Hackney

Title of Report	**2023/24 Budget and Council Tax Report**	
Key Decision No	FCR S097	
For Consideration By	Cabinet and Council	
Meeting Date	Council 1st March 2023	
Cabinet Member	Mayor Philip Glanville	
Classification	Open with Appendices 1-10	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	To set the 2023/24 Council Tax Rate and the 2023/24 General Fund Revenue Budget
Implementation Date if Not Called In	7th March 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. Mayor's Introduction

1.1 Once again I introduce the budget in the midst of a crisis, following on from the intense social and financial pressures brought about by the pandemic, compounded by the criminal cyber attack on the Council in October 2020, we are now deep into a cost of living crisis. A crisis which impacts both on the Council and our staff as well as our ability to deliver services for the local residents and businesses we serve. Inflation has reached levels higher than most residents would have endured in their lifetime, which is having a real impact on living standards and driving more people into poverty. As inflation soars and with Government support remaining woefully inadequate, pressures on families and demand for the Council's services increase, and whilst we cannot fill the financial gaps left in families' budgets by this crisis, through this budget we will continue to protect the most vulnerable, build resilience and provide crisis support where we can afford to do so.

1.2 As I have said before, although such events take a toll on our finances, because of our sound political and financial management we have the space, capacity and leadership to respond in a planned and considered manner. Throughout the past year we have continued to prioritise the things that matter, stayed true to our values and responded with front-line and innovative support for our communities as they feel the impact of the cost of living crisis. We continue to work to deliver our ambitious manifesto through the new Strategic Plan: Working Together for a Better Hackney.

1.3 We do, of course, face all of this against the backdrop of over 12 years of austerity. Whilst in the latest spending round we have seen an increase in funding levels, it will not come close to bringing us back to where we were in 2010 nor keep up with rising demand. Much of the additional monies are targeted at social care, and whilst this is an area of significant pressures and this is welcomed, it will not meet the significant and rising pressures we face as a result of both increased demand and inflation of costs in these services. Of particular concern is the one off nature of social care funding and the lack of certainty beyond 2024/25. A large proportion of this funding was re-purposed by the Government from the postponed social care charging reforms. What is unclear are the Government plans if the reforms are introduced as proposed in October 2025, and what this means for this repurposed grant. In addition, of significant concern is the continued uncertainty regarding future funding which makes it ever more difficult to plan for Hackney's future. We are yet to know whether local government faces a re-distribution of funding. This will impact our Government grants, which have already been much depleted.

1.4 We are also faced with additional costs from increasing demands for services; as well as in social care, we are experiencing pressure in our Homelessness services with the rising costs of accommodation, and Special Educational Needs with increases in Education and Healthcare Plans and the impact of energy and fuel inflation across a range of our services. This will echo the experience of thousands of Hackney residents, whose lives have been made harder by the rise in in-work poverty, unemployment, a failure to regulate the private rented sector, the hostile environment to immigration, Universal Credit and wider welfare reform.

1.5 We maintain that austerity, imposed on us by the Conservative Government, is not over for local government nor the citizens of Hackney and the cost of living crisis has worsened the situation further. As noted above, there is significant uncertainty in funding levels going forward and there is also concern that more and more often, any additional funds are of a one-off nature, so cannot be relied on for long-term financial planning. Further, they do not cover gaps in existing funding in areas such as Special Educational Needs and social care. Taking these factors into account, along with possible impending funding redistribution and the unlikely abatement of the demand for our services, our mid-case scenario for the budget gap for the medium term period 2024/25 to 2026/27 is £57m. Although we will seek to meet this gap through a programme of transformation of our services continuing to put residents at the heart of what we do, the scale of the challenge means that inevitably hard choices will have to be made.

1.6 In this budget we are proposing that Council Tax will increase by 4.99%, this is never an easy decision, the Council Tax remains a regressive tax and we know that any rise can have an impact on those that are on fixed incomes. However, this will raise £5 million to help us continue to run the services our residents need. For the average household in Hackney in a Band B property, the increase will add less than £1 a week to their bill. Despite this increase, it is expected that Hackney will still have one of the lowest Council Tax rates in London. And if we look at the period 2010/11 to 2023/24, the cumulative increase in Hackney's Council Tax is 12% less than the Consumer Price Index (CPI). The Greater London Authority (GLA) is proposing to increase its council tax by 9.74% or £38.55, which takes its Band D charge to £434.14. This produces a total Band D charge in Hackney of £1,773.29 - an increase of 6.12%.

1.7 We are very much aware that these increases come at a time when overall cost of living pressures are biting hard - not least energy costs and the cost of food for our residents. That is why we are seeking to support some of our hardest-hit residents by making a one-off payment of £50 to all Council Tax Reduction Scheme claimants capped at their liability, so that no accounts will be in credit. This is double the support planned by the Government, and will cover the impact of the increase in the Council's and the GLA's element of the council tax for the majority of these residents. We are also topping up the Council Tax Reduction Hardship Scheme to double its usual level. Where residents are unable to pay their council tax, the Council works with residents and advice agencies to ensure that households are claiming all applicable discounts and appropriate long term affordable repayment plans are established with residents who are unable to pay in line with the council tax instalments.

1.8 In 2023/24 we have also set aside an additional £250k to enable the continuation of support for residents living in poverty. This resource will be invested in work that helps us to sustain the support that will be needed for the next few years - through building local partnerships that support residents at grassroots level, the Money Hub and by developing long term access to affordable food. This is on top of the Government-funded Household Support Fund which we are distributing to the local community. Additionally, we continue to provide direct support for those in crisis through our Discretionary Crisis Support Scheme as well as assisting local organisations to provide advice and support for those experiencing financial difficulties. Last Autumn, to simplify the complex web of support available to residents from the Council's own initiatives, the benefits system, and partners, we launched our 'Help at Hand' guide to the support available to residents experiencing financial issues. I speak more about our response to poverty below, including the implementation of the 'Money Hub.'

1.9 Despite over a decade of cuts to our budgets, Labour councils like Hackney have protected our frontline services, invested in our workforce and protected our most vulnerable residents from the worst impacts of austerity. We need to continue to do this whilst also responding to the multiple impacts of the pandemic and now the cost of living crisis, which have severely impacted those already in poverty, widened inequality and pushed more people into poverty. For 2023/24, we remain ambitious as set out in our new Strategic Plan to 'Work Together for a Better Hackney'. In that document, I set out my Mayoral Priorities for a Fairer, Safer Hackney, for a Greener, Healthier Hackney and for Every Child in Hackney. We recognise that this is going to require further change and transformation of services and we are ready to tackle these challenges head on.

1.10 We know how important frontline services have been to our residents. As always and particularly throughout the pandemic and now the cost of living crisis, our staff have been there for those relying on us and it is those services delivered directly by the Council, rather than external contractors, that have been best placed to change direction and respond to these crises. We will keep working to make services more accountable, innovative and ultimately better value for money for residents. We plan to do this by continuing to bring services in-house where it is financially viable to do so, and where we can deliver a better service to residents and fairer pay and conditions for those that deliver them. So far we have brought in-house school and corporate cleaning, gully cleansing, fleet maintenance and market stalls services that were previously contracted out ─ £6.3 million worth of contracts ─ and our parking enforcement contract has this year been brought in-house, a contract costing £5.6 million. In many cases this has reduced costs, while improving conditions for newly insourced staff. Over the course of the financial year 2023/24 we will continue to review other contracts with potential for insourcing. In our manifesto we also committed to taking this further and supporting the creation of co-operatives to deliver services where there is market failure and there isn’t a robust business case for insourcing.

1.11 We will also continue to fund our award winning employment and lifelong learning schemes, ensuring Hackney’s local and vibrant economy provides direct opportunities for the borough’s residents. With the rising cost of living, unemployment, in work poverty and lack of diverse workforces, the Council’s focus on creating high quality opportunities has been more pressing than ever. Our apprenticeship programme remains award winning, and since September 2020, the Council’s Adult Learning service has been integrated with the wider Employment and Skills service with a total investment of £4.9m. This creates an opportunity to ensure that the Council’s investment in adult skills, funded via the GLA’s Adult Education Budget, is aligned with the Council’s aspirations of ensuring residents have the skills to access high quality jobs and careers. In 2022, the Council’s Kickstart funded (formerly Hackney 100) work placement programme, created 168 placements for 16-24 year olds within local businesses. Our Employment, Skills and Adult learning service has worked more closely than ever with local employers, New City College and Job Centre Plus to create a single front door for residents seeking access to employment and education. We have also secured nearly £270,000 of new resources from the GLA to help close the adult training digital divide, adding an accredited training offer to the existing Creative Enterprise Zone in Hackney Wick to focus on this priority agenda.

1.12 We know that crime and safety remains a really important issue for many of our residents, especially given some of the tragic incidents that have taken place on our streets over the last year. This budget will help make Hackney safer, investing over £10 million to fund programmes like the Integrated Gangs Unit ─ our unique partnership with the Police, Probation Service and other partners, aimed at supporting people out of gang involvement. We will continue to invest in our Enforcement Service as it is at the forefront of working to reduce the negative effects of anti-social behaviour (ASB) in our estates and green spaces. Although we have seen a reduction in serious violence and ASB in Hackney since 2019 we will continue to provide a visible deterrent to support people who are experiencing ASB and work to ensure our night time economy is a safer place for people to experience. We are doing all we can to support businesses to remain compliant with legal requirements and the Hackney Nights accreditation scheme continues to improve safety in our night time economy through ensuring businesses with the accreditation have staff trained in welfare, and preventing vulnerability with schemes such as “Ask for Angela”. The accreditation scheme aligns with the Council’s commitment to ending violence against women and girls, ensuring all venues sign up to the Women’s Safety Charter and promoting Hackney’s on-going work in this area. We are also investing in Hackney Nights medics, whose main objectives are safeguarding vulnerable individuals and providing a dedicated medical response team available during night time economy hours across the borough. These investments are testament to our commitment to ensuring a safer environment for our residents and also visitors to our borough.

1.13 We are committed to helping our children and families to thrive, investing in every child in Hackney. Overall we will be spending over £81m on these services including our network of children’s centres and associated provision, which sit alongside our early intervention and prevention services as well as supporting our schools to ensure children achieve the best they can. We will also look after children where they cannot be cared for within their family network. During 2023/24 we will revisit the children’s centre provision across the borough to ensure it delivers the best service possible which is financially sustainable. 2023/24 will also be the third year of our £300k 4-year planned investment in the attainment of our young people, specifically for groups that have historically underachieved, to reduce exclusion and assist with the transition between primary and secondary school.

1.14 We know keeping people safe, especially young people, also means providing opportunities and support. We will continue to invest £12.9 million on youth and early help services for families, including our four youth hubs, six adventure playgrounds and other satellite-based community provision. Over the last year our youth and play services have seen 166,053 attendances by children and young people accessing universal programmes and provision. Detached outreach to engage young people in the community has continued to provide reassurance and health messaging. Young Hackney and the Family Support Service provide tailored support to improve children and young people’s emotional and mental health, family school and peer relationships, engagement with education, and to decrease the risk of exploitation or engagement in offending. The service has also supported delivery of the Holiday Activities and Food Programme to ensure that no young person or their family goes hungry during the holidays in Hackney.

1.15 I made a commitment late last year to everyone living in a Hackney Council-managed home, that of any other social landlord and those renting privately, that we will redouble our efforts to tackle damp and mould. This year's budget will ensure that the Council delivers on this commitment. We have put in place a clear and robust action plan for how we will raise our game here at the Council on this issue; work with the borough's other social landlords to ensure we have a coordinated and joined up approach; and also tackle the private landlords not fulfilling their legal duty of maintaining their homes. We are investing a further £400,000 on additional environmental health officers to help those in the private rented sector secure the repairs needed to ensure their homes are safe and free from damp and mould. It represents the largest increase in funding in a generation for our private rented sector team. This builds upon the additional £1 million investment in our Council homes, included as part of our 2023/24 Housing Revenue Account budget proposals, which will continue to fund an expansion of our repairs service to provide a swift, more focused response to improve repairs and tackle damp and mould in our own homes.

1.16 In 2019 the Council declared a climate emergency, and making our borough greener and more sustainable runs through the heart of this budget. We are on course to approve the Council's Climate Action Plan (CAP) in the early Summer. We recognise that we need to engage and listen to our residents in this process and are working in partnership with everyone in the borough to develop the CAP to rebuild a greener Hackney and eliminate our impact on climate change. Our borough wide consultation on the CAP has just ended and the results will inform the final CAP. Our aim is to ensure that our green recovery is fair and does not disproportionately impact people from disadvantaged backgrounds. We've committed significant funding for projects and plan to invest £61m over the next three years into achieving our Net Zero target. This includes £5.8m to complete the switch in our street lights and estate lighting to energy efficient LED bulbs ─ saving energy costs and reducing our electricity consumption through our streetlights by 60%. We are investing £2m in green initiatives across our housing estates and are making a further investment of £500k to deliver green screens in the borough's schools. We are continuing our tree planting programme and will have planted over 18,000 new trees in our streets, parks and green spaces (some through charitable partners) by the end of 2023. We are planning to invest £9.6m to replace our fleet vehicles with greener alternatives, and are investing £2.8m in additional cycle hangers for our residents. We continue the Green Homes Fund with a further investment of £200K rolling-out free home insulation, helping lower energy bills for thousands of local residents and significantly reducing the gases produced by heating our homes. We will also shortly announce the successful bidders in the first £300,000 round of our Community Energy fund. We continue to invest in more sustainable transport, we are rolling out 3,000 Electric Vehicle charging points by 2030 and investing to make our parks and leisure centres greener and better for users, investing a further £2.2m across these areas. We also continue to provide drinking water fountains and are working to expand our very successful School Streets programme to every school in the borough, with more going live this month.

1.17 Poverty Reduction continues to be a political and corporate priority, as it was throughout the last administration. In late 2020, a working framework for poverty reduction was adopted and put into practice to guide the continued pandemic response, particularly with regard to supporting those in material need. A conscious decision was made that the partnerships, support and ways of working developed during the pandemic should evolve into the ongoing way of meeting material needs. In 20/21 and 21/22, £840k was earmarked towards the development of this work. The [Poverty Reduction Framework](#) was formally adopted by Cabinet in March 2022 and during 22/23 work has continued at pace to create one connected system of support, with the Council, statutory partners and community organisations working together. Key highlights include:

- 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 discretionary housing payments (DHPs), and have the Council Tax Reduction Discretionary Fund, which allocates out a fund to provide discretionary financial help for council tax payers in hardship. Finally, the Hub is allocating £200k of Household Support Fund monies.

- 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 - more than applied to DHP and HDCSS in the whole of the previous year. Residents requesting support are much more likely than previous applicants to discretionary funds, to be in the Private Rental Sector, and more than half are already in rent or Council Tax arrears. Moreover, the team has distributed £112k of discretionary funds, and delivered £87k worth of increased incomes through benefits uptake work, mainly through CTR, Housing Benefit, Universal Credit and Pension Credit.

- The Council has used the £5.6m Household Support Fund to provide support to those we know are in need, including children and families on free school meals. 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.

- A further £600k was identified during the year to support poverty reduction, focussing on developmental interventions to support children in poverty and those in fuel poverty, and on interventions that meet the needs of groups that Household Support Fund is not able to support, including those with no recourse to public funds. We have created a Free School Meals task force to establish how we can expand take up and provision in our primary schools, and last month the Council passed a Right to Food Motion.

- 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. We have already secured £95k from the NHS to shore up support over winter, purchasing food and helping with the volunteer drive. We also continue to try to help organisations raise funding and 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.

1.18 This budget invests in the long-term future of Hackney through our capital programme, showing that even with the budget challenge Hackney Council continues to prioritise our communities, fairness and transforming lives. Last year I reflected on the opening of the new Britannia Leisure Centre and the new building for the City of London Academy Shoreditch Park - these ambitious programmes have now received a raft of awards and commendations, including for social value and impact as well as specific architectural for non-residential buildings and leisure centre and culture awards. Even in tough economic times, the new Britannia Leisure Centre has celebrated its 6,000 member, a trebling of the membership of the previous centre.

1.19 Our house building programme also continues to be award winning with Frampton Park winning a Hackney Design Award. Over the next year, Hackney Council plans to spend approximately £307 million through capital projects to continue rebuilding a better Hackney. We own and manage over 22,000 council homes, and next year we'll spend nearly £51m on improving them and maintaining a focus on clearing the repairs backlog. We will also continue to keep Hackney building, for those who desperately need new homes through our £101 million house building programme. In 2023/24 we plan to be on site with 551 new homes and the refurbishment of 174, delivering 335 genuinely affordable Council homes at social rent and shared ownership. We will invest £14m in our schools including the continuation of our schools facades programme, general school maintenance and increasing provision for special educational needs in the borough. Around £17m is planned to be spent on managing and maintaining Hackney's 58 parks, gardens and open spaces and seven sport and leisure centres. This includes £4.3m in the London Fields Lido learning pool and over £5m for the early stage of investment in refurbishing Kings Hall Leisure Centre. With our ambitious vision for a greener Hackney in 2030, as part of the £61m three year programme mentioned above, in 2023/24 we will invest £15m into capital projects working towards net zero emissions. These include £8m decarbonisation of non-housing building stock, £3m of streetscene projects and £1m on cycle hangers.

1.20 Furthermore, in 2023/24 we continue to deliver against our manifesto. Although the current cost pressures and the funding regime make it extremely difficult to identify monies for additional investments, we have set aside some limited additional resources to take forward our priorities. This is set out in more detail in the Section 6 on the Strategic Plan, but includes: further investment in becoming a greener borough in partnership with our communities and businesses including through expanding the Zero Emissions network and our circular economy programme; ensuring our young people have access to a range of experiences and activities - by the time they are 10 years old, every child in Hackney should has access to at least 10 different activities. We will also expand investment in ensuring our education system is as inclusive as it can be.

1.21 As mentioned above, we will be providing more resources to help ensure that residents living in the private rented sector live in improved conditions, free from damp and mould. We will expand investment in the delivery of the ‘SpaceBank’ initiative bringing together council owned buildings to ensure the Council is supporting local businesses, social enterprises, voluntary, community and third sector tenants through the properties it owns. As a Co-operative Mayor I am also pleased to be championing direct investment in expanding the borough’s capacity to grow more cooperative organisations and Hackney Light and Power. On supporting our businesses, we remain committed to creating the conditions for local enterprises to thrive and grow in our borough. This is evident through our investment in our award winning street markets and, to support our market traders throughout this period of high inflation, we are proposing a below inflation increase to pitch fees in order to keep our markets competitive and affordable. We are also on track to open Ridley Road Indoor Market this Summer and we remain committed to holding pitch fees for the traders for 2 years from the opening at the levels already agreed.

1.22 We will also keep investing in our network of public toilets, ensuring that those on our high streets and in town centres are free to use from this summer. We have a passionate commitment to supporting inclusive culture in the borough, creating new ways for our diverse communities to tell their stories and celebrate all that is best about Hackney. Using the Community Infrastructure Levy we are able to commit to £500,000 of investment in our cultural programming.

1.23 We can only achieve all we set out in this budget through careful and sound financial management, working with an excellent team of Council officers. If we do not pass a balanced budget and instead plan an illegal deficit budget, the result would be handing over budget and service management to Whitehall civil servants. We will need to continue passing prudent budgets, particularly given future risks such as the potential looming funding redistribution by the Government, the ongoing impact of the rising demand on our services, the economic recession and resulting cost of living crisis.

1.24 I would like to thank Cllr Chapman, my Cabinet and councillor colleagues, especially on Scrutiny and Audit, the Group Director for Finance and Corporate Resources, Ian Williams and his entire team for their work on the budget report, as well as the continued work to maintain the financial resilience of the Council. I would also like to thank the Cabinet and Corporate Leadership team for their tireless work on the budget and maintaining services across the Council. There has also been extensive work with the Chairs of Scrutiny and Audit to ensure pre-budget engagement on these proposals.

1.25 This is an ambitious, Labour and Co-operative values driven Budget in the most challenging of times that protects universal services, builds resilience, invests in our priorities and the Hackney’s future, creates more opportunities and supports the most vulnerable. I am proud to commend this report and my seventh Budget to

Cabinet and then Full Council.

2.0 Group Director's Introduction

2.1 This report asks Cabinet to agree and recommend to Council for approval, the 2023/24 General Fund budget estimates, a 4.99% increase in the Hackney element of Council Tax made up of 2% in respect of adult social care and 2.99% in respect of other services, and a series of recommendations relating to the Council finances in respect of the 2023/24 financial year.

2.2 I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, Scrutiny and Audit Committee members as well as colleagues on the Corporate Leadership Team and Officers within my own team and the other Directorates throughout the budget setting process. This will be my fifteenth report to the Full Council on the Budget as Hackney's Group Director of Finance and Corporate Resources (Section 151 officer). It is an understatement to say that we continue to live in unprecedented times, coming off the back of the pandemic and the cyber attack we are now in the midst of a cost of living crisis which is impacting on our residents and the Council alike. We are also faced with yet another one year settlement containing many one-off funding streams - as we have fed back to the Government on many occasions - this makes medium financial planning extremely difficult. It is only by the Leadership working together, both Cabinet and the Corporate Leadership Team (CLT) that we continue to navigate through the uncertainty. This year we have welcomed Rickardo Hyatt as the new Group Director of Climate, Homes and Economy to the CLT and I am delighted to be working closely with him in what are very challenging times for the HRA which has been exacerbated by an unfunded rental cap being imposed.

2.3 The 2023/24 Revenue Budget and Capital Strategy has continued to be put together against the backdrop of significant real terms funding cuts since 2010/11 even taking account of the recent increases in short term funding. This has occurred at a time when costs in areas such as adult social care, children's services, and homelessness have sharply increased, and the current very high inflation rate is impacting on many services. Whilst the publication of the 2023/24 Local Government Finance Settlement gave us some of the funding allocations for next year, the picture is not complete and worse still, we face an extremely uncertain and concerning financial environment beyond 2024-25. Little is known about the aggregate Local Government budgets post 2024-25 and still, no decision has been taken on the timing and scope of the local government funding review and business rates reset. So whilst we are able to present here a balanced budget, we face a challenging and uncertain future.

2.4 The impact of Covid-19 continued to impact our finances and the community in 2022-23 and will continue into 2023/24 and beyond, albeit at a reduced level. We have already seen that the pandemic has greatly restricted the financial flexibility of the Council going forward as we have had to use a considerable amount of one-off funding (primarily S31 Grant) in 2020/21 to 2022/23. It has also depressed income levels for various income streams including council tax, business rates, commercial property rents, car parking and trade waste. Whilst we expect a recovery in 2023/24, it is unlikely to be full for some of these if inflation and the cost of living crisis impacts on the ability of businesses and residents to pay for council's services.There could also be an impact on business rates income if the working from home trend continues. Not only will it impact on income in the short term but it could also have a detrimental impact in the longer term if it results in a depression of rent levels (which largely determine rateable values) in the office sector. The cyber attack has also impacted on the Council's finances both in terms of additional costs to restore systems and deal with backlogs of processing in key systems such as Housing Benefits, Housing Rents, Business Rates and Council Tax; and on income collection levels but we expect these costs to reduce significantly in 2023-24 as much of the restoration works has been completed and backlogs cleared.

2.5 Turning to Council Tax, this report proposes to set an increase of 4.99% in the Hackney element of the Tax in 2023/24. Given the significant reduction in real terms core funding since 2010/11, I believe such an increase is essential to protect the Council's funding position in both the short and medium term whilst balancing the demands it places on local taxpayers. Moreover, the increase must be viewed not just in the context of the external funding losses but also the impact of the ongoing inflationary pressures. In addition and as previously noted, we face significant cost pressures in services such as Adult Social Care, Children's Services, Homelessness and Temporary Accommodation and Special Education Needs as well as the ongoing impact of the welfare reforms, the Homeless Reduction Act and Universal Credit. In making this recommendation we have had to be mindful of the income collection challenges brought about by the cost of living crisis and the pressure this has placed on families. We have recognised the affordability of this increase for some of our residents and have therefore budgeted to double the Governments council tax support scheme of a £25 payment to Council Tax Reduction Scheme (CTRS) recipients, capped at their liability, to £50.

2.6 With regard to the 2023/24 revenue budget proposals set out in this report, they are underpinned by efficiency proposals approved throughout the current and previous financial years. We have developed proposals that achieve expenditure reductions primarily through efficiencies, further back office savings throughout the Council and the restructuring of services. We have also sought to maximise income opportunities from the considerable asset base the Council holds to protect and sustain universal services and those to the most vulnerable.

2.7 In order to meet the financial challenges ahead, it will be necessary to continue the Council's proven record in relation to tight financial management and control. We will adopt financial solutions that increase financial sustainability, with an emphasis on our customers, residents and businesses.

2.8 In preparing this budget we have ensured that the Council has in place, appropriate arrangements and controls to manage the risks and impacts. These include: -

(a) <u>Extensive Financial Management, Monitoring and reporting</u>. Regular finance updates are provided in the Overall Financial Position (OFP) report and detailed reporting to both the Corporate Leadership Team (CLT) and joint sessions of Cabinet and the CLT on financial planning in the short and medium term.

(b) Risk Management. The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations from the Scrutiny Panel.

(c) Prioritising Resources to Strategic Plan Objectives. This report includes a summary of our new Strategic Plan and sets out how we continue to invest in line with our priorities.

(d) Equality. The Corporate Leadership Team makes sure that equality underpins all that we do. It also looks to ensure that all equality impact assessments on employment matters have been undertaken and details of these are available for review by Members and are published on the Council Website.

2.9 In considering the proposals set out in this report Members should have regard to the future indicative budgetary position of the General Fund that has been set out throughout the year. The Medium Term Financial Plan, at **Appendix 5**, summarises the challenges we face in future years. It is vital therefore that the work already underway to bridge this gap intensifies so that innovative plans and proposals for future years can be set out and progress on early implementation achieved to ensure that we continue to maintain our strong track record of sound financial management. To this end as set out in **Appendix 10** to this report, we have updated our self assessment of how we shape up compared to the financial standards which are a translation of CIPFA's Principles of Good Financial Management.

3. Recommendation(s)

3.1 Cabinet is recommended to consider the report and make the following recommendations to Council for approval:

3.2 Council is recommended:

3.2.1 To bring forward into 2023/24 the Council's projected 2022-23 General Fund balance of £15.0m with the aim of increasing this to £20m over the medium-term period to 2026/27 noting the Housing Revenue Account (HRA) balances of £13.7m.

3.2.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 2 in Section 14 of this report.

3.2.3 To note that the budget is a financial exposition of the priorities set out within the Strategic Plan summarised at Section 6 below.

3.2.4 To note that in line with the requirements of the Local Government Act 2003,

the Group Director, Finance and Corporate Resources, is of the view that:

The General Fund balances which currently stand at £15.0m and the level of other reserves are adequate to meet the Council's financial needs for 2023/24 and that considering the economic uncertainty they should not fall below this level and that the aim is to increase these to £20m over the medium term period to 2026/27 from a review of current earmarked reserves.

This view takes account of the reserves included in the Council's latest published 2021/22 Accounts and the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA Budget to maintain the balance at £13.7m by 31 March 2023 are also considered to be adequate at this point in time but will need to continue to be reviewed in the light of the challenges facing the HRA. In 2019/20 the HRA balance reduced from £15m because of the need to set up a provision for Thames Water agency refunds. There is a plan to get back up to £15m through the savings programme over the medium term to replenish reserves and in 2021/22 we were able to increase the HRA balance by £1.4m to £13.7m.

The General Fund estimates are sufficiently robust to set a balanced budget for 2023/24. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2022/23 budget with the projected spend identified in the December 2022 OFP. The overall level of the corporate contingency has been set at £2m.

3.2.5 To approve the proposed General Fund fees and charges as set out in Appendix 7 for implementation from 1st April 2023.

3.2.6 To continue the policy requiring the Group Director, Finance and Corporate Resources to seek to mitigate the impact of significant changes to either resources or expenditure requirements.

3.2.7 To note the summary of the HRA Budget and Rent setting report proposed to Cabinet on 27th February 2023.

3.2.8 To authorise the Group Director, Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.

3.2.9 To approve:

The allocation of resources to the 2023/24 capital programme referred to in Section 22 and Appendix 6.

3.2.10 To note that the new capital expenditure proposals match uncommitted

resources for the year 2023/24.

3.2.11 To agree the prudential indicators for Capital Expenditure:- the Capital Financing Requirement; the Authorised Limit and Operational Boundary for External Debt; the Affordability prudential indicators; and the Treasury Management Prudential Indicators for 2023/24 as set out in Section 23 and Appendix 3.

3.2.12 To confirm that the authorised limit for external debt of £777m agreed above for 2023/24 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.

3.2.13 To continue to support the approach of using reserves to manage emerging risks and liabilities.

3.2.14 To note that at its meeting on 23rd January 2023 the Council agreed its Council Tax Base for the 2023/24 financial year as 78,108.86 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D properties.

3.2.15 To agree that the following amounts be now calculated by the Council for the year 2023/24 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

(a) £1,291.628m being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) £1.568m being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

(f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

3.2.16 The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)

(a) £1,191.936m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) £nil being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.

(c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and

(d) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.

3.2.17 £103.260m being the amount by which the aggregate calculated under subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.

3.2.18 £103.260m being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, £1,339.15 as the basic amount of its council tax for the year.

3.2.19 That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2023/24 for each part of its area and for each of the categories of dwellings.

Valuation Bands Hackney

A	B	C	D	E	F	G	H
£892.77	**£1,041.56**	**£1,190.36**	**£1,339.15**	**£1,636.74**	**£1,934.33**	**£2,231.92**	**£2,678.30**

3.2.20 That it be noted that for 2023/24 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands GLA

A	B	C	D	E	F	G	H
£289.43	**£337.66**	**£385.90**	**£434.14**	**£530.62**	**£627.09**	**£723.57**	**£868.28**

3.2.21 That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2023/24 for each of the categories of dwellings as shown below.

Valuation Bands Combined Hackney/GLA

A	B	C	D	E	F	G	H
£1,182.20	**£1,379.22**	**£1,576.26**	**£1,773.29**	**£2,167.36**	**£2,561.42**	**£2,955.49**	**£3,546.58**

3.2.22 To agree, subject to the decision of Members on recommendations 3.2.15 to 3.2.17 that Hackney's Council Tax requirement for 2023/24 be £103.260m which results in a Band D Council Tax of £1,339.15 for Hackney purposes and a total Band D Council Tax of £1,773.29 including the Greater London Authority (GLA) precept.

3.2.23 To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council's Council Tax requirement for 2023/24 as shown at Appendix 8 is not excessive (5% or above) and therefore does not require the Council to hold a referendum.

3.2.24 To agree the Treasury Management Strategy for 2023/24 to 2025/26, set out at Appendix 3.

3.2.25 To agree the criteria for lending and the financial limits set out at Appendix 3.

3.2.26 To approve the MRP statement setting out the method of calculation to be used, as set out in paragraphs 23.19-23.28 below.

4.0 REASONS FOR DECISION

4.1 The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2023/24 budget.

4.2 Previous decisions in this context relate to:

- The Overall Financial Position reports presented monthly to Council during 2022/23.

- The Calculation of the 2023-24 Council Taxbase & Local Business Rates report approved by Council on 25th January 2023

5.0 Details of Alternative Options Considered and Rejected

5.1 The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.

5.2 The details of the budget, including savings, have been the subject of reports to Cabinet and consideration by the Corporate Leadership Team at meetings throughout 2022/23.

5.3 As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 1st March 2023.

6.0 Background

Statutory context

6.1 The Mayor's budget proposals set out in this report show the position in relation to the development of the 2023/24 Revenue Budget including the effect of savings proposals which were agreed by Cabinet in December 2022 and others which were formulated during the 2021/22 and 2022/23 budget setting process.

6.2 The annual budget decisions are among the most important of those which local authorities are called upon to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a Committee or to Officers. They affect every household and service user and the manner in which decisions must be made, is closely prescribed by law. **Appendix 1** of this report sets out the relevant legal considerations which affect the budget process of which Members must be aware. Members are required therefore to give careful consideration to the information and advice set out in this report. It is also important in taking this decision for Members to take into account the Medium-Term financial forecast (which is attached at **Appendix 5**) and recognise that the scale of reductions set out will impact on the services the Council provides beyond 2023/24.

6.3 In addition, the Local Government Act 2003 placed a specific personal duty on the Group Director, Finance and Corporate Resources to report to Council on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. Members are advised that due regard has been given to the requirement of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of the General Fund reserves in Section 19 of this report. The position on the HRA reserves includes a projected level of balances of £13.7m by 31 March 2023. This level of balances is in-line with the Council's policy on reserves and balances. However, he advises that this is a matter that Members should keep under review.

6.4 It should also be noted that there is an ongoing requirement to review limits and indicators in accordance with the Prudential Code. There is a requirement to agree these indicators and limits are set in conjunction with the Council's overall budget.

Strategic Plan

6.5 Hackney adopted a corporate plan in 2018 which set out borough and corporate challenges. This was refreshed in the light of the pandemic in July 2020. The Budget Report for 2022/23 provided a full update of progress against this plan. A new Strategic Plan has been adopted for 2022-2026. This is timely, as we are at the beginning of a new political term, with new senior leaders having joined the Council. This Strategic Plan has been adopted whilst the economy is deteriorating, public funding is under pressure and demand on services is becoming even greater and more acute. The more our residents struggle, the greater the demand for council services and support, whilst the pressures of inflation and potential for further government cuts, make those services more expensive to deliver.

6.6 The Strategic Plan, 'Working Together for a Better Hackney', sets out the ambitions for the Council for the next four years, as well as the challenges we face, and describes how we need to respond and change, working closely with residents and partners. The Plan is framed by the new priorities for the elected Mayor of Hackney for 2022-2026 and reflects the Manifesto Commitments of the Labour administration. They are underpinned by the Council's corporate values and the priorities for change. The Plan has also been developed with the Council's finances in mind. There is no certainty about future finances from the Government and we have had to make a lot of assumptions. We will need to be prepared to adapt the Plan as we face yet greater challenges, whilst keeping focused on the key outcomes and the key commitments we want to deliver. We have a role to play in driving economic recovery in a way that builds community wealth and continues to make the borough greener and fairer. As a leading institution in Hackney, we can use our assets, job opportunities and our buying power to benefit residents and the local community, and the Strategic Plan encourages others to join us.

6.7 To support the delivery of the Strategic Plan, we will ensure it informs and frames Council service plans and performance management frameworks. The plan will also guide partnership working and workforce plans, as well as future strategies. Updates will be provided every year as part of the Council's meeting in May.

6.8 In 2018, Hackney adopted a long term vision for the borough, the Community

Strategy, that has informed our plans and strategies including the Local Plan 2033:

- A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth
- A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life
- A greener and environmentally sustainable community which is prepared for the future
- An open, cohesive, safer and supportive community
- A borough with healthy, active and independent residents

6.9 This vision recognised that, over the last twenty years, Hackney had become a vibrant place and that the Council had helped shape this dynamic economy and the opportunities that have been created for residents. The Community Strategy recognised that not all residents had benefited from the prosperity and set a broad strategic aim to focus on aspects of the economy we could influence, to enable better access and a share of good economic growth and prosperity.

6.10 Even when this vision was adopted four years ago we were operating in an increasingly constrained and difficult context. The Strategic Plan has considered risks and opportunities to achieving this vision and identified the key issues we now face:

- The cumulative impacts of the pandemic, the cost of living crisis and global crises
- A predicted budget gap for each of the years of this plan
- Economic uncertainty
- Low trust and confidence in the state in some sections of the community
- Population uncertainty after Brexit and the pandemic and in the context of the cost of living crisis
- Housing crisis making it virtually impossible to meet housing needs
- Meeting net zero targets - at the time of writing we are consulting on a Climate Action Plan which sets out how we might reach net zero by 2030 rather than 2040
- Working with uncertainty and crisis as the likely “new normal.”
- Workforce and leadership- We are asking more of our staff but they are also under pressure after so many crises, and now the cost of living crisis

Strategic Plan overview

6.11 **Vision for the next four years:**

Working together with our communities and our partners to tackle the unprecedented challenges that we face, we will make transformational change, we will co-produce and co-design solutions with residents, we will campaign for a better deal for Hackney; we will deliver outstanding public services; we will drive a fairer economic recovery; and we will make a better Hackney for everyone who lives and works here.

6.12 **Mayoral Priorities**

Working together…

FOR A FAIRER, SAFER HACKNEY
We will tackle inequality through poverty reduction, and anti-racism, providing at least 1000 more Council homes as we improve standards of our existing homes, and creating pathways into decent jobs. We will improve our customer services. We will create safe, vibrant, and successful town centres and neighbourhoods and foster strong, cohesive communities and a more inclusive economy.

FOR A GREENER, HEALTHIER HACKNEY
We will continue to lead the way in the fight against climate change, working towards a net zero Hackney, with cleaner air, less motor traffic, and more liveable neighbourhoods. We will transform adult and children's social care, tackle physical and mental health inequalities and continue to support, value, and give voice to our older and disabled residents.

FOR EVERY CHILD IN HACKNEY
We will work to ensure every child and young person in Hackney has the best start in life; shaping a more inclusive and high performing education system, maintaining our early years and youth services, keeping children safe and investing in their mental health and well being, providing access to outstanding play, culture, and sport, and opportunities; tackling child poverty, and supporting those families who need us most.

6.13 Underpinning our priorities is the need to **Tackle Inequality** head on in all that we do through:

- Tackling structural and systemic discrimination - embedding an anti-racist approach and ensuring accountability
- Taking protective, preventative and positive action, that tackles underlying issues, recognising there is proven bias in the system
- Promoting prosperity and wellbeing with targeted, positive action when needed
- Building strong, cohesive communities that are part of the solution
- Developing a workforce that is inclusive and anti-racist and reflects the diversity of Hackney, at all levels

6.14 We also need to clear about the values that underpin the work that we do:

OUR VALUES

We are…

OPEN AND INCLUSIVE; AMBITIOUS AND PROUD; PIONEERING AND PROACTIVE

Putting our residents first: a Council that works for the people who live and work here

Securing Hackney's future: a Council that is financially sustainable and investing in what matters

Changing Together: a Council that is modernised, flexible, collaborative, and skilled to meet our future challenges.

6.15 We will be transparent around delivery and we have identified the key outcomes that will be tracked and the specific underlying priorities across the three main priority areas.

6.16 Fairer Safer: Key Outcomes we will track

Income	Average pay in Hackney is lower than London and falling whilst the average London wage goes up.
Employment	Employment rate is 78.3% which is higher than before the pandemic. (ONS annual survey).
Satisfaction with the place	85% percent of residents are either very satisfied or fairly satisfied with their local area as a place to live, which is slightly higher than in 2018 when it was 83%. (Hackney Residents' Survey 2022)
Trust in the Council	65% of residents are satisfied with Hackney Council, down from 68% in 2018 and 74% in 2013. 67% of residents say that they have trust in the Council compared with 73% in 2018 Social renters and Black residents are significantly more likely to give negative responses to all these questions.

6.17 Fairer Safer priorities:

- Tackling poverty and inequality
- Responding to the Housing Crisis
- Making Hackney Safer
- Building trust and confidence
- Building community cohesion
- Promoting good growth: Jobs, businesses and regeneration

6.18 Greener Healthier: Key Outcomes we will track

Net Zero	Fuel used in buildings and vehicles are the biggest part of Hackney's 'territorial emissions.' Since 2010, emissions from buildings and road transport in Hackney have fallen by about 27% The majority, 74% of all emissions, come from 'consumption emissions' relating to goods and services, the vast majority of which are not created within Hackney's borders
Air quality	7% of deaths of people over 30 can be attributed to air pollution in Hackney. This is similar to neighbouring boroughs, Tower Hamlets and Islington but is slightly lower than London as a whole and is 2% higher than England.
Life Expectancy	Life expectancy in Hackney from birth is estimated in 2018-2020 to be 84 for women and 79 for men. Women's life expectancy has increased from 2001 from 80 and men's from 74 so there's a slightly larger increase for men, although the trends have broadly similar trajectories (Public Health England).

6.19 Greener Healthier priorities

- Maximising impact by seeing climate action as an opportunity to improve population health
- Responding to the climate emergency
- Improving health and wellbeing and tackling health inequality
- Shaping Healthier places

6.20 Every Child: Key outcomes we will track

Infant mortality	The infant mortality rate is 3.6 per 1000 births which is slightly higher than London and lower than England (no trend data available). Public Health Data published by the Office for Health Improvement and Disparities.
Early years	69.6% of reception pupils in Hackney schools are achieving a good level of development by the end of their first school year. This has remained at around the same level for the last 5 years and is lower than London (74.1%) and England (71%). 2019 data from the Department of Education (this is the latest published data, assessments were not carried out during the pandemic)

Education	Hackney's average "Attainment 8 Score" is 54 which is the same as London and higher than England (50.9). Although attainment has improved over the last 5 years, students on free school meals, Turkish Kurdish Cypriot pupils, Caribbean pupils (boys) and Orthodox Jewish pupils face inequalities in outcomes. (each pupil's score is calculated by adding up the points for their 8 subjects, with English and Maths counted twice) Department of Education data for 2021.
Children's health	27.4% of children in year 6 (at 10-11 years old) are overweight which is worse than London (23.7%) and England (21%). This rate has not changed in recent years. Public Health Data published by the Office for Health Improvement and Disparities.

6.21 Every Child priorities

- Every child is safe
- Every child is healthy, every child develops positive and caring relationships and feels seen and heard
- Every child's needs are identified and responded to early
- Every child fulfils their potential
- Every child is equipped for adulthood and has choice over their future

How we will work

6.22 The more our residents struggle, the greater the demand for council services and support, whilst the pressures of inflation make those services more expensive to deliver. This also puts a greater strain on staff. This means we will need to fundamentally change the way we deliver some of those services, so we can safeguard them for the future. Ultimately, we want our residents, staff and our peers in local government all to think Hackney is one of the best Councils in the country. Without the changes set out below, we do not think we will be able to achieve this ambition and the aspirations set out in the Strategic Plan.

6.23 The way we work is going to be as important as what we do, because this is how we can be most impactful and create the right working relationships and conditions for work to be sustained. We want to be a Council that works for the people who live and work here - putting residents first. We need to be financially sustainable and invest in what matters to have a secure financial future. We want to be a Council that is modernised, flexible, collaborative, and skilled to meet our future challenges.

6.24 We will do this by:

- **Using data more effectively to help us understand problems in a more holistic way**
- **Building capabilities across our services-** bringing frontline staff directly into how we do change and creating development opportunities for all staff.
- **Enabling service areas to access a broad set of skills to support change**.
- **Implementing a Corporate Landlord Operating Model and creating the right governance frameworks-** the concept of a Corporate Landlord is that management around all property assets is carried out at a corporate and strategic level, rather than at a service level.
- **Measuring and evaluating our work** so we know what to do more of and what we need to do less of in the future.
- **Working in the open by creating opportunities for residents to participate in our work** so that we can ensure our services and decisions are co-designed and informed by the communities we serve.
- **We will work to close the digital divide and make better use of digital technology to modernise and innovate** where we can to create better experiences for our residents and staff.

6.25 The following ways of working were developed over the last four years and put into practice during the pandemic and we are now seeking to embed this further through working at all levels to support staff and partners with the right skills and tools:

- **Seeing communities as assets and putting residents first**
- **Inclusive, open and humble and anti-racist**
- **Collaborative working**
- **Place shaping and community wealth building**

Priorities for strategic partnership working

6.26 As a partnership we need to be more outward facing and collaborative, working across the whole system to find the right sustainable solutions. This will require leaders to work across boundaries with a greater degree of flexibility and openness to change than they have perhaps been used to. Working with universities can help us improve many of the challenges in the Strategic Plan, developing the way we work and tackle the most intractable issues in an evidence based way, as well as shaping a more inclusive economy by working with local institutions to design learning for local people and businesses.

6.27 The Council is proactively developing local partnerships, as well as assessing all the partnerships already in place across the Council, so we can maximise and strengthen these links in support of the Strategic Plan. We need to ensure that we have systematic ways to engage with a diverse range of partners, whether they are large or small, focused on the whole borough or hyper local and across all sectors - other statutory partners, the voluntary and community sector and social enterprises and the private sector and business community. We have discussed the Strategic

Plan priorities with partners. The following are emerging shared priorities for how we work and what we focus on together, which will be developed further:

- Rebuilding trust and confidence with communities
- Tackling inequality
- Net Zero Commitment
- Shared challenges for our workforce

6.28 We will continue to invest in the priorities set out in the Strategic Plan through our ongoing revenue budgets and the table below is a high level exposition of how as well as delivering our statutory services a large proportion of what we will spend in 2023/24 will be on teams and services that contribute to delivering against these objectives.

6.29 The table also highlights the additional investment which is proposed this year to deliver the manifesto and how this investment contributes to the delivery of the objectives set out in the Strategic Plan.

<table>
<tr><th>Fairer Safer priorities (Gross budget £580.7m, Net budget £44.4m)</th></tr>
<tr><td> Promoting good growth: Jobs, businesses and regeneration
Jobs and businesses

Maximise and shaping employment opportunities and continue to be a London Living Wage employer, ensure our suppliers do the same
Develop the Council’s employment, lifelong learning and apprenticeship programme
Support local businesses, developing those with a social ethos and helping them respond to the opportunities and threats of achieving net zero

Shaping places

Finalise and adopt area based plans for Dalston, Stamford Hill and Shoreditch and start on Clapton and Homerton
Adopt and deliver the Hackney Central Town Centre Strategy and area based plan

Additional Investment:

We have set aside £67k recurrently to support the setting up of co-operatives where there is failure in the market or public sector delivery.
We will invest £67k per annum to deliver the ‘SpaceBank’ initiative bringing together council owned buildings to ensure the Council is supporting local businesses, social enterprises, voluntary, community and third sector tenants through the properties it owns.
</td></tr>
<tr><td> Tackling poverty and inequality </td></tr>
</table>

- Take action in the short and long term to respond to this, creating the safety net needed.
- Continue to deal with the underlying causes of and develop new equality priorities
- Play our part along with the rest of London in supporting refugees and asylum seekers
- Maximise employment opportunities and support

Additional Investment:

- We have set aside £250k to invest in work that helps us to sustain the support for those in poverty that will be needed for the next few years through building local partnerships that support residents at grassroots level, through Money Hub and developing long term access to affordable food. £67k of this funding will be recurrent as, as a Right to Food borough we will continue our work to end holiday hunger in our schools; work together with the Hackney Food Justice Alliance and the Community Partnership Network to end hunger in Hackney; deliver on our Food Poverty Action Plan; and ensure there is emergency support when needed, while also promoting access to good, nutritious food.

Responding to the Housing Crisis

- Continue to maximise opportunities for developing genuinely affordable housing
- Campaign to improve standards in the private rented sector and offer support to residents who face the risk of eviction
- Review the impact of the Council Lettings Strategy adopted in 2021
- Develop an Ending Homelessness Strategy

Additional Investment:

- We have set aside £400k for environmental health officers to help those in the private rented sector secure the repairs needed to ensure their homes are safe and free from damp and mould building on the additional £1 million investment in our Council homes, included as part of our 2023/24 Housing Revenue Account budget proposals, which will continue to fund an expansion of our repairs service to provide a swift, more focused response to improve repairs and tackle damp and mould in our own homes.

- We will invest £10k recurrently to deliver a council-led Building Control service that will ensure new development in Hackney meets the highest fire safety standards and we will be ready to implement the post-Grenfell recommendations.

Making Hackney Safer

- Work in partnership to reduce crime and anti-social behaviour and progress actions to tackle hate crime. Progress a Hackney Nights Strategy
- Support people into drug treatment and recovery programmes
- Continue to prioritise building and fire safety recommendations for all housing in Hackney

Building trust and confidence

- Work with the Police to build trust and confidence through shared action
- Take action at all levels to become more inclusive and anti-racist and to develop cultural humility

Building community cohesion

- Value and invest in volunteers and the voluntary and community sector including £2.6m investment through community grants
- Work with creatives to help them shape the cultural life of the borough.

Greener Healthier priorities (Gross budget £161.5m, Net budget £119.9m)

Responding to the climate emergency

Adaptation
- Work with residents to be prepared for the impacts of climate change- overheating, flooding, and ensuring planting is resilient to climate change

Buildings
- These actions will adapt existing buildings and set new guidance for new development.

Transport
- These actions will reduce greenhouse gas emissions from the transport network, improve air quality and help residents live active and healthy lifestyles.

Consumption
- The actions will encourage residents to change what and how we buy, use and sell, creating a new green economy in Hackney.

Environmental Quality
- These actions will maximise the potential for biodiversity in our green spaces, reducing pollution and helping local ecosystems thrive.

Additional Investment:

- We will invest £107k per annum to expand our Zero Emissions Network across the whole of Hackney embedding the importance of the programme and making it less dependent on external funding. We will also establish Hackney Light & Power as a publicly-owned municipal energy company to accelerate our efforts to deliver renewable energy across the borough.

- We will spend £133k (£67k recurrently) developing enhanced and expanded Supplementary Planning Guidance on green infrastructure, including vertical forests, green thoroughfares and gardens - ensuring developments include high levels of infrastructure to support biodiversity. We will also invest £14k in developing a Circular Economy Strategy to transform our attitudes towards the way we create, consume and dispose of rubbish, with the objective of significantly reducing Hackney's borough-wide carbon footprint through reduce, reuse and recycle.

Improving health and wellbeing and tackling health inequality Developing an integrated care system ● Deliver the priorities of the Health and Wellbeing strategy for 2022-2026 which has a specific focus on mental health, social connection and financial security ● Co-produce a new Integrated Mental Health Network and establish a Black Thrive programme ● Deliver the ambitions of the Smokefree 2030 commitment ● Continue action with partners to reduce obesity through Hackney Healthy Weight Strategic Partnership
Shaping Healthier places ● Review our day services provision to improve choice and personalisation. ● Promote the Healthy Streets Approach and support Play Streets and School Streets ● Encourage food growing, with a focus on estates ● Improve leisure centres and parks, investing in new, free, outdoor gym facilities ● Develop a new design guide to ensure that the public realm and buildings are inclusive and accessible for all ● Progress work to make Hackney a place where residents can age well **Additional Investment:** ● We will invest £27k (£17k recurrently) to publicise the location of all public toilets across the borough, continue to modernise the facilities and ensure they are inclusive and well signposted and make sure all our public toilets are free, not just those in our parks. ● We will build on the principles we have already established through the Child Friendly Borough planning guidance, the Ageing Well Strategy, and our Hackney an Accessible Place for Everyone and invest £17k on co-producing a new design guide with disabled and older people to ensure that our streets, parks, estates, public buildings, high streets and public spaces are inclusive and accessible for all.
Every child (Gross budget £369.0m, Net budget £82.4m)
Every child is safe ● Develop a Care Charter for all the children in our care ● Develop the Edge of Care Strategy to focus on earlier intervention ● Focus on safeguarding children during adolescence including through contextual safeguarding
Every child is healthy ● Continue the Wellbeing and Mental Health in Schools (WMHS) ● Develop a Healthy Schools Charte
Every child's needs are identified and responded to early ● Develop a new early help offer, including developing a number of strategic children's centres into new Children and Family Hubs

● Develop and deliver our Autism Strategy and SEND Strategy, ● We want to reshape our SEND services ● We will increase the number of places provided for children with SEND within the borough.
Every child fulfils their potential ● Establish an Affordable Childcare Commission ● Liaise with schools, including Alternative Provision providers, to ensure a whole school commitment to the principles of inclusion. continue to roll out a 'no need to exclude' policy across our schools.
Every child is equipped for adulthood and has choice over their future ● We will maintain and champion Young Hackney services ● We will also codesign a Leaving Care Plan **Additional Investment:** ● We will invest £49.5k per annum to create a 10 by 10 Programme to ensure by the time they are 10 years old, every child in Hackney has access to at least 10 different activities and we will go further to promote youth participation in our democratic functions by inviting young people to attend each of the Scrutiny Commissions, to help make sure council decisions and services work for young people.

6.30 We are also making long-term commitments in our priorities through our capital programme, further details are provided later in this report but in summary:

Priority	Example Projects	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
Fairer, Safer Hackney	Maintaining the homes of our Council residents, Housing Regeneration Schemes delivering more and improved homes, the Britannia Scheme also delivering new homes, Stoke Newington Library Refurbishment, investment in temporary accommodation and new GP surgeries.	114	235	315	263	927
Greener, Healthier Hackney	Essential Maintenance to Leisure Centres including Kings Hall, London Fields Learner Pool, Parks Infrastructure, Parks Depot, Highways Planned Maintenance, Waste & Fleet Replacement and specific Green projects including	28	52	28	21	130

Priority	Example Projects	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
	Cycle Hangers and Electrical Vehicle charging points.					
Every Child in Hackney	Investment in the maintenance of our schools and delivery of additional in-borough, SEND places.	18	16	8	0	42
Corporate Cross-cutting	Stoke Newington Town Hall and investment in ICT to support a range of our services.	8	4	5	0	18
Total		**169**	**307**	**356**	**285**	**1,117**

Cumulative Impacts

6.31 Guidance from the Equality and Human Rights Commission advises that the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. This means that alongside ensuring that equality impact assessments are carried out for individual decisions that have a material impact on staff or residents, we also undertake a cumulative impact assessment when there are a range of savings or changes being proposed at the same time. This analysis can then inform corporate planning. For 2021/22 we undertook a cumulative impact assessment. The purpose of a cumulative impact assessment was to understand the compounding impacts on a specific equality or vulnerable group that arise from changes across a set of services; and the knock on impact on other services arising from a cut or change to a Council Service. The assessment of cumulative impacts was shared back with directors to take on board both at this stage and during implementation. The assessment also provided important contextual analysis for the development of the Strategic Plan for 2022-2026. 2022/23 proposals were efficiencies and again for 2023/24 most savings are efficiencies and improvements without frontline or staff impacts. No cumulative impact assessment has been undertaken. However, where there are changes to models of working or staffing structures, EIAs will be completed. For 2024/25 onwards when we plan more substantive savings, savings have been themed, so that the cumulative impacts of individual proposals can be considered in the round and from the outset.

7.0 Comments of the Group Director, Finance and Corporate Resources

7.1 The Group Director’s comments are set out in Section 2 of this report

8.0 Comments of the Director Of Legal, Democratic and Electoral Services

8.1 Under the Local Government Act 2003 calculation of the Council Tax and adoption of an annual budget must be carried out by full Council on the recommendation of the Mayor and Cabinet.

8.2 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix 1.** When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

9. The Council's General Fund Financial Performance in 2022/23

9.1 Based on Directorate returns, the General Fund forecast for 2022/23 at the end of December 2022 is an overspend against the revenue budget of £8m. Cyber attack related costs of £4.5m and additional pay award costs of £9.6m are offset by application of the set aside and earmarked reserves as provided for in the budget.

Table 1a: 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 1b: 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 THE PAY AWARD	-9,255
NET OVERSPEND	**8,141**

9.2 This reflects the position part way through the year and as with all forecasts, particularly given the impact of the Cyberattack and spiralling inflation, there is always a possibility of unforeseen circumstances changing things but assuming the position remains unchanged to the end of the financial year 2022/23 unallocated General Fund reserves of £15.0m brought into 2022/23 will be unchanged going into 2023/24, notwithstanding the Group Director of Finance and Corporate Resources is recommending an increase in the unallocated General Fund reserve to £20m over the medium term period to 2026/27 (see Section 19 below) and any deficit in 2022-23 will be funded by unspent S31 grants and reserves.

9.3 The maintenance of corporate contingencies continues to be an important element of the Council's Financial Strategy and the inclusion of adequate contingencies in the base budget going forward is essential. However, there must be a balance between holding back contingencies to mitigate against unforeseen circumstances and the recognition that in an environment of budget reductions, contingencies at too high a level could result in reductions to other budgets and therefore services. The Group Director, Finance and Corporate Resources is content to maintain the total level of corporate contingencies at £2m for 2023/24. This will however be reviewed on an annual basis. It should be noted however, that contingencies are a buffer against unforeseen and exceptional circumstances and there is still the same requirement for Group Directors to ensure they keep within their base budget allocation.

9.4 It is recommended that similar reporting arrangements for contingencies apply for 2023/24, as those that apply to 2022/23, i.e. that the commitment of these sums in-year should continue to be permitted only on the agreement of Cabinet after it has considered a written report from the Group Director, Finance and Corporate Resources setting out the circumstances of each case and with a full justification provided by the relevant Group Director.

10.0 The General Fund Budget Strategy 2023/24

Background and context

10.1 Planning for the 2023/24 budget has been set against the continuing uncertainty over the main funding streams, which was not fully resolved until the Provisional 2023/24 Local Government Finance Settlement (LGFS) was published on 19th

December (and the final settlement was published on 6th February 2023) following the 2022 Autumn Statement in November. Disappointingly this was once again a one-year settlement and includes significant levels of funding of a one-off nature which makes it extremely difficult to plan with any great certainty. This uncertainty is further underpinned by the spiralling inflation and energy costs. It is also noted that in its statement made with the LGFS, the Government stated that the current funding arrangements will not be revised until at least 2025/26.

10.2 The Local Business Rate retention scheme came into effect from 2013/14 which allowed Hackney to retain 30% of our Business Rates Income. A change to the system was made in 2018/19 with the introduction of the London 100% Business Rates Retention and Pooling Pilot scheme. Under this scheme Hackney retained 64% of the rates raised and the GLA kept 36% with no Government share; plus a share of any growth achieved by the boroughs. Yet another change was made in 2019/20 with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney retained 48% of the rates raised, the GLA retained 27% and Central Government 25%. Finally, in 2020/21 to 2023/24 the Government decided it would not provide for the continuation of this scheme and so our share fell to 30% in all years and our losses in income were mitigated to some extent by additional Government funding.

10.3 In 2020/21, the onset of the pandemic had a significant impact on the collection of business rates, which led to an estimated £14.2m loss to be shared by pool participants. Modelling for 2021/22 and 2022/23 showed a mix of risks across London, which, matched with the comparatively estimated low level of financial return meant that it was agreed that the London Pool would not continue for 2021/22 and 2022/23. However, given the way pools work, there was an opportunity for a smaller and more localised pooling arrangement in London in 2022/23, to generate additional income for the pooling boroughs with a very limited risk and so we joined the localised pool in 2022/23 and rejoined the pool in 2023/24. Full details of the operation of this scheme were given in the October Overall Financial Position report and October OFP Pooling Proposal Appendix 2 which was presented to Cabinet in December 2022.

10.4 Directorate savings plans have been formulated as part of the 2023/24 budget processes totalling £5.608m in addition to other expenditure reducing measures including: a review of pension contributions and the set aside to meet external debt; reviews of historic underspends, and other corporate measures. These were approved as part of the October OFP report at December 2022 Cabinet. A decision on market fees was deferred at that meeting and this report now proposes an increase to pitch fees below inflation to support our markets traders throughout this period of high inflation helping to keep our markets competitive and affordable. We are also on track to open Ridley Road Indoor Market this Summer and we remain committed to holding pitch fees for the traders for 2 years from the opening at the levels already agreed.

10.5 As has been the case in previous years, budget proposals were subject to a scrutiny process. The Audit & Scrutiny Chairs and Vice Chairs, along with the

Chair and Vice Chairs of all Scrutiny Commissions were invited to two sessions to review and challenge the proposals put forward. Cabinet Members and Group Directors were present to go through the proposals and to answer any questions that arose.

10.6 These savings have allowed the Council to propose a balanced budget despite the ongoing impact of significant reductions in financial support from Central Government.

10.7 Of course identifying savings to offset a reduction in financial support is only part of the budget setting process. For 2023/24, as has been the case for many years, there have been emerging cost pressures and areas of unavoidable growth. These have been addressed, in the same way as previous years, by a combination of reallocating existing resources, additional savings and allocation of specific Government grants. The following paragraphs set out some of the cost pressures and growth in more detail.

Cost Pressures and Growth

10.8 The Council's preferred strategy to manage growth and cost pressures has been for service areas to manage pressures within their budgets wherever possible. A similar approach has been taken for managing non-pay inflation. This strategy will continue for 2023/24. However, it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable.

10.9 For 2023/24 whilst again most cost pressures have been contained within existing budgets and, or met in part by one-off funding (e.g. the Social Care Grant) the following have been added to budgets.

- Assumed Pay award
- Assumptions in relation to forecast increases in energy costs and other inflationary pressures
- Directorate Cost pressures.

Funding for Directorate cost pressures are held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director, Finance and Corporate Resources and after it is clear that the pressure cannot be managed from within the current directorate cash limits and/or additional funding streams, for example, social care grants.

11. The Local Government Settlement 2023/24

11.1 The Government published the 2023-24 Provisional Local Government Finance Settlement on 19th December 2022. The aggregate increase in Spending Power is 9% (Hackney's increase is 10%). The component which had the largest increase was Social Care Grants (£13.7m) but there was also a significant increase in assumed Council Tax income of £6m. Moreover, it is another one year Settlement which fails to provide certainty or financial security for councils or the level of funding that would allow for proper investment in local services. Even after this Settlement, underlying pressures and increasing demands for services remain for Hackney and other councils, and in setting a balanced budget for 2023/24 we faced significant challenges going forward and difficult choices.

11.2 Turning to the Provisional LGFS provisions,

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

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

  · £3.852 billion in 2023/24 will be distributed to councils through the Social Care Grant for adult and children's social care. Hackney's grant is £26.7m.

  · £300 million will be distributed in 2023/24 through the Better Care Fund (ASC Discharge Fund) to get people out of hospital on time into a care setting, freeing up NHS beds for those that need them. Hackney's grant is £2.3m.

  · £600 million in 2023/24 will be distributed through a new Adult Social Care (ASC) Market Sustainability and Improvement Funding. Hackney's grant is £3.3m.

  . £2.139 billion in 2023/24 will be distributed through the Improved Better Care Fund. Hackney's grant is £16.6m.

- From 1 April 2023, a revaluation will update rateable values for non-domestic properties in England in line with evidence from April 2021. The LGFS confirmed a £13.6 billion support package will be introduced to protect ratepayers facing increases. It comprises:

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

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

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

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

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

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

- Revenue Support Grant (RSG) will increase in line with CPI but this increase is partly funded by rolling in three smaller grants - local council tax support grant, family annex council tax discount grant and Natasha's Law Grant. So part of the revenue grant increase will be offset by the loss of these grants in 2023-24. Hackney's RSG grant is £40.9m.

- Services Grant has also been cut (in aggregate from £822m to £464m) to reflect the abolition of the Social Care Levy in April 2023 and the associated reduction in National Insurance Contributions (Councils had previously funded for the increase) and to reflect the allocation of some funding to increase the funding for the Supporting Families programme. Hackney's grant is £4.313m.

- The 2022/23 Lower Tier Services Grant has been deleted to create a new one-off Funding Guarantee, together with a proportion of expired New Homes Bonus legacy payments. This guarantee will ensure all councils will see at least a 3% increase in their Core Spending Power.

- The New Homes Grant total has reduced from £556m to £291m. Hackney's grant is £1.9m

- Support will be given to economically vulnerable households with council tax payments through a £100m Council Tax support grant. The government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Our provisional allocation is £0.709m.

12. General Fund Principles 2023/24

Inflation and Local Government pay

12.1 The Government's preferred measure of inflation for economic management purposes is the Consumer Price Index (CPI). CPI is also the measure that the Bank of England's Monetary Policy Committee must target when setting the Bank

Rate. The latest inflation figures from the Bank of England are as follows:

	CPI
2020	1.4%
2021	2.8%
2022	11.6%
2023 (Estimate)	7.4%

12.2 There will inevitably always be some costs which don't correlate with CPI e.g. Levies and Concessionary Fares and care contracts which are aligned to more local indices. Where known to be unmanageable within existing cash limits, specific provision has been made in the budget proposals.

12.3 For 2023/24 we have assumed an additional 4% on pay budgets (£8.4m).

Energy Costs

12.4 The budget is set in the context of significantly increased wholesale energy prices. As mentioned elsewhere in this report, we are acutely aware of the impact this will have on our residents and continue to point those in difficulty to the support in place. In terms of the Council's own energy consumption, provision has been made in the budget for the expected increases in this area.

Concessionary Fares

12.5 The cost of Concessionary Fares decreased in recent years due to Covid-19 restrictions, when less demand for travel significantly reduced journey volumes by Freedom Pass holders. This trend has now started to reverse and as a result, borough charges have increased for 2023/24. For 2023/24 Hackney's charge is £8.7m, a £1m increase on the previous year. This increase has been factored into our budget assumptions for 2023/24. We expect the recovery in usage to continue following 2023/24, and we remain in close contact with London Councils on cost projections, which will be built into our medium term financial planning.

North London Waste Authority Levy

12.6 The North London Waste Authority (NLWA) charges Hackney, by way of an annual levy, for the disposal of the Borough's waste from residents and businesses. The levy and chargeable household waste cost in 2023/24 will be £8.2m, which is a circa £400k increase from the previous year. There is expected to be a one-off rebate of £1.5m to the levy to reflect the windfall income that will be received in-year from London Energy Ltd.

12.7 The Council is one of seven constituent boroughs of the North London Waste Authority (NLWA). NLWA handles waste disposal on the Council's behalf and recovers the costs from the Council by way of a levy. Borough levies are apportioned between the constituent boroughs in accordance with an Inter-Authority Agreement entered in 2015. The NLWA is presently undertaking a refresh of its treatment infrastructure in the North London Heat & Power Project (NLHPP). This project involves £1.2bn (2019 cash price base) of expenditure on new assets including a 700,000 tonne Energy Recovery Facility and a Resource Recovery Facility. As a result of this and partly because the current treatment assets are fully depreciated, the NLHPP will cause an increase to the Council's levy, by 2033-34 the increase will be in the range £3m-£7m per year. This increase will impact on the levy as the assets come into use, with most of the increase being in place by 2027/28. Constituent boroughs have been kept up to date by NLWA on likely levy increases arising from the NLHPP since 2019.

12.8 We could see our annual levy increase to over £14m by 2026. Mitigating this additional cost, through waste minimisation and maximising recycling, is key.

Use of Reserves

12.9 Other than planned use of reserves already agreed by Members as part of previous reports, these budget proposals do not include any further planned usage.

Pension Fund

12.10 In the previous Budget Reports, Members have been provided with updates on the impact on the Pension Fund of auto-enrolment, the changes to the Fund through asset pooling and the effects of the 2019 valuation, and how these might impact on Council budgets.

12.11 Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. For budget setting purposes all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there is no financial impact on the 2023/24 budget. The introduction of freedom and choice in pensions, which has given pension savers the opportunity to access pension benefits early and withdraw cash from pension schemes, has to date continued to have minimal impact on Local Government Pension Scheme (LGPS) members, with very little interest to transfer benefits out of the secure defined benefit structure offered by the LGPS.

12.12 The 2022 valuation process is currently underway. To assess the funding level, the Fund Actuary has taken into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and the assets that the Fund holds to meet these liabilities. As at 31 March 2022, fund assets totalled £1,965m, while liabilities were £1,861m, resulting in an overall funding level of 106%. The overall monetary surplus (the gap between assets and liabilities) was £104m.

12.13 Following the receipt of the valuation data, discussions are taking place with employers in the fund to determine appropriate contribution rates. Given the position of the Council as a long-term stable employer, we have been able to agree a further reduction in the Council's overall contribution rate to 27% for 2023/24, with rates held at this level until 2025/26. This has been accounted for in the 2023/24 budget. The reductions have been achieved through a realistic approach to funding the Council's pension scheme, recognising that maintaining contribution rates in the short term can reduce longer term funding pressure on the Council.

12.14 It should be remembered that the valuation is heavily reliant on the actuarial assumptions used and that the stated funding level is extremely sensitive to those assumptions. The Fund's Actuary has confirmed that the assumptions used for 2022 valuation remain valid, although it should be noted that the value of both the Fund's assets and liabilities have decreased during the recent period of volatility in financial markets.

12.15 Benefits built up by some LGPS members between 2014 and 2022 may be increased in future following the outcome of the McCloud case, which ruled that transitional protections introduced in 2014 to older members were discriminatory against younger members of the scheme. The Fund Actuary has made an allowance in the 2022 valuation for the cost of these potential increases based on guidance from the Department of Levelling Up, Housing and Communities (DLUHC). The impact is expected to be minimal for most employers.

12.16 The Pension Fund has continued to work hard to collaborate with other LGPS funds both through national procurement frameworks and through the London Collective Investment Vehicle (LCIV). LCIV is part of the Government's asset pooling agenda for LGPS funds, which requires funds to pool their investment assets to achieve economies of scale, greater assurance around governance, reduced costs and an improved capacity to invest in infrastructure. The Pension Fund has now transferred a significant portion of its assets onto the CIV platform, through implementation of its agreed investment strategy.

12.17 The Fund will continue to move further assets to the LCIV as suitable funds to deliver its investment strategy become available. Over time such changes may deliver significant benefits in terms of cost savings and opportunities to benefit from investment returns. Such benefits will however take time to flow through to the Pension Fund and ultimately the Council and therefore are not able to contribute to budget savings at this time.

12.18 The Fund has achieved significant reductions against its carbon reduction target. In 2016, the Fund set a target to reduce its exposure to carbon reserves across its equity portfolio by 50% over 6 years. Between 2016 and 2022, the Fund was able to reduce this exposure by 97%, significantly exceeding the 6 year target.

12.19 Performance against target was measured through 3 carbon risk audits, carried out in 2016, 2019 and 2022, which considered a wide range of carbon risk metrics. The Fund used exposure to future emissions (or carbon reserves) to set its target. The reduction was achieved both through change in Fund's overall investment strategy (e.g. allocating to global rather than UK-specific equities) and through the use of lower carbon investment products. The Fund has therefore reduced its allocation to sectors with particularly high carbon reserves, such as the energy and materials sectors. For example, the Fund's holdings in energy companies involved in fossil fuel extraction have reduced from 5.05% of the Fund in 2016 to 2.04% of the Fund in 2022.

12.20 The results of the audit exercises have been used to inform the Fund's review of its Responsible Investment strategy, helping ensure that environmental, social and governance (ESG) risks to the Fund's investments are well managed. Whilst this does not contribute directly to the Council's budget savings, robust management of ESG risk could make a positive contribution to future Fund performance, helping to reduce pressure on the Council's contribution rate.

13.0 Council Taxbase, Collection Rate and Collection Fund Surplus

13.1 For 2023/24, the referendum limit is 2% for the social care precept and 2.99% for general spending.

13.2 In recognition of the significant pressures on adult social care budgets, both in terms of increased cost of provision and increased demand for the service; and significant cost pressures in other services; this budget proposes to increase the Band D Council Tax rate by 2% in respect of adult social care and 2.99% in respect of other services giving a total increase of 4.99% for 2023/24. This proposal will generate around £5m in additional resources which will help protect adult social care services and other services.

13.3 To determine the total amount of income to be raised from Council Tax for 2023/24, both the amount expected to be collected (the collection rate) and the physical number of properties in the Borough (the taxbase) must be considered.

13.4 There are a number of factors to be considered when assessing the likely collection rate for 2023/24. 2013/14 marked the first year of the new Local Council Tax Reduction Scheme and significant changes in the level of discounts allowed for second homes and empty properties, which in turn led to increased volatility regarding the eventual collection rate to be achieved, particularly as the Council was often issuing bills for monies it has not had to previously collect. Despite this, collection rates held up very well but in 2020/21, 2021/22 and 2022/23 they were adversely affected by the Covid-19 pandemic and the cyber attack. The current forecast in-year collection rate for 2022-23 is 80%. Now that both the Council Tax and NNDR databases are up to date, the systems are fully operational and we have begun normal recovery action; we expect performance to improve such that the final collection rate will improve beyond this. Whilst we expect these improvements to also impact on the collection of bills raised for 2023/24, the collection rate will almost certainly be depressed by the cost of living crisis. It is very difficult to estimate what the actual rate will be given the impact of this on residents’ ability to pay which make it, as ever, more important that we continue to provide and signpost to support where it is needed in a timely manner to prevent arrears positions escalating for taxpayers. Notwithstanding this we believe a collection 92.5% is achievable and this is what we have assumed in the taxbase calculations.

13.5 If actual collection in the forthcoming year exceeds the budgeted collection rate this could generate a surplus in the Collection Fund which would provide additional one-off resources available for use in 2024/25 and beyond, either for one-off revenue spending or the Capital Programme. If on the other hand, the collection rate set is over-optimistic, this may result in a deficit on the collection fund at the end of 2023/24, the major part of which would need to be met from Hackney's 2024/25 Budget.

13.6 A collection rate of 92.5% results in a tax base of £77,108.86 Band D equivalents.

13.7 The calculation of the taxbase for 2023/24 was finalised and approved by Council on 25th January 2023.

14. Overall Position on the General Fund

14.1 The overall 2023/24 proposed budget position is summarised in the table below.

TABLE 2: PROPOSED NET EXPENDITURE BUDGETS 2023-24

Table 2	2023/24 Budget £m	2022/23 Budget £m
Net Expenditure Budgets		
Adults Services	85.417	84.786
Public Health	36.324	35.337
Children's Services	58.834	58.485
Education	22.001	20.233
Education – Schools Budget (estimate)	239.066	228.396
Less Dedicated Schools Grant (estimate)	-239.066	-228.396
Climate, Homes & Economy	18.696	17.033
Chief Executives	20.683	19.674
Finance & Resources	55.290	49.854
HRA Recharge	-8.000	-8.000
Directorate Cash Limits (Note 1)	**289.246**	**277.403**

General Finance Account	62.689	53.271
RCCO in base budget	3.500	3.000
Net Expenditure Budget	**355.435**	**333.674**
Revenue Support Grant Allocation	-40.982	-36.649
Top up Grant (Note 2)	-68.084	-72.526
Retained Business Rates adjusted for deficit	-48.357	-34.449
Public Health Grant	-35.871	-34.890
New Homes Bonus Grant	-1.901	-2.480
Better Care Fund	-7.700	-7.700
Additional Better Care Fund	-14.136	-14.136
Collection Fund deficit & Council Tax Support and Govt. Grant	1.751	0.000
Other Income including S31 Grants (Note 2)	-36.894	-36.481
Resources	**-252.174**	**-239.311**
Council Tax Requirement	**103.260**	**94.363**

Note 1: The increase in cash limits is primarily due to the 2022-23 pay award exceeding the budget provision. The additional costs are rolled into the 2023-24 budget. The total cash limit total includes the HRA recharge deduction of £8m

Note 2: The reduction in the Top up grant is made by the Government to take account of the additional business rates income Hackney will obtain from the higher rates base in 2023-24 resulting from the 2022 revaluation

Note 3: The GFA includes budgets for items such as Concessionary Fares, Levies, capital items, pension contributions, budget for manifesto commitments as set out in the table in section 6 to this report, corporate contingency. The increase in the GFA this year primarily reflects the 2023/24 pay award provision and the provisions for Energy costs and Building Maintenance

14.2 At paragraph 3.2.2 Cabinet is asked to consider and recommend to Council for approval, the budget estimates for 2023/24 for expenditure budgets totalling £355.435m, included in the table above. Of this total £297.246m is allocated to directorates (before HRA recharge) to deliver a range of services to residents ranging from statutory support to some of our more vulnerable residents such as social care packages and support for those who are homeless and investment in targeted work to prevent escalation of need, such as targeted youth work and housing-related support through to the provision of universal services which all residents will be familiar with such as waste collection and maintaining our parks to a high standard. Further details on how these budgets will be spent are set out in the table below.

Where the Council will spend the money in 2023/24

Adult Services - Net budget £85.4m
Adult Services plan to spend their budget on statutory Adult Social Care services from assessment of need, hospital discharge planning and the commissioning and provision of care and housing related support. We will support residents with learning disabilities, mental health conditions, physical disabilities, sensory impairments as well as older people and unpaid carers. Services provided include: safeguarding vulnerable adults; providing information and advice to residents including linking people to universal and preventative services including reablement; planning and paying for individual packages of care for clients ranging from support in the home to residential and nursing placements for those with a high level of need and ensuring our service users have out of hours support in an event of an emergency. Adults Services continues to work with a number of key stakeholders, including the NHS North East London Integrated Care Board (NEL ICB), Homerton University Hospital Foundation Trust (HUHFT), the East London NHS Foundation Trust (ELFT), and a range of third sector partners as well as independent providers to deliver joined up care for people in Hackney.
Public Health - Net budget £36.3m
Spending will be in accordance with conditions of the ring-fenced Public Health Grant. In 2023/24 we will spend our money on a range of services including sexual health services, services for the 0-5s (including health visiting), substance misuse services, health promotion and prevention for children aged 5-19 (including school nursing and young people's sexual health services), obesity prevention work, mental health services, smoking cessation and dental health checks. We will also use the ring-fenced grant to provide continuation funding for the community champions programme. Additionally the grant funds the core staff team for the Population Health Hub, as well as staffing for public health intelligence and strategy, commissioning and contract management. The service level agreement with the City of London to manage a number of public health services for City residents, for which the City pays agreed service contributions and management fees will continue.
Children's Services - Net budget £58.8m
The Service will work with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the Service will look after those children. The core focus is child protection, children in need, supporting families where their children are on the edge of care, securing positive long-term life chances of children looked after by the Council and providing universal (for example, youth services provision) and targeted early help and prevention services for Hackney's children and young people (for example, parenting support). Expenditure in this area will be predominantly on staffing (mainly social workers, youth workers and other practitioners) and on the care (foster care or residential) for our looked after young people. The Council will also deliver a Domestic Abuse Intervention Service from this budget.
Education - Net Budget £22.0m

Hackney Education (HE) will spend its non-delegated budgets on statutory services such as admissions and school place planning and also services such as school improvement services to ensure delivery against the vision to ensure that all schools in the borough are graded good or better as soon as possible. Currently 92% of pupils at maintained provision attend good or better schools. HE invests in young people with Education & Health Care Plans (EHCP) to ensure they receive the support and education they need in mainstream schools or specialist schools and provision. The High Needs Budget also provides for our pupil referral unit at New Regent's College. The early years service passes on government funding for 2,3, and 4 year old provision across the borough. We also maintain a range of early years activities, services, support and childcare across our children's centres. The early years service provides quality assurance for the range of settings across the borough.
Climate, Homes and Economy- Net Budget £18.7m
These General Fund budgets will be spent on a wide variety of front-line services which benefit all of our residents. These include: ● Cleaning our streets and collecting and recycling both domestic and commercial waste - including activities to promote and directly impact recycling in the borough - including the provision and emptying of 'recycling & go bins', zero waste hubs for unwanted electrical and other goods, work in schools to actively promote recycling. ● Managing parking and parking enforcement. ● Managing our six street markets and management and marketing of shop front trading with an emphasis on local growth. ● Management and maintenance of our public highways, cycle ways, footpaths and streetlights including ensuring our increased number of street trees are maintained and promoting walking and cycling in the borough. ● Managing and maintaining Hackney's parks, green spaces and its seven sport and leisure centres. Hackney's green spaces range from potentially the largest concentration of football pitches in Europe at Hackney Marshes to 27 Green Flag Parks including Springfield and Clissold. ● Developing and implementing planning policy for the borough, consulting and determining planning applications and enforcing planning breaches where necessary. The preparation of the Council's Local Plan, and accompanying Area Action Plans, Supplementary Planning Documents, the Authority Monitoring Report and a broad range of evidence and research documents to justify/inform the plans and ensure effective implementation. Building Control ensures that buildings are properly designed and constructed to meet regulatory requirements that guarantee the health, safety and welfare of people in or around buildings. ● Providing community safety and enforcement services across the borough. This ranges from a preventative focus through our integrated gangs work as well as civil protection,

and an enforcement team with officers empowered to enforce a range of legislation, including streetscene enforcement, anti-social behaviour (ASB) and noise nuisance.

- Regeneration services including estate regeneration, supplying new affordable homes including Hackney Living Rent properties alongside teams focussed on area regeneration delivering and coordinating strategic regeneration in the borough in line with the Council's Inclusive Economy Strategy which sets out a new approach to regeneration and economic development aimed at maximising the local benefits of growth.

- Private Sector Housing is responsible for driving up standards in Hackney's privately rented homes by tackling rogue landlords, supporting private renters and encouraging the professionalisation of the sector, in line with the Council's #BetterRenting commitments. As well as providing a responsive complaints service, the team proactively enforces property licensing schemes across three wards.

- Housing Strategy and Policy Service is responsible for developing, monitoring and implementing housing policy in line with the Council's strategic objectives and manifesto commitments, developing and overseeing the implementation of the Council's Housing Strategy.

- An integrated Adult Education and Hackney Works team supporting local people into work through one to one work and working in partnership with other agencies. In addition, Hackney's Supported Employment Team has continued to deliver on the commitment to ensuring young people, with Special Educational Needs and Disabilities (SEND) aged 16-24, have access to high quality employment opportunities, through further development of its Supported Internship Programme.

Chief Executives - Net Budget £20.7m

This area of the budget delivers key strategic functions as well as some frontline delivery including:

- Running the legal and governance services for the Council, ensuring it is legally compliant and that processes are clear and transparent and includes servicing the Council's many meetings throughout the municipal year.

- The Council's Policy and Strategic Delivery as well communication functions.

- Business Intelligence, Elections and Member Services

- Culture services, including the provision of eight libraries and a community library service with a range of partners which aims to connect with all sectors of the community, as well as Hackney Museum which is recognised as one of the best community museums in the capital. These services will also continue to tackle digital exclusion through provision of public PC use.

Finance & Resources - Net Budget £55.3m
The Finance and Corporate Resources directorate contains a combination of front-line and support services. Significant front-line services supporting our communities include housing benefit services and overseeing the crisis support scheme for residents as well as managing housing allocations, providing housing advice, working to prevent homelessness but also providing temporary accommodation (TA) where it is needed. There are currently over 3,000 households in TA across the borough, and TA approaches from residents have increased. In 21/22 total approaches across the year totalled 3,581. In 22/23, there had been 3,031 approaches up to the end of December. Improvements in the prevention and relief services offered to residents facing homelessness have contributed to a reduction in the number of households placed in TA. In 20/21 this figure was 1,337; 21/22 1083 and in 22/23 864 households have been placed in temporary accommodation up to the end of December 2022. Support functions include Finance, ICT, HR and Property Services. The finance function manages the Council's finances, producing financial plans, supporting services to deliver against these plans, producing statutory accounts, undertaking audits to ensure we have the proper controls in place to protect public money and collecting income due including Council Tax and Business Rates. The Strategic Property Services team runs the Council's portfolio of commercial and voluntary sector properties as well as delivering capital projects (including for schools) and managing the maintenance of the estate. The ICT function provides and manages our ICT networks, supporting residents to access our services in an efficient way and also running a contact service ensuring residents can reach us with a range of queries and requests regarding our services. Finally, our Human Resource services work to support our managers and staff including in recruitment and delivering the payroll service.

14.3 In addition to the above there is also the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; NWLA Levy, Corporate contingencies, Pension Back funding, Concessionary Fares, Minimum Revenue Provisions, contribution to lifecycle funding for the Hackney Service Centre and Revenue Contributions to Capital Outlay. The GFA also includes the budget estimate for the pay award for 2023/24 and budget set aside for the manifesto commitments which will be vired to directorates in due course.

15.0 Levies

15.1 The Council receives levies from a variety of other bodies, which it must meet from within its total budget requirement. The levies include those from the North London Waste Authority (NLWA), the Environment Agency, the Lee Valley Regional Park

Authority (LVRPA), and the London Pensions Fund Authority. In addition, the Council also pays into the London Borough Grants Scheme (LBGS).

15.2 Other than the NLWA levy, which is apportioned on a different basis, the levies are apportioned on shares of Band D taxbase. As mentioned at Paragraph 13.6 above, the taxbase for Hackney for 2023/24 was agreed at 77,108.86 Band D equivalent properties and this figure has been used for apportionment of the applicable levies.

15.3 The following table summarises the 2023/24 levies and the 2022/23 levies for comparison.

Levying Authority	**2023/24**	**2022/23**
	Levy	**Levy**
	£m	**£m**
North London Waste Authority	8.21	7.81
London Pensions Fund Authority*	1.05	1.05
Lee Valley Regional Park*	0.18	0.18
Environment Agency*	0.18	0.17
London Borough Grants Scheme*	0.21	0.21
TOTAL	**9.83**	**9.42**

*Provisional

16.0 Precepts

16.1 The only body which issues a precept to the Council is the Greater London Authority [GLA]. Payments to the GLA will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of Council Tax this equates to. The precept will be net of government support. The amount of Council Tax required as calculated by the GLA, is added to the Council's own calculation to give the total Council Tax to be charged.

16.2 The GLA Group Budget Proposals and Precepts were published in December 2022. The final consolidated draft budget was published on 18 January 2023 and will be presented to the London Assembly for final decision on 23rd February 2023. The final consolidated budget requires a precept of £434.14 per Band D property, which is a 9.74% increase from 2022/23. The total GLA precept for Hackney will be £33.5m.

16.3 The table below shows the increase in Hackney's and the GLA's council tax compared to the 2022-23 values

	2022-23 Band D £	2023-24 Band D £	Increase £	% Increase
Hackney	1,275.50	1,339.15	63.65	4.99%
GLA	395.59	434.14	38.55	9.74%
Total	1,671.09	1,773.29	102.20	6.12%

17. Hackney's Council Tax for 2023/24

17.1 A description of the Council Tax regime is set out in **Appendix 4** as background information for Members. The Council Tax figures set out below are based on a 4.99% increase in the Council Tax and a collection rate of 92.5%. The collection rate is in line with the Council's Medium-Term Planning Forecast and assists the Council to continue to deliver high quality services, financial stability and first-class local facilities.

Table 3: Council Tax Income

COUNCIL TAX TO BE RAISED	**2023/24**
	£m
Net Budget Requirement	**355.435**
External Support	-205.568
Retained Business Rates	-48.357
Collection Fund deficit & Council Tax Support and Govt. Grant	1.751
Council Tax requirement for Hackney	103.260
Council Tax requirement for the Greater London Authority (GLA)	33.476
Overall Council Tax Requirement	**136.736**
No. of Band D equivalent properties (the Council's Taxbase)	77108.86
Basic amount of Council Tax for Hackney £	1339.15
Basic amount of Council Tax for GLA £	434.14
Total Basic amount of Council Tax (per Band D property) £	**1,773.29**

17.2 Members should note that decisions around the level of Council Tax increase must be made with reference not only to local political and financial considerations but also taking into account the Government's controls over Local Government spending such as the use of local referendum powers. In addition, the Council has to formally consult with representatives of the local business community. Local business representatives were invited to a consultation meeting held on the 20th February 2023 to discuss the final budget proposals.

17.3 The amount of the Council's General Fund revenue expenditure to be funded from Council Tax is £103.260m

17.4 The formal resolutions by Council to agree the budget and Council Tax rate are set out in the recommendations to this report. These can only be agreed by Council. The decisions cannot be delegated.

18.0 Future Years Cost Pressures and Budget Planning

18.1 The finance strategy underlying the budget is unchanged from previous years such that the budget is not looked at solely in isolation of the year in question but also in terms of the issues that may affect the budget in future years.

18.2 The Council produces its Medium-Term Planning Forecast and the Group Director, Finance and Corporate Resources also updates CLT and Cabinet on the future year's indicative budgets on a regular basis throughout each year.

18.3 The Council, like our residents, is feeling the financial impact of rising prices in this cost of living crisis. This has been highlighted in our budget monitoring reports to Cabinet for 2022/23 in terms of rising energy and fuel costs as well as the agreed pay award being higher than in recent years. We also see pressures coming through from service providers, for example, in the rising cost of care packages and temporary accommodation. Going forward we anticipate further demands on our services as residents struggle with increased costs outstripping any increased earnings. The 2023/24 budget includes growth for many of these items and increases in social care grants will go towards specific pressures in this area of spend. In the General Finance Account we have set aside further funds to meet demand and inflationary pressures should they outstrip budgets and the grants allocated. Given the trend in increases in spend in recent years we anticipate these being fully utilised.

18.4 The cyber attack on the Council in October 2020 also continues to have financial ramifications which have been considered as part of the budget setting process for 2023/24. With most systems now up to date impacts are less about the cost of system recovery and more about the impact on collection levels and the bad debt provisions required as well as the legacy of the loss of Government subsidy on housing benefit paid in error while officers worked over an extended period of time to clear a backlog of cases.

18.5 At a service level, the following cost pressures and management actions are noted:

(a) In Adult Services increases in the cost of care packages have exceeded allocated demographic growth year on year, which represents an additional cost pressure and is factored into the forecast as it materialises. This cost increase is primarily driven by additional demand and increasing complexity of care needs.

There continues to be an increase in people being discharged from hospital with intensive care support packages which will be partially offset by the new discharge grant and other one-off funding for social care recently announced by the Government, however this additional revenue is significantly below the additional cost pressures forecast.

Work to reduce cost pressures in this area includes:

- implementation of a new quality assurance process, bringing together multiple processes into one enabling closer financial oversight and strategic oversight across all operational services

- Establishment of a Fair Cost and Quality Review Team on an initial 12 month pilot to undertake a programme of Individual/Provider/Care based reviews with the following strategic aims:
    - ➔ reduce the current level of spend as it is not sustainable.
    - ➔ to embed a ‘strengths based approach’ to care assessments, reviews and planning,
    - ➔ working towards maximised service user independence, choice and control and step down from more intensive forms of social care, where appropriate
    - ➔ Opportunity to link the needs of service users, desired outcomes and the price paid for community support services in a clear, transparent model
    - ➔ Providers commissioned against a clear commissioning strategy and specification, playing an active role in shaping & enabling maximised Service User outcomes

- working with mental health partners to bring expenditure back in line with the budget. This will be delivered through the joint working group meetings and measures include the use of the Care Cubed tool to assess the cost of care, targeting the highest cost care packages as well as being used to review all existing care packages. Commissioners are now working on re-introducing a framework to reduce the reliance on spot purchase and are also reviewing the HRS block contract to ensure efficiency.

(b) In looked after children and leaving care services there is a continuing financial pressure resulting from increases in the number of children and young people that have come into care since 2011/12, the significant increase in residential placements (32 placements as at January 2023) and the adverse ratio between independent foster care and in-house placements. In comparison to the previous year, the gross forecast for

2022/23 for looked after children and leaving care placements has increased by £1.2m. Over the period from 2015/16 to 2022/23 the service has seen budget growth of £10.6m, however, increases in spend outstrips this growth year on year. Management actions have been developed by the service in this area and these include:

- a forensic analysis of residential placements, the service is targeting a reduction of five residential placements (costing on average £200k per annum, per placement)

- bringing together multiple panel processes into one process, enabling closer financial oversight and strategic oversight across all operational services.

(c) The cost of services in respect of young people with special education needs due to the significant increase in young people with Education and Health Care Plans continues to be a significant issue for the Council. A cost which is meant to be met by the High Needs Block of the Dedicated Schools Grant; a funding source which until recently has seen minimal growth despite the significant increase in demand. In 2023/24, Hackney expects to receive an additional £5.3m in High Needs Block funding. The 2022/23 in year pressure on SEND is £5.4m, and we usually have growth in expenditure of approximately £5-6m per year, so the funding allocated for 2023/24 will not allow us to address the forecast SEND deficit of £18.5m at the end of 2022/23. As a result, a major issue facing the Council is the continuing escalation in unfunded SEND costs and the resulting overspend in DSG. This is considered in more detail in 18.6 below

(d) As reported in OFP throughout this year, Planning services is forecasting an underlying overspend of £0.5m due to an income shortfall. The shortfall in planning application fee income is linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 3 - 4 years. The reduction in major planning applications has inevitably resulted in a reduction in the CIL and s106 income due to delays of schemes starting construction. The underlying shortfall in income is now showing improvement; the primary driver of the improvement has been an increase in Planning Performance Agreement (PPA) income which is now meeting its budgeted income levels. The improvement in PPA income performance augurs well for next year as these should translate into major applications, however, this is still a budget risk which should be monitored closely given that a further economic shock will impact development activity in the borough.

18.6 As referred to above, the cost of providing services for young people on EHCPs continues to outstrip the funding available by a considerable margin. Since 2006 the dedicated schools grant (DSG) has funded local authorities for their current expenditure on schools, early years and children and young people with high needs. This specific grant must be spent on the local authority's Schools Budget. At the end of each financial year, a local authority may have underspent or overspent on its DSG allocation.

18.7 Until the last few years, few local authorities were recording DSG overspends, and those overspends were small. However, pressures on the high needs budget have led to more and larger overspends in recent years. Further many local authority Section 151 Officers concluded that if their DSG account is in deficit, they need to be able to cover the deficit from the authority's general reserves – a view shared by organisations that audit local authority accounts. Given the size of some authorities' DSG deficits, and the other pressures on authorities' reserves, there was a risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make.

18.8 In response to this, the Government announced at the beginning of 2020 that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. No timescale has been set for the length of this process. The DfE have held discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department for Levelling Up, Housing and Communities (formerly the Ministry for Housing, Communities and Local Government) about changes that it might make to the DSG conditions of grant and the regulations in order to create certainty that local authorities will not have to pay for DSG deficits out of their general funds. Such changes were written into regulations and under the regulations, effectively Local Authorities will not be permitted to fund any part of a DSG deficit from sources other than DSG itself until the end of 2025/26, the 31 March 2026 date was extended recently from an original expiry date of 31 March 2023. Should they wish to use core council funds then they will need to apply to the Secretary of State for permission.

18.9 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 in the longer term. 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.

18.10 The above highlights that whilst the majority of efforts from Officers will be to manage existing services in the light of further reduced resources, there are also potentially big future demand and cost pressure issues that will need to be considered in any future planning strategy.

19.0 Robustness of the Estimates, adequacy of Reserves and Contingency

19.1 All local authorities face a number of corporate risks. Risks identified as emerging after the period of this budget will be dealt with through the risk register and are not repeated in this report.

19.2 Section 25 of the Local Government Act 2003 requires the Council's Chief

Finance Officer (The Group Director, Finance and Corporate Resources) to report on the following matters; the robustness of the estimates and the adequacy of the proposed financial reserves.

19.3 The Group Director, Finance and Corporate Resources (GD, F&CR) has reviewed the budget proposals and, whilst recognising the ongoing challenges, particularly those set out in Section 18 to this report alongside the current level of earmarked reserves which act as a mitigation to these changes assesses them as achievable.

19.4 Whilst the Council has a good track record on financial management and delivering savings the GD, F&CR draws attention to requirement to identify budget proposals of around £57m over the period 2024/25 to 2026/27 (Medium Case Scenario, see Appendix 5) and the considerable uncertainty, particularly in Government funding within which plans will need to be developed. This forecast takes account of forecast increases in social care and inflationary factors and also makes assumptions around significant increases in the NWLA levy and concessionary fares costs rising to pre-pandemic levels and above. It is imperative that the Council's Cabinet and Corporate Leadership Team continue to work together to meet this challenge recognising that it will require major change in some areas of the Council and that work in this area needs to be continuous.

19.5 Attention is also drawn to the ambitious capital programme which is set out in Section 22 to this report. The programme (including HRA schemes) total over £1.1bn in the four years to 2025/26 and as current capital receipts are earmarked to existing schemes, borrowing will increase. This borrowing includes for the medium term where it is anticipated that capital receipts will be generated from the later sale of private homes (e.g. Britannia Phase 2b and Regeneration schemes) but also for the longer-term where there is no receipt generated or other funding source identified (primarily refurbishment, asset maintenance or investment assets). For this long-term borrowing the Council is required to set aside sums in its revenue budget to both service the interest on its debt and to repay the borrowing. This latter amount is referred to as the minimum revenue provision (MRP). Whilst for 2023/24 £6.2m (including PFI) is budgeted for both these sums this is anticipated to increase to around £20m by 2026/27 (the end of the medium term period), increasing from 1.8% to 5.7% of the Council's net revenue budget.

19.6 It is imperative that the Council continues to maintain tight control of the capital programme and its revenue and cash flow impacts. Section 23 of this report sets out the requirement of The Prudential Code for Capital Finance in Local Authorities 2021 (the Code) and how the Council adheres to this and sets the required limits. The Code sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable. Furthermore, Appendix 3 sets out the Council's Treasury Management Strategy, which was recommended for approval by Council, by the Audit Committee at its meeting on 18th January 2023.

19.7 The GD, F&CR considers the forecast level of reserves as at the end of the current year to be adequate to mitigate the risks the Council faces as the budget is set for 2023/24. This forecast includes significant forecast drawdown in 2022/23 to meet budget pressures in Childrens & Families, Adults Services, the pay award and to meet the ongoing impact of the cyber attack. Reserves levels require continual monitoring given the risks and volatility of demand, prices, and inflation.

19.8 Overall, the Council has taken a long term and strategic approach to managing the budget gap over a number of years and this has allowed and continues to allow proposals to be developed to cover a range of years to enable services to be properly and fully reviewed. As set out above the Council holds earmarked reserves to mitigate the risks to the budget. These risks have been set out in this report including the challenges around cost pressures and the measures in place to mitigate these risks. The clear advice of the Group Director, Finance and Corporate Resources is that the current level of General Balances should be held at the existing position of £15m which is in line with our current policy to not allow the general balance to drop below £15m. Cognisant of the uncertainty in which this budget is set and the ongoing nature of some of the risks set out the aim is to increase these to £20m over the medium term period to 2026/27 from a review of current earmarked reserves.

19.9 To summarise, based upon the measures in place to manage the delivery of the savings, the provisions made in relation to contingency sums, levels of reserves and balances the Group Director, Finance and Corporate Resources is of the view that the estimates are sufficiently robust and reserves adequate on the basis that no allocations unless already planned are undertaken.

20. Housing Revenue Account

20.1 Formal proposals for the Housing Revenue Account (HRA) Budget including Tenants Rent and Service Charges for 2023/24 are included as an item to this Cabinet Agenda. The delay approving the HRA budget and rent is due to the uncertainty of the Government Social Rent setting policy for 2023/24 which was not announced until mid November.

20.2 The rent increase of 7% in the 2023/24 budget is in line with the Government's limit for social rent, this is a departure from the rent increase assumed in the HRA Business Plan which was CPI +1%. This will result in an average rent increase of £7.53 from £107.59 per week to £115.12 per week.

20.3 Most tenant service charges will increase by 7% in line with rents. The exceptions to this are concierge service charges, which will be increased to reflect the inflationary increase in respect of the London Living Wage; heat charges for communal heating systems and charges for landlord lighting which will be increased to take account of the increase in energy prices.

20.4 In order to support tenants to pay their rent in these unprecedented times, we continue to invest in tenant sustainability services and work collaboratively across the Council, work in partnership with the Department for Work and Pensions (DWP), with advice providers and other partners to co-design ways to boost benefit take up. The aim of this collaborative working is to maximise the income of our tenants (involving the local Universal Credit Partnership), prevent debt, consolidate approaches to debt collection and prevent evictions. We are committed to working with tenants and we continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

21.0 Recharges

21.1 The budgets shown at paragraph 14.1 are before central recharges. The majority of central services cost centres will be fully or partially recharged to front line services in accordance with CIPFA Service Reporting Code of Practice.

21.2 This will be carried out in March 2023, after consideration of the budget by full Council but this has no impact on the Council's overall budget.

22.0 Capital

22.1 This report sets out an indicative three year programme which is designed to deliver an ambitious Capital Plan in order that the Council strategic objectives are met. It also details the impact of reduced supported funding for the Capital schemes and that the Council will need to borrow in order to ensure it has sufficient resources to deliver the Plan. Having a longer-term outlook of the Capital programme, as presented here, will allow for better financial management of the resources as this captures requirements over the life of the projects which can then effectively be fed into the Council's Treasury Management. Going forward, given the increasing impact on revenue budgets in the long term, we are extending this forward look further to a 10-year time frame.

22.2 Due consideration continues to be given, through the governance structures already in place, to how the UK's changing economic position is impacting on key parts of the capital programme as it currently stands. Adjustments to plans will be made where it is deemed in the best interests of the borough's long term financial sustainability.

22.3 This section and Appendix 6 present the Council's indicative three-year capital budget, for 2023/24 to 2025/26, although it should be noted that formal resource approval is sought only for 2023/24. Annual profiling of capital spend will change, as schemes are developed more fully. The three year programme is included as it is used to inform the calculation of our prudential indicators, which are required for the next three financial years. The current year's (2022/23) forecast capital outturn position is included, to provide better understanding of the whole capital programme and put into context the capital investment of the following years.

22.4 The Council's programme for 2022/23 is budgeted at £169m, of which £96m relates to Housing and Regeneration, and £73m is non-Housing schemes. For the four years from 2022/23 to 2025/26, the programme budgets as a whole total £1.1bn. There are of course risks associated with the capital programme. A significant proportion requires substantial upfront investment financed by increased borrowing, to be repaid as capital receipts are realised from the sale of assets developed within mixed-use schemes (in the General Fund) and our substantial regeneration programme.

22.5 Hackney uses its resources effectively and therefore did not need to borrow externally on a long-term basis until the 2019/20 financial year, when we borrowed £80m from PWLB. The expectation is that we will require more external borrowing over the medium-term window of 2023/24 to 2025/26, to temporarily cashflow significant parts of the capital programme being presented here but also as a longer-term funding source as capital receipts are depleted and other funding sources (e.g grants) limited.

Schemes

22.6 A granular analysis of the three-year indicative Capital Programme is presented in Appendix 6. The programme provides a breakdown for each directorate with a further summary of the Housing and Non-Housing requirements. Details of the new resource approvals being sought as part of this budget setting process are included in the schedules at Appendix 6.

22.7 The indicative programme incorporates schemes that will deliver the following:

- An ongoing and ambitious regeneration programme which will bring homes of different tenures to the market.
- Continued investment in our schools to ensure these are kept in a good state of repair as well as an increase in in-borough SEN places.
- Regeneration of our town centres.
- Ongoing maintenance of the corporate property estate and maintenance of our ICT infrastructure going forward following the current investment in upgrades to the Council’s main technology platforms.
- A highways maintenance programme of £4.75m pa and associated schemes
- Maintenance of the Council’s parks and green spaces and libraries, including refurbishment of Stoke Newington Library and Kings Hall Leisure Centre.
- An ongoing commitment towards delivering on our zero carbon target, including decarbonisation of non-housing building stock, LED street lighting and cycle hangers.
- Working in partnership with City and Hackney CCG to build two new primary care facilities in the borough.

22.8 In April 2017 Cabinet considered and approved proposals to replace the Britannia Leisure Centre, deliver a new secondary school (City of London Academy Shoreditch Park) and at least 80 genuinely affordable homes paid for in part by the development of private for sale housing units. The Council prioritised the upfront delivery of the social infrastructure and affordable housing with the majority of the private for sale housing being delivered as part of the latter phases of the project. The brand new Britannia Leisure Centre opened in June 2021 and with its modern and wide-ranging facilities usage has already risen above the pre-pandemic levels of the old leisure centre. Also in June 2021, the City of London Academy Shoreditch Park were able to move from their temporary site in Audrey Street to the newly built school building adjacent to Shoreditch Park. As part of the masterplan, we promised to build 80 genuinely affordable new homes, the majority of which will be for social rent. The Government stalled these plans by refusing permission to repurpose land at Shoreditch Park Primary School despite a significant investment package being agreed with the school. The next stages of the Britannia masterplan have now been rephased but we are still ensuring that the genuinely affordable homes are delivered. The affordable housing will now be delivered on the Phase 2b site. We anticipate providing Cabinet with an update in the coming months as we look to appoint a contractor for the Phase 2b D&B contract. As this scheme is funded primarily by sale of on-site private residential accommodation there is a significant element of risk. Brexit, followed by Covid, followed by the mini budget and an increase in inflation and thus interest rates has destabilised the housing market and there is considerable work continuing to monitor and manage this risk. There is a separate project board and governance process for Britannia in terms of ongoing project management and the relevant financial scrutiny.

22.9 The Council wishes to sustain its investment in its housing assets by ensuring all homes are maintained to a high standard, through a wide range of works and cyclical programmes that ensure compliance with legal and safety regulations and that protect against, and prevent deterioration of its buildings. In addition to investment in existing properties, the Council continues to progress three extensive regeneration programmes within the borough: Woodberry Down, the Estate Regeneration Programme (ERP), and the Housing Supply Programme (HSP). In addition, Cabinet approved a new housing regeneration programme, the New Council House Building Programme in December. The financial plans for the existing HRA stock and the regeneration programmes are presented and monitored separately to ensure the viability of each of the asset investments. The numbers presented here include regeneration schemes which are at the development and tender stages, and which can only go ahead where it is financially viable to do so.

Hackney Capital Programme

Non-Housing	22/23 Forecast £m	23/24 Estimate £m	24/25 Estimate £m	25/26 Estimate £m	Total £m
Chief Executive	0.4	2.3	2.7	1.0	6.3
Adults, Health and Integration	0.0	2.2	0.0	0.0	2.2
Children and Education	16.4	14.4	7.2	0.0	38.0

Non-Housing	22/23 Forecast £m	23/24 Estimate £m	24/25 Estimate £m	25/26 Estimate £m	Total £m
Finance/Corp Resources – mixed use schemes	8.7	63.1	93.9	33.5	199.2
Finance/Corp Resources - other	21.5	30.3	15.6	3.4	70.8
Climate, Homes & Economy	26.5	37.1	13.6	14.3	91.5
Total Non-Housing budget	**73.5**	**149.4**	**133.0**	**52.1**	**408.0**

Housing	22/23 Forecast £m	23/24 Estimate £m	24/25 Estimate £m	25/26 Estimate £m	Total £m
Asset Management Plan Capital Schemes HRA	42.7	51.4	43	58.6	195.7
Council Capital Schemes GF	4.4	2.6	2.9	1.4	11.3
Private Sector Housing schemes	1.2	2.0	2.0	2.0	7.3
Estate Regeneration	12.9	55.7	84.6	71.6	224.9
Housing Supply Programme	24.9	33.0	82.8	96.2	237
Woodberry Down Regeneration	9.3	12.8	7.7	2.6	32.4
Total Housing budget	**95.5**	**157.6**	**223.1**	**232.5**	**708.6**

Total Capital Programme	**168.9**	**307.0**	**356.1**	**284.5**	**1,116.6**

Resources

22.10 The Capital Programme is funded through various sources including;

1) Specific & non-specific government grants
2) Capital receipts
3) Council Reserves
4) Revenue contributions to capital
5) Other one off funding sources e.g. S106 developer contributions
6) Borrowing (internal - against our balance sheet - and external)

22.11 The indicative resources available for each year of the Capital Programme are set out below. It is important to note that these are based upon the work done as part of the development of the Capital Strategy, taking account of the progression of various negotiations with Developers and other External Parties. They are therefore best estimates using the information currently available and will be subject to change. Any change in resources available will result in changes to the associated expenditure and/or financing plans in order that a net balanced position for the capital budget is maintained.

Resourcing of the non-housing side of the programme is as follows.

Non-Housing	**22/23 £m**	**23/24 £m**	**24/25 £m**	**25/26 £m**	**Total £m**
Capital Receipts	3.6	0.8	0	33.5	37.9
Grants	10.8	12.2	9.7	0	32.7
S106	5.1	6.9	1.0	1.0	13.9
HCIL	1.6	2.5	2.5	2.5	9.1
Council Reserves	2.5	4.9	1.6	1.6	10.5
RCCO	0	3.5	4.0	4.0	11.5
Medium-term borrowing	5.1	62.4	93.9	0	161.3
Borrowing	44.9	56.4	20.2	9.5	131.0
TOTAL	**73.5**	**149.4**	**133.0**	**52.1**	**408.0**

22.12 The detailed resource position reflects the following:

- The "medium-term borrowing" line reflects expenditure in the programme on the Britannia scheme that is funded by sales of dwellings, and which in large part will happen post-construction. Income from capital receipts occurs after construction, meaning there will be a short to medium term borrowing requirement. Further, where actual sales are lower than anticipated, and/or where they are later than expected, there may then become funding that needs to be financed by other means.

- The Grants & Contributions incorporates resources announced by the government for 2023/24 and the figure for the following two years captures our forecast based on initial agreements with various governmental Departments. These largely relate to the education programme where we are expecting some limited, albeit not sufficient, Government support for the delivery of ongoing maintenance and SEN provision.

22.13 The resources available to finance the Housing capital programme are summarised in the table below.

Housing Financing	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
Medium-term borrowing	19.9	94.2	99.5	0	213.6
Borrowing	0	0	23.3	106.5	129.8
Revenue contribution	44.6	48.9	46.2	54.6	194.4
Capital Receipts	23.2	0.2	27.6	50.8	101.8
Grants	5.2	11.7	22.1	17.8	56.8

Housing Financing	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
S106	2.5	2.7	4.4	2.7	12.3
TOTAL	**95.5**	**157.6**	**223.1**	**232.5**	**708.6**

22.14 The detailed resource position reflects the following:

- The medium-term borrowing line mainly denotes the cash flowing requirement of the regeneration programme, which will be recouped via capital receipts from private for sale dwellings from various current and future schemes including Woodberry Down and Colville Estate.

- The revenue contribution is mainly the Major Repairs Reserve (MRR), which is the depreciation calculation on the housing stock recycled to create resources for re-investment.

- The Capital Receipts line incorporates residential sales from Housing Regeneration projects and also reimbursement costs relating to Woodberry Down. The application of Right to Buy (RTB) receipts and GLA grant can be seen under Grants. It is expected that RTB sales might decrease slightly over the next few years due to the increase in mortgage rates, however this will be offset somewhat by the increase in the RTB discount which has recently been announced.

- With the allocation of all expected and known resources, the Housing Capital Plan is projecting a significant and rising borrowing requirement through this three year programme. A surplus in capital receipts is anticipated in the years after the medium term window to 2024/25, which will reverse the trend and repay borrowing, however long term affordability of the Housing programme remains the focus.

22.15 The Council continues to budget for Revenue Contributions to Capital outlay (RCCOs) in 2023/24, amounting to £3.5m within the General Fund and £0.6m in the Housing Revenue Account.

Financial exposure within the programme

22.16 The key risk to financing Hackney's capital programme for this medium-term window is capital expenditure that is funded by private for sale dwellings. The combined impact of the short-term borrowing requirement of Britannia and regeneration schemes as planned puts an additional £0.5bn on our capital financing requirement (underlying need to borrow) between 2022/23 to 2025/26. Whilst we expect to generate capital receipts in the years directly after 2025/26 to fund this expenditure, a funding gap is realised where receipts are not recouped at levels incorporated at the planning stage. The risk of this has increased with the current economic climate from the war in Ukraine, together with higher inflation and higher interest rates, will have adverse impact on the housing market.

22.17 This risk is being closely monitored through the gateway process and the Britannia and Kings Hall Leisure Centre Board. For Britannia the financial business case is regularly revisited to test assumptions and sensitivity modelling around cost inflation and house price forecasts are kept under ongoing review. Regeneration schemes must demonstrate viability (which would take into account risk around sales) before being permitted to commence to the next stage of the gateway process.

22.18 Outside of this risk, it should also be noted that on the non-housing side, and excluding Britannia, the commitments within the capital programme as laid out, exhaust us of available capital receipts (£81m), and there are currently no significant anticipated future receipts. Within the programme that has been laid out here, and outside of the financing for Britannia and housing, we have assumed revenue budgets to fund the programme increase to £17.8m by 2025/26. This is made up of the Minimum Revenue Provision (MRP - see below for further detail) and forecast borrowing costs (where we borrow externally rather than internally). Borrowing will become a bigger constituent part of funding our capital programme in the years after this medium-term period.

23.0 Prudential Code

Background

23.1 The Prudential Code for Capital Finance in Local Authorities (the Code) was originally implemented in 2004/05 and the latest version is 2021. This is a professional Code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable. The Government also has reserve powers to restrict aggregate local authority borrowing for national economic reasons and to intervene to restrict individual local authority’s borrowing.

23.2 Under section 3(1) of the Local Government Act 2003, Local Authorities are required to maintain the prudential indicator for the authorised limit for external debt for the current year. Regulation around local authority borrowing and capital investment is subject to change by Government at any point and dependent on macroeconomic circumstances.

23.3 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which for housing authorities are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation.

23.4 The indicators from both Codes are purely for internal use by the Council because any comparisons with other Councils would not necessarily be meaningful. However, comparing the level of the indicators over time does add value to the capital and treasury management process. The codes require projections for the next three financial years up to 2025/26.

23.5 The Prudential Code sees a further increase in focus on exposure to commercial investments in the local government sector. Central government has voiced its concern in recent years over local government's involvement in property deals and other more esoteric investments and, on the back of this, CIPFA has moved to reinforce the principle within the Prudential Code that local authorities cannot invest purely for commercial gain/borrow in advance of need. It has also bolstered requirements so that boroughs must demonstrate both exposure to commercial investment and subsequent risk management.

23.6 There was an additional prudential indicator emanating from the latest review, covering net income from commercial and service investments (ie non treasury investments) against net revenue stream. Hackney's exposure in this area is deemed low. There are no instances where we have externally borrowed specifically for commercial investments, in the main our commercial property portfolio is one that has accumulated over a long period of time, and the income stream is proportionate to our wider revenue budget.

Capital Expenditure and the Capital Financing Requirement

23.7 The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.

23.8 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes (which may have previously been limited by the credit approval system) or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing the authority must be satisfied that the additional borrowing costs can be afforded within future year's revenue budgets, for both the General Fund and HRA.

23.9 Once again, the Council anticipates the potential need to undertake unsupported borrowing to fund both its Housing and non-Housing capital programme, given the nature of the programme set out, particularly in respect of the provision of new social infrastructure and housing projects that will require forward funding before realisation of capital receipts.

23.10 The capital expenditure presented in this report is based on the level of capital resources that can be realistically estimated over the next three years. Decisions on the actual financing of capital expenditure are taken each year during the year-end closure of accounts process on the basis of all the relevant information available at that time. It is therefore possible that the balance of the resources used in a particular year, for example, between capital receipts and Major Repairs Reserve (MRR), may change, although the totals over the three year period are expected to remain broadly the same.

23.11 Following Royal Assent of the Localism Act 2011, HRA Self Financing started in April 2012. The subsidy system was replaced and the Council now retains all rent and service charge income in return for delivering housing services to tenants and taking on investment in its housing assets based on a 30 year business plan. A "once and for all settlement" between Government and local authorities, in the form of a "one off" reallocation of debt was also undertaken. Government may reopen the settlement in very limited circumstances for major policy changes making a "substantial and material impact on the landlord business". For the Council, this equated to a reduction in debt and DLUHC settled this by repaying a proportion of each of the Council's PWLB loans. As a result Hackney was debt free until 2019/20.

23.12 Tables below summarise the proposed level of capital expenditure, the means of funding that expenditure and projections of the CFR over the next three years. The Council is asked to approve these projections.

Capital Expenditure and Financing 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26	Total
	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Programme:					
Non-Housing	73.5	149.4	133.0	52.1	408.0
Housing	95.5	157.6	223.1	232.5	708.6
Total spend	**168.9**	**307.0**	**356.1**	**284.5**	**1,116.6**
Financed by:					
Capital Receipts	26.8	0.9	27.6	84.3	139.7
Government Grants	16.0	23.9	31.8	17.8	89.5
Reserves	2.5	4.9	1.6	1.6	10.5
Revenue	44.6	52.4	50.2	58.6	205.9
S106/CIL	9.1	12.0	7.9	6.2	35.3
Borrowing	69.9	212.9	237.0	116.0	635.7
Total Financing	**168.9**	**307.0**	**356.1**	**284.5**	**1,116.6**

Capital Financing Requirement and External Debt 2021/22 to 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement At Year End					
CFR – Non Housing	357	372	488	590	584
CFR – Housing	110	130	224	347	453

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Total CFR	**467**	**502**	**712**	**937**	**1,037**
Net CFR movement		35	210	225	100
External Debt					
Borrowing	72	67	253	510	641
Other long term liabilities	11	10	9	7	6
Total Debt 31 March	**83**	**77**	**262**	**517**	**647**

Limits to Borrowing Activity

23.13 The first key control over the Council's activity is to ensure that over the medium term debt is only for a capital purpose. The Council needs to ensure that external debt (i.e. borrowing for any purpose, plus other long-term liabilities) does not, except in the short term, exceed the total of the capital financing requirement in the previous year plus the estimates of any increase in the capital financing requirement at the end of the current and next two financial years. This allows some flexibility for limited early borrowing for future years.

Gross Debt Compared to Capital Financing Requirement

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Gross Debt	83	77	262	517	647
CFR	**467**	**502**	**712**	**937**	**1,037**

23.14 The Group Director, Finance Corporate Resources confirms that the Council will comply with the requirement to keep gross debt below the Capital Financing Requirement over the next 3 years. The estimated movement in gross debt and the CFR is set out in Table 3 and takes into account current commitments, existing plans, and the proposals in the budget report. The increase in gross debt over the period reflects both the anticipated increase in the CFR and prudent assumptions on the future movement of revenue reserves and balances.

23.15 A further two Prudential Indicators assist in exercising control of the overall level of borrowing which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

23.16 The authorised limits and operational boundary need to be set at a level which will allow for borrowing to support the delivery of the capital programme as set out earlier in this report. Increases in the HRA CFR arise from HRA Unsupported Borrowing undertaken to support the HRA Business Plan. The increases in the General Fund CFR arise from GF Unsupported Borrowing undertaken to fund the capital programme as reserves and cash balances held by the Council reduce, and shorter term cash flowing of our mixed-use schemes, where there is a lag in the receiving of capital receipts from residential sales.

23.17 The Council is asked to approve the following Authorised and Operational Limits, which have been calculated in the case of the Operational Limit on the basis of anticipated cash flow and the potential increase in the Capital Financing Requirement, and in the case of the Authorised Limit allowing a margin for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts:

<u>Authorised Limit and Operational Boundary</u>

	2022/23 Approved £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Authorised limit for external debt				
Borrowing	580	762	987	1,087
Other long term liabilities	18	16	14	13
Total	**598**	**777**	**1,001**	**1,100**
Operational limit for external debt				
Borrowing	550	732	957	1,057
Other long term liabilities	18	16	14	13
Total	**568**	**747**	**971**	**1,070**

Affordability Prudential Indicators

23.18 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

- **Actual and Estimates of the ratio of financing costs to net revenue stream**
  This indicator identifies the trend in the cost of capital (borrowing costs net of

investment income) against the net revenue stream, separately for housing and non-housing services. The higher ratio for the HRA reflects the high depreciation charges which are included as financing costs in the HRA and represent a significant proportion of the HRA revenue budget. The increase in the Non-HRA indicator is largely the result of the requirement to replace internal borrowing with external as cash reserves reduce in future years. The estimates of financing costs allow for the level of borrowing set out in the capital expenditure plans.

Ratio of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	**2022/23 Revised**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Non-HRA	1.2%	1.8%	3.0%	4.2%
HRA	31%	31%	31%	35%

Estimates of net income from commercial and service investments to net revenue stream

	2022/23 Estimate	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Net income from Commercial/Service investments	2.2%	2.2%	2.2%	2.3%

MRP Statement

23.19 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017 place a duty on local authorities to put aside resources to repay debt that has been used to finance capital expenditure in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Minimum Revenue Provision.

23.20 The broad requirement of the MRP regulations is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, although it does not preclude other prudent methods.

23.21 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

23.22 The MRP Statement must be submitted to Council before the start of the relevant financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

23.23 The following statement incorporates options recommended in the Guidance:

23.24 For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets.

23.25 For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

23.26 For assets acquired by finance leases or Private Finance Initiative (PFI), MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

23.27 No MRP will be charged in respect of assets held within the Housing Revenue Account

23.28 MRP in respect of leases and Private Finance Initiative schemes brought on the Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

APPENDICES

The following are appended to this report

Legal framework governing budget decisions	Appendix 1
Gross and Net budgets by Directorate 2023/24	Appendix 2
Treasury Management Strategy 2023/24 to 2025/26	Appendix 3
The Council Tax regime	Appendix 4
Medium Term Financial Forecast 2023/24 to 2026/27	Appendix 5
Proposed Capital Schedules 2023/24 to 2025/26	Appendix 6
Proposed Fees and Charges 2023/24	Appendix 7
Referendum Calculation 2023/24	Appendix 8
Capital Strategy 2023/24 - 2025/26	Appendix 9
Financial Management Code Review	Appendix 10

EXEMPT

None

BACKGROUND PAPERS

None

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