract is due to be signed shortly, with an estimated start on site date of spring 2022.

<u>Colville 2A & B</u> - Project handed over and final accounts agreed and paid. The Thames Water settlement has also now been agreed and will be paid imminently. No further spend expected on this project after this year.

Bridge House, St Leonard's Court - Projects handed over. Final accounts to be settled shortly where retention amounts will be released. Minimal future spend expected on both of these projects.

Colville Phase 4 and 5 - The forecast relates to the estimated buyback of 4 units this financial year, 1 less than the quarter 2 forecast which will now be spent in 2022/23.

Kings Crescent Phase 3 & 4 - Due to start on site in May 2022 with an award of contract expected this financial year.

Colville Phase 2C, Nightingale Block E - Both schemes are at the procurement stage with current estimated start on site dates of September 2022.

Tower Court - £6.7m spend this financial year. Construction is still progressing well. Some early units have already been handed over and Project Completion is due for June 2022.

Sheep Lane - Forecast relates to Sales & Marketing and Legal costs. 6 out of the 7 units have now been sold, with the final one likely to complete in quarter 4 of 2021/22.

Garage Conversion Affordable Workspace - Various scenarios are currently being worked through and the forecast relates to design and consultancy fees. No actual work to take place this financial year.

Mayor of Hackney's Housing Challenge - £3.6m is expected to be paid out to Housing Associations this year to help increase the supply of Affordable Housing in the borough. This will all be funded from surplus Right to Buy receipts.

(e) Housing Supply Programme

The Housing Supply Programme (HSP) is forecasting a spend of £12.0m, which is in line with budget. Below is a brief update on the projects:

Gooch House - Contract awarded and works have started on site. Works should be completed by April 2022.

Whiston Road - Final account now settled. No further spend expected.

Wimbourne Street and Buckland Street - Contract due to be signed imminently. A cost optimisation period will then take place in the first quarter of 2022 to identify savings before the build contract becomes unconditional.

Murray Grove - Bids received for the build contractor were significantly higher than expected. Options currently being investigated but start on site will be delayed.

Tradescant House and Woolridge Way - The Invitation to Tender (ITT) will be issued in March 2022 with works expected to start early 2023, assuming a successful procurement process.

De Beauvoir Phase 1 (Downham Road East, Downham Road West, Balmes Road, 81 Downham Road and Hereford Road - Planning expected to be approved this financial year. Procurement of a main contractor to follow with an ITT issue date of March 2022. Start on site currently estimated for Spring 2023.

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

Mandeville Street - Handover expected this financial year. There is a slight delay to previous expectations, owing to material supply issues and labour shortages.

Rose Lipman Project - Design and value engineering works ongoing. Site due to go to Planning this financial year. Leaseholder purchase was completed in quarter 3.

Daubeney Road - Site expected to handover by March 2022. There is an overspend forecast relating to delays (due to Covid-19), additional party wall works and design updates. It is anticipated that sales values will be higher than initially expected which should offset some of the increased spend.

Lincoln Court - Design works ongoing. Site is proving difficult from a financial viability perspective and options are being considered.

(f) Woodberry Down Regeneration

There is a forecast spend of £7m, which is in line with the current budget. The majority of the spend relates to Leaseholder Buybacks, with 15 estimated this financial year and 6 completed to date.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring report is primarily an update on the Council's financial position. There is not a realistic option to the LHC proposal.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of December 2021. Full Council agreed the 2021/22 budget on 24th February 2021.

6.2 **Equality Impact Assessment**

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 **Sustainability**

As above

6.4 **Consultations**

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Mayor, the Cabinet Member for Finance, Heads and Directors of Finance and Service Directors through liaison with Finance Heads, Directors and Teams.

6.5 **Risk Assessment**

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

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The Group Director, Finance and Corporate Resources' financial considerations are included throughout the report.

8. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

8.1 The Group Director, Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.

(ii) Determine the accounting records to be kept by the Council.

(iii) Ensure there is an appropriate framework of budgetary management and control.

(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 Under the Council's Constitution, although full Council sets the overall budget, it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council’s decisions. The Cabinet must take decisions in line with the Council’s overall policies and budget.

8.4 Paragraph 2.6.3 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget and report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.

8.5 Article 13.6 of the Constitution states that Key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Therefore, this Report is being submitted to Cabinet for approval.

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

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