Title of Report	**2022/23 Overall Financial Position - July 2022**	
Key Decision No	FCR S086	
For Consideration By	Cabinet	
Meeting Date	12 September 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	20 September 2022	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the second Overall Financial Position (OFP) report for 2022/23. It shows that as at July 2022, the Council is forecast to have an overspend of £7.756m on the General Fund - an increase of £334k from the previous month

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); Children and Education (Corporate Parenting and Access and Assessment); F&CR (Strategic Property Services and Housing Needs); 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 is taking measures to reduce this overspend (see section 2.8), and its potential impact on future years, and will report back on progress in the OFP reports as these reductions are realised.

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 2.15 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 energy costs of running Council buildings, fuel costs in Environmental Operations and SEN transport and inflationary pressures coming through from care providers. We are also forecasting 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 implemented 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 £13.256m 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 £7.756m - an increase of £334k from the May forecast.

2.2 It should be noted that we set the budget before we were fully hit by the cost of living crisis and the exceptionally high energy price increase. All councils are being affected by this and having engaged with several neighbouring boroughs, it is clear that the level of pressures we are experiencing are not unique. 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 The effects of inflation on local government could be worse than the period of austerity after 2010, Paul Johnson, the Director of the Institute for Fiscal Studies has warned. He also stated that there was a risk of bringing back austerity “by the back door” if the Government did not increase public sector funding to compensate for rising costs. His comments came after analysis by the IFS found ministers would need to give councils an additional £1.2bn to protect the 3% increase in core spending power for this year that was promised in the 2021 spending review. Asked how bad the current financial pressures on councils were, he said: “The scale of the cuts – the actual cuts – in the early 2010s, I think will be much bigger than any real cuts that do happen over the next couple of years, but of course from a much tougher base. Bluntly, we know that the first few years of austerity were not very hard for local authorities, because they did have quite a lot of money. That's not the case now.” He added: “I think the effects could be worse, because even small changes when you're teetering are potentially bigger than big changes when you're fine.”

2.4 Despite these warnings from the LGA and IFS, it doesn’t look like, at this stage, 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.” Since this statement was made, inflationary pressures have worsened and there has been a Tory leadership election which may alter the Government’s outlook.

2.5 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 July 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 (£1.130m) in the areas of Corporate Parenting (£0.672m), Access and Assessment (£0.216m), Looked After Children (£0.127m) and the Disabled Children’s Service (£0.163m); partially offset by an underspend on clinical services (£199k).

Adults, Health and Integration (£5.122m) primarily in the areas of Care Support Commissioning (£2.774m), Provided Services (£1.776m) and Mental Health (£0.656m). This is partially offset by an underspend in Preventative Services (£0.258m).

Climate, Homes and Economy (£1.259m before) primarily in the area of Planning (£1.081m) and Community Safety, Enforcement & Business Regulation (£270k)

F&CR (£1.562m) in Strategic Property Services (£0.644m) 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, and a £651k overspend in ICT relating to staffing costs associated with increased demands on the service

Cyberattack - One off cost of £4.464m, 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 £13.9m, based on current forecasts this will increase to circa £18.4m 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.

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) with many services placing emphasis on areas such as supplies, services, and professional fees.

(b) Increased controls on filling vacancies. In Education, for example, requests to recruit are submitted via a business case and require joint agreement by the Heads of HR and Finance before the initiation of any recruitment process. Within CFS, the high number of agency staff within the division allows for continual review of the establishment. Budget review meetings for key areas experiencing financial pressures such as Children in Need, DCS and Corporate Parenting review staffing in detail on a regular basis with the Director, relevant Head of Service and finance

(c) Reduction in agency staff. In ASC, plans have been set in place for rolling recruitment in critical areas where agency staff are most utilised, with the recent ADASS MoU on agency rates setting a helpful mitigation to the cost of staff going forward. In addition, the Principal Social Worker is creating relationships with universities, and seeking to set out a pathway for bringing in manageable levels of newly qualified social workers to complement existing numbers of experienced staff. This is expected to reduce agency numbers and/or vacancies by 5 posts per year.

(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). Again, in ASCm working with HR colleagues, data is being provided on annual leave by agency staff, which is currently only determined from the absence of timesheets submitted. This information will be reviewed monthly by managers and more robust tracking of leave is expected from September 2022.

In F&CR, Management will hold posts vacant for a longer period in order to reduce the overspend. This is visible in the Property Services, Directorate Finance Teams and Audit reductions. It has also identified other non-essential spend savings in 7 services which total £145k

2.9 There is limited impact from these measures reported this month largely due to the fact that directorates had already carried over these measures from 2021/22 and had factored the impact into the May forecast. The Corporate Leadership Team will continue to consider further measures to reduce spend and report back in future OFPs. It is noted, for example, that specific measures have been identified in the high-spending areas of Adult's and Children's to bring down costs and the impacts will be factored into the forecast as and when then these materialise. 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.

2.10 The Council faces considerable challenges in implementing the nationally negotiated pay deal for 2022/23 which will 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:

2.11 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.

2.12 We have modelled the impact of the Employers recent pay offer and estimate it will cost £9m which is £5m to £6m over budget, which will be funded from the budget contingency and one-off reserves. Obviously if the award is higher then the deficit will be higher

2.13 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.

2.14 The report is late because of the need to properly reflect various exceptional factors and the current and future wider economic situation, as well as new emerging external information including government announcements and the ongoing impact of the Cyberattack.

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

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£k	£k
92,359	**Children and Education**	1,130	286
125,275	**Adults, Health and Integration**	5,122	209
27,382	**Climate, Homes & Economy**	1,259	106
20,813	**Finance & Corporate Resources**	1,562	(201)
14,755	**Chief Executive**	(281)	(286)
52,653	**General Finance Account**	0	0
	Sub Total	**8,792**	**114**
	One-Off Cyberattack Costs	**4,464**	**220**
333,237	**GENERAL FUND TOTAL**	**13,256**	**334**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	13,256
LESS CYBER SET ASIDE	-2,500
LESS CYBER RESERVE	-2,000
LESS NATIONAL INSURANCE SET ASIDE	-1,000
NET OVERSPEND	**7,756**

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 Cost of Living Crisis

As the Council feels the pressure of rising inflation so do our residents particularly coming off the back of the pandemic. Whilst the Government has introduced a very limited phased cost of living support package, nationally, there is no coherent policy relating to poverty or the cost living crisis.

2.18 Unless the new Prime Minister intervenes, the energy price cap will rise to £3,549 on 1 October. This gives a monthly average bill of £296 (compared with £164 currently and £106 last winter), although as energy usage in winter is higher for most households the £400 or £66 per month rebate between October 2022 and April 2023 announced by the government earlier this year will not go very far. Further, the change to quarterly price caps from 2023 onwards means that households face a further rise in January, making the winter even more expensive given that research from Cornwall Insight suggests energy prices will continue to rise, to a likely cap of in the region of £5,390 on 1 January 2023 and potentially to as much as £6,620 on 1 April 2023, before falling to £5,900 on 1 July and £5,890 on 1 October 2023. In addition to the very sharp increases in energy prices, food prices in shops rose by 5.1% in August, a big increase from 4.4% in July. Fresh food prices rose by 10.5%, the highest rate since September 2008, when the global financial system was under great strain. The increase from a rate of 8% in July more than offset a slight decline in non-food inflation of 3% in August from 2.9% a month before. The rise in shop prices adds to pressure on households created by much higher household energy bills this autumn and winter as well as high petrol prices. Those on the lowest incomes are expected to be hit hardest by inflation because a larger proportion of their budget goes on essentials including food and energy.

2.19 In order to help residents with the cost of living crisis we have developed an approach and series of initiatives to assist residents utilising the Council's updated poverty framework which was adopted by the Council in March 2022 forms the basis of our response. It should be noted that the actions we take are discretionary, although central government has awarded Councils funding through the Household Support Fund to distribute to residents, under strict conditions about spend.

2.20 The Poverty 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

2.21 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.

2.22 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.

2.23 In April 2022, the 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.

2.24 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

2.25 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.

2.26 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 - £616k as at the end of July 2022;
- HDCSS - £44k as at the end of July 2022; and
- Standard £150 Council Tax Rebate paid to 51,424 households £7,713,600 and discretionary top-up £30 Council Tax rebate paid to 7,737 households £232,260 as at 24th August 2022.
- Discretionary Energy Rebate £240k ((includes £232,260 top ups of £30 as above)

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

2.28 **Rent Cap Consultation**

A consultation was launched on Wednesday 31 August to invite views from social housing tenants and landlords on a proposed rent cap to understand how best to support households with the cost of living. Under the proposals, a cap on social housing rent increases would be put in place for the coming financial year, with options at 3%, 5% and 7% being considered.

2.29 The move would prevent rents for council (and housing association) houses from rising significantly. The government regulates how much social housing rents can increase each year. Currently this is set at up to the consumer price index (CPI) rate plus 1% – meaning potential increases next year of 11% in line with recent Bank of England forecasts. A 5% cap would save the tenants on average £300 a year compared to the above scenario, DLUHC said.

2.30 This consultation will last for six weeks from 31 August to 12 October.

2.31 The Council will of course, respond to the Consultation and we will also review the possible impact of the proposals on the Housing Revenue Account.

3. RECOMMENDATIONS

3.1 There are no specific recommendations arising from this report. Members are asked to note the update on the overall financial position for July covering the General Fund, Capital and the HRA

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

6.0 BACKGROUND

6.1 **Policy Context**

This report describes the Council's financial position as at the end of July 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 and Climate Change**

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

9. CHILDREN AND EDUCATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		**£000**	**£000**
92,359	Children and Education	1,130	286

9.1 **The Children and Families Services (CFS)** are forecasting a £1.1m overspend as at the end of July 2022 after the application of reserves totalling £4.6m and after the inclusion of the Social Care Grant allocation of £8.5m. The movement in the forecast this month was due increased costs for the young people's supported accommodation pathway contract. 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 grant was increased by a further £636m nationally and this has meant 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.

9.2 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1.6m. 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.

9.3 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 £0.67m 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 £0.13m 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 28 which is the lowest since December 2019. We are expecting a further reduction in young people stepping down from residential placements in the next six months.

9.4 The Disabled Children's Services are forecast to overspend by £0.16m 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.

9.5 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.

9.6 Hackney Education (HE) is forecast to overspend by around £4.5m. The underlying overspend across the service is £5.9m, and this is partially offset by mitigating underspends of £1.4m. The main driver is a £5.4m pressure in SEND as 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 pressure. 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. 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.

9.7 **Savings for Children's Services** Savings for Children's Services include £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. 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.

9.8 **Vacancy rate savings.** 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.

9.9 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.

9.10 **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 £13.9m, based on current forecasts this will increase to circa £18.4m 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.

9.11 **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 and these are factored into the forecast when delivered. 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). For Hackney Education, the focus of cost reduction measures this year will be through further development of in-borough SEND provision and reviewing SEND transport eligibility. 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 C&E SMT. It is essential that the service delivers against these plans.

9.12 **Non-Essential Spend**. To reduce non-essential spend, the service will continue with the previous measures to control spending introduced in the Summer of 2021 For Children's and Education, the measures in place and to be developed include:

- **Increased controls on non-essential spend (non-essential spend to be determined by Group Directors of their respective directorates).**

Opportunities to investigate and limit non-essential expenditure will continue this financial year. Monthly budget monitoring takes account of expenditure within areas such as supplies and services, indirect staff costs and professional fees with the aim of limiting the use of non-essential spend. The tracking of non-essential spend will be routinely shared with SLT's during the course of the year to review trends and ensure that all expenditure is necessary.

- **Increased controls on filling vacancies. Current processes to review the need for filling vacancies continue**. Requests to recruit within Education are submitted via a business case and require joint agreement by the Heads of HR and Finance before the initiation of any recruitment process. Within CFS, the high number of agency staff within the division allows for continual review of the establishment. Budget review meetings for key areas experiencing financial pressures such as Children in Need, DCS and Corporate Parenting review staffing in detail on a regular basis with the Director, relevant Head of Service and finance. In addition a wider review of CFS is expected to be completed this financial year.

- **Reduction in agency staff, for example, 20 per cent reduction on current level.** An overall target of £100k cost reductions within agency staff usage was achieved in 2021/22 and will continue this financial year. Options to incentivise agency workers moving to council employment with the potential for market supplements are being developed for consideration. The London Pledge, a shared agreement on agency workers within London, is also expected to have a favourable impact on the rates offered to workers and overall cost.

- **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).** Communications to managers who supervise agency staff will be reinforced and a tracking system put in place to ensure that agency staff are taking annual leave and are working a standard day. Working with HR colleagues, a system to monitor compliance with this requirement will be implemented during quarter 2 of this financial year.

10. ADULT, HEALTH AND INTEGRATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
125,275	Adults, Health and Integration (excl. Cyber)	5,122	209

10.1 Adult Social Care is forecasting an overspend of £5.122m before the cyberattack and £5,419m including the cyberattack costs. This is after the application of reserves of £2.2m 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. This financial year the grant was increased by a further £636m nationally and this has meant 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 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care, a £2.8m pressure. This service records the costs of long term care for service users, and the budget overspend reflects both the growth in client activity and increased complexity of care provision being commissioned. The forecast includes assumed NHS support of £1m towards ensuring efficient discharge of people from hospital and a total of £9.4m towards funding care costs for service users with learning disabilities.

10.3 **Provided services** forecast reflects an overspend of £1.8m which is made up primarily of an overspend within the Housing with Care (HwC) service of £2.3m offset by an underspend on day services of £0.5m. The HwC forecast overspend of £2.3m reflects both the impact of £1m of savings from 21-22 and 22-23 not yet forecast to be realised 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. The day service underspend of £0.5m relates to the Oswald Street day centre which continues with a limited number of service users as a result of ongoing maintenance work needed at the premises in Oswald Street.

10.4 **Mental health** is forecast to overspend by £0.7m with a budget overspend on Long term care services for mental health service users of £0.8m being offset by an underspend against staffing budgets of £0.1m. Adult services continue to work in collaboration with East London Foundation Trust to reduce this budget overspend as part of the agreed cost reduction measures.

10.5 **Preventative Services** reflects an adverse movement of £170k this month, due to increased charges in relation to the London Councils Taxicard scheme. The overall position reflects a budget underspend of £0.2m, which is primarily attributable to the following: workforce budget pressures of £0.3m primarily within the Integrated Discharge service, Taxicard Scheme budget overspend of £0.2m, offset by budget underspends across the Interim bed facility at Leander Court (£0.3m) and Substance Misuse (£0.3m) linked to lower then expected demand for these services.

10.6 **Care Management and Adult Divisional Support** is forecasting a budget overspend of £0.2m, which is primarily due to workforce pressures linked to maintaining staff capacity due to staff absences (maternity cover and sickness).

10.7 The 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.

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

10.9 Adult Social Care has **savings** of £1.45m to deliver in 2022/23. Savings 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.

10.10 Savings plans related to Housing with Care schemes (£500k) have not been developed sufficiently to deliver this amount in-year. The saving against the 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.

10.11 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.

10.12 **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 will continue to be monitored closely to ensure any risk to this target being achieved is reported through this monthly report including any mitigation measures.

10.13 **Risks.** Many of the financial risks to the service that were present in 2021-22 continue into 2022-23. 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. £0.3m is reflected in the forecast as the cost of additional staff to mitigate the impacts of this risk. In Adult Social Care, this 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.

10.14 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.

10.15 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.

10.16 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.

10.17 **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 and these are factored into the forecast when delivered. 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). 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. It is essential that the service delivers against these plans.

10.18 **Non-Essential Spend**. To reduce non-essential spend, the service will continue with the previous measures to control spending introduced in the Summer of 2021 For Adults, Health and Integration, the measures being explored at this stage include:

- **Increased controls on non-essential spend** (non-essential spend to be determined by Group Directors of their respective directorates). Controls were set in place during 2021/22 and remain. Monthly budget monitoring ensures that non-essential spend, primarily linked to training and office supplies, are monitored. Training budgets are planned to be brought into a single cost centre during 2022/23, which will ensure that there is no duplication of training across teams and a more equitable and consistent access to mandatory or essential training.

- **Increased controls on filling vacancies**. Controls were set in place during 2021/22 and remain. In addition, work completed on the establishment list has provided clarity on roles and vacancies, which provide assurance that only established posts going forward can be filled, except in exceptional circumstances as agreed by the director. This extends to those posts in ELFT, where a post number has to be provided prior to recruitment.

- **Reduction in agency staff**, for example, 20 per cent reduction on current level. Plans have been set in place for rolling recruitment in critical areas where agency staff are most utilised, with the recent ADASS MoU on agency rates setting a helpful mitigation to the cost of staff going forward. In addition, the Principal Social Worker is creating relationships with universities, and seeking to set out a pathway for bringing in manageable levels of newly qualified social workers to complement existing numbers of experienced staff. This is expected to reduce agency numbers and/or vacancies by 5 posts per year.

- **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). Working with HR colleagues, data is being provided on annual leave by agency staff, which is currently only determined from the absence of timesheets submitted. This information will be reviewed monthly by managers and more robust tracking of leave is expected from September 2022.

11.0 Climate Homes and Economy (CHE)

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
27,386	Climate, Homes and Economy excl. Cyber	1,259	106

11.1 The directorate is forecasting an overspend of £1.26m (excluding the Cyberattack); this is an increase of £106K since the May forecast. Within this position, there is a significant increase in the cost of fuel in Environmental Operations (£600k) following the award of the contract for vehicle fuel in July and reflects the prevailing market conditions in the cost of vehicle fuel with the cost of biofuel being linked to the cost of diesel. This overspend is offset by the allocation of part of the Energy Price increase provision included in the 2022-23 Budget. The total provision is £2.5m. Other areas of overspend for the directorate are unchanged from the May position, being in Planning, Community Safety, Enforcement and Building Regulation, and Environmental Operations.

11.2 **Planning Services** are forecasting a £1.1m overspend mainly relating to a continued level of income below the budget. Planning Application fees and Building Control fee income has seen a steady decline over the past three years. There is also a shortfall of £185K in land charges income which is due to the continuing impact of cyberattack on the services. 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. Included in this income is an allowance for administration of Section 106 agreements and due to the reduction in development activity the forecast income from this source has also been reduced by £100k. There has been an increase in Planning Performance Agreement income which is now meeting its budgeted income levels.

11.3 The income target for minor applications 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.

11.4 **Building control** has a shortfall of income of £140K which is due a slowing of development activity in the borough. The service is holding vacancies in response to the reduced activity and also to partially mitigate the forecast overspend.

11.5 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £270K. This overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service. There is an adverse movement of £105k from the May forecast due to staff on long term sickness. 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 ongoing COVID-19 related administration. The Head of Service is undertaking a budget review over the next month to identify opportunities to mitigate the overspend.

11.6 **Environmental Operations** is forecasting an overspend of £118k, an increase of £34k since the May forecast. The position on fuel costs within the service is noted above. There are two major cost risks within the service which may further adversely impact the forecast as the year progresses; these are the continuing delivery of the vacancy factor and the rising costs of fuels and utilities. The Corporate fixed priced bulk fuel contract which has been recently tendered has seen a steep increase in the unit price we pay for vehicle fuel. Environmental Operations is the biggest user in the council so will have the biggest impact, and as we have seen, at present this impact is estimated to be approximately £600k for the remainder of the year. With regards to the increasing service costs pressures 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 are also other potential pressures on budgets on the horizon with several supplier contracts for bag purchases, weed spraying, bins purchasing etc due for renewal and suppliers are currently trying to override existing prices due to their own costs increasing. 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 months to quantify the risks and identify mitigations to reduce the overspend.

11.7 While **Streetscene** is forecasting a £52k underspend in its budget, there is a significant risk that is emerging and may need to be addressed. Recharging the cost of transport engineers who work our highways and traffic schemes is reliant on TfL funding; funding has only been agreed up to the end of June 2022 and was much less than recent 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.

11.8 The directorate is on target to achieve its **savings plans** of £2.9m. However, the staff saving in Community Safety, Enforcement & Business Regulation (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.

11.9 **Risks**

The table below sets out the budget risks for 2022/23

	Amount £000
Inflation on vehicle fuel - further impact	300
Decline in TfL funding impacting capitalised salaries in Streetscene	685
Delivery of vacancy factor savings in Environmental Operations	500
Total Risk	**1,485**

11.10 There is a further inflation risk which may impact the forecast outturn, which relates to the cost inflation on utilities in our Leisure Centre's. Through a partnership with GLL we operate 7 sport and leisure centres on a zero management fee basis and, despite the impacts of the pandemic still continuing, the Contract returned to a small surplus in 2021/22. GLL was anticipating that this positive trajectory would continue in 2022/23. However, the financial forecast for the Contract has changed markedly over recent months with the significant escalation in utility prices and growing uncertainty over the future of the energy market. GLL are now predicting that the Contract is likely to fall into deficit in 2022/23 due to forecast increased utility costs of £1.9m - in line with the Contract's terms, the Council is liable for the risk relating to utility price increases. The Head of Leisure, Parks and Green Spaces, in partnership with GLL, are exploring options to try and mitigate utility price increases.

11.11 **Management Actions to reduce the overspend include** Heads of Services are currently 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.

12.0 F&CR

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
20,813	Finance & Corporate Resources (Excl. Cyber)	1,562	-201

12.1 F&CR are currently forecasting an overspend of £1,562m, excluding cyberattack costs.

12.2 Energy Forecast The increase in energy prices has had a significant impact on the council. The table below shows the effect on 3 services that have significant usage of electricity and gas. The £1.8m increase on last month will be funded from the £2.5m provision included in the 2022-23 budget.

Service Area	Gas		Electricity		Total
	Forecast	Change from Last Month	Forecast	Change from Last Month	Total Change
Strategic Property	270,507	184,329	617,563	390,237	574,566
Soft Facilities Management	273,065	167,065	1,162,471	614,371	781,436
Housing Needs	290,592	240,592	260,775	230,775	471,367
Total F&R	**834,164**	**591,986**	**2,040,808**	**1,235,383**	**1,827,369**

12.3 Financial Management and Control are currently reporting an overspend of £464k. This is an adverse movement of £60k on the May forecast, and is a result of recruitment to two trainee posts. The remaining £404k relates primarily to Cyber. £100k is the cost of a Project Accountant to assist with tracking and monitoring the Cyber spend as well as reviewing all business cases for additional spend on recovery. The remaining £250k relates to the delay in the debt team realignment as a result of Cyber.

12.4 Strategic Property**.** Property Services are currently forecasting an overall overspend of £644k, an improvement of £415k compared to last month. The service has decided to hold various posts vacant until January 2023 in order to reduce the overspend. The rise in energy prices had an impact of £575k but this has been offset by reserve usage.

(a) Commercial Property are forecasting an overspend of £735k which mainly 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.

(b) Corporate Property and Asset Management (CPAM) & Education Property. CPAM is forecasting an underspend of (£30k) and Education (£62k) mainly due to holding posts vacant until early next year.

12.5 Housing Benefits. Housing Benefits are 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 Cyber recovery (initially 7,700 cases of under/overpayment of benefits, reduced to 5,000). The agency forecast is currently £1.75m, of which £750k can be absorbed by the underspend on permanent staff due to vacancies.

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. There is also lower than usual cash recovery - the backlog has prevented us from taking recovery action to recover overpayments, which has added to the NCOB deficit. The risk is currently estimated to be £4m and if this materialises, it will be funded from historic grant balances.

12.6 **Revenues** are currently forecasting an 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 Cyber.
- £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 Cyber.
- The remaining £0.5m relates to lost income in court costs as a result of Cyber, which has significantly reduced legal action across the service. The expectation remains that legal action will not re-commence until, at earliest, the second half of the 2022/23 financial year.

12.7 Housing Needs are currently forecasting an overspend of £0.5m relating to security costs as a result of an increase in the number of hostels, and the increase in the need for 24 hour security. There is also an overspend on energy costs of £471k at LBH owned hostels, which is funded by the £2.5m budget provision.

12.8 There are pressures within temporary accommodation *net* rental expenditure, however, at this point it is expected that this can be absorbed within the additional £1.6m 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.

12.9 ICT are currently forecasting to overspend by £1.392m after a reserve drawdown of £185k. This is an adverse movement of £482k compared to last month due to changes in recruitment requirements. Some posts that were previously held vacant were recruited earlier than anticipated due to increased demands on the service. Some posts are being filled by agency/consultants which are costing more than budgeted.

12.10 ICT Corporate are currently reporting an overspend of £1.404m after a drawdown from reserves. The overspend is mainly due to £741k for Cyber projects and the ongoing Amazon Web Service (AWS) costs. Discussions are ongoing on how to reduce AWS costs, there are plans to decommission existing infrastructure to help with the cost.

12.11 Financial Management ICT Systems are currently reporting an underspend of £39k for 2022/23.

12.12 Hackney Education ICT are currently forecasting an overspend of £27k which is significantly less than 21/22 due to the service being wound down.

12.13 Directorate Finance Team are currently reporting an overspend of £17k. £80k of this relates to costs due to the delay in the restructure as a result of Cyber, however the majority of the overspend has been offset by vacant posts across the service.

12.14 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.

12.15 **Risks.** Potential financial risks within F&R, where the forecast may see increases in the coming months are :

- Cyber Work - ICT and Customer Services Recovery of Systems
- Net Cost of Benefits - Loss of subsidy from Local Authority (LA) error & increase in the Bad Debt Provision (BDP)
- Repairs and Maintenance Costs exceeding the budget
- Energy cost

12.16 Management Actions. Management will hold posts vacant for a longer period in order to reduce the overspend. This is visible in the Property Services, Directorate Finance Teams and Audit reductions. **Non-Essential spend** has been reviewed as part of the monitoring and the following areas have been reduced as follows:

Service Area	Decrease (£)
Financial Management & Control	2,760
Soft Facilities Management	14,770
Registration Services	11,319
HR	400
ICT	101,592
Directorate Finance Support	2,000
Procurement	12,506
Total Non Essential Spend Reduction	**145,347**

13.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
14,755	Chief Executive	-281	-286

13.1 The Chief Executive's Directorate is forecasting an underspend of £281K following the use of £1.6m of reserves - a reduction of £286k from net spending in May. This variance results from primarily, vacancies in Legal Governance and Election Services.

13.2 Libraries & Heritage are forecasting a £39k overspend which is caused by three main drivers- non delivery of income target (room bookings etc); NNDR which has increased over the years without any increase in budget to cover these additional costs; and security costs. The budgets are reviewed with the service on a monthly basis to try and mitigate areas that are overspending.

13.3 Legal, Governance and Election Services are forecasting an underspend of £268K which reflects a number of vacancies across the service. The service is achieving its vacancy factor and will be recruiting to vacant posts over the coming months. The forecast assumes that posts will be filled over the autumn and winter.

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

13.5 A summary of **risks** to the service going forward are:

- Not achieving budgeted income from our venues operations due to the impact of the cost of living crisis. Our income target is £538K
- Not achieving the external income target of £500K in legal services. Due to the slowdown in the development activity across the borough the income generated from capital recharges, property and S106 agreements fell in 2021/22 - this may continue through 2022/23. The service is holding vacancies at the moment to mitigate this risk,

13.6 **Management Actions.** 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.

14.0 HRA

14.1 The HRA is forecast to come in at budget despite a forecast overspend in net operating expenditure of £9.583m. The forecast overspend is being met by a reduction in Revenue Contributions to Capital Outlay (RCCO). We are able to use £9.583m 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.

14.2 The major variances are:

Income

- Under recovery of other charges for Services and Facilities of £177k, due to the cyberattack the invoicing of major works to leaseholders has been delayed and therefore the income expected from the major works admin fee has been reduced.

Expenditure

- Housing Repairs has a projected overspend of £2.8m, which is due to an increase in reactive repairs, material costs and an increase in legal disrepair cases.
- The Forecast overspend for Special Services, £4.9m, is mainly due to increasing energy prices. The cost of Gas and Electricity have been rising globally over the past year. Current forecasts estimate a 90% increase in cost arising from the new contract prices resulting in a significant overspend. There are also overspends in estate cleaning and lift servicing and repairs.

- The Supervision and Management of £891k overspend is due to 24hr security costs at a high rise building and the use of Temporary Accommodation by Housing Management.
- Rents, Rates Taxes and Other charges variances due to an increase in Council tax and Business rates.
- Provision for Bad and doubtful Debts is forecast to overspend by £500k, due to increased commercial property and Housing rent arrears following a slow recovery from the pandemic.
- RCCO has been reduced to offset the variances within the revenue account due to a reduced capital programme.

15. CAPITAL

15.1 This is the first OFP Capital Programme monitoring report for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to July 2022 is £7.5m and the forecast is currently £179.7m, £81.3m below the revised budget of £261m. This represents a forecast of 74% of the approved budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report) and is relative to the previous year's outturn of £154.2m. Each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and monitoring reflect the anticipated progress of schemes. The September Cabinet will be asked to approve a total of £83.2m into future years together with details of the requested transfer of carry forward budget (slippage) from 2021/22 into the 2022/23 capital programme. A summary of the forecast and phase 1 re-profiling by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Capital Programme 2022/23	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance (Under/Over)	New Bids	Capital Adjustments	To Re-Profile 2022/23	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	4,218	56	1,008	(3,210)	0	0	(3,210)	1,008
Adults, Health & Integration	30	30	0	0	(30)	0	0	0	30
Children & Education	14,862	17,520	241	17,695	175	(384)	0	1,929	19,065
Finance & Corporate Resources	28,668	31,326	953	20,279	(11,047)	65	(10)	(11,037)	20,344
Mixed Use Development	32,382	32,539	(1,137)	11,893	(20,646)	0	0	(20,645)	11,894
Climate, Homes & Economy	40,318	45,031	2,271	33,820	(11,211)	70	(21)	(11,076)	34,004
Total Non-Housing	**120,297**	**130,663**	**2,384**	**84,695**	**(45,968)**	**(249)**	**(31)**	**(44,039)**	**86,344**
AMP Housing Schemes HRA	43,886	46,122	4,162	41,409	(4,713)	0	0	(4,713)	41,409
Council Schemes GF	6,999	3,448	196	4,426	978	0	0	978	4,426
Private Sector Housing	2,164	2,164	200	1,210	(954)	0	(87)	(867)	1,210
Estate Regeneration	30,003	32,970	(279)	12,203	(20,767)	0	(56)	(20,711)	12,203
Housing Supply Programme	33,406	35,812	388	23,353	(12,459)	0	0	(12,459)	23,353

Woodberry Down Regeneration	7,595	9,816	467	12,382	2,566	0	0	(1,434)	8,382
Total Housing	**124,052**	**130,333**	**5,135**	**94,982**	**(35,351)**	**0**	**(143)**	**(39,208)**	**90,982**
Total Capital Budget	**244,349**	**260,997**	**7,520**	**179,677**	**(81,320)**	**(249)**	**(175)**	**(83,247)**	**177,326**

CHIEF EXECUTIVE

The current forecast for the overall Chief Executive's is £1m, £3.2m below the revised budget of £4.2m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2021	Budget Position at July 2022	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Libraries and Archives	4,035	4,218	56	1,008	(3,210)
Total Non-Housing	**4,035**	**4,218**	**56**	**1,008**	**(3,210)**

Libraries and Archives

The overall forecast for the overall Libraries and Archives is £1m, £3.2m below the respective in-year budget of £4.2m. The main project which is causing the variance relates to the budget set aside for the refurbishments to Stoke Newington Library. The spend for this year will be for the initial surveys and development plans with further decisions made later on in the year. Therefore the budget will be re-profiled to reflect the likely timeframe of the project.

ADULTS, HEALTH AND INTEGRATION

The overall forecast for Adults, Health and Integration in this Quarter is no spend against the respective in-year budget of £30k. The variance relates to the resource set aside for Median Road which has been put on hold with plans to review in future years. The remaining budget will be reviewed at the next quarter, once the project manager is back from planned leave, and if not required will be offered up as savings.

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Adults, Health and Integration	30	30	0	0	(30)
TOTAL	**30**	**30**	**0**	**0**	**(30)**

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £17.7m, £1.1m above the revised budget of £16.6m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Children & Family Services	0	477	33	477	0
Education Asset Management Plan	4,095	3,395	211	3,076	(318)
Building Schools for the Future	38	91	23	83	(7)
Other Education & Children's Services	1,328	1,993	(150)	1,180	(813)
Primary School Programmes	6,368	6,661	803	9,767	3,105
Secondary School Programmes	3,033	3,933	(680)	3,112	(821)
TOTAL	**14,862**	**16,550**	**241**	**17,695**	**1,145**

Children & Family Services

The forecast for the overall Children and Family Services is in-line with the in-year respective budget of £477k. Below is a brief update on these projects:

Carer Loft Conversion - The forecast is in line with the in-year respective budget of £132k. This project is for three loft conversions to our in-house foster carer homes with the aim to enable foster carers to offer increased capacity for ongoing placements to young people. One of the three loft conversions has been completed, the second one is progressing well and third not going ahead but these funds will be used to cover additional costs on existing projects.

Shoreditch Play Adventure - The forecast is in line with the in-year respective budget of £345k. The project is in the initial stages. The design of the play hut has been finalised and paperwork is now complete for the Planning Application to be submitted as part of the Shoreditch Park planning application. Once we have planning approval we will be able to proceed with the procurement process for construction works.

Education Asset Management Plan

The forecast for the overall Education Asset Management Plan is largely in line with the in-year respective budget of £3.4m 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:

Queensbridge Primary School - The forecast is £127k, £83k above the in-year respective budget of £44k. The project is progressing according to the programme with no issues with work commencing in the first quarter. The variance will be covered by identified underspends across the overall programme.

Oldhill Primary School - The forecast is £48k, £282k below the in-year respective budget of £330k. A review of the scheme by the project team has led to the decision to vire the majority of the budget to contingency as the cost was significantly less than originally thought. The contingency budget will be allocated to support the overall programme and will support the capitalisation of project manager direct costs, emergency and health and safety schemes across the programme in the year.

Randal Cremer Primary School - The forecast is £35k, £5k below the in-year respective budget of £40k and the work will take place in the summer of 2022. The reason for the forecasted underspend is because the contract was awarded to the contractor who returned lower than the value of the bid approved. The variance will be used to cover identified overspends in the overall programme.

Fernbank and Betty Layward Primary School - The forecast is nil spend against the in-year respective budget of £330k. The works to Fernbank were cancelled due to a further review which showed that only minor repair works were required The underspend in both schemes will be used to fund a new project in the programme.

Other Education & Children's Services

The forecast for the overall Other Education and Children's Services is £1.2m, £0.8m below the in-year respective budget of £2m. The schemes relate to the expansion of Hackney's specialist resource provision (SRP) for pupils with Social, Emotional and Mental Health (SEMH) and Autisic Spectrum Disorder (ASD) needs funded by the SEN Special Provision capital grant fund. Below is a brief update on the schemes:

Education SEND Strategy - The forecast is £141k, £259k below the in-year respective budget of £400k. The tenders came back a lot cheaper than the approved budget, hence the underspend. The plan would be to use the balance for further surveys where appropriate. The RIBA Stage 1 is back for Simon Marks and Nightingale Schools and a meeting is scheduled with Sebright in the summer. Simon Marks School and Nightingale School have approval from Cabinet to go forward. Stage 2 feasibility report has indicated that work is likely to start in March 2023. As a result, the budget has been re-profiled to 2023/24 in line with the programme.

Petchey Academy School - The forecast is £12k, £112k below the in-year respective budget of £124k. This project is currently on hold. The decision to suspend the scheme was made by the Education senior management team. This decision was based on School management issues and capacity. The budget has been re-profiled to 2023/24.

Primary School Programmes

The forecast for the overall Primary School Programme is £9.8m, £3.1m above the in-year respective budget of £6.7m. The main programme relates to the rolling health and safety remedial works to Facades of 23 London School Board (LSB) schools that began in 2017. Below is a brief update on the schemes:

Woodberry Down Children Centre - Relocation - The forecast is £4.9m, £4m above the in-year respective budget of £0.9m. The team are expecting ’extension of time’ from the contractor and a ‘start on site’ by the summer of 2022. There is price inflation due to the delay caused by initial blockage of the access road by Berkeley Homes. The budget from 2023/24 and 2024/25 has been re-profiled back to current year to cover this overspend.

Colvestone (Facades Work) - The forecast is £384k, £316k below the in-year respective budget of £700k. The school hall is still out of bounds. Two senior school staff members will be departing by the summer so this may affect the start of the scheme. The financial impact will be reviewed by the team.

De Beauvoir (Facades Work) - The forecast is £184k, £324k below the in-year respective budget of £509k. The project is approaching completion. The underspend is due to contract value being less than the approved budget.

Gayhurst (Facades Work) - The forecast is £278k, £128k above the in-year respective budget of £150k. The overspend is due to the emergency works to the roofing. The overspend will be funded by identified underspends across the programme.

Hoxton Gardens (Facade Work) - The forecast is £78k, £321k below the in-year respective budget of £400k. The project is approaching completion. The underspend is due to contract value being less than the approved budget. This underspend will fund identified overspends across the programme.

Mandeville (Facades Work) - The forecast is £742k, £404k above the in-year respective budget of £338k. The contracts are signed. There is an issue with the structural failure of the stonework, hence the overspend. The budget from 2023/24 has been re-profiled back to current year to cover this overspend.

Millfields (Facades Work) - The forecast is £45k, above the nil in-year budget. The contractors are on site. This overspend will be funded by other identified underspends across the programme.

Orchard, Queensbridge, Randal Cremer, Sebright, Southwold, Oldhill, William Pattern Façade - The forecast is to spend the in-year respective budget of £1.8m. The contracts are signed. There is an issue with the structural failure of stonework therefore a variation will be requested with the Procurement Team's input.

Woodberry Down (Facades Work) - The forecast is nil spend against the in-year respective budget of £549k. The scheme will not go ahead after a review by the current Project Manager showed that it was not required. This underspend will fund other identified overspends across the programme.

Secondary School Programmes

The forecast for the overall Secondary School Programmes is £3.1m, £0.8m below the in-year respective budget of £3.9m. 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:

Clapton Girls, Cardinal Pole, Our Lady's, Ickburgh School, The Garden, Stormont House and Thomas Fairchild School (Lifecycle works) - The forecast is £0.2m, £0.7m below the in-year respective budget of £0.9m. The contract award has been signed off. The Contractor has been appointed. The work will take place over the summer. After the review, it was decided that the lighting upgrade and redecorations will be part of reactive works, hence the underspend. The variance will be used to fund the works at Stoke Newington School.

Stoke Newington School Lifecycle - The forecast is £0.9m, £0.6m above the in-year respective budget of £0.4m. The roof replacement costs have increased due to the impact of increase in material costs. This overspend will be funded by the identified underspends across the overall programme.

The Urswick School (Expansion Work) - The forecast is £23k, £430k below the in-year respective budget of £453k. The annual cost of the modular building hire is less than the overall forecasted cost of the extension. The decision to go ahead with the hire has led to an underspend. Work will continue at this site in 2023/24 therefore the underspend has been reprofiled to future years.

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £32.2m, £31.7m below the in-year respective budget of £63.9m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Property Services	23,772	25,505	444	14,499	(11,007)
ICT	4,243	4,143	435	4,143	0
Other Schemes	654	1,678	74	1,638	(40)
Total	**28,668**	**31,326**	**953**	**20,279**	**(11,047)**
Mixed Use Development	32,382	32,539	(1,137)	11,893	(20,646)
TOTAL	**61,051**	**63,865**	**(184)**	**32,172**	**(31,693)**

Strategic Properties Services - Strategy & Projects

The forecast for the overall Strategic Properties Services is £15m, £11m below the in-year respective budget of £26m. Below is a brief update on the schemes:

Annex (Staff Moves) and Decant to Maurice Bishop House and Christopher Addison House - The forecast is in-line with the in-year respective budget of £493k. This budget will be used to assist in the clearance of the items that were moved to Robert House from the Annex. It will also cover the potential costs for digital archiving as well as furniture and office adaptations.

Hackney Education and Hackney Service Centre (Infrastructure, Restack, Flooring & Lighting Upgrade) - The forecast is £334k, £98k below the in-year respective budget of £432k. The Project Manager is currently reviewing the programme and prioritising existing projects. The ultimate goal is to vacate Maurice Bishop House, Christopher Addison House and finish off the clearance from the Annex. The aim is to have the three main campus buildings: Town Hall, Hackney Service Centre and 1 Reading Lane.

Hackney Town Hall Essential Works - The forecast is £0.6m, £2m below the in-year respective budget of £2.6m. The programme of works and anticipated spend include CCTV, replacement of air conditioning, electrical works, dividing doors, surveyors and other consultant fees. The remaining budget has been reprofiled to 2023/24 to reflect the actual spend for the works identified.

40-43 St Andrews Road (The Council's SEND Transport Depot) - The forecast is to spend the in-year respective budget of £133k. Another £50k has been earmarked for the final package of works.

14 Andrews Rd (The Council's Vehicles Maintenance Workshop) - The forecast is £357k, £357k below the in-year respective budget of £714k. The design stage will be completed within the next two months and then the tender process will start. The spend this year will be mainly fees. The actual work will commence in January 2023 therefore the remaining budget has been re-profiled to 2023/24.

Stoke Newington Assembly Hall - The forecast is £1.7m, £0.9m below the in-year respective budget of £2.6m. The phase 1 of the project is replacing the ceiling of the Assembly Hall which will take place this financial year. The tender documents will be sent out within the next couple of weeks. The remaining works are due in 2023/24 therefore the budget has been re-profiled.

Corporate Property Annual Surveys, Core Campus Life Cycle Costing, CAFM System and CPAM Database - The forecast is in-line with the in-year respective budget of £434k. A number of surveys have been ordered through CIPFA as part of the Capital Planning exercise currently being undertaken. The long term plans for Christopher Addison House are being worked on by the Council's Property Commercial Team. Due to staff resources the project on the database is delayed. The team plans to review all the different asset databases in the market. There is also the possibility of integrating Hackney's systems with the Belrock Asset database by buying a couple of modules to recognise the affected programme of works.

The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project - The forecast is £6m, £7m below the in-year respective budget of £13m. A CPRP bid is currently being prepared for the rest of the funds needed for the completion of this project. All the costs for this financial year are for 'Design and Build' at both sites. The variance has, therefore, been re-profiled to 2023/24 in line with the actual programme.

Remedial Fabric Works at Millfields Disinfecting Station - The forecast is to spend the in-year respective budget of £176k. Phase 1 work is complete and the payments for the final account made. Phase 2 is awaiting the senior management decision.

Landlord Works to 80-80a East Way (The Old Baths) - The forecast is £110k, above a nil in-year respective budget. The project is completed but the team are expecting about £20k spend mainly on fees. A CPRP bid will be submitted to fund the overspend.

Landlord Works 12 -14 Englefield Road (East and South-East Asian Community Centre) - The forecast is to spend the full in-year respective budget of £896k. The tender documents are due back. The site work is expected to start in the autumn of 2022.

Landlord Works 329 Queensbridge Road (Marie Lloyd Day Centre) - The forecast is £708k, £305k above the in-year respective budget of £403k. The Contract has been awarded and the work is due to commence in the autumn of 2022. But the cost for the works is expected to increase therefore a CPRP will be submitted.

Landlord Works at Homerton Rd, London E9 5QB (The Wally Foster Community Centre) - The forecast is £207k, £68k below the in-year respective budget of £276k. The whole site is currently being appraised. The interim project manager is awaiting quotations for some asbestos works removal (estimated at £100k) to the main hall. There is also a disabled toilet to be built as well as other on Landlord works. The variance has been re-profiled to 2023/24 to reflect the works identified.

Landlord Works at 61 Leswin Road (The Old Fire Station) - The forecast is to spend the in-year respective budget of £768k. The contractor is appointed with work due to commence in the summer of 2022.

ICT Capital

The forecast for the overall ICT is largely in-line with the in-year respective budget of £4.1m. Below is a brief update on a few of the schemes:

Cyber Recovery - The most significant spend in ICT relates to the cyber recovery and the acceleration of new systems due to the loss of data. The current forecast is in-line with the full in-year respective budget of £2.6m.

End-user IT Equipment, Mobile Phone Refresh and Members Device Refresh - The other main spend relates to the roll out programme of this equipment. The current forecast is in-line with the full in-year respective budget of £1.3m.

Mixed Use Developments

The forecast for the overall Mixed Use Developments is £11.9m, £20.6m below the in-year respective budget of £32.5m. This forecast largely relates to the Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

Tiger Way - The two year defect period for Tiger Way Project has lapsed, but outstanding defects works are still being monitored by the team. M+E presented some challenges, the outstanding drainage modification is now being resolved on site and is due for completion by the summer of 2022. A payment to the contractor based upon an interim valuation for the release of the previously withheld milestone payment has been agreed by all parties.

Nile Street - The Nightingale Primary school is completed and occupied. The final Design and Build account has been agreed with McLaren and the final sub-contract account has been agreed in principle with HSF2L and McLaren. As with Tiger Way the balance between the final account and paid to date is to be retained by the Council in-line with contractual expectations of all parties and contract terms. Release of retention to ‘flow’ as per contract terms, upon presentation of agreed final details. Currently there is no dispute between any party(s) and therefore we anticipate release of these payments in quarter 3 of 2022. As at July 2022 there are currently 110 units sold out of the 175 units.

Britannia Site - Phase 1a (new Leisure centre) and Phase 1b (CoLASP) are now in the defects period. The agreed defects are being worked on and expected to be completed in the summer of 2022. Phase 2b (Residential) Stage 4 design has now been completed and is being packaged up to issue to the contractors as part of the Employer's Requirements. Whilst we have come to the end of the pre-construction design which has been carried out prior to a contractor being on board, there are some pre-commencement aspects which will need a skeleton team to feed into for example procurement support, Mawson Court boundary design and planning and surveys. The variance has been re-profiled to 2023/24 to reflect the anticipated spend. The underspend is due to a delay to the start of the construction programme from quarter 4 2022/23 to quarter 1 2023/24, in addition to expected contractor fees being pushed back as well as the CIL payments due on commencement being delayed to quarter 1 2023/24.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £33.8m, £11.2m under the revised budget of £45m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	22,934	24,967	1,356	19,751	(5,216)
Streetscene	12,765	16,067	262	11,171	(4,896)
Environmental Operations & Other	734	1,018	0	488	(530)
Public Realms TfL Funded Schemes	0	0	580	0	0
Parking & Market Schemes	308	289	0	0	(289)
Community Safety, Enforcement & Business Regulations	493	512	2	512	0
Area Regeneration	3,084	2,179	71	1,899	(280)
Total	**40,318**	**45,031**	**2,271**	**33,820**	**(11,211)**

Leisure, Parks and Green Spaces

The forecast for the overall Leisure, Parks and Green Spaces is £19.8m, £3.3m below the in-year respective budget of £23m. Below is the brief update on a few of the schemes.

Kings Hall Leisure Centre: The project is forecast to spend £3.1m, £1m below the in-year budget of £4.1m. The feasibility and design for the refurbishment of Kings Hall commenced in April 2022. The next phase of the programme will commence in 2023/24, therefore, the variance has been re-profiled to reflect the programme.

London Fields Learner Pool: The project is forecast to spend £0.5m, £4m below the in-year budget of £4.5m. The project is in the initial stages and the appointment of a design team is imminent. The majority of the spend will take place once the contractor is appointed therefore the variance has been re-profiled to 2023/24 to reflect the next phase of the programme.

Abney Park Refurbishment - The project is forecast to spend the in-year budget of £3.9m. The main contractor is on site with completion due winter of 2022. The work to the roof structures to the lodges is completed. The completed work to the chapel are as follows: the steel structure for the mezzanine floor, the stained glass installed, the masonry works and the trenching for the utility supplies into the chapel.

Shoreditch Park Refurbishment - The project is forecast to spend the in-year budget of £1.7m. The main contractor started on site in February 2022 with handover due October 2022. Phase 1 (Northern section of the Park including wildflower, new planting and furniture) - The wildflower meadow has been seeded. The wildflower area is completed and may remain fenced until September 2022. Nine benches have been installed. Phase 1A - (Volleyball Court and MUGA) - Lighting has been installed. Work to the MUGA has progressed well and is currently ready for tarmacadam surfacing. The fencing has been completed. The surface is prepared ready for painting. The artwork is finalised. The beach volleyball court is complete to formation level, kerbs completed, timber edging ordered to be installed, geotextile is in place. The fences are complete. Phase 2 (Sports Pitch and Rain Gardens) - Bridport Place and the Sports Pitch will be fenced off for the rain gardens and sports pitch improvement work. Phase 3 - (Playground Refurbishment) - The playground refurbishment is in progress. Phase 4 (Dorothy Thurtle Gardens, Adventure Playground Boundary Fence, Tree Plaza, Outdoor Gym) - The outdoor gym surface complete and equipment has been delivered to site to be installed.

Parks Depot - The project is forecast to spend the in-year budget of £0.9m. The works will start on Millfields Depot by the summer of 2022.

West Reservoir Improvements - The project is forecast to spend the in-year budget of £1.8m. The team is in the process of appointing a Design Team to move the project forward and anticipate a Planning Application being submitted in Spring 2023 and a start-on-site date in autumn 2023.

Streetscene

The forecast for the overall Streetscene is £11.7m, £4.9m below the in-year respective budget of £16.1m. The most significant underspend of £4.4m relates to the S106-funded programmes for Highway works. With these schemes, the service does not have control over when work may begin because they must wait for the developers to finish their work. A total of £4.9m will be re-profiled to the 2023/24 budget.

HOUSING

The overall forecast in Housing is £95m, £35.4m below the revised budget of £130.3m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at July 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
AMP Housing Schemes HRA	43,886	46,122	4,162	41,409	(4,713)
Council Schemes GF	6,999	3,448	196	4,426	978
Private Sector Housing	2,164	2,164	200	1,210	(954)
Estate Regeneration	30,003	32,970	(279)	12,203	(20,767)
Housing Supply Programme	33,406	35,812	388	23,353	(12,459)
Woodberry Down Regeneration	7,595	9,816	467	12,382	2,566
Total Housing	**124,052**	**130,333**	**5,135**	**94,982**	**(35,351)**

AMP Housing Schemes HRA

The overall scheme forecast is £41.4m, £4.7m below the in-year respective budget of £46.1m, this variance has been reprofiled into next year. The latest projected spend reflects a correction in the programme of works at Lincoln Court and the procurement to appoint a new electrical supplier. Bannister House is complete and subject to final accounting.

Council Schemes GF

The overall scheme forecast is £4.4m, £1m above the in-year respective budget of £3.4m. The budget from 2023/24 has been re-profiled back to current year to cover this overspend. The majority of this overspend relates to void works on Regeneration properties that are to be used as Temporary Accommodation until demolition. Before works proceed on each unit, the costs are checked to ensure it is financially viable to proceed, taking account of cost savings, rental income and the amount of time before demolition. 111 units are expected to receive works during the year.

There also continues to be a programme of HRA Buybacks on existing estates. These are partly funded by either ring-fenced Right-to-Buy receipts or GLA Buyback Grant and will result in savings for Housing Needs.

Private Sector Housing Schemes

The overall scheme forecast is £1.2m, £1m below the in-year respective budget of £2.2m. This is based on the grant activity levels expected during the year. On that basis a total of £0.8m has been re-profiled to 2022/23. The

Council's Disabled Facilities Grant award for 2022/23 is £1.7m. Any underspend of the grant in this financial year will be utilised by the Council's Adult Social Care.

Estate Regeneration Programme (ERP)

The overall scheme forecast is £12.2m, £20.8m below the in-year respective budget of £33m. Below is a brief update on the projects:

Marian Court, Kings Crescent Phase 3&4 and Nightingale Block E - The forecast is £2.9m, £12.5m below the in-year respective budget of £20.8m. A preferred bidder has been identified although current works costs are significantly higher than estimated. This is a reflection of the current construction market and the high level of risk developers are currently allowing for in their bids. The Council will enter into a contract, initially via a Pre-Construction Services Agreement (PCSA) to develop the designs and look for significant cost savings before proceeding with the main works contract. The variance has been re-profiled to 2022/23 to be utilised once the PCSA periods have ended.

Colville Phase 2C - The forecast is £1.5m, £1m above the in-year respective budget of £0.5m. A preferred bidder has been identified as part of the 2 stage procurement process and a PCSA period is to be entered into imminently. This will last until March 2023, during which time cost savings will be identified with the contractor. The budget from 2023/24 has been re-profiled back to current year to cover this overspend.

Colville Phase 4 and 5 - The forecast is £1.2m, £2.6m below the in-year respective budget of £3.8m. The forecast relates to the estimated buyback of 3 units this financial year. The variance has been re-profiled to 2023/24 to reflect the anticipated spend.

Tower Court - The forecast is £1.8m, £0.8m above the in-year respective budget of £1m. The final handover is expected to take place in October 2022. Discussions are still ongoing about how to best utilise the commercial workspace moving forwards, but this will likely have cost and time implications. The overspend will be funded by identified underspends in the overall programme.

Garage Conversion Affordable Workspace - The forecast is £0.06m, £0.47m below the in-year respective budget of £0.53m. The design work is currently on hold whilst operator engagement takes place. This may commence in quarter 4 depending on the outcome of the engagement. The variance has been re-profiled to 2022/23 to reflect the anticipated spend.

Mayor of Hackney's Housing Challenge - £2.01m 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 Right-to-Buy receipts.

Frampton Arms and Lyttelton House - The forecast is in-line with the in-year respective budget of £0.10m with a minor underspend. These projects are complete and final accounts have now been agreed with the contractor. The 2023/24 budget for Frampton Arms has been re-profiled back to cover this overspend and the 2022/23 budget for Lyttelton House has been offered up for savings.

Housing Supply Programme

The overall scheme forecast is £23.4m, £12.5m below the in-year respective budget of £33m. The programme has been impacted significantly by the increasing level of inflation in the construction market where the costs of supplies and materials are impacted by rising costs, including for utilities, and shortage in the labour market are adding to the inflationary pressures in what is a very challenging market. Tenders are being returned significantly higher than pre tender cost estimates which impacts the viability of schemes which requires mitigating actions and an assessment of the impact on the overall programme. Below is a brief update on the projects:

<u>Gooch House</u> - The forecast is £0.49m, £0.02m below the in-year respective budget of £0.70m. The work is nearing completion. Final accounts to be agreed with the contractor including the allocation of any Liquidated Ascertained Damages (LAD’s). The variance has been re-profiled to 2022/23 to reflect the anticipated spend.

<u>Wimbourne Street and Buckland Street</u> - The forecast is £18.2m, £3.3m below the in-year respective budget of £21.5m. The contract with Higgins has now gone unconditional and works have started on site. The works are currently forecast to take 24 months. Negotiations are ongoing with the GLA to try and increase the grant per Social Rent unit by £20k. The variance has been re-profiled to 2022/23 to reflect the actual spend of the works.

<u>Murray Grove</u> - The forecast is £0.2m, £4.3m below the in-year respective budget of £4.5m. Options are currently being considered due to bids received in 2021/22 being significantly higher than expectations. The ‘start on site’ is unlikely to be this financial year. The variance has been re-profiled to 2022/23 to recognise this change.

<u>Tradescant House and Woolridge Way</u> - The forecast is £0.25m, £0.18m above the in-year respective budget of £0.07m. Consideration is currently being given as to when it is best to issue the Invitation To Tender (ITT) taking account of the current challenging market conditions being experienced. The budget from 2023/24 has been re-profiled back to current year to cover this overspend.

<u>De Beauvoir Phase 1 (Downham Road East, Downham Road West, Balmes Road, 81 Downham Road and Hertford Road)</u> - The forecast is £0.2m, £1.2m below the in-year respective budget of £1.4m. Planning expected to be approved this financial year. The procurement of a main contractor to follow with an ITT issue date of January 2023. The ‘start on site’ is currently estimated for March 2024. The variance has been re-profiled to 2022/23 to reflect programme construction start date.

Pedro Street - The forecast is £0.97m, £2.38m below the in-year respective budget of £2.48m. Rectification works relating to ground contamination currently being undertaken. Various options for how the site progresses are being considered but all will have an adverse impact on cost and delivery timescales. The variance has been reprofiled to 2022/23 to recognise the change which has affected the programme of works.

Rose Lipman Project - The forecast is £0.23m, £0.95m below the in-year respective budget of £1.18m. The design and value engineering works are still ongoing. The planning application is due to be submitted in January 2023, with procurement of a contractor starting later in the calendar year. The variance has been reprofiled to 2022/23 in line with the actual programme.

Daubeney Road - The forecast is £1.16m, £0.86m above the in-year respective budget of £0.30m. All of the Private Sale units have now been handed over and sold, however the remaining Social Rent units have been delayed until September 2022. There have been continued cost pressures on this project, owing to Covid-19, party wall issues and design updates. The increased sales values will offset some of this uplift. The overspend will be funded by identified underspends in the overall programme.

Lincoln Court - The forecast is £0.14m, £0.25m below the in-year respective budget of £0.39m. The design work is still ongoing. The site is proving difficult from a financial viability perspective and options are being considered. The variance has been reprofiled to 2022/23 to recognise the change which has affected the programme of works.

Woodberry Down Regeneration

The overall scheme forecast is £12.4m, £2.6m below the in-year respective budget of £9.8m. Around 16 Buybacks are expected during the year. The majority will relate to Phase 4, where 41 Buybacks are required to complete before October 2024. Most of these will be used as Temporary Accommodation until demolition. There is also a £4m payment required to be made to Berkeley Homes, relating to a previous overage payment made to the Council in 2017 which is now required for Phase 3. Therefore the budget has been re-profiled to reflect the likely timeframe of the spend.

Appendices

None

Background documents

None.

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