Title of Report	**2022/23 Overall Financial Position - November 2022**	
Key Decision No	FCR S096	
For Consideration By	Cabinet	
Meeting Date	23 January 2023	
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	30 January 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the seventh Overall Financial Position (OFP) report for 2022/23. It shows that as at November 2022, the Council is forecast to have an overspend of £7.869m on the General Fund - a decrease of £540k from the previous month

1.2 As can be seen below, the overspend relates to various pressures including: - Adult Social Care (primarily Care Packages, Mental Health 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 impacts on various components of many of the Council's services but in particular on those with significant energy, fuel and contract costs. Particular examples 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 is also considerable pressure as a result of the 2022/23 pay award which was significantly more than budgeted for. The Council's Corporate Leadership Team is taking measures to try and mitigate the impact of these on the overspend (see below) however, the pressures are such that actions are containing the current position rather than significantly improving it - although there has been an improvement in the forecast this month.

1.4 Residents will also continue to face significant financial pressures as the inflation surge is showing no sign of abating. Below, a description is given of what the Council is doing to assist residents to manage the impact of the cost of living crisis. This includes an update on the recently launched Money Hub.

1.5 The Government published the 2023-24 Provisional Local Government Finance Settlement on 19th December 2023. Whilst we are still working through the detail, the settlement appears to help the Council to set a balanced budget for 2023/24 largely through some additional and some re-purposed funding for social care but it does little to address the underlying position and we remain in a very uncertain position on future funding levels. Paragraphs 2.9-2.10 sets out further detail.

1.6 Finally, this report contains a proposal to fully exempt foster carers who pay council tax in Hackney from paying the tax and a proposal to pay out of borough carers who foster Hackney children, a supplement of £10 per week. This will help us to retain existing carers and may lead to an increase in house provision over time. It must be remembered that the cost of in house carers is significantly less expensive than external carers. The policy is proposed to become effective on 1st April 2023.

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 £23.114m after the application of reserves but before the application of the set asides and earmarked reserves as provided for in the budget. The application of these reduces the overspend to £7.869m - a decrease of £540k from the October forecast. The reason for the significant increase in the overspend, before application of reserves since last month is the inclusion of the 2022-23 pay award in the directorate forecasts which is funded by a budget provision and reserves

2.2 The Government published the 2023-24 Provisional Local Government Finance Settlement on 19th December 2023. The aggregate increase in Spending Power is 9% but this increase is heavily reliant on an assumed Council Tax increase which is the largest increase in any of the Spending Power elements. Moreover, it is another one year Settlement which fails to provide certainty or financial security for councils. or the level of funding that would allow for proper investment in local services.. Even after this Settlement, underlying pressures and increasing demands for services remain for Hackney and other councils, and whilst we look to be in a position to set a balanced budget for 2023/24 we face significant challenges going forward and difficult choices are likely to be required..

2.3 Turning to the Settlement provisions, the social care grants announced in the Autumn Statement were confirmed as were the referendum limits and the freezing of the business rates multiplier (which councils will be compensated for). Revenue Support Grant will increase in line with CPI but this increase is partly funded by rolling in three smaller grants - local council tax support grant, family annex council tax discount grant and Natasha's Law Grant. So part of the revenue grant increase will be offset by the loss of these grants in 2023-24. Services Grant has also been cut (in aggregate from £822m to £464m), while the Lower Tier Services Grant has been deleted (£111m) and the New Homes Grant total has reduced from £556m to £291m. We are currently working through the details of the scheme to assess the impact on Hackney because as ever, the devil is in the detail but will report back when we have completed our analysis.

2.4 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; the overspend also reflects increased demands and increasing cost pressures in some areas and reduced income streams in others.

2.5 The main areas of overspend are: -

Childrens and Education (£1.822m before Cyber and the Pay Award) in the areas of Corporate Parenting, Access and Assessment, Looked After Children, and Safeguarding and Learning; partially offset by an underspend on clinical services and the Family Learning Intervention Programme

Adults, Health and Integration (£5.496m before Cyber and the Pay Award) primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

Climate, Homes and Economy (£1.370m before Cyber and the Pay Award) primarily in the area of Planning but with some overspends in Community Safety, Enforcement & Business Regulation and Environmental Operations

F&CR (£0.978m before Cyber and the Pay Award) in Strategic Property Services which is driven by a forecast increase in bad debts due to Covid-19 and the cost of living crisis; Housing Needs resulting from an increase in the number of hostels, and the increase in the need for 24 hour security; and ICT relating to staffing costs associated with increased demands on the service

Cyberattack - One off cost of £4.670m, 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. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term 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 £1m, 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 early 2023.

2.6 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.

2.7 Inflation continues to 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 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 is also considerable pressure as a result of the 2022/23 pay award which was higher than budgeted for.

2.8 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.

2.9 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.

2.10 This month the majority of the impact of the pay award is reflected. As stated in previous months this was significantly in excess of that budgeted. 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.

2.11 We are also impacted, of course, by changes in interest rates. On 15th December, the Bank of England increased the base rate by 0.5%. 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.

2.12 The financial position for services in November is shown in the table below

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£k	£k
92,359	**Children and Education**	1,822	63
125,276	**Adults, Health and Integration**	5,496	192
27,382	**Climate, Homes & Economy**	1,370	35
20,813	**Finance & Corporate Resources**	978	-769
15,376	**Chief Executive**	(467)	-110
52,652	**General Finance Account**	0	0
	Sub Total	**9,199**	**(589)**
	One-Off Cyberattack Costs	**4,670**	**49**
	Pay Award	**9,245**	**9,245**
333,858	**GENERAL FUND TOTAL**	**23,114**	**8,705**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	23,114
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
LESS BUDGET SET ASIDE & RESERVE DRAWDOWN FOR PAY AWARD	-9,245
NET OVERSPEND	**7,869**

2.13 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 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. The vacancy factor saving of £0.562m in Environmental Operations is now forecast not to be achieved in-year. The Head of Service has proposed a number of efficiencies to deliver the vacancy factor saving in 2023/24 so that this pressure is resolved from 2023/24 onwards.

Cost of Living Crisis

2.14 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.

2.15 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.

2.16 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.

2.17 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 Reduction 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).

As well as paying out discretionary funds, the Money Hub works to increase benefits take-up and connect residents with other financial support, including providing housing navigation support and signposting to debt advice.

1300 residents have requested support in the seven weeks since the Money Hub launched - more than applied to DHP and HDCSS in all of the previous year. Residents are much more likely than previous applicants to discretionary funds to be in the Poverty Reduction Strategy, and more than half are already in rent or Council Tax arrears.

The team has distributed £67k of discretionary funds, and delivered £78k worth of increased incomes through benefits uptake work, mainly through CTR, Housing Benefit, Universal Credit and Pension Credit.

The average wait time for support is 5 weeks; the team predicts this will rise slightly after the Christmas shutdown, but reduce again by February.

On funding distributed, we have made the following payments:

- *CTRS Discretionary Hardship Scheme - £287k paid out as at 1st December 2022*
- *Discretionary Housing Payments - £856k paid out by the end of 1st December 2022*
- *Hackney Discretionary Crisis Support Scheme - £108k paid out as at 1st December 2022*

2.18 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 scheme - £14.3m paid out; and discretionary schemes £1,931 paid out as at 1st December (primarily the £30 top-up scheme)*

2.19 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 as set out in the bullets below, with the balance supporting the administration and management required to deliver a programme like this on time, on budget and with due diligence in place:

- **£1.6m- Children and families 0-19:** Support primarily via vouchers for children on free school meals, Children's Centres (including the Orthodox Jewish community) and in local colleges - payments going out before Christmas
- **£400k- Help with housing costs and bills for people we know are at risk-** identified by Housing Needs, Childrens and Adults - payments to go out in new year
- **£200k Money Hub** funding will be routed through Money Hub, the Council's income maximisation team to top up support available to residents they identify or who apply for support
- **£200k Trusted referral partners** A network of trusted referral partners is being developed. From January, vetted partners will be able to access £100 crisis payments (for food and fuel) to those residents/ patients/ service users identified by frontline staff as being at risk in terms of welfare, health or wellbeing due to cost of living impacts (see below).

- **£150k Hackney Giving -** this will enable us to route HSF funds to diverse communities by funding community organisations that provide financial support to residents - organisations will apply for funding via an application process and our funding will be matched with public donations raised from this campaign

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.

2.20 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.
- A task group has been established to review food poverty affecting children in schools. The task group wil listen to schools and community organisations to inform thinking about how we might expand the FSM offer to a wider group of children and look at models that reduce unity cost, improve quality, but do not simply rely upon additional subsidy.. A 'food poverty in education summit' was held on 13th December chaired by Mayor Glanville, Paul Senior and Cllr Bramble and looking at approaches implemented in neighbouring boroughs. The summit convened key stakeholders including headteachers, food partners and Hackney education leads to discuss which priority models should be explored further by the task group, the main barriers to progressing these and any alternative recommendations or options.

2.21 The Council has recently identified a further £600k to support poverty reduction. The focus is on either developmental interventions or those that meet the needs of groups that Household Support Fund cannot support, and specifically those with no recourse to public funds (public funds does not mean any council fund, there are specific restrictions as set out here). In summary resources will support:

- Tackling child poverty in schools. We have established a task force under Education which is reviewing food poverty affecting children in schools and settings and will consider how best to use £300k to test ways to tackle child poverty in schools
- Money Hub support -providing energy efficient appliances that help reduce fuel bills and providing additional resources to Money Hub

- Hardship support and preventative help for those who have no recourse to public funds.

2.22 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 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.

2.23 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.

Foster Carers Council Tax Exemption Proposal

2.24 In November 2022, Hackney Children and Families Services were supporting 415 looked after children and 390 care leavers. Our ambition is to provide safe, nurturing and sustainable homes for all our looked after children and care leavers and we believe that the best long term option for most of them is with Hackney's foster carers, connected carers or supported lodgings hosts.

2.25 We have maintained a strong recruitment record for fostering over the years, despite a chronic national shortage of foster carers. The number of Hackney fostering housings continues to increase year on year, going up from 114 in 2017 to 170 to date. However, Hackney's Foster Care Council have repeatedly highlighted the fact that other boroughs (including Camden, Southwark, Greenwich, Waltham Forest, Havering, Thurrock and Redbridge) offer council tax relief to foster carers and in some instances have cited unprecedented pressures on the cost of living. In 2018 Children and Young People's Scrutiny Committee recommended we consider the introduction of a council tax reduction scheme for foster carers. The Children and Young People Scrutiny Commission reiterated this recommendation in October 2022. If our offer to carers does not remain competitive with our neighbours, and the very strong offer that many Independent Fostering Agencies put forward to prospective carers, we will risk losing new and existing carers to our competitors in this field.

2.26 Four options were considered for this proposal, a do nothing option, a 50% exemption for council tax relief and a 100% exemption. The final option which is the chosen option is a 100% exemption and a payment of £10 per week for foster carers who live outside the borough - the latter to be funded by the service. The chosen option provides the strongest basis to retain our existing carers and to be able to recruit new carers. It will be effective from 1st April 2023

2.27 The budget pressures within Corporate Parenting, relating to the costs of care arrangements for looked after children and care leavers, are significant. The total spend on care arrangements for looked after children and care leavers for 2021/22 was £29.7 million. The successful recruitment and retention of our in-house foster carers is central to our efforts to provide the best possible outcomes for our looked after children and young people while reducing the costs of our care arrangements . The potential cost savings for caring for a child in-house are significant, as these are the most cost efficient care arrangements for our children.

2.28 Under Section 13A(c) of the Local Government and Finance Act 1991 a billing authority may reduce the council tax a person is liable to pay in respect of a chargeable dwelling in the borough. This power permits the reduction of liability to nil and can be reserved for specific groups.

2.29 We are proposing the Council tax exemption be offered to Hackney Foster Carers that live in Hackney and an additional contribution of £10 per week be offered to Hackney carers who live outside of Hackney; effective as from 1st April 2023. 55% of our carers live in the borough. If implemented, the process will involve the Fostering Service informing the Revenues Team about foster carers living in the borough. The discount will only be valid if recipients remain as foster carers. Exemption from the payment of council tax would cease when a foster carer resigns, or is deregistered, or takes a break from fostering for longer than six months. Children and Families Services would be responsible for paying the council tax contributions to carers living outside the borough.

2.30 The reduction in Council Tax income is estimated to be £155k based on 93 carers and the current Band D rate of £1,671 per annum (Hackney and the GLA). The actual reduction in income will be dependent on each foster carer's property band as well as any reductions a foster carer may already be receiving. A further £10 per week to foster carers living in different boroughs as a contribution towards their council tax costs is also proposed. This increased cost has been estimated to be approximately £40k per year based on current data, and this element will be met from the Children and Families Corporate Parenting placement budget.

3. RECOMMENDATIONS

3.1 Note the update on the overall financial position for November covering the General Fund and HRA

3.2 To approve the proposal, to award a 100% Council Tax exemption to foster carers paying Hackney Council Tax, effective as from 1st April 2023; and to amend the Policy for Considering Applications for Council

Tax Reduction under Section 13A of the Local Government Finance Act 1992 as Amended by the Local Government Finance Act 2012, accordingly. The Amended Policy Document is attached at Appendix 1.

3.3 To approve a £10 per week contribution towards the Council Tax of foster carers who foster Hackney children but who live outside of the London Borough of Hackney, to be met from the Children and Families Corporate Parenting placement budget. It will be effective from 1st April 2023.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve the Foster Carers Proposal

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. On the Foster Carers Proposal sets out the options considered and the rationale for the recommended proposal.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of November 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. For the Foster Carers proposal, Hackney foster carers are disproportionately female and from Black and Global Majority communities. Our fostering households are predominantly female led (91%). The age range of our carers spans from 31 to 75, with the average age of Hackney carers as 53 years old. The largest ethnic groups of Hackney carers are Black Caribbean (35%) followed by Black African (20%).

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. For the foster carers' proposal, Hackney Foster Carers have been consulted on this as part of the

CYS Scrutiny Commission in 2018 and October 2022, as well as through regular in-service foster care forums.

6.5 **Risk Assessment**

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

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

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

8. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

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

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

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

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

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

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

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

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

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

8.6 On the foster carers proposal, Article 5.4 of the Councils constitution gives the Mayor the authority to carry out certain functions. These functions can be delegated to Cabinet collectively. In line with article 5.5 such functions include giving overall political direction to the Council by drawing up policies that seek to balance the interests of the community, to set priorities that contribute to the life and development of the borough, to promote and improve the social wellbeing of the boroughs inhabitants.The recommendations as set out in the report aim to support the provision of family setting homes for children and young people.Such policies support the Councils community strategy and commitment to ensuring that its inhabitants enjoy a good quality of life. The Council's Section 13a Policy has been updated in line with this decision - a draft of which is attached at Appendix 1 to this report.

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

9. COMMENTS OF THE GROUP DIRECTOR OF CHILDREN AND EDUCATION

9.1 The successful recruitment and retention of our in-house foster carers is central to our efforts to reduce the costs of our care arrangements and achieve the best possible outcomes for our looked after children and young people. The potential cost savings for caring for a child in-house are significant as these are the most cost efficient care arrangements for our children. The council tax exemption proposal will help us retain existing in-house carers and to attract other carers over time

10. CHILDREN AND EDUCATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
92,179	Children and Education (excl Cyber & Pay Award)	1,822	63

10.1 The Children and Families service are forecasting a £1.8m overspend before pay award and cyber at the end of November 2022, after the application of reserves totalling £4.9m and after the inclusion of the Social Care Grant allocation of £8.5m. The overspend with the inclusion of the pay award and the cyberattack is £3m.

10.2 The cost of the pay award is £1.1m, which will be funded centrally. The only other material increase in expenditure this month is in residential care and semi-independent placements with the cost amounting to £0.1m increase in the forecast this month.

10.3 As has been the practice since the grant was announced in 2019/20, the Social Care Grant allocation for both children's and adult social care has been split equally across both services. This financial year the grant was increased by a further £636m nationally and this has meant the Council has received a total of £17m this year, which represents a £4.3m increase on the previous year. Children's Services and Adult Social Care have each been allocated £8.5m respectively, and this has been fully factored into the current forecast.

10.4 There is a gross budget pressure in staffing across **Children and Families Services (CFS)** of £1.6m excluding the pay award. 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 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.

10.5 The main areas of pressure in CFS continues to be in Corporate Parenting which is forecast to overspend by £1.8m (which includes the pay award) 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 £0.3m, 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 saw 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 and this will be reflected in the forecast when this occurs.

10.6 **Disabled Children's Services** are forecast to breakeven after a £0.1m movement from last month which primarily relates to reduction in the level of short breaks services and personal budget payments.

10.7 **The Access and Assessment and Multi Agency Safeguarding Hu**b have an overspend of £0.5m. In addition to the impact of the pay award, the overspend is 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.

10.8 **Hackney Education (HE**) is forecast to overspend by around £5.9m, of which £1.1m relates to the 2022/23 pay award and which will be funded corporately. Not including the pay award, 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 over a number of years now of children and young people with Education and Health Care Plans (EHCPs) which has continued into the current year.. 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 continues to 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.

10.9 **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.

10.10 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.

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

10.12 **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. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term 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 £1m, 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 early 2023.

10.13 **Management Actions** to reduce the overspend. In addition to budgeted savings further cost reduction measures have been developed for 2022/23.

(a) 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).

(b) 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.

10.14 **Measures to control spending**. 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:

(a) 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.

(b) 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.

(c) 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.

(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). 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.

11. 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. Pay Award and Cyber)	5,496	192

11.1 Adult Social Care is forecasting an overspend of £5.5m excluding the pay award and the costs of the cyberattack, and after the application of reserves of £5.2m and the inclusion of the Social Care Grant allocation of £8.5m. Inclusion of the costs of the pay award and the cyber attack increases the overspend to £7m. The cost of the pay award is approximately £1.2m which is to be funded corporately.

11.2 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.

11.3 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £3.8m budget pressure. The position has moved adversely by £362k this month, attributable to £173k of retrospective payments for learning disability care packages of which one care package commenced in November 2019, with the remaining £189k due to growth in new long term care service users. The issue of retrospective payments for care has been prevalent over a number of years and has had a significant financial impact across Adult Social care, due to this the service is undertaking a review of the end to end process to address these issues. 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 £1.1m towards ensuring efficient discharge of people from hospital and a total of £9.4m towards funding care costs for service users with learning disabilities.

11.4 **Provided services** forecast reflects a £0.5m movement this month due to the application of the pay award. The overall position is now a £2.0m budget overspend, and is made up primarily of an overspend within the Housing with Care (HwC) service of £2.7m offset by an underspend on day services of £0.7m. The HwC forecast overspend of £2.7m reflects, in addition to the pay award cost, 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 £0.7m 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.

11.5 **The Mental Health** position reflects an adverse movement of £28k this month, attributable to the pay award of £146k partially offset by a reduction in care provision of £43k, and additional income received from health partners of £75k. The overall position is now 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.

11.6 **The Preventative Service**s position reflects an adverse movement of £255k this month primarily due to the pay award of £221k. The overall position is now an underspend of £29k, which is primarily attributable to the following: workforce budget pressures of £0.3m across the service; taxicard scheme budget overspend of £0.1m, and the pay award budget pressure of £0.2m; and this is offset by budget underspends across the interim bed facility at Leander Court (£0.2m), and substance misuse forecast (£0.4m) linked to lower then expected demand for services.

11.7 **Care Management and Adult Divisional Support** reflects an adverse movement of £136k this month, primarily due to the pay award of £149k offset by a reduction in locum staff costs of £13k. The overall position is a budget underspend of £54k

11.8 **ASC commissioning** has moved adversely this month by £45k primarily due to the pay award of £124k partially offset by additional grant funding received of £73k. The overall budget position is a £48k budget underspend, after the application of one-off funding of £2.5m which is supporting various activities across commissioning. This includes funding of hospital discharge facilities, additional staff capacity, extracare services at Limetrees and St Peters and Rough Sleeping Initiative.

11.9 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. However, despite the uncertainty about the level of funding we will receive, we will continue to support Ukrainian refugees in future years.

11.10 **Public Health** is forecasting a breakeven position which includes the application of the recent pay award and 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 an adverse movement of £9k this month, primarily attributable to the pay award.

11.11 Adult Social Care has **savings** of £1.45m to deliver in 2022/23. Those savings related to efficiencies of housing related support contracts (£650k); the promotion of direct payments (£50k); and increased care charging (£250k) 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.

11.12 **A vacancy rate** savings target of £0.453m has been set for the directorate in 2022-23 and the forecast assumes that this will be achieved. Progress against the target is carefully monitored and tracked by the AH&I Senior Management Team (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.

11.13 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. The system has now been restored from November 2022, and £0.3m is reflected in the forecast as the cost of additional staff to support the work to restore the system. 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 was inaccessible. There is a potential risk that not all data has been loaded onto Mosaic at this stage, and the service is working proactively to ensure that packages are loaded accurately and in a timely manner.

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

11.15 One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. Inflation rates are forecast to reach a peak of 11% in 2022, and this not only presents challenges to the Council but also to care providers.

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

11.17 **Management Actions to reduce the overspend.** In addition to budgeted savings, further cost reduction measures have been developed for 2022/23. For Adult Social Care, management actions of £1m have been identified and these are factored into the forecast when delivered. These include continuation of the multi-disciplinary panel process (£0.25m); working with ELFT to manage the Mental Health overspend (£0.35m); double handed care package review (£0.2m); direct payment monitoring of accounts (£0.1m); and review of agency spend through tighter controls with Head of Service and greater challenge through the Workforce Development Board (£0.1m). The cost reduction proposals will be monitored on a monthly basis highlighting delivery against these indicative targets. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at AH&I SMT. It is essential that the service delivers against these plans.

11.18 **Measures to control spending.** 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.

12.0 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 and the Pay Award	1,370	35

12.1 The directorate is forecasting an overspend of £1.37m after excluding the cyberattack and the pay award, following the use of £3.4m of reserves. The overspend increases to £4.9m with the inclusion of the pay award and the cyber attack. This cost of the pay award is £3.363m, which will be funded corporately. Leaving aside the pay award and the cyberattack costs, the overspend has increased by £0.035m from the October position.

12.2 **Planning Services** are forecasting a £0.869m overspend which is a favourable movement of £0.089m from the October position. After taking into account the pay award impact of £0.264m there is a net positive movement within Planning sServices of £0.353m due to improvements in the income position. The underlying overspend in Planning Services is primarily related to Planning Application 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 was 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. The underlying shortfall in income is now forecast at £400k which is a significant improvement on the forecast position last month and over the last few years. The primary driver of the improvement has been an increase in Planning Performance Agreement (PPA) income which is now meeting its budgeted income levels.

12.3 The income target for minor applications is still 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 the improvement in PPA income performance augurs well for next year as these should translate into major applications.

12.4 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £0.579m an increase of £0.325m from the October forecast. The impact of the pay award contributes £0.299m to the variance. The underlying overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service which is proving a challenge in this essential front line service.. All the enforcement teams are fully staffed and in addition 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.

12.5 **Strategy, Environmental Enforcement & Recycling** is showing an overspend of £0.055m from October position which is due to the impact of the pay award for 2022/23.

12.6 **Environmental Operations** is forecasting an overspend of £1.806m, which is an adverse movement of £1.562m from the October 2022 forecast. This movement has come mainly as a result of a £1.205m impact of the pay award for 2022/23 along with a further £0.357m on top of the previous overspend of £0.244m to take into account the previously noted major risk of the £0.562m vacancy factor not being achieved. Other non-budgeted activities totaling £0.220m are becoming increasingly difficult to contain within existing budgets. In summary, the service is striving to limit the impact of some unfunded budget pressures of £0.782m.

12.7 Concerning the increasing service cost pressures, the Head of Service is developing a number of proposals to improve the efficiency of service operations in order to deliver the vacancy factor savings without negatively impacting the service, but this will not have a significant impact until 2023/24. There are also other potential budgetary pressures on the horizon, with several supplier contracts for waste bag purchases, weed spraying, and bin purchases coming up for renewal, and suppliers are currently attempting to override existing prices due to rising costs.

12.8 Commercial waste income streams are nearly back to pre-pandemic levels, allowing some of these cost increases to be offset. In the coming months, detailed reviews of the budget lines will be conducted to quantify the risks and identify mitigations to reduce the overspend. However, due to the size of the risk and the timescales remaining in this financial year, significant service level reductions will be difficult to achieve in the time remaining in 2022/23.

12.9 **Streetscene** is forecasting a £0.370m overspend which is an adverse movement of £0.479m from October 2022 position; this is due to the impact of the pay award which will be funded corporately. There is a significant budget risk that is emerging that may need to be addressed over the remainder of the year. Transport for London (TfL) funding is used to cover the costs of transport engineers who work on our highways and traffic schemes. The TfL funds received for this work in 2022/23 is £1.058 million, which is 42% less than in 2021/22 and less than the service expected. This TfL funding is for the Neighbourhoods and Corridors component of our highways work and, in order to secure additional funding, the service is in negotiation with TfL for cycling, bus priority, and scheduled road maintenance in order to deliver our investment plans. If we do not secure additional funds there is a potential £685k strain on staffing that may not be covered by charges to capital projects. The Head of Streetscene is keeping a close eye on TfL funding availability to ensure that the service can respond quickly to any funding announcements and maximise the amount of money available to fund schemes throughout the borough.

12.10 Although the likelihood is low there is an emerging risk that the cost of living crisis may have an impact on the income budgets of Parking, Markets, and Streetscene as people spend a greater proportion of their money on necessities such as food and energy and less elsewhere. Heads of Service are keeping a watching brief on the situation and monitoring income budgets closely.

12.11 **Leisure, Parks & Green Spaces** are forecasting a £413k overspend, which is an increase of £215k on the October position. The main variance to the October return is £198k due to the impact of the 2022/23 pay award which will be funded corporately. Other than this the remaining overspend is still due to ongoing water recharges. 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.

12.12 **Economy, Regeneration & New Homes** are forecasting an overspend of £103k, with an adverse variance of £103k during the period. The pay award is the main driver behind this, which equates to £111k and will be funded corporately. Without this there would be a modest underspend of £8k within the area.

12.13 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. The vacancy factor saving of £0.562m in Environmental Operations is now forecast not to be achieved in-year, The Head of Service has proposed a number of efficiencies to deliver the vacancy factor saving which will deliver in 2023/24 so that this pressure is resolved from 2023/24 onwards.

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

	Amount £000
Decline in TfL funding impacting capitalised salaries in Streetscene	685
Impact of cost of living crisis on income budgets in Parking, Markets, and Streetscene	TBA
Total Risk	**685**

12.15 **Management Actions to reduce the overspend.** 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.

13.0 FINANCE & CORPORATE RESOURCES (F&CR)

Revised Budget	**Service Area**	**Forecast Variance After reserves**	**Change in Variance from last month**
£k		**£000**	**£000**
20,815	Finance & Corporate Resources (Excl. Cyber and Pay Award)	978	-789

13.1 F&CR are currently forecasting an overspend of £0.978m excluding the pay award and the costs of the cyberattack, after a reserve drawdown of £2.35m. This is a favourable movement of the £789k on the October forecast. The cost of the pay award is £1.702m which will be funded corporately. The service continues to be impacted by the cyberattack with significant overspends in Revenues, Benefits and ICT totalling £4.168 m.

13.2 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 additional budget set aside for increased energy costs at the beginning of the year.

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**

13.3 **Financial Management and Control** are currently reporting an overspend of £563k. This is an unfavourable movement of £154k which is due to the pay award which will be funded corporately. The remaining £400k of this overspend is driven by the cyber attack; £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. .

13.4 **Strategic Property** Services are currently forecasting an overall overspend of £415k, an improvement of £18k compared to last month. The overspend amount attributable to the pay award is £42k. The overall 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 £1,046k due 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 (£547k) and Education (£85k) 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 there has been a reduction in agency costs.

13.5 **Housing Benefits** are currently forecasting an overspend of £1.270m**.** This is an adverse movement of £170k on the previous month's forecast due to the pay award which will be funded corporately. The overspend relates to the agency staffing forecast which is currently £1.85m, of which £580k can be absorbed by the underspend on permanent staff due to vacancies. The remaining £1.27m pressure is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery (initially 7,700 cases of under/ overpayment of benefits, reduced to 996).

There will also be a deficit on the Net Cost of Benefits (NCOB) for 2022/23 resulting from the cyber attack 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 we will lose housing benefit subsidy due to breaching 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.

13.6 **Revenues** are currently forecasting an overspend of £1.732m. This is a favourable movement of £68k on previous months forecast. The off-site resource requirement has reduced by £0.2m on last month's forecast, however, this reduction is offset by £132k additional pressure as a result of the application of the pay award in November which is to be funded corporately. The £1.732m overspend is made up of the following:

- £0.4m 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).
- £132k attributable to the application of the pay award in November.

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.

13.7 **Soft Facilities Management** are currently reporting an overspend of £37k after drawdown of reserves of £781k. The £37k is an unfavourable movement on last month's forecast and is a result of the application of the pay award in November.

13.8 **Support Services** are forecasting a variance of £57k. This is driven by the application of the pay award, which increases the forecast by £97k.

13.9 **Registration Services** are currently forecasting an underspend of £115k**.** This is an unfavourable movement of £35k on last month's forecast and is a result of the application of the pay award in November.

13.10 **Housing Needs** are currently forecasting an overspend of £871k after a reserve drawdown of £551k. This is a favourable movement of £86k on last month's forecast (and £500k reduction in reserves usage) and is a result of receiving additional Winter Pressures Grant Funding and refining the temporary accommodation rental expenditure forecast. The Winter Pressures Grant Funding of £931k announced in November has enabled us to manage the financial pressures within temporary accommodation and reduce our reserve requirement. The financial pressures are however subject to ongoing review and will be refined in future months as required.

The remaining overspend of £871k relates to 1) 271k relates to staffing pressures as a result of the pay award which will be funded corporately and 2) £600k 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.

13.11 **ICT** are currently forecasting to overspend by £1.8m after a reserve drawdown of £185k. This is an adverse movement of £312k compared to last month mainly due to the impact of the pay award (£308k) which will be funded corporately together with some additional costs for data migration relating to Cyber.

ICT Corporate are currently reporting an overspend of £1.67m after a drawdown from reserves. The overspend is mainly due to £788k for Cyber projects and the ongoing Amazon Web Services (AWS) costs. Additionally a number of contracts including AWS 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 the finance team to provide an update on how the service intends to reduce the key overspend causes.

Financial Management Systems are currently reporting an underspend of £47k for 2022/23.

Hackney Education ICT are currently forecasting an overspend of £185k which is significantly less than 21/22 due to the service being wound down. The variance mainly relates to an undisputed contractual commitment for safe storage of ICT media together with MS License costs.

13.12 **Audit & Anti-Fraud** are forecasting an underspend of £32k due to staff vacancies.

13.13 **Directorate Finance Team** are currently reporting an overspend of £20k, where vacancies in the service area are mitigating; £80k costs as a result of a delay in the restructure (as a result of cyber) and £105k of increased costs as a result of application of the pay award in November.

13.14 **Procurement** is currently reporting an overspend of £33k as a result of the pay award.

13.15 **HR & OD** are currently reporting an underspend of £13k, which is an adverse movement of £150k on previous month. £122k relates to application of the pay award in November and the remaining amount relates to BACS payment processing costs that were previously paid elsewhere.

13.16 All of F&CR **savings** are forecast to be achieved with the exception to those mentioned above relating to the cyber attack.

13.17 The table below shows areas of potential financial **risks** within F&R, where the forecast may see increases in the coming months :

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

13.18 **Management Actions to Reduce the Overspend.** 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.

14.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
15,365	Chief Executive	-467	-110

14.1 The Chief Executive's Directorate is forecasting an underspend, before the pay award, of £467k following the use of £2.1m of reserves. The cost of the 2022/23 pay award is forecast at £722K. The main reason for the underspend is due to vacancies in Legal, Governance and Election Services and an improved income forecast in Engagement Culture and Organisational Development.

14.2 **Libraries & Heritage** are forecasting a £260k overspend which is caused by three main drivers - the primary cause is £182k from the impact of the 2022/23 pay award. The remaining £78k is down to the 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.

14.3 **Legal, Governance and Election Services** are forecasting an underspend of £44K which is a reduction of £227K since the forecast as at October. The principal cause of the change in the forecast is the impact of the 2022/23 pay award which was £256k. The main reason for the underlying underspend in the service is due to a number of vacancies across the service. The service is achieving its vacancy factor and will be recruiting to some vacant posts over the remainder of the year. This is reflected in the forecast.

14.4 The directorate is on target to deliver the approved budgeted savings.

14.5 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 November is £634K, but some of this income relates to prepayments for future years and as the year progresses most income taken will relate to future years.
- Not achieving the external income target of £500K in legal services. Income received to the end of November is £216K. 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 forecast a shortfall income of £158K 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.

14.6 **Management Actions to reduce any overspends.** Whilst the forecast for the directorate, excluding the impact of the pay award, is an underspend against its budget, 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.

15.0 HRA

15.1 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 need to be made good 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.

15.2 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.

15.3 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, £5.8m, 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 1,101k 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 £171k, 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.

<u>Appendices</u>

Appendix 1: S13A Council Tax Reduction for Foster Carers

Background documents

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