Hackney

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| **Title of Report** | **2022/23 Overall Financial Position - December 2022** | |
| **Key Decision No** | FCR S099 | |
| **For Consideration By** | Cabinet | |
| **Meeting Date** | 27 February 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** | 6th March 2023 | |
| **Group Director** | Ian Williams, Group Director of Finance and Corporate Services | |

## 1. CABINET MEMBER'S INTRODUCTION

1.1 This is the eighth Overall Financial Position (OFP) report for 2022/23. It shows that as at December 2022, the Council is forecast to have an overspend of £8.141m on the General Fund - a increase of £278k 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 still impacts on various components of many of the Council's services, but in particular on those with significant energy, fuel and contract costs. 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 continues to take measures to 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.

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 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 £23.396m 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 £8.141m - an increase of £278k from the November forecast. As noted in last month's report, the 2022-23 pay award is included in the forecast which is funded by a budget provision and reserves.

2.2 Aside from the costs of inflation which were not budgeted for when the budget was formulated in January 2022 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.

2.3 The main areas of overspend are: -

**Childrens and Education** (£2.416m before the impact of the cyber attack and the Pay Award) primarily in the area of Corporate Parenting with smaller overspends in 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** (£5.772m before Cyber and the Pay Award) primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

**Climate, Homes and Economy** (£1.416m before Cyber and the Pay Award) primarily in the areas of Planning and Environmental Operations but with some overspends in Community Safety and Enforcement & Business Regulation.

**F&CR** (£0.470m before Cyber and the Pay Award) in 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 £4.539m, 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 remains uncertainty around the Dedicated Schools Grant (DSG) high needs deficit and the treatment of any deficit post 2025/26. The brought forward Special Educational Needs and Disabilities (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 this year.

2.4 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 as we come towards the end of the financial year.

2.5 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.

2.6 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 Adult, Health and Integration (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 Children and Families Services (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 Finance and Corporate Services (F&CR), management are holding posts vacant for a longer period in order to reduce the overspend and non-essential spend, and is continually being reviewed as part of budget monitoring meetings. The directorate has identified non-essential spend savings which total £145k. In Climate, Health and Economy (CHE) unspent budgets on non essential expenditure are being held across the directorate to mitigate the overspends. This is 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.

2.7 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 move towards the end of the financial year.

2.8 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.

2.9 The financial position for services in December is shown in the table below.

**Table 1: Overall Financial Position (General Fund) December 2022**

| Service Area | Forecast Variance After reserves | Change in Variance from last month |
|---|---|---|
| | £k | £k |
| **Children and Education** | 2,416 | 593 |
| **Adults, Health and Integration** | 5,772 | 275 |
| **Climate, Homes & Economy** | 1,416 | 46 |
| **Finance & Corporate Resources** | 470 | (508) |
| **Chief Executive** | (472) | -2 |
| **General Finance Account** | 0 | 0 |
| **Sub Total** | **9,602** | **404** |
| **One-Off Cyberattack Costs** | **4,539** | **(131)** |
| **Pay Award** | **9,255** | **5** |
| **GENERAL FUND TOTAL** | **23,396** | **278** |

**Table 2: Funding**

| | Forecast Variance Before Reserves |
|---|---|
| | **£000** |
| GENERAL FUND TOTAL | 23,396 |
| 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 & RESERVES FOR PAY AWARD | -9,255 |
| **NET OVERSPEND** | **8,141** |

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 £100k 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, except for the £165k staff saving in Community Safety, Enforcement and Business Regulation. 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 also 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 worsened during the pandemic and now poverty is entrenching and more people are falling into difficulty. The 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).

2.18 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. So far:

- ○ 1800 residents have requested support since the team launched in November, which is more than applied for Discretionary Housing Payments (DHP) and the HDCSS in the whole of last year. We are also seeing significantly more applications for discretionary funds from private sector rented tenants than previously. More than half of these are already in rent or Council Tax arrears.

- ○ The team has distributed £112k of discretionary funds, and delivered £87k worth of increased incomes through benefits uptake work, mainly through the CTRS, Housing Benefit, Universal Credit and Pension Credit.

- ○ The average wait time for support is 5 weeks; the team predicts this will reduce again by February.

2.19 On funding distributed from the various funds, we have made the following payments:

- *CTRS Discretionary Hardship Scheme - £310k paid out by the end of December 2022*
- *Discretionary Housing Payments - £914k paid out by the end of December 2022*
- *Hackney Discretionary Crisis Support Scheme - £141k paid out by the end of December 2022*

2.20 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 £1,931k paid out as at 1st December (primarily the £30 top-up scheme)*

2.21 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.
- **£100k 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).
- **£250k** **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.

2.22 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 will 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 which looked 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.

2.23 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 this issue.
- 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.

2.24 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.

2.25 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.

## 3. RECOMMENDATIONS

**3.1 There are no official recommendations in this report, the purpose of this report is to provide Cabinet with an update on the overall financial position for December covering the General Fund, Capital and the HRA.**

## 4. REASONS FOR DECISION

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

## 5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

## 6.0 BACKGROUND

### 6.1 Policy Context

This report describes the Council's financial position as at the end of 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.

### 6.3 Sustainability and Climate Change

As above.

### 6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Mayor, the Cabinet Member for Finance, Heads and Directors of Finance and Service Directors through liaison with Finance Heads, Directors and Teams.

### 6.5 Risk Assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 9. CHILDREN AND EDUCATION

| Revised Budget | Service Area | Forecast Variance After reserves | Change in Variance from last month |
|---|---|---|---|
| £k | | £000 | £000 |
| 92,179 | Children and Education (excl Cyber & Pay Award) | 2.416 | 583 |

9.1 Children and Families Services (CFS) are forecasting a £2.4m overspend as at the end of December 2022 before the pay award and the cyberattack, 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 increase in the overspend of £0.6m in the forecast this month relates to an increase in LAC incidental payments and assessments for children in need including backdated payments, and an increase in placements within corporate parenting combined with the extension of some existing placements.

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 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 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 in CFS continue to be in Corporate Parenting which is forecast to overspend by £2.2m (including 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 £0.4m, 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.

9.5 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.4m. 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.

9.6 **Hackney Education (HE**) is forecast to overspend by around £5.151m. Of this amount £1.1m relates to the 2022/23 pay award which will be funded centrally. Not including the pay award, the underlying overspend across the service is £5.9m, and this is partially offset by mitigating underspends of £1.8m. The main driver is a £4.9m pressure in 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 has continued in 2022/23. The SEND forecast has been revised downwards by £0.5m in period 9, based on the trend to quarter 3. SEND Transport has had corporate budget growth awarded to the service of £1.1m this year, however the service is still forecasting a £1.6m 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.

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.

9.8 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.

9.9 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.

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

9.11 **SEND** - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. 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.

9.12 **Measures to control 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.

- **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. Pay Award and Cyber) | 5,772 | 275 |

10.1 Adult Social Care is forecasting an overspend of £5.8m 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 £7.2m. The cost of the pay award is approximately £1.2m which is to be funded corporately.

10.2 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.

10.3 The forecast has been adversely impacted by the current situation with the NHS, both in terms of increased demand seen particularly in A&E, but also due to mitigations needed to be put in place to manage the risk to vulnerable adults as a result of strike action by NHS staff. This includes significant increases in care package costs to allow care agencies to manage increased risk in the community, additional funding invested in securing taxi transportation for clients to and from hospital in the place of ambulance services, additional commissioned step down and care home placements to help the hospital manage flow and an increase in staffing to support the hospital with discharge. This increase in demand, and consequent increase in cost to ASC is predicted to continue for at least the next quarter. Some additional funding has been received from the DoH in the form of the Discharge Fund, however, this funding is ring fenced for additional activity to support discharge, and does not cover the increase in cost and demand of ongoing packages of care, which is significant.

10.4 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £4.0m budget pressure. The position has moved adversely by £0.3m this month, attributable to growth in new long term care service users combined 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 funding 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.

10.5 The **Provided services** forecast reflects a favourable movement of £68k this month, attributable to a reduction in non essential expenditure and delays in recruitment to vacancies across the service. The overall position now reflects a £1.9m budget overspend, and is made up primarily of an overspend within the Housing with Care (HwC) service of £2.6m offset by an underspend on day services of £0.7m. The HwC forecast overspend of £2.6m reflects both the delayed impact of delivery of the £1m savings (£500k in 21/22 and a further £500k in 22/23), pay award pressure of £0.5m 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 the ventilation at the premises.

10.6 **The Mental Health** position reflects an adverse movement of £27k this month, primarily attributable to demand increases within long term mental health care services. The overall position now reflects a £1.4m 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.

10.7 **The Preventative Services** position reflects an adverse movement of £91k due to £64k in relation to staff costs transferred from Care Management as result of the newly created single function teams structure coupled with a further £27k due to increased workforce pressures. The overall position now reflects a budget overspend of £62k, primarily attributable to workforce pressures (including the pay award).

10.8 **Care Management and Adult Divisional Support** reflects an adverse movement of £9k this month, primarily attributable to external recruitment agency fees of £73k to support the recruitment of posts created by the Senior Management restructure, and this is partially offset by staff costs transferred to Preventive Services of £64k in respect of the newly created single function teams structure. The overall position now reflects a budget underspend of £44k.

10.9 **ASC commissioning** has moved favourably this month by £69k as a result of delays in planned recruitment and a reduction in locum staff costs as contracts have ended. The overall budget position now reflects a £0.1m 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, extra care services at Limetrees and St Peters and Rough Sleeping Initiative.

10.10 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 forecasted. However there is uncertainty about the level of funding we will receive to support Ukrainian refugees in future years.

10.11 **Public Health** Public Health is forecasting a breakeven position which includes the application of the recent pay award, as well as 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 resulted in 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. There is no movement in the Hackney Mortuary position this month.

10.12 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); are all 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 has been mitigation to date (£900k) through further efficiencies within housing related support contracts this year but this currently results in a real cost pressure this year of £100k. 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.

10.13 **A vacancy rate** 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.

10.14 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.

10.15 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 is being passed onto providers of care and some has been allocated to begin planning and preparations for charging reform. The Government originally proposed that the adult social care charging reforms would be implemented from October 2023. However, at the Autumn Statement 2022, delivered on 17 November 2022, the Chancellor announced that the reforms would be delayed for two years until October 2025, to allow Local authorities additional time to prepare for the rollout of these reforms. We continue to work through the announcements to understand the ongoing impact, including any change in funding earmarked for these reforms.

10.16 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.

10.17 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.

10.18 **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.

10.19 **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.

## 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 and the Pay Award | 1,416 | 46 |

11.1 The directorate is forecasting an overspend of £1.4m after excluding the cyberattack and the pay award, following the use of £3.6m 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 £3.258m, which will be funded corporately. The main areas of this underlying 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 £0.797m overspend which is a favourable movement of £0.072m from the November position. After taking into account the pay award impact of £0.264m there is an underlying overspend of £0.533m. 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 £0.362m 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.

11.3 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.

11.4 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £0.570m a decrease of £0.009m from the November 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.

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

11.6 **Environmental Operations** is forecasting an overspend of £1.841m, which is an adverse movement of £0.035m from the November forecast. After taking into account the pay award impact of £1.211m there is an underlying overspend of £0.630m. The principal reasons for the underlying overspend are a shortfall in delivering the vacancy factor saving of £0.357m, the impact of non budgeted activities which can no longer be contained and the inflationary impact across non staffing budgets. The adverse movement in the forecast from November is due to additional vehicle maintenance costs.

11.7 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.

11.8 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.

11.9 **Streetscene** is forecasting a £0.370m overspend this is due to the impact of the pay award. 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.

11.10 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.

11.11 **Leisure, Parks & Green Spaces** are forecasting a £431k overspend, which includes the impact of £189K due to the pay award. The underlying position for the service is a forecast overspend of £242K which is an increase of £18k on the November position. This increase is due to ongoing increasing level of water charges, which are being challenged as they are significantly higher than previous years and the reasons for the increase needs to be verified. The service is also seeing an increase in fuel costs due to the inflationary pressures but this is being funded by allocation from the Energy Price increase provision.

11.12 **Economy, Regeneration & New Homes** are forecasting an overspend of £95k, with a small favourable variance of £8k during the period. The pay award is the main driver behind this, which equates to £111k. Without this there would be a modest underspend of £16k within the area.

11.13 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.

11.14 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** |

11.15 **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.

## 12.0 FINANCE & CORPORATE RESOURCES (F&CR)

| Revised Budget | Service Area | Forecast Variance After reserves | Change in Variance from last month |
|---|---|---|---|
| £k | | £000 | £000 |
| 20,815 | Finance & Corporate Resources (Excl. Cyber and Pay Award) | 470 | -508 |

12.1 F&CR are currently forecasting an overspend of £0.470m excluding the pay award and the costs of the cyberattack, after a reserve drawdown of £2.35m. This is a favourable movement of the £508k on the November forecast. The cost of the pay award is £1.814m which will be funded corporately. However, some of this has been mitigated against reductions in forecasts for example in; housing needs, revenues and strategic property. The service continues to be impacted by the cyberattack with significant overspends in Revenues, Benefits and ICT totalling £4.037 m.

12.2 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 from budget set aside for energy pressures.

| | Gas | | Electricity | | Total |
|---|---|---|---|---|---|
| **Service Area** | **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** |

12.3 **Financial Management and Control** are currently reporting an overspend of £602k. This is an unfavourable movement of £39k. The pay award accounts for £156k of the overspend, which will be funded corporately. The remaining 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.

12.4 **Strategic Property** Property Services are currently forecasting an overall overspend of £96k, an improvement of £319k compared to last month. The overspend amount attributable to the pay award is £78k. The improvement relates to a combination of holding vacant posts and a successful legal challenge resulting in additional average income for commercial property.

Commercial Property are forecasting an overspend of £424k 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 income collection and deferred rents as the market is still very fragile and believes the pressure here could increase further.

Corporate Property and Asset Management (CPAM) & Education Property
CPAM is forecasting an underspend of (£287k) and Education (£41k) mainly due to holding vacant posts. Both areas have had an adverse movement compared to last month. The main difference is in relation to vehicle maintenance which has increased over the winter period.

12.5 **Housing Benefits** are currently forecasting an overspend of £1.270m**.** This is unchanged from the previous month's forecast. 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.

12.6 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.

12.7 **Revenues**. Revenues are currently forecasting an overspend of £1.732m. There is no change on the previous month's forecast. 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.

- £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.

12.8 **Soft Facilities Management** are currently reporting an overspend of £87k after drawdown of reserves of £781k (utilities). This is an adverse movement of £50k on previous months forecast and relates to window cleaning at the Hackney Service Centre. The remaining £37k overspend relates to the application of the pay award in November.

12.9 **Support Services** (cashiers, postal and courier services) are forecasting a variance of £57k. This is driven by the application of the pay award in November which increases the forecast by £97k.

12.10 **Registration Services** are currently forecasting an underspend of £115k. There is no change from the previous month's forecast.

12.11 **Housing Needs** Housing Needs are currently forecasting an overspend of £530k after a reserve drawdown of £551k. This is a favourable movement of £341k on last month's forecast and is a result of refining the temporary accommodation rental expenditure forecast. Currently, there are higher levels of TA placements in hostels (less voids, access to more hostels), reducing the need for more costly accommodation (nightly paid, and private sector lettings), which has resulted in a reduction in the temporary accommodation rental expenditure forecast.

12.12 The remaining overspend relates to 1) 271k staffing pressures as a result of the pay award and 2) £600k 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, however this is offset by a reduction in the TA rental expenditure forecast.

12.13 **ICT** are currently forecasting to overspend by £1.8m after a reserve drawdown of £185k. This is an adverse movement of £11k compared to last month.

<u>ICT Corporate</u> are currently reporting an overspend of £1.54m after a drawdown from reserves. This is a favourable movement of £166k on last month. The overspend is mainly due to £657k for Cyber projects and the ongoing Amazon Web Service (AWS) costs. A number of contracts including AWS costs are paid in US dollars and have recently been subject to exchange rate risk. Fortnightly meetings have been set up with finance to

provide an update on how the service intends to reduce the key overspend causes.

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

Hackney Education ICT are currently forecasting an overspend of £369k which is an increase of £180k on last month, as the service has been wound down, any income that we were previously forecasting has now been removed. We are still working with service users to establish if items that are currently forecast are still required and this may decrease the overall overspend.

12.14 **Audit & Anti-Fraud** are forecasting on budget.

12.15 **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 £111k of increased costs as a result of application of the pay award in November.

12.16 **Procurement** is currently reporting an overspend of £33k as a result of the pay award. There has been no movement on last month's forecast.

12.17 **HR & OD** HR & OD are currently reporting an underspend of £129k, which is a favourable movement of £115k on previous month forecast. The reduction in the forecast is as a result of staffing changes and delays in recruitment into the new financial year (23/24). The £122k pay award pressure is mitigated through the current underspends in staffing costs and the termination of the guardian contract.

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

12.19 The main areas of potential financial risks within F&R, where the forecast may see increases in the coming months are :

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

12.20 **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.

## 13.0 Chief Executive

| Revised Budget | Service Area | Forecast Variance After reserves | Change in Variance from last month |
|---|---|---|---|
| £k | | £000 | £000 |
| 15,365 | Chief Executive | -472 | -2 |

13.1 The Chief Executive's Directorate is forecasting an underspend, before the pay award, of £472k following the use of £2.1m of reserves. The cost of the 2022/23 pay award is forecast at £725K. 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.

13.2 **Libraries & Heritage** Libraries & Heritage are forecasting a £258k 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.

13.3 **Legal, Governance and Election Services** are forecasting an underspend of £44K, the forecast position before the impact of the 2022/23 pay award is £300K. 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 for some vacant posts over the remainder of the year. This is reflected in the forecast

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

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

- Not achieving budgeted income from our venues operations due to the impact of the cost of living crisis. Our income target is £538K. Income received to the end of December is £665K, 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 December is £230K**.** 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.

13.6 **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.

## 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 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.

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 £4m, 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, £6.4m, is mainly due to increasing energy prices. The cost of Gas and Electricity has been rising globally over the past year, however thus far, 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 £1.5m 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 £202k, 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.
- Following a thorough review of the Housing Finance System and 202/23 budget, additional income has been forecast for Dwelling rents £1m.
- The Non-Dwelling Rents surplus of £360k is mainly due to additional income forecast from Commercial properties following a collaborative review with Strategic Property Services (SPS).

## 15.0 CAPITAL

15.1 This is the third OFP Capital Programme monitoring report for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to December 2022 is £49.1m and the forecast is currently £150m, £17.5m below the revised budget of £167.5m. This represents a forecast of 61% of the approved budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report). A summary of the forecast by the directorate is shown in the table below along with brief details of the reasons for the major variances.

## Table 1 Summary of the Capital Programme

| Capital Programme 2022/23 | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance (Under/Over) | Capital Adjustments | Updated Budget Position |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive's | 4,035 | 408 | 56 | 228 | (180) | 0 | 408 |
| Adults, Health & Integration | 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Children & Education | 14,862 | 16,388 | 5,909 | 17,825 | 1,438 | (0) | 16,388 |
| Finance & Corporate Resources | 28,668 | 21,666 | 4,351 | 16,112 | (5,554) | 0 | 21,666 |
| Mixed Use Development | 32,382 | 8,707 | 2,028 | 6,722 | (1,985) | 0 | 8,707 |
| Climate, Homes & Economy | 40,318 | 24,851 | 9,339 | 21,629 | (3,222) | 0 | 24,851 |
| **Total Non-Housing** | **120,297** | **72,020** | **21,683** | **62,516** | **(9,504)** | **(0)** | **72,020** |
| AMP Housing Schemes HRA | 43,886 | 42,689 | 16,321 | 41,189 | (1,500) | 0 | 42,689 |
| Council Schemes GF | 6,999 | 4,426 | 1,848 | 4,481 | 56 | 0 | 4,426 |
| Private Sector Housing | 2,164 | 1,210 | 626 | 960 | (250) | 0 | 1,210 |
| Estate Regeneration | 30,003 | 12,928 | 2,982 | 10,817 | (2,111) | 0 | 12,928 |
| Housing Supply Programme | 33,406 | 24,923 | 4,723 | 21,506 | (3,416) | 0 | 24,923 |
| Woodberry Down Regeneration | 7,595 | 9,294 | 889 | 8,571 | (723) | 0 | 9,294 |
| **Total Housing** | **124,052** | **95,469** | **27,389** | **87,524** | **(7,945)** | **0** | **95,469** |
| | | | | | | | |
| **Total Capital Budget** | **244,349** | **167,489** | **49,071** | **150,040** | **(17,448)** | **(0)** | **167,489** |

## 15.2 CHIEF EXECUTIVE

The current forecast for the overall Chief Executive's is £228k, £180k below the revised budget of £408k. Below is a brief update on the main variance:

| CX Directorate Capital Forecast | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Libraries and Archives | 4,035 | 408 | 56 | 228 | (180) |
| **Total Non-Housing** | **4,035** | **408** | **56** | **228** | **(180)** |

Libraries and Archives is the only area with capital work in the Chief Executives. The most significant variance relates to the Library Capital Works. The forecast is £50k, £101k below the in-year respective budget of £152k. This forecast is the expected emergency capital works due in the Council's Library buildings for quarter 3. Any surplus budget will be utilised in the next financial year.

## 15.3 CHILDREN AND EDUCATION

The current forecast for the overall Children and Education is £17.8m, £1.4m above the revised budget of £16.4m. More detailed commentary is outlined below.

| C&E Directorate Capital Forecast | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Children & Family Services | 0 | 477 | 72 | 477 | 0 |
| Education Asset Management Plan | 4,095 | 2,547 | 973 | 2,199 | (348) |
| Building Schools for the Future | 38 | 91 | 29 | 80 | (11) |
| Other Education & Children's Services | 1,328 | 1,651 | (132) | 1,198 | (453) |
| Primary School Programmes | 6,368 | 8,393 | 3,664 | 10,641 | 2,248 |
| Secondary School Programmes | 3,033 | 3,228 | 1,303 | 3,230 | 1 |
| **TOTAL** | **14,862** | **16,388** | **5,909** | **17,825** | **1,438** |

Children and Family Services

There is no material variances to the budget.

Education Asset Management Plan

The forecast for the overall Education Asset Management Plan is £2.2m, £0.3m below the in-year respective budget of £2.5m. Most of the AMP programme works are near completion for this financial year. Below is a brief update on the main variance:

*Shoreditch Park AMP (Art Block snagging, main roof and partial soft play)* - The forecast is nil spend against the in-year respective budget of £123k. The scheme is complete so any underspend will cover any overspends at year end.

Other Education & Children's Services

The forecast for the overall Other Education and Children’s Services is £1.2m, £0.5m below the in-year respective budget of £1.7m. Below is brief update on the main variance:

*The Garden School (Expansion and Provision of Sixth Form (SEND) inc Roof and Pipework and asbestos)* - The forecast is nil spend against the in-year respective budget of £440k. The project is complete. The variance is due to a delay in the receipt of the final account. The Project Manager is chasing the quantity surveyor. It is unlikely that we will have an agreed position until the new year. Hence the variance.

Primary School Programmes

The forecast for the overall Primary School Programme is £10.6m, £2.4m above the in-year respective budget of £8.4m. Below is a brief update on the main variance:

*Woodberry Down Children Centre - Relocation* - The forecast is £2.5m, £2.4m above the in-year respective budget of £2.5m. The variance relates to the procurement delays which impacted the project starting on time and £2.4m was re-profiled to future years in the previous quarter. The scheme was 8 weeks behind due to undiscovered underground items on site with trenches full of asbestos. Now the contractors have started on site and the works have accelerated therefore the Project Manager is now forecasting an overspend on the in-year budget. All the foundation works and external walls are completed. This variance will be slipped at year end and the 2023/24 budget will cover any overspend.

Secondary School Programmes

There is no material variances to the budget.

## 15.4 FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £22.8m, £7.6m below the in-year respective budget of £30.4m. Below is a brief update on the main variances:

| F&CR Directorate Capital Forecast | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Property Services | 23,772 | 16,126 | 2,647 | 11,693 | (4,433) |
| ICT | 4,243 | 4,143 | 1,604 | 3,972 | (171) |
| Other Schemes | 654 | 1,398 | 99 | 448 | (950) |
| **Total** | **28,668** | **21,666** | **4,351** | **16,112** | **(5,554)** |
| Mixed Use Development | 32,382 | 8,707 | 2,028 | 6,722 | (1,985) |
| **TOTAL** | **61,051** | **30,373** | **6,378** | **22,834** | **(7,539)** |

Strategic Properties Services - Strategy & Projects

The forecast for the overall Strategic Properties Services is £11.7m, £4.4m below the in-year respective budget of £16.1m. Below is a brief update on the main variances:

*Stoke Newington Assembly Hall* - The forecast is £1.2m, £0.5m below the in-year respective budget of £1.7m. The phase 1 of the project is replacing the ceiling of the Assembly Hall but asbestos was discovered resulting in an additional quotation. The team are considering purchasing the scaffold that they are currently hiring which would be a lump sum cost of circa £200k. The team are also procuring a new fire alarm system which would primarily be equipment at £300k. However what is unlikely is the undertaking of the main contract of works to the ceiling which made up the majority of the forecast. The team will review and update by the next quarter.

*The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project* - The forecast is £4m, £2m below the in-year respective budget of £6m. The CPRP bid for the rest of the funds needed for the project has now been approved. The Portico (repair and refurbishment of existing Grade II listed building and new build extension) - the Contractors started on site on 1 August 2022. The site is progressing well. The cutting down of the piles, pile caps, and ground beams has started. The below ground drainage to start in the next quarter. The Belfast Road (new build) - the Contractors started on site on 30 August 2022. The archaeological borehole investigation has been completed. The demolition to the main structure has started. Tree pruning is completed. The party wall notices have been served. The Network Rail Basic Asset Protection approvals are in place for demolition, treeworks and Japanese knotweed removal. The construction will start in 2023/24. Any surplus budget from this year will be utilised in 2023/24.

*Asbestos Surveys* - The forecast is £0.5m, £0.3m below the in-year respective budget of £0.8m. This forecast reflects the number of surveys and emergency asbestos removal works expected for this quarter.

*Landlord Works at 12-14 Englefield Rd (South East and East Asian Centre)* - The forecast is £0.4m, £0.5m below the in-year respective budget of £0.9m. The variance was due to the delay to appointing the contractor. The Contract is now awarded and the contractor is expected to be on site in January 2023.

*Vehicle Maintenance Workshop* - The forecast is £22k, £409k below the in-year budget of £431k. The new reception is in the initial stages of design. The Project Manager is unable to progress purchasing the items for the workshop until the new reception building is built. The underspend will be utilised in the next financial year.

*Kings Hall Leisure Centre* - The forecast is £0.9m, £0.7m above the in-year budget of £0.2m. This project is at the initial feasibility and design stage. The

Design Team was appointed in October 2022. The Contractors will be appointed in 2023/24. The variance will be funded from the 2023/24 budget.

Corporate Resources Other Schemes

The forecast for the overall Corporate Resources Other Schemes is £0.4m, £1m below the in-year respective budget of £1.4m. Below is a brief update on the main variances:

*Solar Project (Commercial)* - The forecast is £0.1m, £0.5m below the in-year respective budget of £0.6m. The works are progressing and solar installations at Wrens Park Community Hall, Hackney Marshes and Concorde Centre will be completed by mid January 2023. Solar installation at the following sites are due to start in January 2023: Webb Estate Community Hall, Queensbridge Leisure, Gascoyne House and Rose Lipman Community Hall.

*Green Homes Fund (Government Grant for insulating Private Sector Housing)* - The forecast is £72k, £293k below the in-year respective budget of £365k. This spend forecast is based on the number of bid applications accepted and awarded for this grant, with the release of the expected funds due by March 2023.

Mixed Use Developments

The forecast for the overall Mixed Use Developments is £6.7m, £2m below the in-year respective budget of £8.7m. This forecast largely relates to the Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

*Tiger Way* - All units have been sold and the development is fully occupied. The final account for the Design and Build element of the project remains in draft agreement as anticipated. The final account value includes adjustments for variations and value engineering. This has resulted in a lower final account value than the original contracted sum. No edits or adjustments to values are expected.

*Nile Street* - The Nightingale Primary school is completed and occupied. There is a higher than anticipated void costs due to slower than anticipated sales rate as a result of the current market conditions. The sales strategy is being reviewed quarterly. Currently, 124 apartments out of the 175 units have been sold. This represents 70.8% of the total residential units. The final account for the Design and Build element of the project has been agreed.

*Britannia Site* - Phase 1a (new Leisure centre) and Phase 1b (CoLASP) are now in the defects period with agreed defects being rectified and end of defects certificates likely to be issued in December for Phase 1b and January for Phase 1a. Phase 2b (Residential) is in the initial stages. The Stage 4 design letter has now been signed off and issued to the design team. The initial tenders were received on 9 November for the design and build contractor. The cabinet date of January 2023 has now been put back to

]March 2023. This in turn leads to a new start 'on site date' of April/May 2023. The forecast of construction spend has therefore moved to next financial year. The Employers Agent and Clerk of works are out to tender.

## 15.5 CLIMATE, HOMES & ECONOMY

The overall forecast in Climate, Homes & Economy is £21.6m, £3.2m under the revised budget of £24.9m. More detailed commentary is outlined below.

| Climate, Homes & Economy Capital Forecast | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Leisure, Parks & Green Spaces | 22,934 | 12,639 | 4,617 | 10,610 | (2,029) |
| Streetscene | 12,765 | 10,056 | 2,691 | 9,350 | (706) |
| Environmental Operations & Other | 734 | 500 | 0 | 500 | 0 |
| Public Realms TfL Funded Schemes | 0 | 0 | 1,746 | 0 | 0 |
| Parking & Market Schemes | 308 | 70 | 0 | 70 | 0 |
| Community Safety, Enforcement & Business Regulations | 493 | 188 | 5 | 124 | (64) |
| Area Regeneration | 3,084 | 1,399 | 279 | 975 | (423) |
| **Total** | **40,318** | **24,851** | **9,339** | **21,629** | **(3,222)** |

<u>Leisure, Parks and Green Spaces</u>

The forecast for the overall Leisure, Parks and Green Spaces is £10.6m, £2m below the in-year respective budget of £12.6m. Below is the brief update on the main variances.

*Essential Maintenance of Leisure Centres* - The forecast is £0.8m, £0.5m below the in-year budget of £1.3m. This budget is to cover reactive works and repairs that may occur at any time in the Leisure Centres across the borough. The spend forecast is based on the work expected to be completed by the end of quarter 3. Any surplus budget from this year will be utilised in 2023/24.

*Parks Strategy and Infrastructure* - The forecast is £0.7m, £1m below the in-year budget of £4.5m. This budget is to cover both reactive and planned works in quarter 3. The majority of work usually takes place in quarter 4 which is the quieter period of the year. The team are progressing with the upgrade of parks equipment and machinery but are still experiencing supplier issues resulting in an underspend this quarter.

*Abney Park* - The forecast is £3.3m, £0.5m below the in-year respective budget of £3.7m. Despite the snow, work is continuing on the Abney Park Restoration Project and much of the work on site has moved inside the buildings now. The contractor has completed all of the external stonework repairs to the Chapel and the 4 new stained glass windows have been installed. The window openings have been boarded up to keep the building weather tight to protect the internal repairs that are in progress while we wait for the new windows to arrive. The Church Street entrance improvements are almost complete and the entrance has been reopened to the public. The new railings are currently in fabrication and the original Listed gate is being refurbished. Both will be installed in the new year. The entrance will need to close again for a week to allow for the installation of the gate and railings.

Works to the Lodges and new workshops are progressing well. The Lodges roofs have been repaired, the new workshop roofs completed and the first fix wiring and plumbing has been installed. The exterior blockwork and brickwork of the new building which will house the Cafe and Education/Community Space is completed. The windows and doors have been installed, the first fix wiring and plumbing is completed and the Ground Source Heat Pump ground works are completed. The team have experienced delays due to unexpected additional underpinning works being required to the Chapel causing the variance. The current expected completion is now quarter 2 of 2023/24.

<u>Streetscene</u>

The forecast for the overall Streetscene is £9.3m, £0.7m below the in-year respective budget of £10m.  The estimated underspend is largely due to new S106 schemes that will begin in the new year, as work can only be done once the developer's work is completed. Other schemes have been delayed due to lengthy consultations and the prioritisation of larger grant-funded schemes.

<u>Area Regeneration</u>

The overall forecast for Area Regeneration is £1m, £0.4m below the in-year respective budget of £1.4m.  Below is a brief update on the main variance:

*Hoxton Public Realm* - The forecast is nil spend against the in-year respective budget of £232k. The project implementation date is pushed back to align with the UK Shared Prosperity Fund (UKSPF) timeframe, which is the Government’s domestic replacement for the European Structural and Investment Programme (ESIF) which the UK continues to participate in until 2023.  There is an estimation of 5 months from appointment of contractor to completion of works. The appointment of contractor and purchase of materials is likely to happen in June 2023.  The budget will therefore be utilised next financial year.

## 15.6 HOUSING

The overall forecast in Housing is £87.5m, £7.9m below the revised budget of £95.5m. More detailed commentary is outlined below.

| Housing Capital Forecast | Budget Set at Feb Cab 2022 | Budget Position at Dec 2022 | Spend | Forecast | Variance |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| AMP Housing Schemes HRA | 43,886 | 42,689 | 16,321 | 41,189 | (1,500) |
| Council Schemes GF | 6,999 | 4,426 | 1,848 | 4,481 | 56 |
| Private Sector Housing | 2,164 | 1,210 | 626 | 960 | (250) |
| Estate Regeneration | 30,003 | 12,928 | 2,982 | 10,817 | (2,111) |
| Housing Supply Programme | 33,406 | 24,923 | 4,723 | 21,506 | (3,416) |
| Woodberry Down Regeneration | 7,595 | 9,294 | 889 | 8,571 | (723) |
| **Total Housing** | **124,052** | **95,469** | **27,389** | **87,524** | **(7,945)** |

AMP Capital Schemes HRA

The overall forecast is £41.2m, £1.5m below the in-year respective budget of £42.7m. Below is a brief update on the main variances:

*Mulalley - HiPs South West* - The forecast is £1.7m, £0.4m below the in-year respective budget of £2.1m. Negotiations are continuing with the contractor to progress works at Purcell which now seems likely to slip into next year. The underspend will cover overspends across the overall programme.

*Street Lighting SLA* - The forecast is £0.7m, £0.6m below the in-year respective budget of £1.3m. The programme has been rescheduled due to supply chain shortages. The underspend will cover overspends across the overall programme.

*Disabled Adaptation* - The forecast is £1.5m, £0.5m above the in-year respective budget of £1m. There has been a higher volume of children's adaptations and an increase in the team to manage down the back-log of assessments. The overspend will be covered by underspends across the overall programme.

*Integrated Housing Management Systems* - The forecast is £2.7m, £0.4m above the in-year respective budget of £2.3m. A contract extension has been granted to a supplier who is providing additional staff to augment the Hackney ICT development teams working on the 'Modern Tools for Housing' Programme. The overspend will be covered by underspends across the overall programme.

*Fire Risk Assessments* - The forecast is £1.3m, £0.9m below the in-year respective budget of £2.2m. Fire safety works that were scheduled for Fellows Court are on hold due to a review of the gas supply network by Cadent; there is also the aim to bring Fellows Court onto an overall 'Front Entrance Doors' contract next year. The underspend will be carried forward at year-end as the works will start early in the new financial year.

*High Value Repairs* - The forecast is £2.7m, £0.7m above the in-year respective budget of £2m. During the first half of the year there has been a higher volume of repairs and a contingency is being held to cover the recharges due at the end of the year. The overspend will be covered by underspends across the overall programme.

*Capitalised Salaries* - The forecast is £5.5m, £0.2m above the in-year respective budget of £5.3M. The upward revision reflects the full effect of this year's pay award. The overspend will be covered by underspends across the overall programme.

*Green Initiatives* - The forecast is £3k, £297k below the in-year respective budget of £300k. Installation of the prepayment metres is awaiting procurement of a contractor for communal boilers. The award of the new contract is anticipated in the new year but mobilisation will not impact until the next financial year.

*Cycle Facilities* - The forecast is £200k, £179k above the in-year respective budget of £21k. There has been a concerted effort to complete a backlog of orders issued in 2019/20 prior to lock down causing the variance. The overspend will be covered by underspends across the overall programme.

*Bridport* - The forecast is £3.3m, £1.2m below the in-year respective budget of £4.6m. Costs of repairing further defects are continuing to emerge and the timeline for completion has now been pushed back to mid 2024/25. The total capital spend estimate is now £10.6m (of which contract sum of works is £8.25m). The current spend this year is £1.7m with a further spend of £1.4m to the end of year. The expectation for next year is a spend of £5.8m.

<u>Council Schemes GF</u>

There is no material variances to the budget.

<u>Private Sector Housing Schemes</u>

The forecast for the overall Private Sector Housing Schemes is £1.0m, £0.2m below the in year respective budget of £1.2m. Below is a brief update on the main variance:

*Disabled facilities Grant* - The forecast is £0.8m, £0.2m below the in year respective budget of £1m. The spend forecast is based on applications received so far in the year and the works expected to complete in the last quarter of 2022/23. All of the spend is externally funded by the Disabled Facilities Grant, with any underspend being utilised by Adult Social Care.

Estate Regeneration Programme (ERP)

The overall forecast for the Estate Regeneration Programme is £10.8m, £2.1m below the in year respective budget of £12.9m. Below is a brief update on the main variances:

*Estate Renewal Implementation* - The forecast is £3.4m, £1.2m below the in-year respective budget of £4.6m. The main reason for the variance in the quarter is due to one of the Mayor of Hackney's Housing Challenge site payments now not likely to take place until 2023/24. The budget will therefore be utilised next financial year.

*Tower Court* - The forecast is £2.0m, £0.1m above the in-year respective budget of £1.9m. The project is nearing completion. Final handover of the expected units is expected to take place in March 2023. Discussions are still ongoing about how to best utilise the commercial space moving forwards, but this will likely have cost and time implications.

*Kings Crescent 3&4* - The forecast is £0.5m, £0.3m below the in-year respective budget of £0.8m. The project is due to go into a cost optimisation period with the preferred contractor in early 2023, with a view to reducing costs and improving viability of the project. The cost optimisation period is likely to take around 90 weeks and is due to start slightly later than expected last quarter. This is the reason for the reduction in forecast compared to quarter 2.

*Colville Phase 2C* - The forecast is £1.0m, £0.5m below the in-year respective budget of £1.5m. A PCSA contract is due to be signed imminently, with spend relating to this likely to start in January 2023. This is slightly later than previous expectations and explains the reduction in forecast from quarter 2.

Housing Supply Programme

The overall forecast for the Housing Supply Programme is £21.5m, £3.4m below the in-year respective budget of £24.9m.

*Wimbourne Street and Buckland Street* - The forecast is £16.3m, £3.5m below the in-year respective budget of £19.8m. The sites are now under contract and works have started, with an estimated completion date of June 2024. The reduction in spend compared to the last quarter is due to updated cashflow forecasts being received from the contractor, which more accurately phase the spend over the construction period. Any surplus budget from this year will be utilised in 2023/24.

*Murray Grove* - The forecast is £0.1m, £0.1m below the in-year respective budget of £0.2m. The slight reduction in spend since last quarter is due to a reduction in estimated spend on project fees. Options are currently being considered for this site after tender returns were significantly higher than our cost consultants had estimated.

Woodberry Down Regeneration

The overall forecast for the Woodberry Down Regeneration is £8.6m, £0.7m below the in-year respective budget of £9.3m. The reduction in spend is due to a lower number of Buybacks now expected to complete by 31 March 2023. Last quarter 11 Buybacks were forecast, but this has been reduced to 7 based on current activity levels and sales to date. Early indications suggest that there appears to have been a slow down in sales, as Leaseholders stay put for longer due to the current uncertain financial climate and high mortgage rates.

## Appendices

None

## Background documents

None.

| | |
|---|---|
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