Title of Report	**2022/23 Overall Financial Position - September 2022**	
Key Decision No	FCR S090	
For Consideration By	Cabinet	
Meeting Date	21 November 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	27 November 2022	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the fourth Overall Financial Position (OFP) report for 2022/23. It shows that as at September 2022, the Council is forecast to have an overspend of £8.290m on the General Fund - an increase of £434k from the previous month

1.2 As can be seen in 2.6 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. However, currently we are seeing any progress made offset by further pressures coming through.

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 SEND 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 Following on from the appointment of the new Prime Minister, the Government's Medium Term Financial Statement which was due to be presented on 31st October, has been replaced by a Full Autumn Statement with official forecasts, to be announced on 17th November. Public spending cuts are sadly still expected, this despite the letter we wrote to the new Chancellor and the work we have been doing to lobby for local government funding and the services residents rely on with both the LGA and London Councils.

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 £14.290m 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 £8.290m - an increase of £434k from the August forecast.

2.2 The Guardian reported on 29th October the results of a Unison survey into Council Finances that analysed returns from 391 Councils compiled from responses to FOI requests and financial statements. It reported that there would be an estimated budget gap of £3.2bn in the UK next year. The estimate assumed for Hackney is taken from our 2022/23 to 2025/26 MTFP which was included in the 2022-23 Budget (£22m). The challenge that significant budgets gaps entail for Hackney and other councils will clearly be accentuated by any funding cuts that the Government makes in its MTFP on 17th November

The other main results were:

(a) almost nine in 10 have a predicted budget gap in the 2023/24 financial year.

(b) the biggest budget shortfall of £80m next year is being faced by Birmingham city council

(c) Edinburgh council reported this week it is also facing a £80m black hole, up from £70m last month

(d) Kent county council said it was increasing its projected overspend to £70m, up from £50m just three months ago

(e) In Lancashire, the council said this week that its projected shortfall has almost trebled, from £30.5m to £87m – even bigger than Birmingham

Unison's investigation found that waste collections, leisure centres, nurseries and other vital services are already being cut in some local authorities in England, Scotland and Wales.. The data suggested the cumulative funding gap is to worsen to more than £5.28bn in 2024/25.

Some of the current and impending cuts include:

- Wirral Council shutting nine libraries by the end of this month, with two being handed to community and church groups

- Gateshead Council looking at closing two leisures centres deemed "unaffordable" as it grapples with a £6.5m shortfall

- Leeds City Council cancelling Bonfire Night events in six locations next month to save £200,000 of non-essential spending at a time of budget pressures

- Hillingdon Council is planning to close all three of its nurseries, which provide more than 100 childcare places across the borough

- Hampshire County Council planning to scrap a transport scheme that takes thousands of disabled children to school to save £1m. Home pick-ups would be replaced with drop-off points

- Norfolk County Council planning to reduce access to recycling centres by closing them on Wednesdays, with its Tory council leader warning he had never dealt with funding reductions on this scale, to plug a £60m gap

The Local Government Association has warned Jeremy Hunt in a letter that the £3bn-plus shortfall facing councils will lead to cuts, particularly as inflation has worsened since the last local government finance settlement was announced. “Without immediate additional funding, councils will face increasingly stark decisions about which services to stop providing as rising costs hit budgets. This means not just isolated closures of individual facilities but significant cuts to services people rely on, including those to the most vulnerable in our society,” it said.

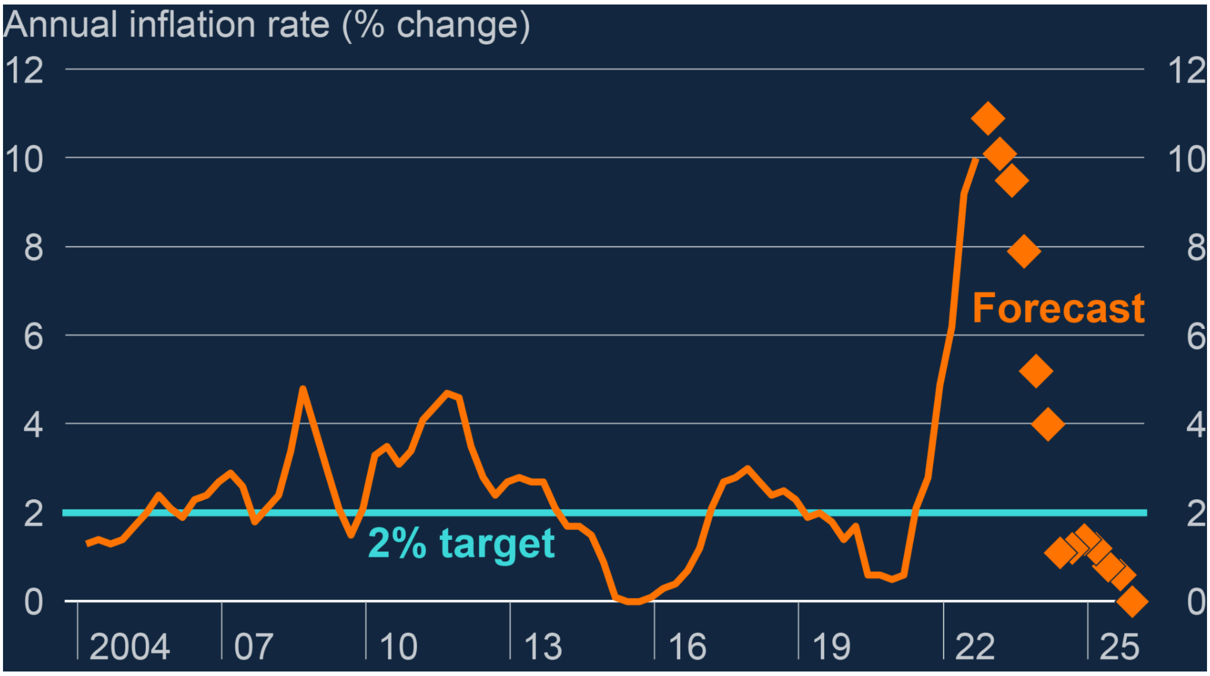
2.3 The Government’s Medium Term Financial Statement which was due to be presented on 31st October will be replaced by a Full Autumn Statement with official forecasts on 17th November. Public spending cuts are still expected but no indication has been given of the aggregate or distribution. These potential cuts should be viewed against the background of the current soaring inflation. Even before the previous Chancellor’s Mini Budget and its detrimental impact on the cost borrowing, Paul Johnson, the Director of the Institute of Fiscal Studies warmed that the effects of inflation on local government could be worse than the period of austerity after 2010, He also stated that there was a risk of continuing 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 In addition to the costs of inflation which were not budgeted for when the budget was formulated in January but are now included in this forecast; non-inflation costs and demands have increased in various services, while some income streams have not recovered in line with expectations.

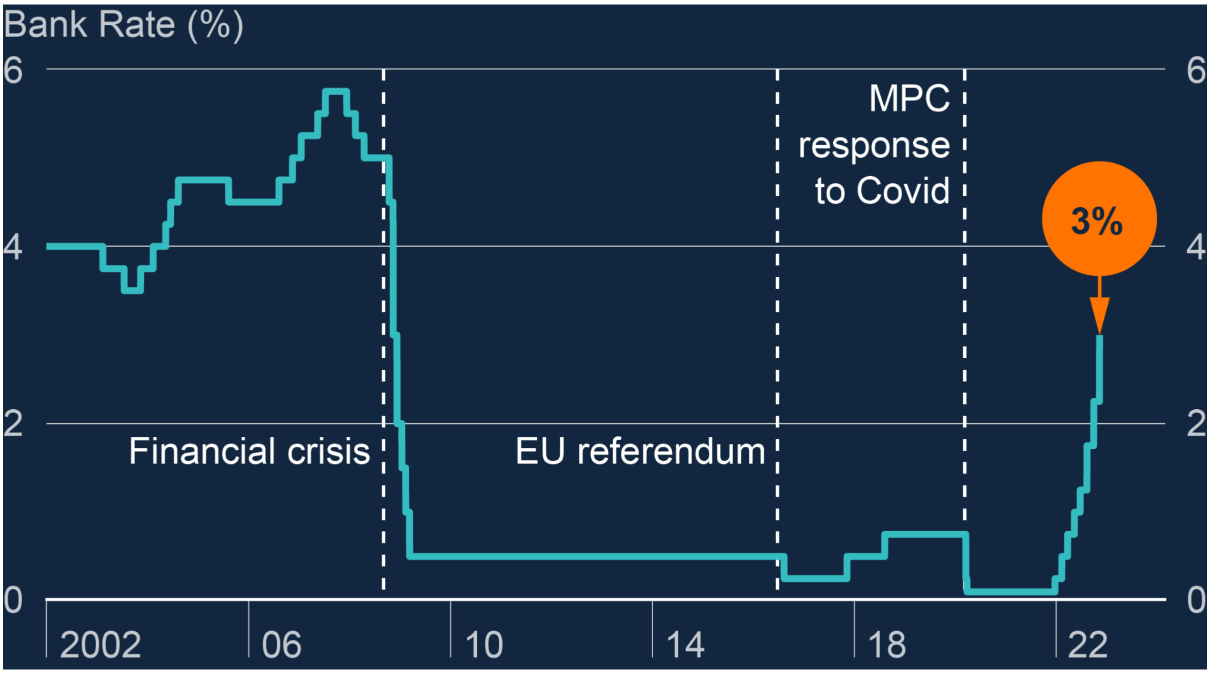
2.5 On 3rd November the Bank of England increased the base rate by 0.75%. This clearly has implications for residents by increasing the cost of borrowing (and especially on those with a mortgage) and on the Council through its impact on Capital Programme borrowing costs. The combination of inflation and its impact on contractor fees and other costs, together with the extra cost of borrowing further undermines the viability of the current Programme. And it will get worse before it gets better - the base rate is forecast to reach 5.2% by quarter 4 of 2023 and still be at 4.4% in quarter 4% of 2025. With regards to inflation the Bank has revised down its expected rate in quarter 4 2022 to 11% which it expects to be the peak. It is then forecast to be 5% at the end of next year. This does not mean a fall in prices but instead a fall in *the rate of increase* in prices.

Below is an inflation Chart from the Bank’s report followed by an interest rate chart

Inflation Forecast - Bank of England



Interest Rates - Bank of England



2.6 Returning to the forecast, the main areas of overspend (excluding the Cyberattack) are: -

Childrens and Education (£1.641m before Cyber) in the areas of Corporate Parenting (£1.173m), Access and Assessment (£0.320m), Looked After Children (£0.123m), Safeguarding and Learning (£0.115m) and the Disabled Children's Service (£0.155m); partially offset by an underspend on clinical services (£0.225m).

Adults, Health and Integration (£5.259m before Cyber) primarily in the areas of Care Support Commissioning (£3.301m), Provided Services (£1.472m) and Mental Health (£1.285m). This is partially offset by an underspend in Preventative Services (£0.340m).

Climate, Homes and Economy (£1.350m before Cyber) primarily in the area of Planning (£0.773m), Community Safety, Enforcement & Business Regulation (£0.254m) and Environmental Operations (£0.238m)

F&CR (£1.838m before Cyber) in Strategic Property Services (£0.456m) which is driven by a forecast increase in bad debts due to Covid-19 (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 £1,158k 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 £507k overspend in ICT relating to staffing costs associated with increased demands on the service

Cyberattack - One off cost of £4.553m, 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 - 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 £18.5m 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 (DfE) 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 through a grant of up to £1.0m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence from January 2023.

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. To date AH&I have saved £148k and anticipate a further £50k by the end of the year. For Children and Education, some of our savings are tied into our overall cost reduction measures. In commissioning to date we have achieved £750k cost avoidance by targeting our high cost placements within CFS and we are on track to achieve the £1m target this financial year. A saving target of £100k for agency staff is also on track to be delivered through initiatives such as converting staff to permanent/fixed term contracts, and we have achieved half of this target to date. In F&CR, Management will hold posts vacant for a longer period in order to reduce the overspend and Non-essential spend is continually being reviewed as part of budget monitoring meetings. The directorate has identified other non-essential spend savings in 7 services which total £145k. In CHE unspent budgets on non essential expenditure is being held across the directorate to mitigate the overspends. This is already being included in the forecast outturn and covers expenditure such as training, clothing and equipment, (managers are delaying the replacement of items), tighter control on waste bag supplies and holding other unspent expense budgets.

Specific measures 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 ASC, 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.

2.9 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.

2.11 In August, the Employer side made a flat rate offer of £1,925 for all staff which according to modelling by London Councils translates into £2,355 for an inner London borough. This offer was accepted by the Unions on 1 November with effect from April 2022. During the negotiations, reference was often made to Green Book and Red Book staff. The Green Book covers the majority of Local Government employees in England, Wales and Northern Ireland. The exceptions are all craft and associated employees of local authorities (see below) and staff in Councils that have opted out of the Green Book. Also known as the "single status agreement", the Green Book covers the pay and conditions for 1.4 million local authority employees, ranging from architects to cleaners and lawyers to school meals staff. Red Book staff are all craft and associated employees of local authorities and the Red Book covers the full, current agreements of the Joint Negotiating Committee for Local Authority Craft & Associated Employees. According to the GMB website. members of Unite and GMB working under the Red Book rejected the pay offer but as the larger local government ‘Green Book’ bargaining group had accepted, it was decided that it should be reluctantly accepted for Red Book workers also

The cost to the General Fund of the adjusted employer proposal, including on-costs, is estimated to be £10.956m, while the cost to the HRA is an estimated £2.154m. In the 2022-23 general fund budget we have £4m set aside for the award and so if the award costs £11m there will be a shortfall of

£7m. The unions met on 1 November 2022 and agreed to accept the offer with effect from 1 April 2022..

2.12 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.

2.13 The financial position for services in September is shown in the table below

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

Service Area	Forecast Variance After reserves	Change in Variance from last month
	£k	**£k**
Children and Education	1,641	73
Adults, Health and Integration	5,259	16
Climate, Homes & Economy	1,350	(56)
Finance & Corporate Resources	1,838	323
Chief Executive	(351)	28
General Finance Account	0	0
Sub Total	**9,737**	**384**
One-Off Cyberattack Costs	**4,553**	**50**
GENERAL FUND TOTAL	**14,290**	**434**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	14,290
LESS CYBER SET ASIDE	-2,500
LESS CYBER RESERVE	-2,000
LESS SAVING FROM SEPTEMBER 2022 REDUCTION IN NI RATE	-500
LESS COST PRESSURES SET ASIDE	-1,000
NET OVERSPEND	**8,290**

2.14 It should be noted that we are forecasting a significant but not full achievement of the 2022/23 budget savings and the vacancy savings. AH&I is reporting a residual shortfall of £400k and have built this into the forecast. They are pursuing mitigations but at this stage are unable to provide an estimate of these but will update as soon as this is known.. Also, CHE is looking at mitigating actions to offset the possible non-achievement of £165k vacancy rate savings in Community Safety, Enforcement and Business Regulation.

Cost of Living Crisis

2.15 As the Council feels the pressure of rising inflation and interest rates, and increased fuel costs, so do our residents. Hackney already had high levels of poverty, this has worsened during the pandemic and now poverty is entrenching and more people are falling into difficulty. A cost of living crisis disproportionately impacts lower income groups, as more of their income goes on essential costs. Nationally, there is no coherent policy relating to poverty or the cost living crisis. The response from the markets will also have a greater negative impact on lower income groups as living costs go up even more and any financial support will be worth less than a few months ago. Furthermore, we are now concerned about an even greater range of groups becoming impacted, including those with high mortgages and any business affected by the value of the sterling

2.16 We will seek to play our part in helping residents with the cost of living crisis, but our response was already limited, and the situation has become even worse, as outlined above. The Council's updated Poverty Reduction Framework which was adopted by the Council in March 2022 forms the basis of our response. 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.

2.17 The Poverty Reduction Framework has three priorities:

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

2.18 The 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. As these measures will be less impactful than a few months ago, we are more than ever reliant on the whole system that supports residents. This is why alongside this support, we are working with health partners and community partners on one plan to identify impacts and identify all the actions that Council partners and services can take. Health partners will be investing in the response outlined through the integrated care system. We are also working with London Funders to devise a London wide response, recognising the cumulative social impact this will have.

2.19 In terms of <u>emergency support</u>, we are simplifying existing financial support provided to our residents, and improving reach and take up. This will include:

Hackney Money Hub launches on 1st November, with two clear goals:

Improving access to crisis funds

- To date, the Council has run **three different discretionary and crisis schemes**, all requiring separate application forms, making the process difficult and time consuming for residents and support workers
- We have **combined all three** - into one simple process improving benefits uptake across the borough
- We know that nationally £15bn a year gets lost in underclaimed benefits, due to a combination of stigma and complex application processes
- We are using our data to **identify residents who are missing out**, making proactive contact, and supporting people to apply
- Our initial focus will be on **Pension Credit and Free Childcare**, both of which are only claimed by 50% of eligible households in Hackney

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:

- *Discretionary Housing Payments - £779k paid out by the end of October 2022*

- *Hackney Discretionary Crisis Support Scheme - £78k paid out as at the end of October 2022*

- *CTRS Discretionary Hardship Scheme - £287k paid out as at the end of October 2022*

- *Fuel cost related rebates - Standard £150 Council Tax Rebates paid to 98,436 recipients with £14.8m paid out; and discretionary schemes £555k paid out to 12,361 recipients as at the end of October (primarily the £30 top-up scheme)*

2.20 A further £2.8m of Household Support Fund has been awarded for October 2022 to March 2023. 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, there is no longer a rigid ring fencing around which groups can benefit. The Household Support Fund should primarily be used to support households in the most need with food, energy and water bills. The response from October 2022 is outlined below:

- 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. Support also via Children's Social Care.
- Vulnerable residents identified by services and partners

- Help with housing costs and bills for people at risk of homelessness or homeless and for those leaving care / foster carers

2.21 The Community Partnerships Network is a broad network of community organisations which was developed during the pandemic response as a way of building local systems of support which make the best use of available resources when responding to the needs of residents. We are now:

- Developing the Community Partnership Network to support community organisations to work in partnership to most effectively support residents - including seeking to boost their volunteer base, food supplies and administrative capacity
- 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.

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

3. RECOMMENDATIONS

3.1 Note the update on the overall financial position for September covering the General Fund, HRA and Capital

3.2 Note that given the ongoing challenging financial situation, the Group Director of Finance and Corporate Resources in consultation with the Mayor, Cabinet Member of Finance and Corporate Leadership Team colleagues is considering further spending control measures in recognition of the need to remain financially responsible and will update on these in the report to December's Cabinet.

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

5.1 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 September 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.

8.11 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	1.641	73

9.1 The Children and Families Services (CFS) CFS are forecasting a £1.6m overspend (before the cyber attack) as at the end of September 2022 after the application of reserves totalling £4.6m and after the inclusion of the Social Care Grant allocation of £8.5m. As has been the practice since the grant was announced in 2019/20, the Social Care Grant allocation for both children's and adult social care has been split equally across both services. This financial year the 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, and proposals are being developed by the Group Director and Director to review the staffing structure across the service. The expectation is that the implementation of the new structure will take place from October 2023.

9.3 The main areas of pressure for CFS continue to be on **Looked-after children (LAC) and leaving care (LC) placements** costs, with £0.1m of the increase this month due to a new residential care placement. Corporate Parenting is forecast to overspend by £1.2m 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 £0.1m 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. This financial year we have seen a reduction in residential placements, however this month this has increased by 1 to 33. We are expecting further reduction in young people stepping down from residential placements in the next six months.

9.4 **Disabled Children's Services** are forecast to overspend by £0.2m after the use of £0.5m reserves. This is due to an increase in demand for placements in direct payments (including short breaks) due to higher usage amongst families to provide respite and prevent the need for further intervention.

9.5 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.3m 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)** Hackney Education (HE) is forecast to overspend by around £4.6m. The underlying overspend across the service is £6.1m, and this is partially offset by mitigating underspends of £1.5m. 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 £1.8m pressure. This is partly due to increased activity coupled with increased fuel prices and transport costs. 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 (£0.3m) and Children's Centre income collection (£0.4m), and both overspends are mainly 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. The saving for early help services of £350k will not be achieved fully this year and mitigating non-recurrent funds have been identified. It has been challenging to disentangle the Young Hackney contract from the support Prospects provides. The removal of the contract without a coherent alternative service in place is likely to see performance dip through increases in our children not in Education Employment or Training (NEET). Timeframes to remodel the service have also been impacted by changes in staff across Hackney Education and Employment and Skills with the Head of Service for Employment and Skills post, which was a key resource to enact the changes being vacated.

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 **A Vacancy Rate Savings** target of £1.7m has been set for the directorate in 2022-23 (£0.9m for Children and Families and £0.8m for Education) and the forecast assumes that this will be achieved or mitigated. 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 £18.5m 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 (DfE) 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 through a grant of up to £1.0m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence from January 2023.

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**.In the May 2022 budget report it was agreed that previous measures to control spending introduced in the Summer of 2021 will continue. 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)	5,259	15

10.1 Adult Social Care is forecasting an overspend of £5.556m (£5.259m before the Cyberattack) after the application of reserves of £2.5m and the inclusion of the Social Care Grant allocation of £8.5m. The Adults position is virtually unchanged from last month. As has been the practice since the Social Care grant was announced in 2019/20, the 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** has the most significant budget pressure in Adult Social Care which is forecast at £3.3m. The position has moved adversely by £0.4m this month, attributable to a combination of growth in long term care service users coupled with increased complexity of care needs for existing service users. This service records the costs of long term care for service users, and the budget overspend reflects both the growth in client activity and increasing complexity of care provision being commissioned. The forecast also includes 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 a favourable movement of £0.2m this month, primarily attributable to delays in recruitment to vacancies across the service. The overall position is a forecast £1.5m budget overspend, and 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 £0.8m. The HwC forecast overspend of £2.3m reflects both the delayed impact of delivery of the £1m savings (£500k in 21/22 and a further £500k in 22/23) as well as high levels of staff sickness and the service engaging agency staff to cover these roles alongside additional capacity required to maintain service provision. The majority of the day service underspend of £0.8m is from the Oswald Street day centre which continues with a limited number of service users as a result of maintenance work needed to ventilation at the premises post Covid-19.

10.4 **Mental Health** position reflects an adverse movement of £0.1m this month, primarily due to increased demand within long term mental health care services. The overall position now reflects a £1.3m budget overspend, and is largely attributed to an overspend on externally commissioned mental health care services. Adult services continue to work in collaboration with East London Foundation Trust to reduce the budget overspend as part of the agreed cost reduction measures.

10.5 **Preventative Services** position has moved adversely by £0.1m this month, due to workforce pressures. The overall position now reflects a budget underspend of £0.3m, which is primarily attributable to the following: workforce budget pressures of £0.2m 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), Substance Misuse (£0.3m) linked to lower then expected demand for these services.

10.6 **Care Management and Adult Divisional Support** reflects a favourable movement of £0.1m this month, primarily due to a reduction in locum staff costs. The overall position now reflects a budget underspend of £19k. ASC commissioning has moved favourably this month by £0.2m, primarily attributable to contract efficiencies savings across Housing Related Support (HRS) following a service review. The overall budget position is a £0.1m budget underspend, after the application of one-off funding of £1.8m which is supporting various activities across commissioning. This includes funding of hospital discharge facilities, additional staff capacity and extracare services at Limetrees and St Peters.

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 continues to be carefully monitored.

10.8 **Public Health** Public Health is forecasting a breakeven position, and this forecast includes the delivery of planned savings of £0.5m. During the Covid-19 pandemic Public Health activity increased significantly, specifically around helping to contain the outbreak in the local area, and this saw some reductions in demand-led services due to the implementation of national restrictions. Post pandemic, demand-led services continue to be carefully monitored by the service to ensure service provision remains within the allocated Public Health budget in the current financial year and future financial years. Hackney mortuary reflects no movement for this month, the overall budget position is forecast to breakeven.

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. 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 a total of £1m savings across 2021/22 and 2022/23. There will be part mitigation (£600k) by further efficiencies within housing related support contracts this year but this currently results in a real cost pressure this year of £400k. Contract negotiations are currently underway with commissioned providers, and the service is confident that further mitigations will be identified throughout the year. 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.

10.10 **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.

10.11 **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, and the intention is that the system will be restored from early November 2022. £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.

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

10.13 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.

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

10.15 **Management Actions to reduce the overspend,** In addition to budgeted savings, further cost reduction measures have been developed for 2022/23. For Adult Social Care, management actions of £1m have been identified 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.

10.16 **Non-Essential Spend**. In the May 22 budget report it was agreed that previous measures to control spending introduced in the Summer of 2021 will continue. 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
27,382	Climate, Homes and Economy excl. Cyber	1,350	-56

11.1 The directorate is forecasting an overspend of £1.5m, (£1.135m excluding the cyberattack costs) following the use of £3.4m of reserves. This is an improvement of £56K on the August forecast. The main areas of overspend for the directorate are Planning, Community Safety, Enforcement and Building Regulation, Environmental Operations and Parks & Green Spaces.

11.2 **Planning Services** are forecasting a £0.958m (£778k excluding the impact of the cyberattack) overspend which is a favourable movement of £0.144m from August 2022 position as a result of slight increase in the Planning Performance Agreements (PPA) and Building Control (BC) income, however there is still a continued level of income shortage below the budget level. The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fee income, which has seen a steady decline over recent years. There is also a shortfall of £205K 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. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. There has been an increase in PPA income which is now meeting its budgeted income levels.

11.3 The income target for minor applications is also forecast not to be achieved. It should be noted that the cost of determining minor applications is more than the income 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 detrimentally affects this cross-subsidy and worsens the financial position.

11.4 **Building control** has a shortfall of income of £87k, an improvement of £43K from the August position

11.5 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £254K. The positive movement of £14k from the previous month is from a vacant post. This overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service. All the enforcement teams are fully staffed there is maternity leave and long term illness to cover. In addition, the service is retaining a post to cover ongoing Covid-19 related administration. The Head of Service continues to review budget lines to identify opportunities to mitigate the overspend.

11.6 **Environmental Operations** is forecasting an overspend of £238k. This is a small increase of £2k since the August forecast. 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. 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 waste 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. Detailed reviews of the budget lines will continue to be undertaken over the coming months to quantify the risks and identify mitigations to reduce the overspend.

11.7 While **Streetscene** is forecasting a £109K under spend, 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. The service's funding for 2022–23 is £1.058 million, which is 42% less than in 2021/22 and less than it had anticipated. The funding is for the Neighbourhoods and Corridors component; the Service is in discussions with TfL about additional funds for cycling, bus priority, and scheduled road maintenance. This results in a potential £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. There is also an emerging risk that the cost of living crisis could affect the income budgets within **Parking, Markets and Streetscene** as people spend a larger proportion of money on essentials such as food and energy and less elsewhere.

11.8 **Parks & Green Spaces** are forecasting a £184k over spend, which is an increase of £136k on the August position. The main driver to this overspend and increase from the August position are water charges which have come through to the service. These are being challenged as they are significantly higher than previous years and the reasons for the increase needs to be verified.

11.9 The directorate is on target to achieve its **savings** plans of £2.9m. However, the staff saving within the plans from Community Safety, Enforcement and Business Regulation has impacted the delivery of the ongoing vacancy factor savings. This is forecast to underachieve by £165k. The Head of Service is reviewing budget lines to identify non essential spend savings to mitigate the overspend.

11.10 **Risks**

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

	Amount £000
Decline in TfL funding impacting capitalised salaries in Streetscene	685
Delivery of vacancy factor savings in Environmental Operations	500
Total Risk	**1,185**

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)	1,838	373

12.1 F&CR are currently forecasting an overspend of £1,838m, excluding cyberattack costs. The increase of £0.373m is primarily due to an increase in the Housing Needs forecast due to increased security costs as a result of; an increase in the number of hostels and the increase in the need for 24 hour security; and pressures within temporary accommodation net rental expenditure, which cannot be absorbed within the additional Homelessness Prevention Grant funding received for 2022/23

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 £1.9m cost pressure will be funded by the GFA.

Service Area	Gas		Electricity		Total
	Budget	Forecast	Budget	Forecast	Total Variance
Strategic Property	64	271	177	618	647
Soft Facilities Management	106	273	548	1,162	781
Housing Needs	50	291	30	261	471
Total F&R	**220**	**834**	**755**	**2,041**	**1,900**

Cabinet will be aware that the Government introduced the Energy Bill Relief Scheme which will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices. Earlier in the year the Council negotiated a relatively favourable energy contract for 2022/23 at rates which are below the rates capped from 1 October and therefore little support can be expected in the 6 month period provided.

12.3 **Financial Management and Control Financial Management and Control** are currently reporting an overspend of £408k. The majority of this overspend relates to Cyber. £250k relates to the delay in the debt team realignment and the remaining £150k relates to additional staffing required to track and monitor the Cyber spend as well as reviewing all business cases for additional spend on recovery.

12.4 **Strategic Property** Property Services are currently forecasting an overall overspend of £456k, an improvement of £30k compared to last month. This improvement primarily relates to the Health and Safety team not needing to fill a number of existing posts until the next financial year.

<u>Commercial Property</u> are forecasting an overspend of £860k which mainly relates to the under recovery of income and other professional fees relating to lease negotiations. 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.

<u>Corporate Property and Asset Management (CPAM) & Education Property</u>
CPAM is forecasting an underspend of (£350k) and Education (£54k) mainly due to holding posts vacant until early next year. Both areas have improved slightly compared to last month as more posts have been held vacant and reduction in agency costs.

12.5 **Housing Benefits** Housing Benefits are currently forecasting an overspend of £1.1m**.** The overspend relates to the agency staffing forecast which is currently £1.85m, of which £750k can be absorbed by the underspend on permanent staff due to vacancies. The agency staff are for addressing the backlog of work as part of Cyber recovery (initially 7,700 cases of under/ overpayment of benefits, reduced to 5,000).

There is a risk that there will be a deficit on the Net Cost of Benefits (NCOB) for 2022/23 resulting from the Cyberattack and Covid19 which produced a backlog of cases and delayed the recovery of overpayments. NCOB is the difference between what we pay out in Housing Benefits and what we receive back from the Government through subsidy. Because of the backlog there is a risk that we may lose housing benefit subsidy as we are likely to breach the subsidy error threshold (over a certain error level - the threshold - subsidy is reduced). This pressure is subject to ongoing review and could change significantly (up or down) as we get more up to date information throughout the year. 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 £5m and if this materialises, it will be funded from historic grant balances.

12.6 **Revenues** Revenues are currently forecasting an overspend of £1.8m. The overspend relates to the following:

- £0.8m 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 £0.7m 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 the earliest, the start of 2023.

The service has received new burdens funding to cover the additional costs incurred as a result of processing the energy rebate allocations across 2022/23. The initial grant funding has been factored into the forecast, and any additional funding announcements will be factored into future forecasts.

12.7 **Registration Services** are currently forecasting an underspend of £150k. This is due to over achieving on the income targets.

12.8 **Housing Needs** are currently forecasting an overspend of £1.158m after a reserve drawdown of £971k. This is an unfavourable movement of £558k on the August forecast. £0.8m of the overspend relates to pressures on security costs as a result of; an increase in the number of hostels and the increase in the need for 24 hour security. This is an unfavourable movement of £0.2m on the August forecast. The remaining £0.35m relates to pressures within temporary accommodation net rental expenditure, which cannot be absorbed within the additional Homelessness Prevention Grant funding received for 2022/23. The financial pressures are being driven by 1) difficulties in placing residents in inner London accommodation due to lack of supply 2) increases in the costs of nightly paid and PRS (private rented sector) accommodation due to the cost of living crisis.

12.9 **ICT** are currently forecasting to overspend by £1.236m after a reserve drawdown of £185k. This is an improvement of £284k compared to last month due to a large credit due to the council from BT and an improvement in the print income forecast.

ICT Corporate are currently reporting an overspend of £1.24m after a drawdown from reserves. The overspend is mainly due to £728k for Cyber projects and the ongoing Amazon Web Service costs. Fortnightly meetings have been set up with finance to provide an update on how the service intends to reduce the key overspend causes.

Financial Management Systems are currently reporting an underspend of £48k for 2022/23.

Hackney Education ICT are currently forecasting an overspend of £44k which is significantly less than 21/22 due to the service being wound down.

12.10 **Audit & Anti-Fraud** are forecasting an underspend of £33k due to staff vacancies.

12.11 **The 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.

12.12 All of F&CR **savings** are forecast to be achieved

12.13 **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 costs
- Rental expenditure in Temporary Accommodation

12.13 **Management Actions.** It has been discussed with management to hold posts vacant for a longer period in order to reduce the overspend. Non-essential spend is continually being reviewed as part of budget monitoring meetings.

13.0 Chief Executive’s

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
15,376	Chief Executive	-351	28

13.1 The Chief Executive's Directorate is forecasting an underspend of £351K following the use of £1.9m of reserves. This is an increase of £28K in the position since the August forecast. The main reason for the underspend continues to be due to vacancies in Legal, Governance and Election Services.

13.2 **Libraries & Heritage** Libraries & Heritage are forecasting a £71k overspend which is caused by two main drivers- non delivery of income targets (room bookings etc) and additional premises operational costs. The budgets are reviewed with the service on a monthly basis to try and mitigate areas that are overspending.

13.3 **Legal, Democratic and Election Services** are forecasting an underspend of £328K 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 coming months.

13.4 **Savings**. The directorate is on target to deliver the approved savings.

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. Income received to the end of September is **£506K**, but some of this income relates to prepayments for future years.
- Not achieving the external income target of £500K in legal services. Income received to the end of September is **£110K**. 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 has a number of vacancies at the moment which is mitigating this risk.

13.6 **Management Actions.** Whilst the directorate is not forecasting an overspend position, the Directors and Heads of Service will continually review their budgets to identify opportunities to reduce reserve use and mitigate any potential income shortfalls that may arise as the year progresses.

14.0 HRA

14.1 The HRA is forecasting an overspend in net operating expenditure of £9.930m. However, the forecast overspend can be brought back into balance by a reduction in Revenue Contributions to Capital Outlay (RCCO). We are able to use £9.930m 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 £2.7m, which is due to an increase in reactive repairs, material costs and an increase in legal disrepair cases.
- The Forecast overspend for Special Services, £5.4m, 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 overspend of £863k 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 are 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.

15.0 CAPITAL

15.1 This is the second 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 September 2022 is £24.3m and the forecast is currently £165.2m, £12.2m below the revised budget of £177.3m. This represents a forecast of 68% of the approved budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report). 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 November Cabinet will be asked to approve the Capital Update Acquisition and Disposal Cabinet Report recommending the phase 2 reprofiling of £13.9m capital budget into future years.

15.2 A summary of the forecast and phase 2 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 Sept 2022	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	To Re-Profile 2022/23	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	1,008	56	408	(600)	0	(150)	858
Adults, Health & Integration	30	30	0	0	(30)	(30)	0	0
Children & Education	14,862	19,065	2,200	15,689	(3,376)	(0)	(2,677)	16,388
Finance & Corporate Resources	28,668	20,344	2,006	17,047	(3,297)	0	(3,297)	17,047
Mixed Use Development	32,382	11,894	125	9,650	(2,244)	0	(3,187)	8,707
Climate, Homes & Economy	40,318	34,004	5,627	24,809	(9,194)	(4)	(9,092)	24,908
Total Non-Housing	**120,297**	**86,344**	**10,015**	**67,603**	**(18,741)**	**(34)**	**(18,403)**	**67,907**
AMP Housing Schemes HRA	43,886	41,409	9,444	42,689	1,280	0	1,280	42,689
Council Schemes GF	6,999	4,426	447	6,532	2,107	0	0	4,426
Private Sector Housing	2,164	1,210	447	1,210	0	0	0	1,210
Estate Regeneration	30,003	12,203	1,304	12,928	725	(0)	725	12,928
Housing Supply Programme	33,406	23,353	2,146	24,923	1,570	0	1,570	24,923
Woodberry Down Regeneration	7,595	8,382	505	9,294	912	0	912	9,294
Total Housing	**124,052**	**90,982**	**14,292**	**97,576**	**6,593**	**(0)**	**4,487**	**95,469**
Total Capital Budget	**244,349**	**177,326**	**24,306**	**165,179**	**(12,147)**	**(34)**	**(13,916)**	**163,376**

15.3 CHIEF EXECUTIVE

The current forecast for the overall Chief Executive's is £0.4m, £0.6m below the revised budget of £1m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2022		Budget Position at Sept 2022	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Libraries and Archives	4,035		1,008	56	408	(600)
Total Non-Housing	**4,035**		**1,008**	**56**	**408**	**(600)**

Libraries and Archives

The forecast for the overall Libraries and Archives is £0.4m, £0.6m below the in-year respective budget of £1m. Below is a brief update on the main variance:

Stoke Newington Library - The forecast is £150k, £450k below the in-year respective budget of £600k. The variance relates to the budget set aside for the refurbishments at this site. The spend for this year will be for the initial surveys and development plans. The project has been delayed due to the rising cost of the works and options needed to be appraised as to mitigating the cost and keeping within budget..

15.4 CHILDREN AND EDUCATION

The current forecast for the overall Children and Education is £15.7m, £3.4m below the revised budget of £19.1m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022		Budget Position at Sept 2022	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Children & Family Services	0		477	45	477	0
Education Asset Management Plan	4,095		2,920	506	2,415	(505)
Building Schools for the Future	38		91	23	91	0
Other Education & Children's Services	1,328		1,596	(150)	1,651	55
Primary School Programmes	6,368		10,755	2,060	8,390	(2,365)
Secondary School Programmes	3,033		3,226	(285)	2,665	(561)
TOTAL	**14,862**		**19,065**	**2,200**	**15,689**	**(3,376)**

Education Asset Management Plan

The forecast for the overall Education Asset Management Plan is £2.4m, £0.5m below the in-year respective budget of £2.9m. 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 the main variances:

Morningside Primary School (Lighting Upgrade) - The forecast is £27k, £240k below the in-year respective budget of £267k. The Project Manager is currently reviewing the overall project costs of the scheme which is expected to start in quarter 4 of 2022/23. The variance has been re-profiled to reflect the anticipated spend.

Berger Primary School (Fire Upgrade and Comfort Cooling) - The forecast is £177k, £163k below the in-year respective budget of £340k. The fire upgrade and comfort cooling is complete and at the retention stage. The costs are below the projected budget. The underspend will cover identified overspends in the overall programme.

Other Education & Children's Services

The forecast for the overall Other Education and Children's Services is largely in line with the in-year respective budget of £1.6m with a minor overspend of £55k. Below is brief update on the main variance:

Education SEND Strategy - The forecast is £196k, £55k above the in-year respective budget of £141k. This project is in the initial feasibility stages and the Project Manager is awaiting survey information. There is a likelihood that the costs will be slightly higher than previously forecasted for this financial year. Despite the increased cost, the total cost will still be within the overall approved budget. The budget from 2022/23 has been re-profiled back to current year to cover this overspend.

Primary School Programmes

The forecast for the overall Primary School Programme is £8.4m, £2.4m below the in-year respective budget of £10.8m. 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 main variances:

Woodberry Down Children Centre - Relocation - The forecast is £2.5m, £2.4m below the in-year respective budget of £0.9m. The variance relates to the procurement delays which impacted the project starting on time. The contractors have now started on site with the contractor's first invoice expected by the end of quarter 2. The budget has been re-profiled to 2023/24 to reflect the revised programme.

Colvestone (Facades Work) - The forecast is £771k, £387k above the in-year respective budget of £385k. In addition to the administrative challenges faced by the school as reported in quarter 1, it was noted that the works to the truss in the school hall would not be sufficient, and all trusses in the hall were failing. It was decided by the project team that work to these would need to be completed as soon as practically possible. This resulted in the overall increase in the cost of the works. The budget has been revised to reflect this. The variance will be covered by identified underspends across the programme.

Gayhurst (Facades Work) - The forecast is £1m, £763k above the in-year respective budget of £278k. After installing scaffolding a survey was undertaken at high level, when the roof area was accessed it was clear that the roof was in a bad state of repair and roof tiles had started to slip. The consultant accessed the roof and advised that it was more than likely that the nails had failed and a full replacement was necessary. The variance will be covered by identified underspends across the programme.

Mandeville (Facades Work) - The forecast is £1.2m, £578k above the in-year respective budget of £601k. On erection of the scaffold a terracotta stone fell onto the scaffold, on further inspection of all the stonework it was found that all were in a state of disrepair and works to stabilise these and repair would be needed. This resulted in the increase in capital budget required. The variance will be covered by identified underspends across the programme.

Southwold and William Patten (Façades Work) - The forecast is nil spend against the in-year respective budget of £0.8m. The Project Manager confirmed procurement will be in Quarter 4 of 2022/23. The tender was delayed due to Project Manager waiting for the outcome of the previous batches (i.e Orchard, Oldhill, Springfield) tender returns and the additional variations on earlier batches (i.e Gayhurst, Mandeville, Colvestone). Now that this is known, the Project Manager will be going out to tender for Batch 5 (Harrington Hill, William Patten, Southwold) shortly with a view to start on site in February 2023 with the first payments being made at the end of March/beginning of April 2023. Therefore the budget has been reprofiled to reflect the late start.

Secondary School Programmes

The forecast for the overall Secondary School Programmes is £2.7m, £0.6m below the in-year respective budget of £3.2m. 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 brief update on the main variance:

Stoke Newington School Lifecycle Work - The forecast is £0.4m, £0.5m below the in-year respective budget of £0.9m. This is as a result of the reclassification of the redecoration works.

It was agreed that the redecoration works at Stoke Newington School should be classified as reactive works because it represents cyclical life cycle works.

The budget was identified as £0.5m of the in- year provision of £0.9m and has been transferred to reactive works budget to support the proposed redecoration works.

The Lifecycle roofworks are near completion and the lighting upgrade is due to go out to tender.

15.5 FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £17m, £3.3m below the in-year respective budget of £20.3m. Below is a brief update on the main variances:

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022		Budget Position at Sept 2022	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Property Services	23,772		14,563	860	11,507	(3,057)
ICT	4,243		4,143	1,070	4,143	0
Other Schemes	654		1,638	76	1,398	(240)
Total	**28,668**		**20,344**	**2,006**	**17,047**	**(3,297)**
Mixed Use Development	32,382		11,894	125	9,650	(2,244)
TOTAL	**61,051**		**32,238**	**2,131**	**26,697**	**(5,540)**

Strategic Properties Services - Strategy & Projects

The forecast for the overall Strategic Properties Services is £11.5m, £3.1m below the in-year respective budget of £14.6m. Below is a brief update on the main variances:

Stoke Newington Assembly Hall - The forecast is £1.2m, £0.5m below the in-year respective budget of £1.7m. Phase 1 of the project is replacing the ceiling of the Assembly Hall which will take place this financial year. Contractors are on site to start the initial works but the original area of asbestos to be removed has grown upon further investigation. Therefore additional quotation is required for this and we will go out to tender within a framework. The variance has been re-profiled to 2023/24 to reflect the anticipated spend.

The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project - The forecast is £4m, £2m below the in-year respective budget of £6m. All the costs for this financial year are for ‘Design and Build’ at both sites. Construction will start in 2023/24. The variance has, therefore, been re-profiled to 2023/24 in line with the actual programme.

Landlord Works at 61 Leswin Road (The Old Fire Station) - The forecast is £468k, £300k below the in-year respective budget of £768k. The variance was due to the delay to appointing the contractor. The contractor is now on site. The underspend has been re-profiled to 2023/24 in line with the revised programme of works.

Mixed Use Developments

The forecast for the overall Mixed Use Developments is £9.7m, £2.2m below the in-year respective budget of £11.9m. 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 Nightingale Primary School is complete and occupied. All units have been sold and the development is fully occupied. The final account for the Design and Build element of the project remains in draft agreement with anticipated application for payment due by the autumn. No adjustments to values are expected.

Nile Street - New Regents College is complete and occupied. The final account for the Design and Build element of the project has been agreed with HSF2L, and McLarens. The values for contractual retention have been agreed by the team and the contractor has considered and confirmed the same. As at September 2022 there are currently 116 units sold out of the 175 units.

Britannia Site - Phase 1a (new Leisure centre) and Phase 1b (CoLASP) are now in the defects period. Phase 2b (Residential) is in the initial stages. The tender is out for a design and build contractor to carry out the works required. The forecast figures now include marketing collateral and temporary marketing suite fit out to the end of the financial year. As previously reported in quarter 1 the underspend is due to a delay to the start of the construction programme which was due to start in quarter 4 of 2022/23 and now pushed back to start in quarter 1 of 2023/24. As well as the CIL payments due on commencement being delayed to quarter 1 2023/24. The variance has, therefore, been re-profiled to 2023/24 to reflect the anticipated spend.

15.6 CLIMATE, HOMES & ECONOMY

The overall forecast in Climate, Homes & Economy is £24.8m, £9.2m under the revised budget of £34m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Sept 2022	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Leisure, Parks & Green Spaces	22,934	19,640	2,786	12,950	(6,690)
Streetscene	12,765	11,150	1,085	9,912	(1,238)
Environmental Operations & Other	734	734	0	254	(480)
Public Realms TfL Funded Schemes	0	0	1,628	0	0
Parking & Market Schemes	308	70	0	96	26
Community Safety, Enforcement & Business Regulations	493	512	5	188	(324)
Area Regeneration	3,084	1,899	123	1,409	(490)
Total	**40,318**	**34,004**	**5,627**	**24,809**	**(9,194)**

Leisure, Parks and Green Spaces

The forecast for the overall Leisure, Parks and Green Spaces is £13m, £6.7m below the in-year respective budget of £19.6m. Below is the brief update on the main variances.

<u>Kings Hall Leisure Centre</u> - The forecast is £0.2m, £2.9m below the in-year budget of £3.1m. This project is at the initial feasibility and design stage. Due to resourcing issues within the service the project has been delayed. The Design Team has now been appointed. The Contractors will be appointed in 2023/24, therefore, the variance has been re-profiled in line with the revised programme.

<u>London Fields Learner Pool</u> - The forecast is £0.2m, £3m below the in-year budget of £4.5m. The Design team is now appointed and will be on site late Autumn 2022/23. 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.

<u>Play Area Refurbishments</u> - The forecast is £1.1m, £0.4m below the in-year respective budget of £1.5m. Phase 1 has been delivered. Four parks have the contractors on site and are due to be completed by Winter 2022/23. Consultation is complete on the other four parks and three are subject to common land application which are being developed at the moment. Due to potential land decisions, the spend will be in 2023/24 and the budget re-profiled.

Daubeney Fields Play Area - The forecast is £150k, £599k below the in-year respective of £749k. This project is going out to consultation followed by the development of the common land application. The spend will be in 2023/24 and the budget re-profiled.

Fairchild's Garden - The forecast is £30k, £464k below the in-year respective of £494k. There is a funding shortfall which the team are looking at possible funding options. This has caused the delay to the start of the project. On the basis that the funding is agreed the works will start in 2023/24 and the variance has been re-profiled.

Parks Depot - The forecast is £0.6m, £0.4m below the in-year respective budget of £1m. Works started on site at Millfields depot. The team are now developing designs at Haggerstons and Hackney Downs. The remaining budget will be re-profiled to 2023/24 to support the continued works.

West Reservoir Improvements - The forecast is £0.4m, £1.4m below the in-year respective budget of £1.8m. The Design Team has been appointed to move the project forward and anticipate a Planning Application being submitted in Spring 2023 and a start-on-site date in autumn 2023. The variance has been re-profiled to 2023/24 to reflect the next phase of the programme.

Streetscene

The forecast for the overall Streetscene is £9.9m, £1.2m below the in-year respective budget of £11.1m. Below is brief update on the main variance:

Infrastructure Programme - The £1.2m underspend relates to Infrastructure Programmes which need to be re-profiled as the service has been prioritising schemes which are grant funded and there are specific time restrictions on spend and claims. A number of infrastructure bids have now been submitted for spend approval to the October 2022 Cabinet. The remaining budget will be re-profiled to 2023/24 to support the continued works.

Environmental Operations & Other

The overall forecast is £0.2m, £0.5m below the in-year respective budget of £0.7m. Below is brief update on the main variances:

Fleet Replacement - The forecast is £254k, £234k underspend against the in-year budget of £488k. There will be a minimal amount of spend for this financial year in this area. The fleet replacement project is planned to take place in future years therefore the underspend has been re-profiled to 2024/25.

Depot Repairs Programme - The forecast is nil spend against in-year respective budget of £246k. This is the budget held for the Depot Repairs Programme which has no plans to spend this year. This budget will be reviewed as part of the Council's budget-setting exercise and offered up as savings if not required.

Community Safety, Enforcement & Business Regulations

The overall forecast is £0.2m, £0.3m below the in-year respective budget of £0.5m. Below is a brief update on the main variance:

Enforcement Strategy Database - The forecast is nil spend against the in-year respective budget of £320k. This the budget held for the Enforcement Strategy Database. There are still ongoing development additions or upgrades to be progressed which unfortunately has not happened this year and we have not been able to ascertain the reasons why. Therefore this resource will be reviewed as part of the Council's budget-setting exercise.

Area Regeneration

The overall forecast is £1.4m, £0.5m below the in-year respective budget of £1.9m. The most significant underspend relates to the Dalston and Hackney Town Centre project. The spend this year relates to design team fees, a development advisor and a cost consultant as the feasibility work progresses. The remaining spend will most likely take place in 2023/24 therefore the budget has been re-profiled.

15.7 HOUSING

The overall forecast in Housing is £97.6m, £6.6m above the revised budget of £91m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022		Budget Position at Sept 2022	Spend	Forecast	Variance
	£000		**£000**	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	43,886		41,409	9,444	42,689	1,280
Council Schemes GF	6,999		4,426	447	6,532	2,107
Private Sector Housing	2,164		1,210	447	1,210	0
Estate Regeneration	30,003		12,203	1,304	12,928	725
Housing Supply Programme	33,406		23,353	2,146	24,923	1,570
Woodberry Down Regeneration	7,595		8,382	505	9,294	912
Total Housing	**124,052**		**90,982**	**14,292**	**97,576**	**6,593**

AMP Capital Schemes HRA

The overall forecast is £42.7m, £1.3m above the in-year respective budget of £41.4m. This is an increase of £1.3m over the previous quarter. We are proposing to meet the additional expenditure by re-profiling budgets of £1.3m from 2023/24 back into the current year including in-year virements.

The Phase 2 Re-profiling proposes a planned budget of £56.5m for 2023/24. Below is a brief update on the main variances:

Contract 1 (Wates) - The forecast is £3.5m, £0.8m above the in-year respective budget of £2.6m. There is increased cost at Lincoln Court following big ticket items for asbestos, water piping and Boss connections possibly affecting all units. The programme is under scrutiny to quantify the multitude of tasks that have come to light since the contractor mobilised on site.

Contract 1 (Mulalley) - The forecast is £2.1m, £1.5m below the in-year respective budget of £3.6m. The works at Purcell Street have been phased into next year as the programme has been affected by delays in supply side materials. This year's underspend will fund the emergency Fire Risk Assessments.

Door Entry Systems - The forecast is £0.4m, £0.1m below the in-year respective budget of £0.5m. The programme was affected by supply side issues and a disruptive delivery lead time of 26 weeks plus seeking alternative suppliers for materials previously sourced from Ukraine and Russia.

Lifts Major Components - The forecast is £1m, £0.1m above the in-year respective budget of £0.9m. There is an uplifting adjustment to match anticipated recharges at year end. The new contract for Lift Renewals has been awarded and work is expected to commence in quarter 4 following mobilisation and surveys.

Community Halls - The forecast is £0.3m, £0.1m below the in-year respective budget of £0.6m. The works have been hampered by external supply chain issues but the DLO (direct labour organisation) have been able to take up slack that would otherwise have been moved into next year.

Fire Risk Assessments - The forecast is £2.2m, £1.5m above the in-year respective budget of £0.7m. The Council's Hackney Procurement Board recently approved the urgent fire safety works at Fellows Court and whilst steps were taken to ensure 'cost certainty' there remains a possibility that the final spend could be higher due to extra design and specifications to be agreed with the Contractor post procurement.

Lighting Conductors - The forecast is £0.5m, £0.2m above the in-year respective budget of £0.3m. The programme has now been agreed with the Contractor including all Section 20s completed ahead of schedule.

Capitalised Salaries - The forecast is £5.3m, £0.1m above the in-year respective budget of £5.2m. Capitalised salaries have seen a slight increase due to expected internal Council recharges at the end of the finance year from the Council's Procurement Team and the Council's Property Services Team.

Bridport - The forecast is £4.6m, £0.3m above the in-year respective budget of £4.3m. It should be noted that we still have uncertainty over some significant construction cost elements and will not have the ideal levels of knowledge for 2-3 months. Latent defects with the building are still emerging and work will be needed to resolve these.

Council Schemes General Fund

The overall scheme forecast is £6.5m, £2.1m above the in-year respective budget of £4.4m. Below is a brief update on the main variance:

Purchase Leasehold Properties - The forecast is £4.3m, £2.1m above the in-year respective budget of £2.1m. There continues to be a programme of HRA Buybacks on existing estates of former Right-to-Buy properties. These are partly funded by either ring-fenced Right-to-Buy receipts or GLA Buyback Grant and will result in savings for Housing Needs. The current forecast reflects the expectation that at least 10 properties will be purchased this year, as part of the agreement with Local Space.

Private Sector Housing Schemes

There are no material variances.

Estate Regeneration Programme (ERP)

The overall scheme forecast is £12.9m, £0.7m above the in-year respective budget of £12.2m. Below is a brief update on the main variances:

Tower Court - The forecast is £1.9m, £0.1m above the in-year respective budget of £1.8m. The project is nearing completion. 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 variance will be covered by identified underspends across the programme.

Kings Crescent 3&4 - The forecast is £0.9m, £0.3m below the in-year respective budget of £1.1m. The project will be going into a cost optimisation period with the preferred contractor later in the year, with a view to reducing costs and improving viability. The cost optimisation period is likely to take slightly longer than was estimated last quarter. The variance will part fund identified overspends across the programme and the remaining budget will be re-profiled to 2023/24.

Colville Phase 4 - The forecast is £0.8m, £0.1m below the in-year respective budget of £0.9m. 2 Buybacks are expected during the year, with residents moving into units in phases 2A&B on a Shared Equity basis. The variance has been re-profiled to 2023/24 to reflect the anticipated spend.

Marian Court - The forecast is £2.2m, £0.8m above the in-year respective budget of £1.4m. Demolition is due to start soon. The project should then be going into a cost optimisation period with the preferred contractor, with a view to reducing costs and improving viability. The increase in costs relates to CIL and S106 payments which were not previously forecast until next financial year. The budget from future years will be brought forward to cover this overspend.

Housing Supply Programme

The overall forecast is £24.9m, £1.6m above the in-year respective budget of £23.4m. Below is brief update on the variance:

<u>Wimbourne Street and Buckland Street</u> - These two schemes are showing the most significant variance forecasting £19.8m, £1.6m above the in-year respective budget of £18.2m. Both sites are now under contract and works have started, with an estimated completion date of June 2024. The increase compared to the last quarter is due to receiving an updated cash flow forecast from the Contractor, which showed the programme spend accelerated compared to previous expectations. The budget from future years will be brought forward to cover this overspend.

Woodberry Down Regeneration

The overall forecast is £9.3m, £0.9m above the in-year respective budget of £8.4m. The increase compared to budget is driven by the £4m overage payment that is now due to Berkeley Homes. This is somewhat offset by a reduction in the number of Buybacks now expected to complete during this year, with 11 now estimated compared to last quarters 16. The budget from future years will be brought back to cover this overspend.

<u>Appendices</u>

None

<u>Background documents</u>

None.

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