Hackney

Title of Report	**2022/23 Overall Financial Position - October 2022**	
Key Decision No	FCR S090	
For Consideration By	Cabinet	
Meeting Date	12 December 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	29 November 2022	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the fifth Overall Financial Position (OFP) report for 2022/23. It shows that as at 2022, the Council is forecast to have an overspend of £8.409m on the General Fund - an increase of £120k from the previous month

1.2 As can be seen 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, ICT 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 inflation crisis is imposing significant cost pressures on the Council. 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. There will also be considerable pressure as a result of 2022/23 pay negotiations. The Council's Corporate Leadership Team is taking measures to try and mitigate the impact of these on the overspend (see section 2.16) however, the pressures are such that actions are containing the current position rather than improving it.

1.4 Residents will also continue to face significant financial pressures as the inflation surge is showing no sign of abating. In sections 2.24 to 2.31 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 The Chancellor presented the Autumn Statement on November 17th. While the total funding streams for local government next year do not appear to be lower (in cash terms) than we were expecting before the cost of living crisis began, we don't know if there will be any redistribution of the total pot and whether all of the existing grants will be maintained or the funding diverted to other areas of local government. Also the Government has stated that "departments will identify savings to manage pressures from higher inflation, supported by an 'Efficiency and Savings Review'. This will include "reprioritising spending away from lower-value and low-priority programmes, and reviewing the effectiveness of public bodies".

1.7 The future is very concerning and very uncertain. The Government has stated that the spending commitments in 2023-24 and 2024-25 as set out in the 2021-22 Spending Review will be honoured (which implies a real terms loss in funding) but beyond 2024-25, it states that departmental resource spending will continue to grow, but slower than the economy, at 1% a year in real terms until 2027-28. Planned total department spending will increase by a 1% real terms rise but no details were given on how individual departments will be affected. It only published the total spending plans for 2025-26 to 2027-28 but did not publish individual departmental totals. So there is no guarantee local government will receive even a 1% real term rise post 2024/25 - in fact given the current prioritisation of the NHS and Education; I think it is unlikely that Local Government will receive the 1%. Given that the government is not raising support by the level of inflation and the Consumer Price Index is currently running at 9.6% p.a. the resulting pressure on current and future budgets means that austerity will continue in the years ahead. The announcement that local authorities will have "greater flexibility to set council tax levels" will simply mean that, as well as further cuts, more of the burden of paying for services will fall upon hard pushed local residents.

1.8 Paragraphs 2.2 to 2.5 of this report provide Cabinet with a summary of where we are in relation to the development of the budget for 2023/24 and recommend budget proposals for approval which contribute to meeting the estimated budget gap for that year and also to the gaps in 2024/25 and 2025/26. The proposals are the result of an extensive programme of work and have been subject of a thorough budget scrutiny process. As in prior years, utmost effort has been put into ensuring that these proposals address the financial pressures while fully reflecting the need to protect front line services. The savings range from efficiencies, through increased income to more fundamental service reviews aligned to the anticipated work of the developing transformational programme. They are also reflective of where services are in relation to the delivery of previous year's savings and in terms of their journey to improvement.

1.9 On the basis of advice from London Councils and its advisers, the boroughs have agreed not to reconstitute the London Business Rates Retention and Pooling pilot arrangement in 2023-24. However, we are proposing to continue with the localised pooling scheme we entered into in 2022-23 comprising the City of London and 6 other London boroughs. The current scheme which has been in operation for 6 months is forecast to deliver the Council significant financial benefit (c. £2.2m) and we anticipate a similar outcome in 2023-24 if the scheme goes ahead. More detail is provided on this below.

1.10 Finally the report sets out the actions we have undertaken to ensure that we maximise targeted support under the Government's Discretionary Energy Rebate Scheme

1.11 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 £14.409m 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 £8.409m - an increase of £120k from the September forecast.

2.2 As part of the Budget Report for the current financial year agreed by Full Council in February, the Council set out its medium term financial plan which estimated a budget gap of £22.031m in 2023/24. Since that time Group Directors and Directors have been working on developing budget proposals to contribute to closing this gap. Many of these savings will also contribute towards mitigating the gaps in 2024/25 and 2025/26.

2.3 These proposals have been developed with Cabinet Members and have been through a budget scrutiny process where all proposals were subject to review and challenge by Scrutiny and Audit Committee Chairs and Vice Chairs. These proposals are now recommended for approval by Cabinet.

2.4 Further details are included at **Appendix 1** and a summary by Directorate is shown below.

Table 3:2023-24 to 2025-26 Service Savings

Directorate	2023-24 £000	2024-25 £000	2025-26 £000
Adults, Health and Integration	494	475	375
Children and Education	750	1,200	0
Chief Executive	50	0	0
Climate, Homes and Economy	2,350	50	0
Finance & Corporate Resources	2,096	20	30
Total Service Savings	**5,740**	**1,745**	**405**

2.5 This report proposes £5.74m savings, in addition to other expenditure reducing measures formulated since February including: a review of pension contributions, growth and the set aside to meet external debt; reviews of historic underspends, and other corporate measures; which will be set against the £22m budget gap noted above. Further savings are currently being worked on, together with decisions on council tax following the Autumn Statement. On 21st December 2022, the 2023-24 Provisional Local Government Finance Settlement will be published and in the new year we will finalise a balanced budget which will be taken to Cabinet on 27th February 2023 and to Council on 1st March 2023.

2.6 In 2022-23, Hackney joined with the City of London and six other boroughs (Tower Hamlets, Brent, Barnet, Enfield, Haringey and Waltham Forest) to establish a localised business rates pooling scheme This is on course to deliver £2.2m additional income. Following the decision of the boroughs not to reconstitute the London rates pooling arrangement in 2023-24, we are proposing to continue with the current localised pooling scheme with the same participants The scheme is forecast to deliver the Council significant financial benefit, albeit slightly less than the current scheme. The proposed scheme is set out in detail in **Appendix 2** together with the detailed recommendations which require approval for Hackney to participate in the pool and Cabinet is asked to approve these.

2.7 **Discretionary Energy Rebate Scheme.** As part of the Energy Rebate Scheme introduced by BEIS in March 2022 Hackney was provided with funding of £1,931,400 to be administered through a Discretionary Energy Rebate Scheme. The purpose of the scheme was to support those households who did not receive support under the Core Energy Rebate Scheme and / or to increase the support to those who qualified for the Core Energy Rebate. The Core Energy Rebate Scheme (non-discretionary) provided £150 to all households in Council Tax Bands A to D in occupation as their sole or main residence on 1st April 2022.

2.8 Our discretionary scheme provided for the additional payments as set out below

- Council Tax Bands A to D in occupation at 1/4/2022 and in receipt of CTR - £30 payment (in addition to the £150 Core Energy Rebate Scheme)
- Council Tax Bands E to H in occupation at 1/4/2022 and in receipt of CTR - £150 payment
- occupied after 1/4/2022 and in receipt of CTR - £150 payment if occupied between 1 April - 30 June, £112.50 if occupied between 1 July - 30 September, £75 if occupied between 1 October to 30 November
- no liability for council tax and in receipt of UC/HB - £150 payment

2.9 £1,288k will be allocated out by the end of November (closing date of the scheme) and the balance of £643k will be used to maximise targeted support for residents in Bands A to D who are in receipt of CTR. The balance will be allocated out on the basis set out below:

- There are some residents who were not paid the £150.00 Core Energy Rebate as our records did not reflect their occupation. 50 residents have since made an application for the £150 Core Energy Rebate but as that scheme has closed we are unable to pay them from that fund. The non-payment is in part due to delays in updating accounts due to the Cyber Attack and we propose that where a payment was not made in cases such as this, that we make payment of the £150 from the discretionary scheme.
- £20 to £30 additional top up to be paid to residents who are in Council Tax Bands A to D and in receipt of CTR who were in occupation at 1st April 2022 as their sole or main residence.

2.10 The exact value of the additional top up (which will be based on allocating what we estimate the full underspend will be) will be calculated on 25th November and applied to the appropriate Council Tax accounts between 28th to 30th November when the discretionary scheme closes.

2.11 The Chancellor presented the Autumn Statement on November 17th and the spending commitments in 2023-24 and 2024-25 as set out in the 2021-22 Spending Review will be honoured (which implies a real term loss in funding). We don't know if there will be any redistribution of the total pot and whether all of the existing grants will be maintained or the funding diverted to other areas of local government. The Services Grant is a particular risk. Also the Government has stated that "departments will identify savings to manage pressures from higher inflation, supported by an 'Efficiency and Savings Review'. This will include "reprioritising spending away from lower-value and low-priority programmes, and reviewing the effectiveness of public bodies".

2.12 Over the period 2025-26 to 2027-28, the Autumn Statement states that planned total department spending will increase by a 1% real terms rise but no details were given on how individual departments will be affected as it only published the total spending plans for 2025-26 to 2027-28, not the individual directorate totals. As noted in 1.7 above, it is unlikely that Local Government will get any real terms increase.

2.13 With regards to the 2023-24 Local Government Finance Settlement (LGFS), a policy paper will be produced at the beginning of December but the Provisional LGFS will not be published until 21st December

2.14 The Statement was published against a deteriorating fiscal outlook, higher inflation and interest rates, coupled with slower economic growth, which have in turn hit the public finances. The Office for Budget Responsibility judges the UK to be in recession, meaning the economy has slowed for two quarters in a row. It predicts growth for this year overall of 4.2%, but the size of the economy will shrink by 1.4% in 2023 but then return to growth of 1.3% in 2024, 2.6% in 2025 and 2.7% in 2026. UK's inflation rate predicted to be 9.1% this year and 7.4% next year, and unemployment expected to rise from 3.6% to 4.9% in 2024

2.15 On Departmental Spending, budgets will remain as previously set in cash terms for the next two years and total planned departmental spending will grow at 1% a year in real terms (accounting for inflation) the following three years. No detail was given on how individual departments will be affected and Local Government is unlikely to see a real term increase. A summary of the provisions affecting local government are as follows

- The Government is increasing the core referendum limit for increases in council tax to 3% per year from 2023-24, In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year from 2023-24.This will mean that London Boroughs can increase their council tax by up to 5% without holding a referendum from 2023-24.

- The planned adult social care charging reforms will be delayed from October 2023 to October 2025. The funding intended for implementation will be retained in council budgets to help them meet current pressures. The following resources will be made available for social care:

  · *£1.3 billion in 2023/24 and £1.9 billion in 2024/25 will be distributed to councils through the Social Care Grant for adult and children's social care*

  · *£600 million will be distributed in 2023/24 and £1 billion in 2024/25 through the Better Care Fund to get people out of hospital on time into a care setting, freeing up NHS beds for those that need them.*

  · *£400 million in 2023/24 and £683 million in 2024/25 will be distributed through a new Adult Social Care grant.*

- From 1 April 2023, a revaluation will update rateable values for non-domestic properties in England in line with evidence from April

2021. The Autumn Statement announced a £13.6 billion support package to protect ratepayers facing increases. It comprises:

· The freezing of the business rates multipliers in 2023/24,

· A new Transitional Relief scheme limiting the rate at which bills can increase due to the revaluation and funded, for the first time, by the Exchequer

· A more generous Retail, Hospitality and Leisure relief for eligible properties in 23/24

· A Supporting Small Business scheme to cap bill increases for businesses that lose other relief due to the revaluation.

- Local authorities will be fully compensated for any loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

- £1 billion will be provided to enable a further year-long extension to the Household Support Fund.

- This Government is capping the amount that social rents can increase by next year at 7% with no mention of compensation to Councils

- As the social care levy is being abolished, the Government is reducing grant funding for councils, announced as part of the 2021 Spending Review, by approximately £200m in 2023/24 and 2024/25.

- Education – an additional £2.3bn per annum over next two years.

- Targeted support announced to help the most vulnerable groups with the cost of living. The following additional payments will be made in 2023/24 financial year: £900 payment to households on means-tested benefits; £300 payment to pensioner households; and £150 payment to those receiving disability benefits

As more detail emerges, we will look to reflect what this means in terms of our overall financial position notwithstanding that we will not know specific details until 21st December.

2.16 Returning to the forecast, aside from 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.

2.17 The main areas of overspend are: -

Childrens and Education (£1.759m before Cyber) in the areas of Corporate Parenting (£1.305m), Access and Assessment (£0.351m), Looked After Children (£0.163m), Safeguarding and Learning (£0.101m) and the Disabled

Children's Service (£0.180m); partially offset by an underspend on clinical services (£0.230m) and the Family Learning Intervention Programme (£0.102m)

Adults, Health and Integration (£5.304m before Cyber) primarily in the areas of Care Support Commissioning (£3.393m), Provided Services (£1.474m) and Mental Health (£1.300m). This is partially offset by an underspend in Preventative Services (£0.450m).

Climate, Homes and Economy (£1.335m before Cyber) primarily in the area of Planning (£0.753m), Community Safety, Enforcement & Business Regulation (£0.254m) and Environmental Operations (£0.244m)

F&CR (£1.747m before Cyber) in Strategic Property Services (£0.433m) 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 £958k 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 £771k overspend in ICT relating to staffing costs associated with increased demands on the service

Cyberattack - One off cost of £4.621m, 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.

2.18 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.

2.19 The inflation crisis is imposing significant cost pressures on the Council. 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. There will also be considerable pressure as a result of 2022/23 pay negotiations.

2.20 The Council's Corporate Leadership Team is trying to mitigate the impact of these pressures on the overspend by continuing with 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, to date the service has achieved £750k in cost avoidance by targeting high cost placements within CFS and we are on track to achieve £1m this financial year. A target of £100k was also set by the service to reduce agency staff spend and this 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 are holding 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 non-essential spend savings 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.

2.21 The Corporate Leadership Team will continue to consider further measures to reduce spend and report back in future OFPs. 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.

2.22 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.

2.23 The Employer side made a flat rate offer of £1,925 for all staff which 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.

2.24 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.

2.25 We are also impacted, of course, by changes in interest rates. On 3rd November the Bank of England increased the base rate by 0.75%. This clearly will have implications for residents by increasing the cost of borrowing (especially on those with a mortgage) and on the Council through any borrowing entered into to deliver the Capital Programme. The combination of inflation and its impact on contractor fees and other costs, together with the extra cost of borrowing will impact on the viability of schemes. 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. We are currently transitioning to a new governance structure for our Capital Programme which will introduce further challenge and monitoring into the oversight of the programme as well as ensuring links between the capital projects and our revenue budgets are more explicitly and widely understood and taken account of in recommendations to Cabinet.

2.26 The financial position for services in October is shown in the table below

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£k	£k
92,359	**Children and Education**	1,759	118
125,276	**Adults, Health and Integration**	5,304	45
27,382	**Climate, Homes & Economy**	1,335	(15)
20,813	**Finance & Corporate Resources**	1,747	(91)
15,376	**Chief Executive**	(357)	(6)
52,652	**General Finance Account**	0	0
	Sub Total	**9,788**	**51**
	One-Off Cyberattack Costs	**4,621**	**68**
333,858	**GENERAL FUND TOTAL**	**14,409**	**119**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	14,409
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	**8,409**

2.27 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

2.28 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.

2.29 Tackling Poverty has been a key priority for the Council in recent years and we adopted a poverty reduction framework in March 2022. This was informed by work during the pandemic when we tried, from the outset, to focus our response on how those on lower incomes were going to be impacted and campaigning for more funding. We have kept working closely with the community organisations at the heart of the pandemic response because we always knew more people would be struggling financially coming out of the pandemic

2.30 The response to the cost of living crisis, which is set out below, is in line with the third objective of the poverty reduction framework which is about responding to material needs, by developing a more coordinated emergency support and advice offer, with more preventative help, linking emergency support with income maximisation and advice and supporting frontline services and community partners on the ground who are best placed to support residents. Ultimately we are trying to create one connected system of support, with the Council, statutory partners and community organisations working together.

2.31 The Council has established the Money Hub - a new team of specialist advisors who will support those in severe hardship, who have no other source of monetary support available. In terms of the financial support the Council is able to offer to residents through the Hub, we have the Hackney Discretionary Crisis Support Scheme (HDCSS), which provides one-off payments for emergencies and items that are difficult to budget for. In addition, we also support residents having temporary difficulty meeting housing costs through the discretionary housing payments (DHPs) and have the Council Tax Discretionary Fund, which allocates out a small cash limited fund to provide discretionary financial help for council tax payers in hardship. Finally the Hub is allocating out £200k of Household Support Fund monies (see below for detail on the Housing Support Fund).

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

2.32 We have also rolled out the Government's scheme to support residents with rising fuel costs. Payments made this year is as follows::

- *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)*

2.33 As well as routing £200k of Household Support Fund via Money Hub, the Council is using the Housing Support Fund to provide support to those we know are in need. £2.8m has been awarded in total from October 2022 to March 2023 and the remaining £2.6m allocated will be used to:

- provide vouchers in school holidays to children in schools and in children's centres on the free school meals register, to young people in colleges and to children in the Orthodox Jewish community, who are less likely to be on the free school meals register.
- We are also directing support to those leaving care, living in hostels, supported living and temporary accommodation as well as foster carers.
- We are creating a direct referral route for frontline workers to access for crisis help for residents they support with food and fuel.

Continuation of the Household Support Fund was confirmed in the Autumn Statement and we plan to build on the approach outlined above for April 2023 onwards.

2.34 We are also embedding financial help into the work of Children and Education. This includes:

- *Children's centres* Families receiving targeted support via the Multi-agency teams (MAT) receive food vouchers and all other families who are eligible can access Healthy start vouchers and Alexander Rose vouchers redeemable for fruit and veg from Hackney markets- we have recently agreed further funding for Alexander Rose again to work in Hackney with a £20k grant from Public Health
- We are running support in holidays with funding from the Department of Education: Holiday Activity and Food programme will run for four days during Christmas holidays. This provides activities and lunch for children on FSM.
- At a recent Council Meeting in late October it was agreed that a task force be established to review Food Poverty affecting Children in Schools and settings as part of our commitment to helping our residents through the cost of living crisis. The idea of this task force is that we listen to schools and community organisations about their ideas, thinking about how we might address food poverty in schools and look at models around delivery.

2.35 Alongside the direct support that the Council is putting in place, we are doing what we can to support organisations on the ground, who are struggling with rising costs and demands. This is vitally important because it is these organisations that have the greatest reach into diverse communities, can ensure that residents are supported in a more ongoing way at community level, and can access *independent* advice and accredited financial, debt and legal advice when appropriate.

- We have already secured £95k from the NHS to shore up support over winter, purchasing food and helping with the volunteer drive.
- We also continue to try to help organisations raise funding.
- A greater share of the Community Grants budget (£1m out of a £2.5m budget) has been dedicated to funding more social welfare advice in Hackney,

2.36 More detail about this partnership work, and about the whole response is provided in this stakeholder briefing which will be kept up to date on a regular basis.

2.37 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 October covering the General Fund and HRA

3.2 To approve the 2023-24 to 2025-26 savings set out in Appendix 1

3.3 To approve the 2023-24 Local London Business Rates Pool recommendations set out in Appendix 2

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the 2023/25 savings and the pooling proposals

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. The savings proposals and have been considered, reviewed and scrutinised by Members and the Pooling proposal is an either yes or no and on balance, it was decided to proceed with the proposal

6.0 BACKGROUND

6.1 **Policy Context**

This report describes the Council's financial position as at the end of October 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	1,759	118

9.1 The Children and Families Services (CFS) CFS are forecasting a £1.76m overspend (before the cyber attack) as at the end of October 2022. after the application of reserves totalling £4.9m and after the inclusion of the Social Care Grant allocation of £8.5m. The main driver for the movement of £0.1m in the forecast this month relates to an increase in residential care and semi-independent placements cost.

9.2 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.

9.3 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. A further Ofsted focused visit took place in September 2022, and focused on the 'front door' services, including decision-making and thresholds for referrals about children, child protection enquiries, decisions to step up or down from early help, and emergency action out of hours. The findings from the focused visit were positive, and recognised the strength of 'front door' services, the recent integration of early help services, and that senior leaders continue to make improvements to services in a challenging context.

9.4 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 within this area primarily due to a new residential care placement. Corporate Parenting is forecast to overspend by £1.3m 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. There are also more children within high cost bespoke packages than in previous years and this has caused upward pressure on cost for the service this financial year. Similarly, Looked After Children & Leaving Care Services is expected to overspend by £0.2m, and this relates to an increase in commissioning costs and some staffing costs pressures linked to additional posts and agency staff usage. At the start of this financial year we have seen a reduction in residential placements however the placement costs are increasing in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation and the cost of living crisis. We are expecting further young people to be stepped down from residential placements in the next six months.

9.5 **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.

9.6 The **Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.4m 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. The service is also considering initiatives to retain staff such as market supplements in hard to recruit areas of the service.

9.7 **Hackney Education (HE)** is forecast to overspend by around £4.7m. The underlying overspend across the service is £6.2m, and this is partially offset by mitigating underspends of £1.5m. The main driver is a £5.4m pressure on SEND as a result of a significant increase in recent years of children and young people with Education and Health 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 (£0.5m), and both overspends are mainly as a result of reduced usage for services post-pandemic.

9.7 **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** 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. Although difficult to estimate with any certainty t 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 increasing.

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 provides 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)	5,304	45

10.1 Adult Social Care is forecasting an overspend of £5.599m (£5.304m before the Cyberattack) after the application of reserves of £4.1m and the inclusion of the Social Care Grant allocation of £8.5m. 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** is the service area with the most significant budget pressure in Adult Social Care at £3.4m. The position has moved adversely by £92k 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 **The provided services** forecast reflects a negligible movement this month. The overall position reflects a £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 pandemic.

10.4 The **Mental Health** position reflects an adverse movement of £15k this month, attributable to increases in long term mental health care service users. 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 reflects a favourable movement of £0.1m this month due to health funding awarded to support winter pressures across the integrated discharge service. The overall position now reflects a budget underspend of £0.4m, which is primarily attributable to the following: workforce budget pressures of £0.1m within the Integrated Discharge service; taxicard Scheme budget overspend of £0.2m; and this is offset by budget underspends across the interim bed facility at Leander Court (£0.3m), and Substance Misuse forecast (£0.4m) linked to lower then expected demand for services.

10.6 **Care Management and Adult Divisional Suppor**t reflects a favourable movement of £6k this month, primarily due to a reduction in locum staff costs and the overall position now reflects a budget underspend of £25k.

10.7 **ASC commissioning** has moved adversely this month by £51k primarily relating to workforce pressures. 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 extra care services at Limetrees and St Peters. This directorate is coordinating the council response to the Homes for Ukraine scheme enabling Hackney residents to offer a home to people fleeing Ukraine. There is Government support for the costs being incurred under this scheme and so no cost pressure of the scheme is currently forecast.

10.8 **Public Health 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 a 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 (SMT) 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 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 system has now been restored from 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.

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. The Chancellor of the Exchequer presented his Autumn Statement to Parliament on Thursday 17 November 2022, and this confirmed that the ASC funding reforms will be pushed back two years to October 2025.

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. Although difficult to estimate we can expect care providers to seek greater inflationary uplifts to care placements than in previous years.

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	1,355	-15

11.1 The directorate is forecasting an overspend of £1.54m, (£1.335m excluding the cyberattack costs) following the use of £3.4m of reserves. This is a marginal £5k increase in the overspend as reported in the September 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 overspend which is unchanged from the September position. The underlying overspend in Planning Services is primarily related to Planning Application fees and Building Control fee income, which has seen a steady decline over the past three years. 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 for the past 3 - 4 years. This has further resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. There has been an increase in Planning Performance Agreement income which is now meeting its budgeted income levels.

The income target for minor applications is also forecast not to be achieved. It should be noted that the cost of determination of 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. Building control has a shortfall of income of £87k.

11.3 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £254K which is unchanged from the September forecast. This overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service. All the enforcement teams are fully staffed and there is maternity leave and long term illness to cover. The Head of Service continues to review budget lines to identify opportunities to mitigate the overspend.

11.4 **Environmental Operations** is forecasting an overspend of £244k, which is unchanged from the September 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.

11.5 While **Streetscene** is forecasting a £109K underspend, 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.

11.6 **Parks & Green Spaces** are forecasting a £198k over spend, which is an increase of £14k on the September position. The main driver to this overspend and increase from the September 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. The service is seeing an increase in fuel costs due to the inflationary pressures but this is being funded by allocation from the Energy Price increase provision.

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

11.10 **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** 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 FINANCE & CORPORATE RESOURCES (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)	1,747	-91

12.1 F&CR are currently forecasting an overspend of £1,747m, excluding cyberattack costs.

12.2 **Energy Forecast.** The increase in energy prices has had a significant impact on the council. The table below shows the effect on 3 services that have significant usage of electricity and gas. The £1.9m cost pressure will be funded out of provision made in 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** 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 Services** are currently forecasting an overall overspend of £433k, an improvement of £22k 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.

Commercial Property are forecasting an overspend of £996k 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.

Corporate Property and Asset Management (CPAM) & Education Property is forecasting an underspend of (£467k) and Education (£97k) 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 are currently forecasting an overspend of **£1.8m**. The overspend relates to the following:

- £0.6m 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 £0.9m 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 the new financial year (23/24).

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 £958k after a reserve drawdown of £1.051m. This is a favourable movement of £0.2m on last month's forecast and is a result of refining the bad debt provision held for temporary accommodation. £0.6m 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. 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 temporary accommodation costs of nightly paid, B&B's and PSL (private sector lettings due to the cost of living crisis 3) increases in the cost of PRS (private rented sector) accommodation due to the cost of living crisis, reducing movement out of TA. This pressure is currently subject to ongoing review and will be refined in future months as required.

12.9 **ICT** are currently forecasting to overspend by £1.5m after a reserve drawdown of £185k. This is an adverse movement of £264k compared to last month mainly due to an increase in the number of users for our telecommunications system and a reduction in the print income forecast. ICT Corporate are currently reporting an overspend of £1.45m after a drawdown from reserves. The overspend is mainly due to £744k for Cyber projects and the ongoing Amazon Web Services - these costs are paid in US dollars and have recently been subject to exchange rate risk with Sterling falling to an all-time low against the US dollar. 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 £49k for 2022/23.

Hackney Education ICT are currently forecasting an overspend of £99k which is significantly less than 21/22 due to the service being wound down. The change in month mainly relates to an undisputed contractual commitment for safe storage of ICT media.

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 costs relate 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 with the exception to those mentioned above relating to the cyber attack.

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 agreed 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	-357	-6

13.1 The Chief Executive's Directorate is forecasting an underspend of £357K following the use of £1.9m of reserves. This is a slight improvement of £6K from the September position. The main reason for the underspend is due to vacancies in Legal, Governance and Election Services and an improved position in Engagement Culture and Organisational Development.

13.2 **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, Governance and Election Services** are forecasting an underspend of £271K which is a reduction of £57K forecast in September. The main reason for the underspend is due to a number of vacancies across the service. The service is achieving its vacancy factor and will be recruiting into vacant posts over the coming months. The forecast assumes that posts will be filled over the coming months. The change in the forecast is due to a reduction in the forecast for external income.

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

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

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 **£190K**. 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 has continued through 2022/23 and we have reduced the forecast income by £150K this month and we will keep a close eye on income as it may reduce further. The service has a number of vacancies at the moment which is mitigating this overspend and risk.

13.6 Management Actions to reduce any overspends Whilst the directorate is not forecasting an overspending 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 £10.728m. However, the forecast overspend can be brought back into balance by a reduction in Revenue Contributions to Capital Outlay (RCCO) by an equivalent amount. We are able to do this 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. It should be noted that the backlog of maintenance work will be required in future years and management action is needed to eliminate the operational overspend and in order to restore the level of RCCOs for existing housing stock.

14.2 The Strategic Director of Housing Services is taking the following actions to mitigate the overspend; scrutinising all recruitment decisions, carrying out a review of non-essential budgets to release any uncommitted budgets, and reviewing all of the repairs expenditure to separate capital expenditure such as component replacements.

14.3 The major variances are:

Expenditure

- Housing Repairs has a projected overspend of £3.75m, which is due to an increase in reactive repairs, material costs, an increase in legal disrepair cases and the 2022/23 agreed pay award.
- Forecast overspend for Special Services, £5.75m, is mainly due to increasing energy prices. The cost of Gas and Electricity has been rising globally over the past year, however the council has not been affected by these increases due to forward purchasing and fixed prices. Current forecasts estimate a 90% increase in cost therefore resulting in a significant overspend. There are also overspends in estate cleaning and lift servicing and repairs.
- The Supervision and Management overspend of 1,097k 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.

Income

- Leaseholder Charges for Services and Facilities additional income (£449k) is forecast because the actual service charges billed for 2021/22 are higher than the estimated charges.
- The Other charges for Services and Facilities variance £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.

Appendices

Appendix 1: Proposed Savings

Appendix 2: Proposed Pooling Arrangement

Background documents

None.

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