Title of Report	**2022/23 Overall Financial Position - January 2023**	
Key Decision No	FCR S101	
For Consideration By	Cabinet	
Meeting Date	27 March 2023	
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance	
Classification	Open	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	3 April 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the ninth Overall Financial Position (OFP) report for 2022/23. It shows that as at January 2023, the Council is forecast to have an overspend of £7.916m on the General Fund - a decrease of 225k from the previous month.

1.2 As can be seen below, the overspend relates to various pressures including: - Adult Social Care (primarily Care Packages, Mental Health and Provided Services); Climate, Homes and Economy (primarily Planning income); Children and Education (Corporate Parenting and Access and Assessment); F&CR (Strategic Property Services, ICT and Housing Needs); and one off costs of the cyberattack (backlog clearance, system investment and income pressures). The cyberattack costs were anticipated and provided for in the 2022/23 Budget and by reserves set aside.

1.3 The inflation crisis still impacts on the Council's services, but in particular on those with significant energy, fuel and contract costs. Examples include increased energy costs of running Council buildings, fuel costs in Environmental Operations and SEND transport and inflationary pressures coming through from care providers. There is also considerable pressure as a result of the 2022/23 pay award which was significantly more than budgeted for. The Council's Corporate Leadership Team continues to take measures to mitigate the impact of these on the overspend (see below) however, the pressures are such that actions are containing the current position rather than significantly improving it.

1.4 Residents will also continue to face significant financial pressures as the inflation surge continues. Below, a description is given of what the Council is doing to assist residents to manage the impact of the cost of living crisis.

1.5 On a positive note we are delighted to announce that the Council has been successful in its bid for £12,256,958 of funding from the Public Sector Decarbonisation Scheme (PSDS) managed by Salix Finance (a company which is wholly Government owned and operates as a Non-Departmental Public Body) to support decarbonisation of a portfolio of Council properties through the installation of Air Source and Ground Source Heat Pumps. The grant application was within the context of a £16.8m project with the balance met by a Council contribution. The projects are estimated to achieve carbon savings of 1,517 metric tonnes of carbon dioxide equivalent (tCO2e) per year and are an important step on the road to achieving net zero by 2030. This report seeks approval for acceptance of the grant and for entering into the associated agreements.

1.6 I commend this report to Cabinet.

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have an overspend of £23.712m after the application of reserves but before the application of the set asides and earmarked reserves as provided for in the budget. The application of these reduces the overspend to £7.916m - a decrease of £225k from the December forecast. As noted in last month's report, the 2022-23 pay award is included in the forecast which is funded by a budget provision and reserves.

2.2 Aside from the costs of inflation which were not budgeted for when the budget was formulated in January 2022 but are now included in this forecast; the overspend also reflects increased demands and increasing cost pressures in some areas and reduced income streams in others.

2.3 The main areas of overspend are: -

Childrens and Education (£3.173m before the impact of the cyber attack and the Pay Award) primarily in the area of Corporate Parenting with smaller overspends in Access and Assessment, Looked After Children, and Family

Intervention Services; partially offset by an underspend on clinical services and the Family Learning Intervention Programme. This is an increase of £757k from the previous month

Adults, Health and Integration (£5.768m before the cyber attack and the Pay Award) primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

Climate, Homes and Economy (£0.712m before the cyberattack and the Pay Award) primarily in the areas of Planning and Environmental Operations but with some overspends in Community Safety and Enforcement and Parks

F&CR (£0.336m before the cyberattack and the Pay Award) primarily in Housing Needs resulting from an increase in the number of hostels, and the increase in the need for 24 hour security; and ICT and revenues and benefits resulting from the cyberattack.

Cyberattack - One off cost of £4.599m, which has been fully provided for by set asides and reserves in the 2022-23 Budget and in the 2021-22 closing process. The expenditure is primarily on additional staffing to work on the backlog resulting from the Cyberattack, and there is also the cost of systems recovery work in ICT and foregone income in revenues.

SEND - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2022/23 is circa £13.9m, based on current forecasts this will increase to circa £18.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence over the coming months.

2.4 The forecast impact of the cyberattack and the inflationary pressures included in the report are estimates and we expect some revisions as we update the forecast as we come towards the end of the financial year.

2.5 Inflation continues to impact on various components of many of the Council's services, but in particular on those with significant energy, fuel and contract costs. Particular examples that have emerged include increased energy costs of running Council buildings, fuel costs in Environmental Operations and SEND transport, and inflationary pressures coming through from care providers. There is also considerable pressure as a result of the 2022/23 pay award which was higher than budgeted for.

Collapse of Building Stoke Newington High Street

2.6 Unforeseen events also impact on the Council overall financial position and require us to make cash available to respond to events which impact public safety. One such event is the partial collapse of a privately owned building on Stoke Newington High Street on Friday 27 January which fell onto the street. The collapse was such that the High Street was closed for a number of weeks and the Council was called upon to respond. Using our building control enforcement powers to take control of the work to make the building safe, a scaffolding structure to support the existing scaffold and building was put in place on 1 February to allow our contractors to start work on the building. A number of steps were taken before the site was fully reopened:

- contractors and the Health and Safety Executive (HSE) needed to carry out a full assessment of the site and work needed – following their inspections the whole site was released back to our contractors on Friday 10 February
- contractors then began to remove unstable parts of the building – a crane was on site during this time to help move masonry from the rooftop and debris was also removed from ground level
- original scaffolding was then removed
- larger supporting scaffolding constructed since the collapse was then removed
- contractors then removed equipment from the site and cleared the area ready for it to be fully reopened

2.7 We have also supported our residents and businesses that were impacted by the collapse. In particular we

- arranged emergency accommodation for those residents who requested it
- provided clothing for those who requested it
- provided regular updates to keep people informed via daily updates, social media and a dedicated page on our website
- had a daily presence on the site for people to ask questions
- provided an email and phone number for those affected to contact us
- provided letters to those directly affected to help explain the situation to their insurers
- signposted where people can get financial help
- highlighted support for people needing mental health and emotional support
- worked closely with utility providers to ensure that local residents and businesses are supported as best as possible
- frozen the business rates for those businesses in the cordoned off area

2.8 Stoke Newington High Street reopened to pedestrians and drivers, with nearly all residents and businesses returning to properties on 6 March. All the activities the Council has carried out in response to the incident required funding immediately to ensure we made the building safe, protect residents and businesses and work swiftly to reopen the high street. The estimated cost of responding to this incident is £580K; the Council is cash flowing and paying these costs with the expectation of full cost recovery from the building owner.

2.9 **Temporary Accommodation (TA): In-house hostel service charges.**

The Council is seeing significant increased demand and cost relating to the provision of temporary accommodation. The cost to the Council is expected to reach c£10m for the current financial year, with a significant overspend. The Government's cuts to council funding and benefits caps mean that we don't receive the funding we need to meet demand for TA and the rapidly rising costs and demand mean that we expect these pressures to worsen in the years ahead. The increased demand is evidenced by the fact that In 2021-22, over 3,500 residents approached the Council seeking help to source alternative accommodation, representing an increase of 44% on 2017-18. We expect the number of approaches to continue to increase at around 8% per year.

2.10 As Cabinet will be aware, we have undertaken numerous initiatives to try to intervene earlier, supporting residents at risk of homelessness at a stage when interventions could be less costly. These include the establishment of the Money Hub to identify households in financial difficulty and working to make timely interventions to help them maximise their incomes and take other homelessness prevention measures; and the creation of the Prevention to PRS Team (which provides additional support to help residents find a privately rented home). The Council is also making significant efforts to address the shortage in supply of temporary accommodation. We are doing this through investing in our own supply as well as work delivered in partnership with accommodation providers.

2.11 One area of cost pressure is the service charges that we make for heating, lighting, hot water and Council Tax in our in-house hostels. These are currently set at £6 / week for each household but in the years since this was last reviewed the true cost to the Council has risen significantly and is now estimated to be £19.75 / week, leaving a significant shortfall. While it is relatively unusual for councils to run their own hostels, we have tried to compare with other councils who do and the equivalent charges in a similar borough are understood to be £19.07 / week - £27.41 / week.

2.12 We know that simply changing our service charges to reflect full cost will be challenging for hostel residents, especially in light of the cost of living crisis. Reflecting that we are proposing to increase our service charges from £6 per week to £9 per week, starting from May 2023 (allowing for one month's advance notice). This will reduce the cost pressure on the Council by £0.5M and will still mean that hostel residents will pay well below the market rate for their utility costs. Officers will also be looking at our longer term strategy for service charges, and we propose to take a phased approach to further increases that are needed to address the shortfall so that the impact on residents is mitigated. Recommendations from this review will be brought back to Cabinet in due course.

2.13 The Council's Corporate Leadership Team is trying to mitigate the impact of these pressures on the overspend by continuing with the measures we introduced in the Summer of 2021, which as Members will recall were successful. To date Adult, Health and Integration (AH&I) have saved £148k and anticipate a further £50k by the end of the year. For Children and Education, to date the service has achieved £750k in cost avoidance by targeting high cost placements within Children and Families Services (CFS) and we are on track to achieve £1m this financial year. A target of £100k was also set by the service to reduce agency staff spend and this is also on track to be delivered through initiatives such as converting staff to permanent/fixed term contracts, and we have achieved half of this target to date. In Finance and Corporate Services (F&CR), management are holding posts vacant for a longer period in order to reduce the overspend and non-essential spend, and this is continually being reviewed as part of budget monitoring meetings. The directorate has identified non-essential spend savings which total £145k. In Climate, Health and Economy (CHE) unspent budgets on non essential expenditure are being held across the directorate to mitigate the overspends. This is being included in the forecast outturn and covers expenditure such as training, clothing and equipment, (managers are delaying the replacement of items), tighter control on waste bag supplies and holding other unspent expense budgets.

2.14 The Corporate Leadership Team will continue to consider further measures to reduce spend and report back in future OFPs. Furthermore, additional one-off provisions were made as part of the budget setting process in relation to demand-led pressures and pressure on suppliers as a result of the NIC increase. At this stage these have not been applied in their entirety to the overspend position. Further consideration will be given to this as we now move towards the end of the financial year.

2.15 We are also impacted, of course, by changes in interest rates. In February the Bank of England increased the base rate by 0.5% to 4%. This clearly will have implications for residents by increasing the cost of borrowing (especially on those with a mortgage) and on the Council through any borrowing entered into to deliver the Capital Programme. The combination of inflation and its impact on contractor fees and other costs, together with the extra cost of borrowing will impact on the viability of schemes. And it will get worse before it gets better - the base rate is forecast to reach 4.5% in the Spring before falling slowly to 3.5% next year. We are currently transitioning to a new governance structure for our Capital Programme which will introduce further challenge and monitoring into the oversight of the programme, as well as ensuring links between the capital projects and our revenue budgets are more explicitly and widely understood and taken account of in recommendations to Cabinet.

2.16 The financial position for services in January is shown in the table below.

Table 1: Overall Financial Position (General Fund) January 2023

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		**£k**	**£k**
92,359	**Children and Education**	3,173	757
125,276	**Adults, Health and Integration**	5,768	(4)
27,382	**Climate, Homes & Economy**	712	(704)
20,813	**Finance & Corporate Resources**	336	(134)
15,376	**Chief Executive**	(573)	(101)
52,652	**General Finance Account**	0	0
	Sub Total	**9,416**	**(186)**
	One-Off Cyberattack Costs	**4,599**	60
	Pay Award	**9,697**	442
333,858	**GENERAL FUND TOTAL**	**23,712**	**316**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	23,712
LESS CYBER SET ASIDE	-2,500
LESS CYBER RESERVE	-2,099
LESS SAVING FROM SEPTEMBER 2022 REDUCTION IN NI RATE	-500
LESS COST PRESSURES SET ASIDE	-1,000
LESS RESERVES PAY AWARD	-9,697
NET OVERSPEND	**7,916**

2.17 It should be noted that we are forecasting a significant but not full achievement of the 2022/23 budget savings and the vacancy savings. AH&I is reporting a residual shortfall of £100k and have built this into the forecast. They are pursuing mitigations but at this stage are unable to provide an estimate of these, but will update as soon as this is known. Also, CHE is on target to achieve its savings plans of £2.9m, except for the £165k staff saving in Community Safety, Enforcement and Business Regulation. The Head of Service is reviewing budget lines to identify non essential spend savings to mitigate the overspend. The vacancy factor saving of £0.562m in Environmental Operations is also now forecast not to be achieved in-year. The Head of Service has proposed a number of efficiencies to deliver the vacancy factor saving in 2023/24 so that this pressure is resolved from 2023/24 onwards.

Cost of Living Crisis

2.18 As the Council feels the pressure of rising inflation and interest rates, and increased fuel costs, so do our residents. Hackney already had high levels of poverty, this worsened during the pandemic and now poverty is entrenching and more people are falling into difficulty. The cost of living crisis disproportionately impacts lower income groups, as more of their income goes on essential costs.

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

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

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

2.22 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:

- 2600 residents have requested support since the team launched in November, which is more than applied for Discretionary Housing Payments (DHP) and the HDCSS in the whole of last year. More than half of applicants are already in rent or Council Tax arrears.

- The team has distributed £306k of discretionary funds, and delivered £286k worth of increased incomes through benefits uptake work, mainly through the CTRS, Housing Benefit, Universal Credit and Pension Credit. A campaign supporting those affected by non-dependant deductions to Housing Benefit has been particularly successful - delivering £62k worth of increased incomes in just two weeks.

- The team is delivering positive in year Return on Investment: £1.49 worth of increased incomes for every £1 invested in staffing. This rises to £1: £2.47 over a three year period.

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

- *CTRS Discretionary Hardship Scheme - £353k paid out by the beginning of March 2023*

- *Discretionary Housing Payments - £1,114k paid out by the beginning of March 2023*

- *Hackney Discretionary Crisis Support Scheme - £194k paid out by the beginning of March 2023*

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

- *Fuel cost related rebates - Standard £150 Council Tax Rebates scheme - £14.3m paid out; and discretionary schemes £1,931k paid out as at 1st December (primarily the £30 top-up scheme)*

2.25 As well as routing £200k of Household Support Fund via Money Hub, the Council is using the Housing Support Fund to provide support to those we know are in need. £2.8m has been awarded in total from October 2022 to March 2023 and the remaining £2.6m allocated will be used as set out in the bullets below, with the balance supporting the administration and management required to deliver a programme like this on time, on budget and with due diligence in place:

- **£1.6m Children and families 0-19:** Support primarily via vouchers for children on free school meals, Children's Centres (including the Orthodox Jewish community) and in local colleges
- **£400k Help with housing costs and bills for people we know are at risk:** identified by Housing Needs, Childrens and Adults as well as supporting being distributed via Warm Hubs.
- **£200k Money Hub** funding will be routed through Money Hub, the Council's income maximisation team to top up support available to residents they identify or who apply for support.
- **£100k Trusted referral partners** A network of trusted referral partners has been developed and went live in February to support those residents/ patients/ service users identified by frontline staff as being at

risk in terms of welfare, health or wellbeing due to cost of living impacts (see below).

- **£250k** **Hackney Giving** **-** this will enable us to route HSF funds to diverse communities by funding community organisations that provide financial support to residents - organisations will apply for funding via an application process and our funding will be matched with public donations raised from this campaign.
- **£90k** being distributed through Citizens Advice and Food Hubs

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

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

- *Children's centres* Families receiving targeted support via the Multi-agency teams (MAT) receive food vouchers and all other families who are eligible can access Healthy start vouchers and Alexander Rose vouchers, redeemable for fruit and veg from Hackney markets. We have recently agreed further funding for Alexander Rose again to work in Hackney with a £20k grant from Public Health.
- We are running support in holidays with funding from the Department of Education: Holiday Activity and Food programme will run for four days during Christmas holidays. This provides activities and lunch for children on free school meals (FSM).
- A task group has been established to review food poverty affecting children in schools. The task group has listened to schools and community organisations to inform thinking about how we might expand the FSM offer to a wider group of children and look at models that reduce unity cost, improve quality, but do not simply rely upon additional subsidy. A 'food poverty in education summit' was held on 13 December chaired by Mayor Glanville, Paul Senior and Cllr Bramble which looked at approaches implemented in neighbouring boroughs. The summit convened key stakeholders including headteachers, food partners and Hackney education leads to discuss which priority models should be explored further by the task group, the main barriers to progressing these and any alternative recommendations or options. The announcement that the Mayor of London will be funding universal free school meals in primary schools is welcomed and we are taking on board the implications and opportunities for local work to complement this.

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

- Tackling child poverty in schools. We have established a task force under Education which is reviewing food poverty affecting children in schools and settings and will consider how best to use £300k to test ways to tackle this issue.
- Money Hub supports providing energy efficient appliances that help reduce fuel bills and providing additional resources to Money Hub.
- Hardship support and preventative help for those who have no recourse to public funds.

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

- We have already secured £95k from the NHS to shore up support over winter, purchasing food and helping with the volunteer drive.
- We continue to try to help organisations raise funding.
- A greater share of the Community Grants budget (£1m out of a £2.5m budget) has been dedicated to funding more social welfare advice in Hackney.
- We worked in partnership with Food Hubs to bring in £170k over three years

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

Successful Decarbonisation Bid

2.30 The Council has very recently been informed of its success in an application for £12,256,958 of funding from the Public Sector Decarbonisation Scheme (PSDS) operated by Salix Finance to support decarbonisation of a portfolio of Corporate properties. The grant application was within the context of a £16.8m project with the balance met by a Council contribution from within our capital programme The projects are estimated to achieve carbon savings of 1,517 tCO_2e per year.

2.31 The grant offered is for funding across 2 years and 50% of the grant will be available in year 1 and 50% in year 2. The funding supports the planned execution of the project where London Fields Lido, Clissold Leisure Centre and Stoke Newington Library and Town Hall will have Ground Source Heat Pumps (GSHP) installed that require permits from the Environment Agency to extract water from the aquifer underground. These permits can take up to 12 months to be granted and therefore these sites are planned to be installed in year 2. The remaining 5 sites, Queensbridge Leisure Centre, the Trowbridge Centre, the former Daniel House site which is being redeveloped for SEN provision and two other school sites are planned around Air Source Heat Pumps (ASHP) and will be planned for installation in the first year.

2.32 Securing this funding is an important step on our decarbonisation journey and our success in this bid is great credit to the Energy Team's and other officer's diligence and hard work on this project.

3. RECOMMENDATIONS

3.1 To approve the increase in the price of hostel service charges from £6 per week to £9 per week, with effect from May 2023.

3.2 To note the overall financial position of the Council as at January 2023 as set out in this report.

3.3 Approve the acceptance of the grant of £12,256,958 from the Department for Business, Energy & Industrial Strategy's Public Sector Decarbonisation Scheme (PSDS) managed by Salix Finance to support decarbonisation of a portfolio of Corporate properties and agree to enter into a grant agreement and associated documents with the applicable parties in respect of such funding.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to approve a proposal to increase hostel service charges

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

5.2 On the hostel proposal, two other options were considered. The first was to increase service charges to reflect the full costs to the Council. This option was rejected as addressing the current shortfall in service charges in a single year would represent a significant impact on hostel residents. A phased approach was therefore preferred. A second option was to retain the current level of service charges. This option was rejected as the current overspend for provision of temporary accommodation is not sustainable in the context of the wider financial position for the Council.

5.3 On the proposal to accept £12,256,958 of funding from the Public Sector Decarbonisation Scheme (PSDS), the alternative is not to accept this grant. This would mean missing out on this opportunity, and important decarbonisation projects would either not go ahead as planned or we would need to reprioritise and displace existing projects on the capital programme.

6.0 BACKGROUND

6.1 **Policy Context**

This report describes the Council's financial position as at the end of January 2023. Full Council agreed the 2022/23 budget on 2nd March 2022.

6.2 **Equality Impact Assessment**

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 **Sustainability and Climate Change**

It estimated that the delivery of the decarbonisation projects supported by £12,256,958 of funding from the Public Sector Decarbonisation Scheme will achieve carbon savings of 1,517 tCO2e per year.

6.4 **Consultations**

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

6.5 **Risk Assessment**

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

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

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

7.2 On the acceptance of the £12,256,958 of funding from the Public Sector Decarbonisation Scheme (PSDS), the grant application was within the context of a £16.8m project with the balance met by a Council contribution which is included on the Council's capital programme.

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

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

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

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

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

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

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

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

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

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

8.6 In addition, the decision in paragraph 3.3 of this Report regarding the grant of £12,256,958 from the Public Sector Decarbonisation Scheme is also a key decision under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as it is an executive decision, which is likely (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

8.7 In order to accept the funding from the Department for Business, Energy & Industrial Strategy's (BEIS) Public Sector Decarbonisation Scheme (PSDS) managed by Salix Finance, the Council will need to enter into a grant agreement with the department which will set out the terms of the grant. Salix Finance is an executive non-departmental public body, sponsored by BEIS, and delivers government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. It is important that the Council comply with the terms of such grant in order to secure the grant funding and ensure it is not subject to clawback.

8.8 It will also be necessary to ensure that any of the grant sums which are applied in the provision of services or works from third parties are compliant with any clauses in the grant conditions regarding the appointment of third parties, and compliant with both the law regarding procurement and the Council's own internal requirements as set out in Contract Standing Orders.

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

9. CHILDREN AND EDUCATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
92,179	Children and Education (excl Cyber & Pay Award)	5.460	757

9.1 **Children and Families Services (CFS)** are forecasting a £5.46m overspend as at the end of January 2023 after the application of reserves totalling £5.0m and after the inclusion of the Social Care Grant allocation of £8.5m. The main driver for the movement of £0.75m in the forecast this month relates to an increase in placements within corporate parenting combined with the extension and back payments of some existing placements. Of this overspend, £2.275m is owed to the pay award.

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

9.3 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1.6m. Following the Ofsted inspection in November 2019, £1.6m of non-recurrent funding was agreed for 2020/21 to increase staffing levels to manage demand alongside additional posts to respond to specific recommendations from the inspection. In 2021/22, this additional £1.6m of staffing resource was funded from the corresponding increase in the Social Care Grant allocation. This resource continues to be factored into the forecast, and proposals are being developed by the Group Director and Director to review the staffing structure across the service. The expectation is that the implementation of the new structure will take place from October 2023. A further Ofsted focused visit took place in September 2022, and focused on the 'front door' services, including decision-making and thresholds for referrals about children, child protection enquiries, decisions to step up or down from early help, and emergency action out of hours. The findings from the focused visit were positive, and recognised the strength of ‘front door’ services, the recent integration of early help services, and that senior leaders continue to make improvements to services in a challenging context.

9.4 The main areas of pressure in CFS continue to be in **Corporate Parenting** which is forecast to overspend by £2.7m after the use of £2m commissioning reserves, largely driven by a change in the profile of placements linked to the complexity of care for children and young people coming into the service. There are also more children within high cost bespoke packages than in previous years and this has caused upward pressure on cost for the service this financial year. Similarly, Looked After Children & Leaving Care Services is expected to overspend by £0.5m, and this relates to an increase in commissioning costs and some staffing costs pressures linked to additional posts and agency staff usage. The forecast for Corporate Parenting increased in January by £0.5m to reflect increased placement costs for a small cohort of young people; the addition of one high cost placement can have a significant impact on the overall budget. At the start of this financial year we saw a reduction in residential placements however the placement costs are increasing in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation and the cost of living crisis. We are expecting further young people to be stepped down from residential placements in the next six months and this will be reflected in the forecast when this occurs.

9.5 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.5m primarily related to increased staffing costs for maternity cover and agency premiums due to a significant proportion of social workers leaving the Council towards the end of the last financial year. The Workforce Development Board has a rolling Social Worker recruitment process which should address the agency premium costs, providing successful permanent appointment of candidates. The service is also considering initiatives to retain staff such as market supplements in hard to recruit areas of the service.

9.6 **Hackney Education (HE)** is forecast to overspend by around £4.983m, of this amount £1.1m relates to the 2022/23 pay award which will be funded centrally. Not including the pay award, the underlying overspend across the service is £5.5m, and this is partially offset by mitigating underspends of £1.7m. The main driver is a £4.9m pressure on SEND as a result of a significant increase in recent years of children and young people with Education and Health Care Plans (EHCPs), and this increase is expected to continue in 2023/24. Discussions and planning remains ongoing with the DfE for progressing the High Needs / SEND Developing Better Value (DBV) programme, which could bring additional investment in the future to the LA to identify future options for reducing forecasted high needs overspends. SEND Transport has had corporate budget growth awarded to the service of £1.1m this year, however the service is still forecasting a £1.6m pressure. This is partly due to increased activity coupled with increased fuel prices and transport costs. Given the volatility of fuel prices, this area continues to be monitored closely throughout the year. Other areas of overspend are within Education Operations for the Tomlinson Centre (£0.3m) and Children's Centre income collection (£0.5m), and both overspends are mainly as a result of reduced usage for services post-pandemic.

9.7 **Savings for Children's Services** include £200k for Clinical Services from increased contributions from NEL CCG towards health costs within the service; £100k from joint funding towards complex health and social care packages; and a review of early help services designed to reduce costs by £350k this year. The saving for early help services of £350k will not be achieved fully this year and mitigating non-recurrent funds have been identified. It has been challenging to disentangle the Young Hackney contract from the support Prospects provides. The removal of the contract without a coherent alternative service in place is likely to see performance dip through increases in our children not in Education Employment or Training (NEET). Timeframes to remodel the service have also been impacted by changes in staff across Hackney Education and Employment and Skills with the Head of Service for Employment and Skills post, which was a key resource to enact the changes being vacated.

9.8 **Savings for Hackney Education** of £117k to be delivered from merging the HE reception with the HSC, and a review of traded teams is on track to be delivered this financial year.

9.9 A **Vacancy rate** savings target of £1.7m has been set for the directorate in 2022-23 (£0.9m for Children and Families and £0.8m for Education) and the forecast assumes that this will be achieved or mitigated. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported through this monthly finance report.

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

9.11 **SEND** - there is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. The brought forward SEND deficit in 2022/23 is circa £13.9m, based on current forecasts this will increase to circa £18.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective

SEND services, however the programme aims to provide assistance on deficit recovery actions through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence over the coming months.

9.12 **Management Actions to reduce the overspend**. In addition to budgeted savings further cost reduction measures have been developed for 2022/23. For CFS, management actions of £1.5m have been identified and these are factored into the forecast when delivered. These include reductions in the number of residential placements (£1m); forensic review of the top 20 high cost placements (£0.3m); placement management business support review (£0.1m); and review of agency spend through tighter controls with the Head of Service and greater challenge through WfDB (£0.1m). For Hackney Education, the focus of cost reduction measures this year will be through further development of in-borough SEND provision and reviewing SEND transport eligibility. The cost reduction proposals will be monitored on a monthly basis highlighting delivery against these indicative targets. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at C&E SMT. It is essential that the service delivers against these plans.

9.13 **Measures to control spending.** In the May 2022 budget report it was agreed that previous measures to control spending introduced in the Summer of 2021 will continue. For Children's and Education, the measures in place and to be developed include:

- **Increased controls on non-essential spend (non-essential spend to be determined by Group Directors of their respective directorates).** Opportunities to investigate and limit non-essential expenditure will continue this financial year. Monthly budget monitoring takes account of expenditure within areas such as supplies and services, indirect staff costs and professional fees with the aim of limiting the use of non-essential spend. The tracking of non-essential spend will be routinely shared with SLT's during the course of the year to review trends and ensure that all expenditure is necessary.

- **Increased controls on filling vacancies. Current processes to review the need for filling vacancies continue**. Requests to recruit within Education are submitted via a business case and require joint agreement by the Heads of HR and Finance before the initiation of any recruitment process. Within CFS, the high number of agency staff within the division allows for continual review of the establishment. Budget review meetings for key areas experiencing financial pressures such as Children in Need, DCS and Corporate Parenting review staffing in detail on a regular basis with the Director, relevant Head of Service and finance.

- **Reduction in agency staff, for example, 20 per cent reduction on current level.** An overall target of £100k cost reductions within agency staff usage was achieved in 2021/22 and will continue this financial year. Options to incentivise agency workers moving to council employment with the potential for market supplements are being developed for consideration. The London Pledge, a shared agreement on agency workers within London, is also expected to have a favourable impact on the rates offered to workers and overall cost.

- **Additional controls over remaining agency spend (i.e. ensuring long-term agency staff are required to take equivalent leave of permanent roles and work a maximum of 36 hours a week).** Communications to managers who supervise agency staff will be reinforced and a tracking system put in place to ensure that agency staff are taking annual leave and are working a standard day. Working with HR colleagues, a system to monitor compliance with this requirement will be implemented during this financial year.

10. ADULT, HEALTH AND INTEGRATION

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
125,275	Adults, Health and Integration (excl. Pay Award and Cyber)	7,415	175

10.1 Adult Social Care is forecasting an overspend of £7.4m (2021/22 outturn position was £4.1m) after the application of reserves of £5.4m and the inclusion of the Social Care Grant allocation of £8.5m. Approximately £1.4m of the total forecast overspend is attributable to the pay award which is to be managed and funded corporately.

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

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

10.4 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £4.1m budget pressure. The position has moved adversely by £0.1m this month, primarily attributable to growth in new long term care service users, as well as additional care costs that have materialised following ongoing extensive reconciliation work to ensure client data on the social care system (Mosaic) recovered is accurate. This is an ongoing financial risk which is highlighted within the risk section of this report. This service records the costs of long term care for service users and the budget overspend reflects both the growth in client activity and increasing complexity of care provision being commissioned. The forecast also includes NHS support of £1.1m towards ensuring efficient discharge of people from hospital and a total of £9.4m towards funding care costs for service users with learning disabilities.

10.5 **Provided Services** forecast reflects an adverse movement of £0.15m this month, primarily attributable to a backdated pay award (01 Apr 22) for eligible locum staff, ensuring rates paid are in line with the evaluated job description. The overall position now reflects a £2.1m budget overspend, and is made up primarily of an overspend within the Housing with Care (HwC) service of £2.8m offset by an underspend on day services of £0.7m. The HwC forecast overspend of £2.8m reflects both the delayed impact of delivery of the £1m savings (£500k in 21/22 and a further £500k in 22/23), pay award pressure of £0.7m as well as high levels of staff sickness and the service engaging agency staff to cover these roles alongside additional capacity required to maintain service provision. The majority of the day service underspend of £0.7m is from the Oswald Street day centre which continues with a limited number of service users as a result of maintenance work needed to the ventilation at the premises.

10.6 **The Mental Health** position reflects an adverse movement of £6k this month, primarily attributable to demand increases within long term mental health care services. The overall position now reflects a £1.4m budget overspend, and is largely attributed to an overspend on externally commissioned mental health care services. Adult Services continue to work in collaboration with East London Foundation Trust to reduce the budget overspend as part of the agreed cost reduction measures.

10.7 **The Preventative Services** position reflects an adverse movement of £0.02m primarily due to workforce pressures across the service. The overall position now reflects a budget overspend of £88k, primarily attributable to workforce pressures (including the pay award).

10.8 **Care Management and Adult Divisional Support** reflects a negligible movement this month. The overall position is a budget underspend of £0.05m.

10.9 **ASC commissioning** has moved favourably this month by £0.1m, as a result of delays in planned recruitment, and additional discharge funding allocated against eligible expenditure. The overall budget position now reflects a £0.2m budget underspend, after the application of one-off funding of £2.2m which is supporting various activities across commissioning. This includes funding of hospital discharge facilities, additional staff capacity, extracare services at Limetrees and St Peters and Rough Sleeping Initiative.

10.10 This directorate is coordinating the council response to the Homes for Ukraine scheme enabling Hackney residents to offer a home to people fleeing Ukraine. There is Government support for the costs being incurred under this scheme and so no cost pressure of the scheme is currently forecasted. However there is uncertainty about the level of funding we will receive to support Ukrainian refugees in future years.

10.11 **Public Health** is forecasting a breakeven position which includes the application of the recent pay award, as well the delivery of planned savings of £0.5m. During the Covid-19 pandemic Public Health activity increased significantly, specifically around helping to contain the outbreak in the local area, and this resulted in some reductions in demand-led services due to the implementation of national restrictions. Post pandemic, demand-led services continue to be carefully monitored by the service to ensure service provision remains within the allocated Public Health budget in the current financial year and future financial years. There is a negligible movement in the Hackney Mortuary position this month.

10.12 Adult Social Care has **savings** of £1.45m to deliver in 2022/23. Savings related to efficiencies of housing related support contracts (£650k); the promotion of direct payments (£50k); and increased care charging (£250k). All of these savings are on track to be delivered this financial year, and are factored into the forecast. Savings plans related to Housing with Care schemes (£500k) have not been developed sufficiently to deliver this amount in-year. The saving against the Housing with Care schemes is part of a total of £1m savings across 2021/22 and 2022/23. There has been mitigation to date (£900k) through further efficiencies within housing related support contracts this year but this currently results in a real cost pressure this year of £100k. Contract negotiations are currently underway with commissioned providers, and the service is confident that further mitigations will be identified throughout the year. Public Health has savings of £0.5m to deliver through a review of public health activities that deliver outcomes for the Council. This saving is on track to be delivered this financial year.

10.13 A **vacancy rate** savings target of £0.453m has been set for the directorate in 2022-23 and the forecast assumes that this will be achieved. Progress against the target is carefully monitored and tracked by the AH&I Senior Management Team (SMT) and will continue to be monitored closely to ensure any risk to this target being achieved is reported through this monthly report including any mitigation measures.

10.14 Many of the **financial risks** to the service that were present in 2021-22 continue into 2022-23. The cyberattack continues to have a significant impact on a number of key systems across the local authority. The system has now been restored from November 2022, and £0.3m is reflected in the forecast as the cost of additional staff to support the work to restore the system. In Adult Social Care, this risk is in relation to monitoring and capturing the cost of any additional demand for care, as the social care system (Mosaic) which holds and records this information was inaccessible. There is a potential risk that not all data has been loaded onto Mosaic at this stage, and the service is working proactively to ensure that packages are loaded accurately and in a timely manner.

10.15 Reforms related to the cost of care and care-market sustainability present a significant financial risk. The risk relates to the impact of changes to the cap on care costs changing (both an annual cap and a lifetime cap) and the ability of more people becoming eligible to seek support for care costs from the council. The financial size of this risk is being evaluated. The council has been allocated £948k of funding towards market sustainability in 2022/23 - most of which is being passed onto providers of care and some has been allocated to begin planning and preparations for charging reform. The Government originally proposed that the adult social care charging reforms would be implemented from October 2023. However, at the Autumn Statement 2022, delivered on 17 November 2022, the Chancellor announced that the reforms would be delayed for two years till October 2025, to allow Local authorities additional time to prepare for the rollout of these reforms. We continue to work through the announcements to understand the ongoing impact, including any changes in funding earmarked for these reforms.

10.16 One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. The Inflation rate as measured by CPI, peaked at 11.1% in October 2022 but was still 10.1% in January 2023, and this not only presents challenges to the Council but also to care providers.

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

10.18 **Management Actions** to reduce the overspend. In addition to budgeted savings, further cost reduction measures have been developed for 2022/23. For Adult Social Care, management actions of £1m have been identified and these are factored into the forecast when delivered. These include continuation of the multi-disciplinary panel process (£0.25m); working with ELFT to manage the Mental Health overspend (£0.35m); double handed care package review (£0.2m); direct payment monitoring of accounts (£0.1m); and review of agency spend through tighter controls with Head of Service and greater challenge through the Workforce Development Board (£0.1m).

10.19 **Measures to control spending.** In the May 22 budget report it was agreed that previous measures to control spending introduced in the Summer of 2021 will continue. For Adults, Health and Integration, the measures being explored at this stage include:

- **Increased controls on non-essential spend (non-essential spend to be determined by Group Directors of their respective directorates).** Controls were set in place during 2021/22 and remain. Monthly budget monitoring ensures that non-essential spend, primarily linked to training and office supplies, are monitored. Training budgets are planned to be brought into a single cost centre during 2022/23, which will ensure that there is no duplication of training across teams and a more equitable and consistent access to mandatory or essential training.

- **Increased controls on filling vacancies**. Controls were set in place during 2021/22 and remain. In addition, work completed on the establishment list has provided clarity on roles and vacancies, which provide assurance that only established posts going forward can be filled, except in exceptional circumstances as agreed by the director. This extends to those posts in ELFT, where a post number has to be provided prior to recruitment.

- **Reduction in agency staff, for example, 20 per cent reduction on current level**. Plans have been set in place for rolling recruitment in critical areas where agency staff are most utilised, with the recent ADASS MoU on agency rates setting a helpful mitigation to the cost of staff going forward. In addition, the Principal Social Worker is creating relationships with universities, and seeking to set out a pathway for bringing in manageable levels of newly qualified social workers to complement existing numbers of experienced staff. This is expected to reduce agency numbers and/or vacancies by 5 posts per year.

- **Additional controls over remaining agency spend (i.e. ensuring long-term agency staff are required to take equivalent leave of permanent roles and work a maximum of 36 hours a week)**. Working with HR colleagues, data is being provided on annual leave by agency staff, which is currently only determined from the absence of timesheets submitted.

11.0 Climate Homes and Economy (CHE)

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month

£k		£000	£000
27,382	Climate, Homes and Economy excl. Cyber and the Pay Award	4,452	(427)

11.1 The directorate is forecasting an overspend of £4.4m, following the use of £3.6m of reserves, which is an improvement of £0.427m from the December position. However, if we remove the increase in the pay award costs, the improvement in the overspend is £704m.

11.2 The overspend is mainly due to the impact of the 2022/23 pay award (£3.535m) which has now been fully factored into the forecast. The main areas of this underlying overspend for the directorate are Planning, Community Safety, Enforcement and Building Regulation, and Parks & Green Spaces.

11.3 **Planning Services** are forecasting a £0.728m overspend which is a favourable movement of £0.069m from the December position. After taking into account the pay award impact of £0.264m there is an underlying overspend of £0.545m of which £0.464m is a shortfall in income. The underlying overspend in Planning Services is primarily related to Planning Application fee income, which has seen a steady decline over the past three years. There is also a shortfall of £0.123m in land charges income which is due to the continuing impact of cyberattack on the services. The shortfall in planning application fee income was linked to a decline in the number of very large major applications being received rather than a significant fall in overall planning application numbers for the past 3 - 4 years. The underlying shortfall in income is now forecast at £0.422m which is a significant improvement on the forecast position from over the last few years. The primary driver of the improvement has been an increase in Planning Performance Agreement (PPA) income which is now improving in meeting its budgeted income levels. The income target for minor applications is still forecast not to be achieved. It should be noted that the cost of determination of minor applications is more than the income received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications detrimentally affects this cross-subsidy and worsens the financial position the improvement in PPA income performance augurs well for next year as these should translate into major applications.

11.4 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £0.540m, a decrease of £0.030m from the December forecast as a result of additional income from the Late Night Levy to fund enforcement overtime costs for the Night Time Economy. The impact of the pay award contributes £0.299m to the variance. The underlying overspend is due to the ongoing requirement to deliver the vacancy factor savings in the service which is proving a challenge in this essential front line service. All the enforcement teams are fully staffed and in addition there is maternity leave and long term illness to cover. The Head of Service continues to review budget lines to identify opportunities to mitigate the overspend.

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

11.6 **Environmental Operations** is forecasting an overspend of £2.317m, which is an adverse movement of £0.476m from the December forecast. After taking into account the pay award impact of £1.211m for LBH employees and £0.277m for agency staff there is an underlying overspend of £0.830m. The principal reasons for the underlying overspend are a shortfall in delivering the vacancy factor saving of £0.562m, the impact of non budgeted activities which can no longer be contained and the inflationary impact across non staffing budgets. The adverse movement in the forecast from December is due to additional one off costs for route optimisation work of £48k which will hopefully deliver savings in the future. Concerning the increasing service cost pressures, the Head of Service is developing a number of proposals to improve the efficiency of service operations in order to deliver the vacancy factor savings without negatively impacting the service, but this will not have a significant impact until 2023/24. There are also other potential budgetary pressures on the horizon, with several supplier contracts for waste bag purchases, weed spraying, and bin purchases coming up for renewal, and suppliers are currently attempting to override existing prices due to rising costs.

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

11.8 **Streetscene** is forecasting £0.355m overspend as a result of inflationary pressures as well as reduced capitalisation of salaries. Transport for London (TfL) funding is used to cover the costs of transport engineers who work on our highways and traffic schemes. The TfL funds received for the Local Implementation Plan (LIP) Neighbourhoods and Corridors component of this work in 2022/23 is £1.048 million, which is 42% less than in 2021/22, and less than the service expected and was only confirmed in-year. In order to secure additional funding, the service is in negotiation with TfL for cycle training, bus priority, and scheduled road maintenance in order to deliver our investment plans. Although the likelihood is low there is an emerging risk that the cost of living crisis may have an impact on the income budgets of Parking, Markets, and Streetscene as people spend a greater proportion of their money on necessities such as food and energy and less elsewhere. Heads of Service are keeping a watching brief on the situation and monitoring income budgets closely.

11.9 **Leisure, Parks & Green Spaces** are forecasting a £0.426m overspend, which is a reduction of £0.005m on the December position. The underlying overspend in Parks and Green Spaces is £0.234m after taking into account the impact of the 2022/23 pay award. The primary driver for this is the increase in water charges which are being challenged as they are significantly higher than previous years and the reasons for the increase needs to be verified. The service is seeing an increase in fuel costs due to the inflationary pressures but this is being funded by allocation from the Energy Price increase provision.

11.10 **Economy, Regeneration & New Homes** are forecasting an overspend of £0.111m, with an £0.018m increase in spend during the period. The pay award is the main driver behind the overspend, which equates to £0.111m. Without this, the area would be on budget. Adult Skills are forecasting nil variance overall. Any variance will be negated by amending the amount of S106 income we drawdown at year end.

11.11 The directorate is on target to achieve its **savings** plans of £2.9m. However, the staff saving in Community Safety, Enforcement and Business Regulation has impacted the delivery of the ongoing vacancy factor savings by £165k. The Head of Service is reviewing budget lines to identify non essential spend savings to mitigate the overspend. The **vacancy factor** saving of £0.562m in Environmental Operations is now forecast not to be achieved in-year, The Head of Service has proposed a number of efficiencies to deliver the vacancy factor saving which will deliver in 2023/24 so that this pressure is resolved from 2023/24 onwards.

11.12 The financial risks have now been included in the forecast but we still need to keep a watching brief on the income risk due to the potential impact of the cost of living crisis.

	Amount `£000
Impact of cost of living crisis on income budgets in Parking, Markets, and Streetscene	TBA
Total Risk	**TBA**

11.13 **Management Actions to reduce the overspend.** Heads of Services are continually reviewing their overspends and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. These have been reflected in the forecast and any further underspends will be reflected in future forecasts.

12.0 FINANCE & CORPORATE RESOURCES (F&CR)

Revised Budget	**Service Area**	**Forecast Variance After reserves**	**Change in Variance from last month**
£k		**£000**	**£000**
20,815	Finance & Corporate Resources (Excl. Cyber and Pay Award)	6,233	-134

12.1 F&CR are currently forecasting an overspend of £6.233m excluding the pay award and the costs of the cyberattack, after a reserve drawdown of £2.58m. This is a favourable movement of the £89k on the December forecast. If we exclude the costs of the pay award and the cyberattack, the overspend is £336k and the reduction in the overspend from the previous month is £134k. The cost of the pay award is £1.8m which will be funded corporately. However, some of this has been mitigated against reductions in forecasts for example in; housing needs, revenues and strategic property. The service continues to be impacted by the cyberattack with significant overspends in Revenues, Benefits and ICT totalling £4.096m.

12.2 The increase in energy prices has had a significant impact on the council. The table below shows the effect on 3 services that have significant usage of electricity and gas. The £1.9m cost pressure will be funded from budget set aside for energy pressures.

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

12.3 Financial Management and Control are currently reporting an overspend of £597k. There is no movement on last month's forecast.

- £250k relates to the delay in the debt team realignment (Cyber pressure).
- £150k relates to additional staffing required to track and monitor the Cyber spend as well as reviewing all business cases for additional spend on recovery (Cyber pressure).
- £156k attributable to the allocation of the pay award in November.

12.4 **Property Services** are currently forecasting an overall overspend of **£184k**, an adverse movement of £88k compared to last month. The overspend amount attributable to the pay award is £65k. The movement is mainly due to reactive repair works to replace a roof at the Rose Lipman Building and installing security fixtures to replace a hoarding to prevent break ins at 270 Mare Street.

Commercial Property are forecasting an overspend of £88k due to the under recovery of income and other professional fees relating to lease negotiations. The Head of Service has highlighted a high risk of income collection and deferred rents as the market is still very fragile and believes the pressure here could increase further. The improvement relates to a combination of holding vacant posts and a successful legal challenge resulting in additional average income for commercial property.

Corporate Property and Asset Management (CPAM)
CPAM is forecasting an overspend of £102k, an adverse movement compared to last month. The cost of materials for vehicle repairs has increased, impacting our fleet maintenance. In addition, over the winter period there has been a significant increase in the number of repairs required on our vehicles.

Education Property
Education property is forecasting an underspend of £6k, an adverse movement compared to last month and is due to an increase in security costs at one of our empty school sites. The overall underspend is due to the service holding vacant posts.

12.5 **Housing Benefits** are currently forecasting an overspend of £1.270m**.** This is unchanged from the previous month's forecast. The overspend relates to the agency staffing forecast which is currently £1.85m, of which £580k can be absorbed by the underspend on permanent staff due to vacancies. The remaining £1.27m pressure is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery.

12.6 There will also be a deficit on the Net Cost of Benefits (NCOB) for 2022/23 resulting from the cyber attack which produced a backlog of cases and delayed the recovery of overpayments. NCOB is the difference between what we pay out in Housing Benefits and what we receive back from the Government through subsidy. Because of the backlog of cases we needed to work through as a result of the cyber attack there is a risk that we will lose housing benefit subsidy under DWP’s normal rules due to breaching the subsidy error threshold (over a certain error level - the threshold - subsidy is reduced). This pressure is subject to ongoing review and officers have liaised closely with DWP throughout our recovery work. There is also lower than usual cash recovery - the backlog has prevented us from taking recovery action to recover overpayments, which has added to the NCOB deficit. The risk is currently estimated to be circa £7m overall. We are continuing to liaise with DWP regarding this so that they can consider options for amending the application of their rules given the circumstances from which it has arisen, and the fact that this was beyond the Council’s control given the need to continue paying benefits which were in payment when the cyber attack occurred.

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

- £0.4m off-site resources required to access and process the backlog of outstanding work across Council Tax and Non Domestic Rates using the Council's existing software systems Comino (document imaging) and Academy (revenues system) due to Cyber.
- £0.3m relates to the ongoing need for additional staff in the Customer Services Contact Centre who are working on the increase in the level of customer calls relating to council tax as a result of Cyber.
- £0.9m relates to lost income in court costs as a result of Cyber, which has significantly reduced legal action across the service. The expectation remains that legal action will not re-commence until, at the earliest, the start of the new financial year (23/24).
- £132k attributable to the application of the pay award

The service has received new burdens funding to cover the additional costs incurred as a result of processing the energy rebate allocations across 2022/23. The initial grant funding has been factored into the forecast, and any additional funding announcements will be factored into future forecasts. We are currently in the process of submitting a claim to the GLA for funding to assist with collection rates for council tax and business rates. It is expected that we will receive funding in the region of £200k which will be factored into next month's forecast.

12.8 **Soft Facilities Management** are currently reporting an overspend of £87k after drawdown of reserves of £781k (utilities), which relates to window cleaning at the Hackney Service Centre (£50k) and the remaining £37k overspend relates to the application of the pay award.

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

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

12.11 **Housing Needs** Housing Needs are currently forecasting an overspend of £530k after a reserve drawdown of £551k. The overspend relates to 1) 271k staffing pressures as a result of the pay award and 2) £600k pressures on security costs as a result of; an increase in the number of hostels and the increase in the need for 24 hour security, however this is partially offset by a reduction in the TA rental expenditure forecast.

12.12 ICT are currently forecasting to overspend by £1.7m after a reserve drawdown of £185k. This is a favourable movement of £219k compared to last month.

<u>ICT Corporate</u> are currently reporting an overspend of £1.42m after a drawdown from reserves. This is a favourable movement of £158k on last month, this is mainly due to the service being awarded a grant from the Cyber Security Resilience Fund £125k . The overspend is due to £716k for

Cyber projects and the ongoing Amazon Web Service costs. Please note a number of contracts including AWS costs are paid in US dollars and have recently been subject to exchange rate risk with Sterling falling to an all-time low against the US dollar.

Financial Management Systems are currently reporting an underspend of £69k for 2022/23.

Hackney Education ICT are currently forecasting an overspend of £328k which is a decrease of £41k on last month, as the service has been wound down, any income that we were previously forecasting has now been removed. We are still working with service users to establish if items that are currently forecast are still required and this may decrease the overall overspend further.

12.14 **Audit & Anti-Fraud** are forecasting an underspend of £54k for 2022/23. This is mainly due to vacancies. The recruitment process is currently in progress.

12.15 **The Directorate Finance Team** is currently forecast to budget. This is a favourable movement of £20k on the December forecast. Vacancies in the service area are mitigating; costs as a result of the delay in the restructure (as a result of cyber) and £111k of increased costs as a result of the application of the pay award in November.

12.16 **Procurement** is currently forecast to budget. This is a favourable movement of £33k on the previous month's forecast.

12.17 **HR & OD** are currently reporting an underspend of £129k, there is no movement on last month's forecast. The £122k pay award pressure is mitigated through the current underspends in staffing costs and the termination of the guardian contract.

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

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

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

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

13.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
£k		£000	£000
15,365	Chief Executive	152	-101

13.1 The Chief Executive's Directorate is forecasting an overspend, before the pay award, of £152k following the use of £2.2m of reserves - an improvement of £101k since December. The position before the pay award is an unders[end of £573k and the cost of the 2022/23 pay award is forecast at £725K. The main reason for the underspend is due to vacancies in Legal, Governance and Election Services and an improved income forecast in Engagement Culture and Organisational Development.

13.2 **Libraries & Heritage** are forecasting a £0.256m overspend which is caused by three main drivers - the primary cause is £0.182m from the impact of the 2022/23 pay award. The remaining £0.074m is down to the non delivery of income targets (room bookings etc) and additional premises operational costs. The budgets are reviewed with the service on a monthly basis to try and mitigate areas that are overspending.

13.3 **Legal, Governance and Election Services** are forecasting an underspend of £0.033m, the forecast position before the impact of the 2022/23 pay award is £0.289m. The main reason for the underlying underspend in the service is due to a number of vacancies across the service. The service is achieving its vacancy factor and will be recruiting for some vacant posts over the remainder of the year. This is reflected in the forecast.

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

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

- Not achieving budgeted income from our venues operations due to the impact of the cost of living crisis. Our income target is £538K. Income received to the end of January is £703K, but some of this income relates to prepayments for future years and as the year progresses most income taken will relate to future years.
- Not achieving the external income target of £500K in legal services. Income received to the end of January is £248K**.** Due to the slowdown in the development activity across the borough the income generated from capital recharges, property and S106 agreements fell in 2021/22 - this has continued through 2022/23 and we have forecast a shortfall income of £163K this month and we will keep a close eye on income as

it may reduce further. The service has a number of vacancies at the moment which is mitigating this overspend and risk.

13.6 **Management Actions to reduce any overspends.** Whilst the forecast for the directorate, excluding the impact of the pay award, is an underspend against its budget, the Directors and Heads of Service will continually review their budgets to identify opportunities to reduce reserve use and mitigate any potential income shortfalls that may arise as the year progresses.

14.0 HRA

14.1 The HRA is forecasting an overspend in net operating expenditure of £10.728m. However, the forecast overspend can be brought back into balance by a reduction in Revenue Contributions to Capital Outlay (RCCO) by an equivalent amount. We are able to do this because we are not delivering a full capital programme in 2022/23 due to the delay in the procurement of the Housing Maintenance main contracts. Without a full capital programme in 2022/23 the RCCO is not required and therefore can be released. It should be noted that the backlog of maintenance work will need to be made good in future years and management action is needed to eliminate the operational overspend and in order to restore the level of RCCOs for existing housing stock.

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

14.3 The major variances are:

Expenditure

- The Housing Repairs account variance of £3.9m, is due to an increase in reactive repairs, material costs, an increase in legal disrepair cases and the 2022/23 agreed pay award.
- The forecast overspend for Special Services, £6.5m, is mainly due to increasing energy prices. The cost of Gas and Electricity have been rising globally over the past year, however the council has not been affected by these increases due to forward purchasing and fixed prices. Current forecasts estimate a 90% increase in cost therefore resulting in a significant overspend. There are also overspends in estate cleaning and lift servicing and repairs.
- The Supervision and Management overspend of £2.2m is mainly due to 24hr security costs at a high rise building and the use of Temporary Accommodation by Housing Management. There is also an increase in insurance recharges however this is fully recoverable from leaseholders and reflected in the additional income above.
- Rents, Rates Taxes and other charges variance of £364k is due to an increase in Council tax and Business rates.

- Provision for bad and doubtful debts is forecast to overspend by £500k, due to increased commercial property and Housing rent arrears following a slow recovery from the pandemic.
- The cost of capital variance is due to a reduction in interest charges due to a reduced capital programme and a lower borrowing requirement.
- The RCCO has been reduced to offset the variances within the revenue account due to a reduced capital programme.

Income

- Following a thorough review of the Housing Finance System and 2022/23 budget, additional income has been forecast for Dwelling rents £1m.
- The Non-Dwelling Rents variance is mainly due to additional income forecast from Commercial properties following a collaborative review with Strategic Property Services (SPS).
- Leaseholder Charges for Services and Facilities additional income of £1.2m is due to the service charge actuals being higher than budgeted.
- The other charges for Services and Facilities variance £392k, due to the cyberattack the invoicing of major works to leaseholders has been delayed and therefore the income expected from the major works admin fee has been reduced.

Appendices

None

Background documents

None

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