Hackney

Title of Report	**2022/23 Overall Financial Position - May 2022**	
Key Decision No	FCR SO83	
For Consideration By	Cabinet	
Meeting Date	18 July 2022	
Cabinet Member	Cllr Chapman, Cabinet Member for Finance	
Classification	Open	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	26 July 2022	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the first Overall Financial Position (OFP) report for 2022/22. It shows that as at May 2022, the Council is forecast to have an overspend of £7.4m on the general fund.

1.2 As can be seen in Table 1 below, the overspend relates to various pressures including: - Adult Social Care (primarily Care Packages and Provided Services), Climate, Homes and Economy (primarily Planning income); Strategic Property (rental pressures stemming from Covid 19 and the cost of living crisis); and one off costs of the Cyberattack (backlog clearance, system investment and income pressures). The cyberattack costs were anticipated and provided for in the 2022/23 Budget and by reserves set aside.

1.3 The Council's Corporate Leadership Team will be taking measures to reduce this overspend (see section 2.8), and its potential impact on future years, and will report back on progress in your September OFP report.

1.4 Both residents and the Council will continue to face significant financial pressures as the inflation surge is showing no sign of abating. In sections 2.11 to 2.21 below, a description is given of what the Council is doing to assist residents to manage the impact of the cost of living crisis. We will include this analysis in all the OFPs this year.

1.5 Inflation will impact on various components of many of the Council's services but in particular on those with significant energy, fuel and contract costs. Particular examples that have already emerged include increased fuel costs in areas such as Environmental Operations and SEN transport and inflationary pressures coming through from care providers. We are also likely to see considerable pressure as a result of 2022/23 pay negotiations.

1.6 Finally, whilst accepting that services face considerable pressure as a result of inflation and increasing demand etc, it is clear that we must continue to take all steps to mitigate the current forecast overspend. Last year we managed to bring the overspend down from £7.3m in August to £4.6m in March and whilst I look forward to seeing a similar outcome as management actions are made I recognise that it is not straightforward and we must not be complacent that the previous performance will be repeated.

1.7 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 £12.9m after the application of reserves but before the application of the set asides and earmarked reserves as provided for in the budget. The application of these reduces the overspend to £7.4m.

2.2 It should be noted that we set the budget before we were hit by the cost of living crisis and the exceptionally high energy price increase. All councils are being affected by this. On 28th June, the cross-party Local Government Association (LGA) said local services that were seemingly secure just three months ago were now at risk of closure or cuts as councils scramble to manage an unforeseen £2.4bn rise in energy and pay costs. The LGA estimates that without adequate long-term funding – in effect a revisiting of the spending review settlement agreed last autumn – the collective increase in inflationary costs faced by English councils this year will be £2.4bn, growing to £3bn in 2023/24 and £3.6bn in 2024/25. It argues that these pressures, coming on the back of more than a decade of austerity cuts to local authority funding, pose a "serious risk to the future financial viability of some services and councils.

2.3 Despite these warnings from the LGA, it doesn't look like we will receive additional funding from central government to mitigate the impact of inflation. In an interview with LGC in the week beginning 28th June, Michael Gove told councils not to hold on to "false hope" of additional funding to help with inflationary pressures. Additionally, the chief secretary to the Treasury said that "Councils facing inflationary pressures will need to tighten their budgets .... "the reality is that it will be necessary to prioritise services."

2.4 In addition to the costs of inflation which were not budgeted for when the budget was formulated in January but are now included in the May forecast; non-inflation costs and demands have increased in various services, while some income streams have not recovered in line with expectations.

2.6 The main areas of overspend are: -

Childrens and Education (£0.844m) in the areas of Corporate Parenting (£0.143m), Access and Assessment (£0.201m), Looked After Children (£0.110m) and the Disabled Children's Service (£0.123m).

Adults, Health and Integration (£4.913m) primarily in the areas of Care Support Commissioning (£2.715m), Provided Services (£1.807m) and Mental Health (£0.682m). This is partially offset by underspends in Preventative Services (£0.429m).

Climate, Homes and Economy (£1.153m) primarily in the area of Planning (£0.896m).

F&CR (£1.763m) primarily in Strategic Property Services (£1.1m) which is driven by a forecast increase in bad debts due to Covid19 (as some businesses are still struggling) and more recently, the macro-economic environment affecting consumer demand on businesses (which may potentially affect their ability to pay rent). There is also a £500k overspend in Housing Needs resulting from an increase in the number of hostels, and the increase in the need for 24 hour security

Cyberattack - One off cost of £4,244, which has been fully provided for by set asides and reserves in the 2022-23 Budget and in the 2021-22 closing process. The expenditure is primarily on additional staffing to work on the backlog resulting from the Cyberattack, and there is also the cost of systems recovery work in ICT and foregone income in revenues.

SEND - The forecast is a £5.4m overspend. The overspend is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCPs). There remains uncertainty around the treatment of this deficit post 2022/23. The brought forward SEND deficit in 2022/23 is circa £14m, based on current forecasts this will increase to circa £18.6m by the end of this financial year. This remains a risk for Hackney in the event there is no further funding provided by the Department for Education to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme looks to provide assistance on deficit recovery actions rather than provide direct funding to address the deficit, hence the potential risk to the Council. It should be noted that this pressure is not included in the forecast because statute currently prevents us from funding it from the General Fund.

2.7 The forecast impact of the cyberattack and the inflationary pressures included in the report are estimates and we expect some revisions as we update the forecast during the year.

2.8 In order to address the overspend we will continue to undertake the measures we introduced in the Summer of 2021, which as Members will recall were successful. These include:

(a) Increased controls on non-essential spend (non-essential spend to be determined by Group Directors of their respective directorates)
(b) Increased controls on filling vacancies.
(c) Reduction in agency staff, for example, 20 per cent reduction on current levels.
(d) 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).

We will report back on the forecast impact of these measures at the next OFP. Furthermore additional one-off provisions were made as part of the budget setting process in relation to demand-led pressures and pressure on suppliers as a result of the NIC increase. At this stage these have not been applied in their entirety to the overspend position. Further consideration will be given to this as we get a better picture of the forecast as the year progresses.

2.9 The Council faces considerable challenges in implementing the nationally negotiated pay deal for 2022/23 which is likely to impact our financial position, both in the current year and going forward. As has previously been advised in the 2022/23 Budget Report, the current year's budget factors is an assumption of a 2 per cent pay increase. Unsurprisingly given the cost of living pressures and the recent history of NJC union pay claims of 10 per cent, pay claims for 2022/23 significantly exceed the budget assumption:

2.10 To illustrate the impact of pay claims, a one per cent increase on the pay bill for the Council represents a total cost of approximately £2.56m (GF £2.11m + HRA £450k). The impact is proportionately greater for Hackney than any other London borough who responded to a recent Society of London Treasurers survey (25 respondents), likely because of the high level of insourced services in the borough. Having said that, other boroughs are likely to experience proportionately greater cost pressures from their contracted spend.

2.11 Looking beyond 2022/23 it is highly likely that pay claims will continue to exceed what is affordable for the sector with Government Funding unlikely to increase anywhere near enough to meet such increases or indeed other ongoing demand pressures.

2.12 This report also includes a proposal to implement the Government's new NNDR (Business Rates) discretionary relief scheme - the Covid-19 Additional Relief Fund (CARF) scheme. The government scheme requires local authorities to provide an allowance against ratepayer 2021/22 NNDR liabilities, rather than pay as a grant to businesses. The Government scheme seeks to support the main categories of business that have not previously received any local authority COVID-19 financial support. It will operate under Section 47 of the Local Government Finance Act 1988.

2.13 Full details of the proposal are given at Section 9

2.14 The report is late because of the need to properly reflect various exceptional factors and new emerging external information including government announcements as well as the ongoing impact of Covid19, the Cyberattack and the current wider economic situation. We also needed to include the CARF proposal (this is fully discussed below) which was not agreed until after the publication deadline was passed

2.15 The financial position for services in May is shown in the table below

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		**£000**	**£000**
95,015	**Children and Education**	844	0
125,220	**Adults, Health and Integration**	4,913	0
28,044	**Climate, Homes and Economy**	1,153	0
26,137	**Finance & Corporate Resources**	1,763	0
14,638	**Chief Executive**	5	0
52,651	**General Finance Account**	0	0
	Sub Total	**8,678**	**0**
	One Off Cyber Costs	**4,244**	**0**
341,704	**GENERAL FUND TOTAL**	**12,922**	**0**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	12,922
LESS CYBER SET ASIDE	-2,500
LESS CYBER RESERVE	-2,000
LESS NATIONAL INSURANCE SET ASIDE	-1,000
NET OVERSPEND	**7,422**

2.16 It should be noted that we are forecasting full achievement of the 2022/23 budget savings and the vacancy savings, although CHE is looking at mitigating actions to offset the possible non-achievement of £165k vacancy rate savings in Community Safety, Enforcement and Business Regulation.

2.17 As well as the pressure the cost of living crisis puts on the Council's finances we are also aware of the impact it is having on our residents, particularly coming off the back of the pandemic and we have developed an approach and series of initiatives to assist residents to cope with the cost of living crisis. The Council's updated poverty framework which was adopted by the Council in March 2022 forms the basis of our response The framework has three priorities:

1. Prevention, early years and early help
2. Tackling low wages and cost of living
3. Responding to the material needs of poverty

2.18 The Poverty Reduction Framework identifies three specific areas of action to respond to the material needs of poverty and the cost of living crisis, that are built on making the best use of existing resources and ensuring any additional resources are directed as effectively as possible - these are emergency support, community partnerships and income maximisation.

2.19 In terms of emergency support, we are simplifying existing financial support provided to our residents, and improving reach and take up. This work includes a project team which will be testing and trialling:

- **A single point of entry,** where residents would only have to apply once to be considered for a range of financial support schemes.
- Use of our systems and data to **prompt proactive offers** of financial support, rather than waiting for residents to come to us. For example, targeting residents when they begin a Hackney Homes tenancy and need support with furniture costs; homelessness presentations; change in circumstances or significant benefits shortfalls
- **Reduction in evidence threshold** for applications to funds, or switch to using data we already hold rather than asking residents to resubmit
- **Simple multi-agency models** to provide holistic wrap-around support to residents receiving financial support, recognising that the request for financial support is an indication of wider need.

2.20 In addition, in April 2022, Government announced that Hackney would receive a further £2.8m Household Support Fund Grant which covers the period from April 2022 to September 2022. This grant is similar to what was the Covid Local Support Grant (previously Winter Grant), with similarly rigid restrictions on how the funding can be spent, which limits the potential. This time, the requirement is that the funding is spent 33% families with children (compared with 80%, then 50% previously), 33% pensioners (strictly those over the state pension age) and 33% is unrestricted. The Household Support Fund should primarily be used to support households in the most need with food, energy and water bills and the local response is:

- **Children and families 0-19:** Support primarily via vouchers for children on free school meals or those identified by local providers in the statutory and voluntary and community sector or Children's Centres (including the Orthodox Jewish community) and in local colleges - £65 will be awarded per child, £15 in May and £50 in summer.
- **Pensioners**: package of cash support for pensioners to help with food, fuel and essentials, designed with and working with a range of partners and also linked to the single point of entry outlined above.
- **Help with housing costs and bills for people at risk of homelessness or homeless**: in temporary accommodation, supported living or hotels - identified by Benefits and Housing Needs -support averages £244.

2.21 The Community Partnerships Network is a broad network of community organisations which was developed during the pandemic response as a way of building local systems of support which make the best use of available resources when responding to the needs of residents. By working together in partnership, the Community Partnership Network is better able to understand and respond to the needs of residents with material needs. We are now:

- Developing the Community Partnership Network to support community organisations to work in partnership to most effectively support residents
- Providing strategic and operational support to the local food response

From 2022/23, we are spending a greater share of the Community Grants budget, £1m out of a £2.5m budget in recognition of the impacts of the pandemic that have increased demand and we continue to work closely with advice providers to ensure that they are working preventatively to resolve issues for residents. We are also supporting residents who contact the Council to seek financial help (outlined above) to also maximise their income through benefits advice

2.22 We are also developing the support available for people to maximise their incomes through encouragement of wider benefits take up, as well as money management advice.

2.23 In terms of the financial support the Council is able to offer to residents through these processes £150,000 is set aside per annum through the Hackney Discretionary Crisis Support Scheme (HDCSS). In addition, we also support residents having temporary difficulty meeting housing costs through the discretionary housing payments (DHPs) and of course we have also rolled out the Government's scheme to support residents with rising fuel costs. Spend this year in these areas is as follows:

- DHP - £553k as at the end of June 2022;
- HDCSS - £33k as at the end of June 2022; and
- Standard £150 Council Tax Rebate paid to 41,628 households £6,242,700 and discretionary top-up £30 Council Tax rebate paid to 6,363 households £190,890 as at 27th June 2022.
- Discretionary Energy Rebate £193k

2.24 I propose to provide regular updates across these areas as part of the OFP report to Cabinet.

3. RECOMMENDATIONS

3.1 To approve the proposed Covid-19 Additional Relief Fund (CARF) scheme as set out in Section 9

3.2 To note the update on the overall financial position for May covering the General Fund and HRA

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to implement the Covid-19 Additional Relief Fund proposal (section 9).

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This budget monitoring report is primarily an update on the Council's financial position. With regards to the Covid-19 Additional Relief Fund proposal we have no alternative but to implement a scheme as this is required by regulation. It has been designed to assist businesses worst affected by Covid-19 and to fully meet the Government regulations covering the scheme.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of May 2022. Full Council agreed the 2022/23 budget on 2nd March 2022.

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, DEMOCRATIC AND ELECTORAL SERVICES

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 The recommendation set out in paragraph 3 of this report is for Cabinet to approve the Covid-19 Additional Relief Fund (CARF) scheme.

8.7 The government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion on 25 March 2021 . The fund is available to support those businesses affected by the pandemic, but are ineligible for existing support linked to business rates.

8.8 The Government has provided guidance, the 'COVID-19 Additional Relief Fund (CARF): Local Authority Guidance' which is published alongside individual local authority allocations. The document provides guidance to local authorities regarding the operation and delivery of the policy.

8.9 The government has advised that the relief will be granted under Section 47A of the Local Government Finance Act 1988. The use of Section 47 allows the government to implement the new relief without any new legislation having to be passed.

8.10 Notice of award will be issued to all recipients under Section 2(1) (a) of the National Non-Domestic Rating (Discretionary Relief) Regulations 1989, along with notification that this award will be for 2021/22 and therefore removed from 1/4/22.

8.11 The scheme affects all wards and as a result falls within the definition of a key decision pursuant to the Council's Constitution. Therefore, it falls within the remit of a Cabinet decision. Cabinet is able to approve the recommendation set out in this report.

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

9. PROPOSED COVID19 ADDITIONAL RELIEF FUND (CARF) SCHEME FOR BUSINESS RATES

9.1 This report outlines the Council's proposal for a new NNDR (Business Rates) discretionary relief scheme called the Covid-19 Additional Relief Fund (CARF) scheme. The government scheme requires local authorities to provide an allowance against ratepayer 2021/22 NNDR liabilities, rather than pay as a grant to businesses. The proposed scheme seeks to support the main categories of business that have not previously received any local authority COVID-19 financial support.

9.2 The amount of grant we will receive is £9.485m. Almost all will be fully allocated but a small balance will be kept in reserve to address any subsequent changes in liability in 2021/22 that would result in a change in the eligible allowance amount and for any new liabilities meeting the eligible criteria that are subsequently created or identified. If the balance is not fully utilised towards the end of the qualifying period (likely to be 30 September 2022), the Council will look to apply the balance as an additional relief to qualifying properties, based on a percentage of net 2021/22 NNDR liability.

9.3 In addition we will receive a new burdens grant but the allocation of this has not yet been determined.

9.4 The Government has advised that the CARF scheme will operate under Section 47 of the Local Government Finance Act 1988. This section allows the government to implement NNDR changes without having to raise new legislative provisions through Parliament. As Section 47 is technically a discretionary provision, local authorities are required to set up their own local schemes.

9.5 The government guidance states that local authorities have discretion to provide NNDR relief (not cash grants) to businesses in relation to the 2021/22 liability year. The only conditions being that a local authority must:

- not award relief to businesses that have received Extended Retail Discount (a NNDR discount covering Retail, Hospitality & Leisure) or which have received the Nursery Discount.

- not award relief to a property for a period it was unoccupied.

- direct support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to the impact.

- not award to properties where the council is the ratepayer

9.6 For the reasons given above, it is proposed to identify properties who have not received any relief from previous schemes, and with a business rates charge payable for 2021/22. These will be eligible for the new scheme allowance. It is further proposed that only businesses that remain in occupation of their properties at the end of 2021/22 (i.e. 31/3/22) are included within the scheme's eligibility criteria.

9.7 CARF will be awarded to all qualifying businesses that have been impacted by the Covid outbreak. The Business Rates Manager has carried out a detailed analysis of the current rating list and identified properties that will be liable for the relief. As per the regulations, any recipients of extended retail relief or nursery relief have been removed along with those premises which are unoccupied. The Hackney scheme will also not make payments for car parking spaces and advertising rights. The guidance also states that we cannot award a relief where the business rates account does not have a financial balance after the application of other reliefs / discounts. Properties receiving small business relief already receive a 100% discount and will therefore be excluded from this relief.

9.8 The **proposed scheme** is as follows:

- 100% to qualifying businesses with a rateable value between £1 and £15,000 (approx 1,246 assessments) with a relief value of c £3.3m

- 40% to qualifying businesses with a rateable value between £15,001 and £51,000 (approx 1,189 assessments) with a relief value of c £5.6m

- 10% to qualifying businesses with a rateable value over £51,000 (approx 175 assessments) with a relief value of c £802k

The administration of the relief will be addressed via the government's Business Rate Retention scheme within their NNDR3 Return. On Account Section 31 payments will be provided by the government to protect authorities' cashflow and New Burdens funding will be provided by the government to support the Council's costs in administering the scheme.

9.9 The final figure will be adjusted prior to awards being loaded using the latest data to maximise distribution of funds against the net 2021/22 NNDR liability of qualifying properties that meet the scheme's eligibility criteria. (i.e. after other mandatory and discretionary relief), without exceeding the government's funding allocation. A small balance will be kept in reserve to address any subsequent changes in liability in 2021/22 that would result in a change in the eligible allowance amount and for any new liabilities meeting the eligible criteria that are subsequently created or identified. If the balance is not fully utilised towards the end of the qualifying period (likely to be 30 September 2022), the Council will look to apply the balance as an additional relief to qualifying properties, based on a percentage of net 2021/22 NNDR liability.

9.10 It is assumed that all identified businesses will have in some way been adversely affected by the pandemic. The guidance makes it clear that local authorities can award the relief without an application process. To ensure businesses receive the relief as soon as possible it is therefore proposed to automatically award the relief to all eligible properties.The Council will at the same time write to each business requiring businesses to confirm if they have not been adversely affected by the pandemic and / or have exceeded the Subsidy Control limitation (see below for an explanation of this). This process will avoid the resource and time implications of trying to administer some 2,600 applications. Additionally, the proposed scheme enables an accurate assessment of relief to be granted, therefore ensuring that our potential funding allocation is fully utilised and not exceeded (any excess cost would need to be met by the local authority).

9.11 Alongside the automatic application the Council will run an application process so that businesses have an opportunity to make an application for CARF.

9.12 The Government guidance advises that Subsidy Control (formerly State Aid) will apply to this relief through the Small Amounts of Financial Assistance Allowance and the Covid-19 Additional Relief Fund Allowance, which in turn means that businesses can receive the CARF allowance providing the business has not received more than £2,243,000 in State Aid / Subsidy Control within the last 3 years. Further, a business that has exceeded this limit could still receive a further £10m if it meets specific Subsidy Control eligibility criteria under the Covid-19 Additional Relief Fund Further Allowance element of Subsidy Control. Businesses will be informed on these criteria and advised they must inform us should these levels be exceeded.

9.13 The inclusion of all three elements of Subsidy Control mean that it is very unlikely that many or any businesses will exceed the Subsidy Control limits. However, the guidance advises that we must ask businesses to notify local authorities if they are in breach of the Subsidy Control limitation, i.e. the Council does not need to seek a response from the business confirming Subsidy Control compliance , only if they are in breach of the limitations. This is important for an administrative point of view due to the number of businesses affected. Information on Subsidy Control will be included as a request in the above-mentioned letter to the businesses.

10. CHILDREN AND EDUCATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
95,015	Children and Education	844	0

10.1 **The Children and Families Services (CFS)** are forecasting a £0.844m overspend as at the end of May 2022 after the application of reserves totalling £4.7m and after the inclusion of the Social Care Grant allocation of £8.5m. As has been the practice since the grant was announced in 2019/20, the Social Care Grant allocation for both children's and adult social care has been split equally across both services. This financial year the Council has received a total of £17m this year, which represents a £4.3m increase on the previous year. Children's Services and Adult Social Care have each been allocated £8.5m respectively, and this has been fully factored into the current forecast.

10.2 There is a gross budget pressure in staffing across CFS of £3.0m, and this includes the £1.3m that was added into the budget in 2019/20 to create permanent posts linked to the Social Care Grant. Following the Ofsted inspection in November 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. In 2021/22, this additional £1.6m of staffing resource was funded from the corresponding increase in the Social Care Grant allocation. This resource continues to be factored into the forecast, 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. The expectation is that this will be completed in the current financial year.

10.3 The main areas of pressure for CFS continue to be on looked-after children (LAC) and leaving care (LC) placements costs. Corporate Parenting is forecast to overspend by £0.14m after the use of £2m commissioning reserves, largely driven by a change in the profile of placements linked to the complexity of care for children and young people coming into the service.

Similarly, Looked After Children & Leaving Care Services is expected to overspend by £0.12m after the use of £0.6m reserves, and this relates to an increase in commissioning costs and some staffing costs pressures linked to additional posts and agency staff usage. Recently, we have seen a reduction in residential placements down to 33 which is the lowest since December 2019. We are expecting a further 5 young people to step down from residential placements in the next six months.

10.4 Disabled Children's Services are forecast to overspend by £0.12m after the use of £0.5m reserves, and this is largely due to an increase in demand for placements in direct payments (including short breaks) due to higher usage amongst families to prevent placement breakdown.

10.5 The Access and Assessment and Multi Agency Safeguarding Hub have an overspend of £0.2m primarily related to increased staffing costs for maternity cover and agency premiums due to a significant proportion of Social Workers leaving the Council towards the end of the last financial year. The Workforce Development Board has a rolling Social Worker recruitment process which should address the agency premium costs, providing successful permanent appointment of candidates.

10.6 Directorate Management is forecasting an overspend of £0.1m due to additional in-house legal support to reduce external legal costs across the service. This approach is being piloted by the service to reduce the reliance on external legal support which is significantly more expensive.

10.7 **Hackney Education (HE)** is forecast to overspend by around £4.7m - this represents a total forecast overspend of £5.9m offset by mitigation underspends of £1.2m across the service. The main driver is a £5.4m forecast overspend in SEND. Other areas of overspend are within Education Operations for the Tomlinson Centre (£0.2m) and Children's Centre income collection (£0.3m), and both overspends are as a result of reduced usage for services post-pandemic. The overspend in SEND is a result of a significant increase in recent years of children and young people with Education Health and Care Plans (EHCPs), and this increase is expected to continue in 2022/23. SEND Transport has had corporate budget growth awarded to the service of £1.1m this year, however the service is still forecasting a £0.7m overspend. This is partly due to increased activity coupled with increased fuel prices. Given the volatility of fuel prices, this area will be monitored closely throughout the year.

10.8 **Savings for Children's Services** includes £200k for Clinical Services from increased contributions from NEL CCG towards health costs within the service; £100k from joint funding towards complex health and social care packages; and a review of early help services designed to reduce costs by £350k this year. All of these savings are on track to be delivered this financial year, and are factored into the forecast.

10.9 Savings for Hackney Education are £117k to be delivered from merging the HE reception with the HSC, and a review of traded teams. This saving is on track to be delivered this financial year.

10.10 **A vacancy rate savings** target of £1.754m has been set for the directorate in 2022-23 (£0.9m for Children and Families and £0.854m for Education) and the forecast assumes that this will be achieved. 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 through this monthly finance report.

10.11 Many of the **financial risks** to the service that were present in 2021-22 continue into 2022-23. One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. In Education, the trend data does illustrate that taxi fares within SEND transport are experiencing increased rates for journeys.

10.12 In respect of SEND, there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2022/23. The brought forward SEND deficit in 2022/23 is circa £14m, based on current forecasts this will increase to circa £18.6m by the end of this financial year. This remains a risk for Hackney in the event there is no further funding provided by the Department for Education to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions rather than provide direct funding to address the deficit, hence the potential risk to the Council.

10.13 Management Actions to reduce the overspend, in addition to budgeted savings, further cost reduction measures have been developed for 2022/23. For CFS, management actions of £1.5m have been identified. These include reductions in the number of residential placements (£1m); forensic review of the top 20 high cost placements (£0.3m); placement management business support review (£0.1m); and review of agency spend through tighter controls with the Head of Service and greater challenge through WfDB (£0.1m).

11. ADULT, HEALTH AND INTEGRATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		**£000**	**£000**
125,220	Adults, Health and Integration	4,913	0

11.1 **Adult Social Care** is forecasting an overspend of £4.9m after the application of reserves of £1.6m and the inclusion of the Social Care Grant allocation of £8.5m. This compares to a 2021/22 outturn position of £4.1m overspend. As has been the practice since the grant was announced in 2019/20, the Social Care Grant allocation for both children's and adult social care has been split equally across both services. The Council has received a total of £17m this year, which represents a £4.3m increase on the previous year. Children's Services and Adult Social Care have each been allocated £8.5m respectively, and this has been fully factored into the current forecast.

11.2 Care Support Commissioning is the main element of the overspend in Adult Social Care, with a £2.7m pressure. This service records the costs of care for service users with the overspend reflecting both inflationary pressures from providers of care and the increased complexity of care packages being commissioned. The forecast includes assumed NHS support of £1m towards ensuring efficient discharge of people from hospital and a total of £9.1m towards funding care costs for service users with learning disabilities.

11.3 Provided Services are forecast to overspend by £1.8m against a budget of £7.8m. The £1.8m overspend is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.2m offset by underspends on day services of £0.4m. This HwC forecast overspend of £2.2m reflects both the impact of £1m of savings from 2021-22 and 2022-23 not yet forecast to be realised within this service as well as high levels of staff sickness and the service engaging agency staff to cover these roles alongside additional capacity required to maintain the service. This service benefited in 2021-22 from a variety of grants which are not expected to continue into this year. The day service underspend of £0.4m includes £0.2m underspend on staffing related to Oswald Street day centre which continues with a limited number of service users as a result of upgrades required to the ventilation system.

11.4 Mental Health is forecast to overspend by £0.7m. There is a forecast overspend in the cost of care for mental health service users of £0.8m offset by an underspend against staffing budgets of £0.1m.

11.5 Preventative Services are underspending by £0.4m against a budget of £6.6m. This is primarily attributable to the interim bed facility at Leander Court (£0.3m) and Substance Misuse (£0.3m) linked to lower than expected demand for rehab placements. In addition the Carers' services reflect an underspend (£0.2m) due to a significant reduction in carers' assessment activity linked to the Covid-19 pandemic. These underspends offset the additional pressure of £0.4m of the Integrated Discharge Service which continues to operate with additional capacity to ensure discharge from Homerton hospital is maintained.

11.6 Care Management and Adult Divisional Support is forecast to overspend by £0.1m. The Integrated Learning Disabilities team has a forecast staffing overspend of £0.2m related to maintaining capacity due to staff absences.

This overspend is offset by underspends against other staffing teams in this service.

11.7 This directorate is coordinating the council response to the Homes for Ukraine scheme enabling Hackney residents to offer a home to people fleeing Ukraine. There is government support for the costs being incurred under this scheme and so no cost pressure of the scheme is currently forecast. This will continue to be carefully monitored.

11.8 **Public Health** is forecasting a breakeven position.

11.9 Cyberattack. There is a clear project plan to restore the social care system as well as an interim system that has been developed by ICT. In addition to the total overspend noted above, there is a one-off cost cyberattack cost of £0.2m reflecting the cost of additional staff to monitor and capture the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information remains inaccessible.

11.10 **Savings** for Adult Social Care are £1.45m 2022/23. The savings are related to efficiencies of housing-related support contracts (£650k); the promotion of direct payments (£50k); and increased care charging (£250k). All of these savings are on track to be delivered this financial year, and are factored into the forecast. Savings plans related to Housing with Care schemes (£500k) have not been developed sufficiently to deliver this amount in year. The savings against Housing with Care schemes is part of £1m of wider savings across 2021/22 and 2022/23. There will be part mitigation (£400k) by further efficiencies within housing related support contracts this year but this currently results in a real cost pressure this year of £600k. Contract negotiations are currently underway with commissioned providers, and the service is confident that further mitigations will be identified throughout the year.

11.11 Public Health has savings of £0.5m to deliver through a review of public health activities that deliver outcomes for the Council. This saving is on track to be delivered this financial year.

11.12 **A vacancy rate savings target** of £0.453m has been set for the directorate in 2022/23 and the forecast assumes that this will be achieved. Progress against the target is carefully monitored and tracked by the AH&I Senior Management Team and this will continue to be monitored closely and reported through this monthly finance report.

11.12 Reforms related to the cost of care and care-market sustainability present a significant financial **risk**. The risk relates to the impact of changes to the cap on care costs changing (both an annual cap and a lifetime cap) and the ability of more people becoming eligible to seek support for care costs from the council. The financial size of this risk is being evaluated. The council has been allocated £948k of funding towards market sustainability in 2022/23 - most of which will be passed onto providers of care and £116k to begin planning and preparations for charging reform.

11.13 Another risk for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years.

11.14 The current forecast includes only existing service users and does not include any potential costs arising from additional demand above estimated initial demographic growth assumptions. Year-on-year, the forecast increases by approximately 10% which represents an additional cost in the region of £5m and this is factored into the forecast as it materialises.

11.15 **Management Actions to reduce the overspend,** in addition to budgeted savings, further cost reduction measures have been developed for 2022/23. For Adult Social Care, management actions of £1m have been identified. These include continuation of the multi-disciplinary panel process (£0.25m); working with ELFT to manage the Mental Health overspend (£0.35m); double handed care package review (£0.2m); direct payment monitoring of accounts (£0.1m); and review of agency spend through tighter controls with Head of Service and greater challenge through the Workforce Development Board (£0.1m).

12.0 Climate Homes and Economy (CHE)

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		**£000**	**£000**
28,044	Climate, Homes and Economy	1,153	0

12.1 The directorate is forecasting an overspend of £1.153m, with the main areas of overspend being in Planning, Community Safety, Enforcement and Building Regulation, and Environmental Operations.

12.2 Planning Services are forecasting a £0.9m overspend, mainly relating to a continued level of income below the budget. The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fee income, which has seen a steady decline over the past three years. . The shortfall in planning application fee income is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 3 - 4 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.

12.3 Despite a 20% uplift in planning application fees four years ago, the income has consistently fluctuated between £1.5-£1.7m in the following 3 years and there was a further decline to £1.3m in 2021/22. The income target was reduced by £500K as part of the budget in 2022/23 but with a budgeted income target of £2.2m and a plateau in the housing market, this level of income is still not forecast to be achieved. The £2.2m includes the income target for minor applications which is also 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. Building control has a shortfall of income of £140k. In addition, income from s106 agreements. Included in this income is an allowance administration and so the administration allowance income has also been reduced by £100k.

12.4 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 which is being considered as part of the closing of accounts.

12.5 Community Safety, Enforcement and Business Regulation (CSEBR) is forecasting an overspend of £165k. This overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service. As vacancies arise, these need to be filled in order to maintain service standards. All the enforcement teams are fully staffed and there is maternity leave to cover. In addition, the service is retaining a post to cover COVID-19 related administration. The Head of Service is undertaking a budget review over the next month to identify opportunities to mitigate the overspend.

12.6 Environmental Operations is forecasting an overspend of £84k, this is due to cost pressures across the service in relation to staff and fuel costs. There are two major cost risks within the service which may impact the forecast throughout this year; these are the continuing delivery of the vacancy factor and the rising costs of fuels and utilities. The Head of Service is developing a number of proposals to improve the efficiency of service operations to deliver the vacancy factor saving without adversely impacting the service. There is a pressure on budgets due to the rising inflation of the cost of utilities and vehicle fuel, which significantly impacts this service as the Council's biggest user of vehicles. Commercial waste income streams are nearly at the pre pandemic levels to mitigate the impact of these cost increases. A detailed review of the budget lines will be undertaken over the coming month to quantify the risks and identify mitigations to reduce the overspend.

12.7 While Streetscene is forecasting revenue in line with budget, there is a significant risk that needs to be addressed. The recharge to capital is reliant on TfL funding, which has only been agreed until the end of June 2022 and is much less than prior years; this results in a £685k pressure on staffing which may not be covered by recharges to capital projects. The Head of Streetscene is keeping a watching brief on the TfL funding availability to ensure that the service can respond quickly to funding announcements and maximise the amount of money to fund schemes across the borough.

12.8 In addition to the total overspend noted above, there is a one-off shortfall of £185k in land charges income which is due to the continuing impact of the Cyberattack on the service.

12.9 The directorate is on target to achieve its **Savings** plans, including the vacancy factor of £2.9m. However, the staff saving in CSEBR has impacted the delivery of the ongoing vacancy factor savings by £165k. The Head of Service is reviewing budget lines to identify non-essential spend savings to mitigate the overspend.

12.10 The main **financial risks** are: inflation on vehicle fuel (£0.3m); decline in TFL funding impacting Streetscene (£685m); and delivery of vacancy savings in Environmental Operations (£500k).

12.11 There is also another inflation risk which may impact the Council's outturn position. The increasing costs of utilities is impacting the costs of running our Leisure Centres. GLL currently manages our Leisure Centres at nil management cost, indeed prior to the pandemic the Leisure Management Partnership delivered a small surplus which has been used to meet the Council's landlord responsibilities in respect of the buildings. The dramatic increase in utility costs, particularly gas, has resulted in a forecast overspend on utilities of £1.8m which would move the contract into deficit position and may require funding from the Council. The Head of Leisure and Green Spaces is working with GLL to identify options to mitigate the impact of this pressure on the Council's budget.

12.12 **Management Actions to reduce the overspend include** Heads of Services reviewing their overspends and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. These will be reflected in future forecasts.

13.0 F&CR

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
26,137	Finance & Corporate Resources	1,763	0

13.1 F&CR are currently forecasting an overspend of £1.763m after a reserve drawdown of £664k.

13.2 Property Services are currently forecasting an overall overspend of £1m which mainly relates to the underachievement of commercial income targets.

Commercial Property is forecasting an overspend of £0.96m which relates to the under-recovery of income. The Head of Service has highlighted a high risk of tenants negotiating more rent free periods and deferred rent as the market is still very fragile and believes the pressure here could increase further. The main assumptions for under recovery are due to Covid19 (as some businesses are still struggling) and more recently, the macro-economic environment affecting consumer demand on businesses (which may potentially affect their ability to pay rent).

Corporate Property and Asset Management (CPAM). The remainder of the overspend primarily relates to posts being over budget as they are filled by temporary staff. The service is currently working to reduce this by starting the recruitment process into their new structure by December.

Education Property is currently forecasting an underspend of £131k as a result of a reduction of the forecast payments to consultants.

13.3 Housing Needs is currently forecasting an overspend of £0.5m after a reserve drawdown of £0.5m. Pressures on security costs as a result of London Living Wage (LLW), an increase in the number of hostels, and the increase in the need for 24 hour security make up the £0.5m overspend. There are pressures within temporary accommodation net rental expenditure, however, at this point it is expected that this can be absorbed within the Homelessness Prevention Grant funding received for 2022/23. However, there are risks that it will become increasingly difficult to place residents in Inner London accommodation, resulting in out of London placements, which have a higher net expenditure which could impact this forecast. Additionally, it is expected that nightly paid accommodation costs will increase due to the current increase in the costs of living.

13.4 ICT is currently forecast to overspend by £0.3m, which is due to the ongoing costs of Amazon Web Services and an overspend in Hackney Education ICT.

13.5 The forecast of one-off Cyberattack costs is £3.830m. As noted above, we have provided for this through set asides and reserves in the 2022-23 Budget and in the 2021-22 closing process. The costs are across the following services::

Housing Benefits is currently forecasting an overspend of £1m as a result of the additional agency staff required to work on the backlog of work as part of Cyberattack recovery (initially 7,700 cases of under/ overpayment of benefits, reduced to 5,000).

There is a risk that there will be a deficit on the Net Cost of Benefits (NCOB) for 2022/23 resulting from the Cyberattack and Covid19 which produced a backlog of cases and delayed the recovery of overpayments. NCOB is the difference between what we pay out in Housing Benefits and what we receive back from the Government through subsidy. Because of the backlog there is a risk that we may lose housing benefit subsidy as we are likely to breach the subsidy error threshold (over a certain error level - the threshold - subsidy is reduced). This pressure is subject to ongoing review and could change significantly (up or down) as we get more up to date information throughout the year. The backlog has also prevented us from taking recovery action to recover overpayments, which has added to the NCOB deficit. Currently we estimate that there will be a deficit of £3m which we provided by means of a *provisio*n set up when we closed the 2021-22 Accounts.

Revenues are currently forecasting a cyberattack overspend of £1.8m. The overspend relates to the following:

- £1m off-site resources required to access and process the backlog of outstanding work across Council Tax and Non Domestic Rates using the Council's existing software systems Comino (document imaging) and Academy (revenues system) due to the Cyberattack and Covid..
- £0.3m relates to the ongoing need for additional staff in the Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax as a result of the Cyberattack.
- The remaining £0.5m relates to lost income in court costs as a result of the Cyberattack, which has significantly reduced legal action across the service. The expectation remains that legal action will not re-commence until the second half of the 2022/23 financial year.

ICT Corporate is currently reporting a forecast overspend of £600k for Cyberattack recovery projects

There are also smaller overspends inFinancial Management and Control due to the costs of a Project Accountant to assist with tracking and monitoring Cyberattack to the costs of a delay in the debt team realignment as a result of the Cyberattack;

13.6 The Directorate is budgeting to make £2.17m **Savings** in 2022-23. All of these are either achieved or are in progress. Full achievement is currently forecast.

13.7 The major **risk** relates to the net cost of benefit as noted above. We have created a £3m provision but this could increase during the year. Other Cyberattack and Covid19 costs are also estimates that could vary during the year.

13.8 **Management Actions** to reduce the overspend include an exercise by all senior managers to review their overspends and work towards a strategy to reduce them. Progress will be monitored and reviewed within the monthly monitoring meetings and the resulting strategy will be set out in this report once formulated.

14.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
14,638	Chief Executive	5	0

14.1 The Chief Executive's Directorate is forecasting an overspend of £5k following the use of £1.6m of reserves. This is broadly a breakeven position and there are no variances of significance across the service.

14.2 The directorate is on target to deliver the approved **Savings** including the vacancy factor.

14.3 The two **major risks** are: not achieving budgeted income from venues operations due to the impact of the cost of living crisis (target is £538k); and not achieving the external income target of £500k in legal services which is linked to the slowdown in the development activity across the borough reduced external legal income generated from capital recharges, property and S106 agreements. . In 2021-22 this income target was not achieved and this may continue throughout 2022/23.

14.4 **Management Actions** to reduce the overspend. Whilst the directorate is not forecasting an overspending position, the Directors will undertake a detailed budget review over the summer to identify opportunities to reduce reserved use and mitigate any potential income shortfalls that may arise as the year progresses.

15.0 HRA

15.1 The HRA is forecast to come in at budget despite a forecast overspend in net operating expenditure of £5.789m. The forecast overspend is being met by a reduction in Revenue Contributions to Capital Outlay (RCCO). We are able to use £5.789m of the £10.712m RCCO budget to mitigate the overspend because we are not delivering a full capital programme in 2022/23 due to the delay in the procurement of the Housing Maintenance main contracts. Without a full capital programme in 2022/23 the RCCO is not required and therefore can be released. However, the backlog of maintenance work will be required in future years and management action is needed to reduce the level of operating expenditure to enable investment in existing housing stock.

15.2 The key areas of the overspend are;

Housing reactive repairs - There is a forecast overspend of £2.3m, due to an increase in reactive repairs and an increase in legal disrepair cases. The increase in repairs is due to the impact of the pandemic on the repairs service and the need to deal with the backlog of repairs and also the capacity within the DLO to deal with the increase in demand. This repair backlog has also been impacted by the delay in the procurement of the main housing maintenance contractors.

Special Services - there is a forecast overspend of £1.6m which is due to an increase in utilities costs, estate cleaning and lift servicing and repairs, an increase in the use of Temporary Accommodation by Housing Management to carry out major repairs and and increase in the recharge to HRA for Temporary Accommodation staff.

Bad and doubtful debts - the provision for Bad and doubtful Debts is forecast to overspend by £500k due to increased commercial property and Housing rent arrears. The contribution for 2022/23 is forecast at £3.1m; this forecast can be reduced if we see a sustained improvement in rent collections rates as the year progresses.

Rents, Rates, Taxes and Other charges there is a forecast overspend of £298k which is due to an increase in Council tax and Business rates arising from void properties both domestic and commercial.

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