Title of Report	**2022/23 Overall Financial Position - February 2023**	
Key Decision No	FCR S103	
For Consideration By	Cabinet	
Meeting Date	24 April 2023	
Cabinet Member	Cllr Chapman, Cabinet Member for Finance	
Classification	Open	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	1 May 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the penultimate Overall Financial Position (OFP) report for 2022/23. It shows that as at February 2023, the Council is forecast to have an overspend of £7.844m on the General Fund - a decrease of 72k 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 (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 15 March, the Chancellor presented the 2023 Spring Budget which amongst other things, set out the Government's plans for the increase in the total spending of GovernmentDepartments over the period 2022-23 to 2027-28. According to the Chancellor, this increase in cash equates to an average 1% real terms increase in each year following 2024-25. Given that the Government has consistently favoured 'protected' Departments such as the NHS and Education, when determining spending plans, Local Government will not get this 1% real terms increase. In fact, after the 2022 Autumn Statement, the OBR pointed out that "unprotected" departments such as Local Government could face 0.7% cuts in real terms from 2025-26 onwards. It follows that we cannot expect any future funding increases to offset any budget overspends in future years.

1.5 Hackney has received a £1.8m grant from the UKSPF (UK Shared Prosperity Fund) - £918k capital and £886k revenue. The London borough UKSPF funding allocations were confirmed in September 2022. This will be used to support projects in the areas of Communities and Place and Supporting Local Businesses. Details of the projects are given below and in **Appendix 1**. Cabinet is required to agree to the acceptance of the grant and to enter into a grant agreement with the GLA regarding the governance of the expenditure. There is also more information about these capital projects in the Capital Update report also on tonight's agenda.

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 £23.392m 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 £7.844m - a decrease of £72k from the January 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 On 15 March the Chancellor presented the 2023 Spring Budget which amongst other things, set out the Government's plans for the increase in the total spending of departments over the period 2022-23 to 2027-28. The increase is £44bn or 10% but this is a cash increase not real terms and therefore takes no account of inflation. According to the Chancellor, this increase in cash equates to an average 1% real terms increase in each year following 2024-25. Now this does not mean each department will receive a 1% increase each year - far from it. Since 2010, the Government has consistently favoured departments it perceives as key when allocating out spending, such as the NHS and Education, and will no doubt continue to do this post 2024-25. In fact, since 2010-11, Local Government (and Work & Pensions) have fared worse from changes to spending limits than any other department. Also, it's worth noting that following the 2022 Autumn Statement, the OBR pointed out that if NHS spending continues to grow at the recent rate of 3.1% in real terms, schools spending per pupil is held flat, and defence remains at 2% of GDP, the "unprotected" departments (which includes Local Government) would face 0.7% cuts in real terms. This 0.7% is an average and if past trends are repeated we will probably suffer a bigger cut than this.

2.3 Worse still another table shows that the Treasury is expecting council tax income to increase by at least 5% (resulting from an assumed increase in the number of taxable properties and an assumed increase in the rate, although the assumptions made on neither are detailed) in each year following 2024-25. This will no doubt mean that much of any increase in funding for local government in these years will be assumed to be funded from council tax and not from any new resources. And so the Budget and the 2022 Autumn Statement demonstrate that there is likely to be a real terms cut in Local Government Budgets and Funding and that much of any funding increase will be assumed to be delivered by council tax increases.

2.4 It follows that we cannot expect any future funding increases to offset any unaddressed budget overspends carried forward into future years. All efforts therefore must be made to develop plans to both address these overspends alongside closing the estimated budget gaps for future years.

2.5 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 (£3.292m before the impact of the cyber attack and the Pay Award) primarily in the area of Corporate Parenting (i.e. looked after children placements) with smaller overspends in Access and Assessment and Family Intervention Services; partially offset by an underspend on clinical services. This is an increase of £119k from the previous month

Adults, Health and Integration (£6.124m before the cyber attack and the Pay Award) primarily in the areas of Care Support Commissioning, Provided Services and Mental Health. There is an increase of £356k from last month.

Climate, Homes and Economy (£0.781m 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 (£0.195m underspend before the cyberattack and the Pay Award) There are overpends 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 £4.526m, 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 £17.5m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme's objective is to provide assistance on deficit recovery actions through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence from April 2023.

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

2.5 The financial position for services in February is shown in the table below.

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

Revised Budget	Service Area	Forecast Variance After reserves	Change in Variance from last month
		£k	**£k**
92,359	**Children and Education**	3,292	119
125,276	**Adults, Health and Integration**	6,124	356
27,382	**Climate, Homes & Economy**	781	69
20,813	**Finance & Corporate Resources**	(195)	(531)
15,376	**Chief Executive**	(658)	(85)
52,652	**General Finance Account**	0	0
	Sub Total	**9,344**	**(72)**
	One-Off Cyberattack Costs	**4,526**	(73)
	Pay Award	**9,522**	(175)
333,858	**GENERAL FUND TOTAL**	**23,392**	**(320)**

Table 2: Funding

	Forecast Variance Before Reserves
	£000
GENERAL FUND TOTAL	23,392
LESS CYBER SET ASIDE	-2,500
LESS CYBER RESERVE	-2,026
LESS SAVING FROM SEPTEMBER 2022 REDUCTION IN NI RATE	-500
LESS COST PRESSURES SET ASIDE	-1,000
LESS RESERVES PAY AWARD	-9,522
NET OVERSPEND	**7,844**

2.6 It should be noted that we are forecasting a significant but not full achievement of the 2022/23 budget savings and the vacancy factor savings. AH&I is reporting a residual shortfall of £100k and have built this into the forecast. 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.

2.7 The Department for Levelling Up, Housing and Communities (DLUHC) launched the UK Shared Prosperity Fund (UKSPF) on 13th April 2022. The UKSPF succeeds EU Structural and Investment funds (ESIF) in the UK. The fund is intended to reduce inequalities between communities, as part of the government's wider levelling up agenda.

2.8 The UKSPF funding will support a suite of projects designed to deliver against two Government funding priorities. In London, funding is being provided direct to London boroughs via the GLA to deliver on the following investment priorities:

(a) Communities and Place: Enable places to invest to restore their community spaces and relationships and create the foundations for economic development at the neighbourhood level.

(b) Supporting Local Businesses: Enable places to fund interventions that support local businesses to thrive, innovate and grow.

2.9 The Council developed various project proposals to deliver against these priorities and in October 2022, these were submitted to the GLA who are the accountable body for the UKSPF in London. These project proposals have been approved by the GLA in December 2022. A grant of £1,804,824 (£918k capital and £886k revenue) has then been offered to the Council in respect of these projects which we are now required to agree. We are also required to enter into a grant agreement with the GLA regarding the governance of the expenditure.

2.10 Five projects have been developed for the Communities and Place workstreams and a further five have been developed for the Supporting Local Businesses workstream. Further details in these are given in **Appendix 1**. Three of the projects include capital expenditure, two of which have additional match funding. Details are given in Appendix 1. The other project with a capital element - the Dalston streets and spaces programme - is fully funded by UKSPF funding. No match funding is included for this or any of the other remaining projects

Cost of Living Crisis

2.11 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.

2.12 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.

2.13 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.

2.14 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).

2.15 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.

2.16 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*

2.17 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 (primarily the £30 top-up scheme)*

2.18 Government awarded a total of £2.8m from October 2022 to March 2023. £200k of Household Support Fund has created a fund managed by Money Hub. The remaining £2.6m has been awarded as set out in the bullets below:

- **£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

The balance has gone into administration and management required to deliver a programme like this on time, on budget and with due diligence in place.

Continuation of the Household Support Fund was confirmed in the Autumn Statement and has developed an approach that builds on the one outlined above for April 2023 onwards.

2.19 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.

2.20 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- this was in advance of the Mayor of London announcing that the GLA would fund free school meals in all primary schools
- Money Hub support: topping up grant funding support for in home appliances and investing further in income maximisation officers
- Hardship support and preventative help for those who have no recourse to public funds.

2.21 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
- We have awarded small grants totalling £39,966.00 to 14 organisations to expand their offer and provide a warm space.

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

3. RECOMMENDATIONS

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

3.2 To agree to accept the £1,804,824 of UK Shared Prosperity Fund grant and to enter into a grant agreement with the Greater London Authority regarding the governance of the expenditure.

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to agree to the offer of UKSPF grant funding and enter into a grant agreement with the GLA to govern the expenditure.

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. It also includes a proposal to accept £1.8m of grant funding from the UKSPF. The alternative is not to accept this grant. This would mean missing out on this opportunity, and important Community and Place, and Supporting Business projects would either not go ahead as planned or go ahead at a reduced scale and/or require a reprioritisation of the capital programme.

6.0 BACKGROUND

6.1 Policy Context

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

In respect of the UKSPF proposal, equality impact assessments are carried out on individual projects and included in the relevant reports to the Capital Asset Steering Board (CASB), Cabinet or Cabinet Procurement & Insourcing Committee, as required. Such details are not repeated in this report.

6.3 **Sustainability and Climate Change**

As above.

6.4 **Consultations**

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

With regards to the UKSPF proposal, details of consultations for each individual project are as follows:

Dalston Square: The local community will be engaged at an early stage on design ideas for public realm and town centre improvements in Dalston and throughout the delivery of the projects including Gillett Square partners and occupiers and Dalston Square residents and businesses..

Hoxton Street Public Realm: The local community will be engaged at an early stage on design ideas for public realm and town centre improvements in Hoxton and throughout the delivery of the project.

Fairchild Gardens: Stakeholder Engagement has been completed as part of the design development stages. Future external communications will be to inform stakeholders of the construction dates.

6.5 **Risk Assessment**

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

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

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

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

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

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

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

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

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

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

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

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

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

8.6 The decision in paragraph 3.2 of this Report regarding the grant of £1,804,824 from the UK Shared Prosperity Fund is 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. Key decisions can be made by Cabinet under Article 13.6 of the Constitution and therefore this decision is being presented to Cabinet for approval.

8.7 In order to accept the UKSPF funding from the Department for Levelling Up, Housing & Communities, the Council will need to enter into a grant agreement with the GLA which will set out the terms of the grant. 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.

8.9 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)	3.292	119

9.1 **Children and Families Services** (CFS) are forecasting a £5.6m overspend after the costs of pay award and the cyberattack. As can be seen from the table above, this reduces to £3.3m once the impact of the pay award and cyberattack are removed. This is after the application of reserves totalling £5.2m and after the inclusion of the Social Care Grant allocation of £8.5m. The main driver for the movement of £0.1m in the forecast this month relates to backdated LAC incidental payments within the Family Intervention Support Services (FISS).

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. An 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 £2.8m 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 February by £0.1m to reflect increased placement costs for a small cohort of clients; 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 2023/24 financial year 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 £0.6m 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 £4.333m, 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 £5.4m, and this is partially offset by mitigating underspends of £2.2m. 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 £1.4m pressure. This is partly due to increased activity coupled with increased fuel prices and transport costs. Other areas of overspend are within Education Operations for the Tomlinson Centre (£0.3m) and Children’s Centre income collection

(£0.1m), and both overspends are mainly as a result of reduced usage for services post-pandemic. The forecast decreased in February by £0.6m to reflect some expenditure which will be met by grant income and a revision of staffing expenditure within the Early Years and the Schools Standards service areas.

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

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

9.9 A **Vacancy rate** 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 £17.5m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has recently been extended from 31 March 2023 to 31 March 2026 by Government. However, this continues to remain a long term risk for Hackney in the event there is no further funding provided by the Department for Education (DfE) to mitigate this balance. Hackney is included in Tranche 2 of the Delivering Better Value (in SEND) programme which aims to help local authorities maintain effective SEND services, however the programme aims to provide assistance on deficit recovery actions through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Senior officers have held an introductory meeting with representatives of the DfE in respect to the format and workstreams of the programme, with the detailed work due to commence from April 2023.

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 were identified at the start of the year and these are factored into the forecast when delivered. This financial year, the service have delivered £1.6m in cost avoidance through the review of residential placements; and a further £0.3m through the placement management business support review. 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 developed and implemented with the directorate have included:

- **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 continued this financial year. Monthly budget monitoring took 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 was routinely shared with SLT's during the course of the year to review trends and ensure that all expenditure was necessary.

- **Increased controls on filling vacancies. Current processes to review the need for filling vacancies continue**. Requests to recruit within Education were submitted via a business case and required 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 allowed for continual review of the establishment. Budget review meetings for key areas experiencing financial pressures such as Children in Need, DCS and Corporate Parenting reviewed staffing in detail on a regular basis with the Director, relevant Head of Service and finance leads.

- **Reduction in agency staff, for example, 20 per cent reduction on current level.** Options to incentivise agency workers moving to council employment with the potential for market supplements were implemented. 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 was reinforced and a tracking system put in place to ensure that agency staff were taking annual leave and working a standard day. Working with HR colleagues, a system to monitor compliance with this requirement will be implemented in the 2023/24 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)	6,124	356

10.1 Adult Social Care is forecasting an overspend of £7.7m after the pay award and cyberattack costs. As can be seen from the table above, this reduces to £6.1m after these costs are removed. £8.2m reserves and grants are applied and the inclusion of the Social Care Grant allocation of £8.5m.

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 £4.7m budget pressure against an overall budget of £47.5m. The position has moved adversely by £0.6m this month, attributable to a combination of growth in long term care service users coupled with increased complexity of care needs for existing service users (primarily Learning Disability support needs), 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 including their primary support reason, 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 £1.5m towards ensuring efficient discharge of people from hospital and a total of £10.6m towards funding care costs for service users with learning disabilities.

10.5 **Provided services** forecast reflects a favourable movement of £0.08m this month, attributable to a reduction in non essential expenditure and delays in recruitment to vacancies across the service. The overall position now reflects a £2.0m 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 £0.8m. 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 £0.8m is from the Oswald Street day centre which continues with a limited number of service users as a result of maintenance work needed to the ventilation at the premises.

10.6 **Mental Health** position reflects a favourable movement of £0.11m this month, primarily attributable to locum staff contracts ceasing and a reduction in non essential expenditure health. The overall position now reflects a £1.3m budget overspend, and is largely attributed to 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 **Preventative Services** position reflects an favourable movement of £0.07m, primarily attributable to a reduction in expected health staff recharges for the Integrated Independence service The overall position now reflects a budget overspend of £15k, primarily attributable to workforce pressures (including the pay award).

10.8 **Care Management and Adult Divisional Support** reflects an adverse movement of £0.06m this month, primarily attributable to workforce pressures. The overall position is a budget overspend of £9k.

10.9 **ASC commissioning** has moved favourably this month by £0.12m, as a result of delays in planned recruitment, and an increase in health funding for joint funded commissioning posts. The overall budget position now reflects a £0.33m 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, and as well as this the forecast includes the delivery of planned savings of £0.5m. During the Covid-19 pandemic Public Health activity increased significantly, specifically around helping to contain the outbreak in the local area, and this 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. The Hackney Mortuary position reflects an adverse movement of £0.06m this month, primarily attributable to an increase in the council's contribution for the coroner's costs.

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. 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. A review of actual spend on salaries reflects that £0.416m has been achieved against this target to date. This shows progress against the annual target of £0.453k so far - consequently the full year savings target is shown as on track at this stage in the year and will continue to be monitored closely by the AH&I Senior Management Team.

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 Mosaic 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. There is a potential risk that not all data has been loaded onto Mosaic at this stage, and the service is working to ensure that packages are loaded accurately.

10.15 Reforms related to the cost of care and care-market sustainability present a significant financial risk. The risk relates to the impact of changes to the cap on care costs changing (both an annual cap and a lifetime cap) and the ability of more people becoming eligible to seek support for care costs from the council. The financial size of this risk is being evaluated. The council has been allocated £948k of funding towards market sustainability in 2022/23 - most of which is being passed onto providers of care and some has been allocated to begin planning and preparations for charging reform. The Government originally proposed that the adult social care charging reforms would be implemented from October 2023. However, at the Autumn Statement 2022, delivered on 17 November 2022, the Chancellor announced that the reforms would be delayed for two years until October 2025, to allow Local authorities additional time to prepare for the rollout of these reforms. We continue to work through the announcements to understand the ongoing impact, including any 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. An inflationary strategy has been developed for the service for 2023-24 and will recognise the inflationary pressures faced by Providers with separate funding to move towards a fair cost of care.

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** 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 developed and implemented with the directorate have included:

- **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 remained in 2022/23. Monthly budget monitoring ensured that non-essential spend, primarily linked to training and office supplies, were monitored. Training budgets were brought into a single cost centre during the year, which ensured that there was 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 remained in 2022/23. In addition, work completed on the establishment list has provided clarity on roles and vacancies, which provide assurance that only established posts could be filled, except in exceptional circumstances as agreed by the director. This extended to posts in East London Foundation Trust (ELFT), where a post number had 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 created relationships with universities, 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 in the 2023/24 financial 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 has been 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	781	69

11.1 The directorate is forecasting an overspend of £4.4m after the pay award and the cyberattack costs. As can be seen from the table above, this reduces to £0.8m once these costs are removed. There has been no significant change since January, and the cost of the 2022/23 pay award is £3.5m, which has now been fully factored into the forecast. The directorate's main areas of underlying overspend are Environmental Operations, Streetscene, Planning, Community Safety, Enforcement and Building Regulation, and Parks & Green Spaces.

11.2 **Planning Services** are forecasting a £0.707m overspend, a £0.021m improvement over the January figure. After accounting for the pay award impact of £0.264m, there is an underlying overspend of £0.443m due to income shortfall. The primary source of income shortfall is Planning Application fee income, which has been steadily declining over the last three years. There is also a shortfall of £0.134m 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 £0.290m 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.

11.3 The income target for minor applications is still forecast not to be achieved. It should be noted that the cost of determination of minor applications is more than the income received as Local Authorities have not yet been afforded the option by the Government of setting their own fees. In practice, major applications help subsidise minor applications therefore the shortfall in new major applications detrimentally affects this cross-subsidy and worsens the financial position the improvement in PPA income performance augurs well for next year as these should translate into major applications.

11.4 **Community Safety, Enforcement and Business Regulation** is forecasting an overspend of £0.490m a decrease of £0.050m from the January forecast as a result of the review of budget lines. The pay award affects the variance by £0.299m. The underlying overspend is due to the ongoing need to deliver vacancy factor savings in the service, which is proving difficult in this critical front-line service. All enforcement teams are fully staffed, with maternity leave and long-term illness to cover. The Head of Service is continuing to review budget lines in order to identify opportunities to reduce overspend.

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

11.6 **Environmental Operations** anticipates an overspend of £2.544m, a £0.227m increase from the January forecast due to staff realignment as well as higher-than-expected vehicle maintenance and servicing costs. There is a £1.056m underlying overspend after accounting for the pay award impact of £1.211m for LBH employees and £0.277m for agency staff. The primary causes of the underlying overspend are a £0.562m shortfall in delivering the vacancy factor savings, the impact of non-budgeted activities that cannot be contained, and the inflationary impact across non-staffing budgets. 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 £0.255m overspend, which is an improvement of £0.100m from January's position. The overspend is mainly due to 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. The service has received additional funding, which has resulted in improved salary capitalisation. Although the likelihood is very 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.

11.9 **Leisure, Parks & Green Spaces** are forecasting a £0.426m overspend, which is no change on the January 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 £0.073m. The pay award is the driver behind the overspend, which equates to £0.111m. Without this, the area would be showing a slight underspend of £38k. Employment, Skills and Adult Learning 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 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 these. This includes reviewing all service areas to hold non essential spend. The outcomes have been reflected in the forecast..

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)	-195	-531

12.1 F&CR are currently forecasting an overspend of £5.565m after the pay award and cyberattack costs. As can be seen from the table above, this reduces to an underspend of £195k after these costs are removed. The forecast includes a reserve drawdown of £2.46m. This is a favourable movement of the £531k since February, excluding movements in the pay award costs, which have reduced by £135k. The cost of the pay award is £1.67m 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 £4.094m.

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.

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

12.3 **Financial Management and Control** 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).
- £50k 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).
- £100k relates to delays in the review of the Finance Support & Corporate Accountancy Structure (Cyber Pressure)
- £156k attributable to the allocation of the pay award in November.

12.4 **Strategic Property Services** are currently forecasting an overall overspend of £184k**,** no movement compared to last month. The overspend amount attributable to the pay award is £55k.

Commercial Property are forecasting an overspend of £282k 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 overspend also includes additional security services expenditure at Keltan House and Wally Foster Community Centre in order to prevent squatting alongside 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.

Corporate Property and Asset Management (CPAM) CPAM is forecasting an underspend of £84k. The overall underspend is due to the service holding vacant posts and a reduction in agency expenditure.

Fleet Management The Fleet Management service is forecasting an overspend of £134k. The cost of materials and labour for vehicle repairs has increased, impacting our fleet maintenance. Over the winter period there has been a significant increase in the number of repairs and maintenance required on our vehicles.

Property Strategy and Projects The Property Strategy and Projects team is forecasting an underspend of £111k. The overall underspend is due to the service holding vacant posts and an increase in planning viability fees income.

Education Property Education Property is forecasting an underspend of £37k. The overall underspend is due to the service holding vacant posts and a reduction in the estimated forecast for security services at one of our empty school sites.

12.5 **Housing Benefits** are currently forecasting an overspend of £1.270m**.** There is no change from the previous month's forecast. The agency staffing forecast is currently £1.85m, of which £580k can be absorbed by the underspend on permanent staff due to vacancies. The remaining £1.27m pressure is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery (initially 7,700 cases of under/ overpayment of benefits).

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 **Customer Services** are currently reporting an overspend of £296k. There is no movement on last month's forecast. The overspend relates to 1) 196k on application of the pay award in November 2) The need for additional staffing via agency.

12.8 **Revenues** are currently forecasting an overspend of £1.575m. This is a favourable movement of £156k on last month's forecast, and is as a result of additional GLA funding being awarded to support collection rates across council tax and NNDR. The £1.575m overspend is made up of the following:

- £0.25m 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 the cyberattack, which has significantly reduced legal action across the service. The expectation remains that legal action will not re-commence until, at the earliest, the start of the new financial year (23/24).
- £132k attributable to the application of the pay award in November.

The service has received new burdens funding to cover the additional costs incurred as a result of processing the energy rebate allocations across 2022/23. The initial tranche of funding has been received and factored into the forecast. There is a possibility that additional funding will be awarded which would reduce the forecast in the following month.

12.9 **Soft Facilities Management** are currently reporting an overspend of £87k after use of energy provision of £781k (utilities). There is no movement on last month's forecast.

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

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

12.12 Housing Needs are currently forecasting an overspend of £306k after a reserve drawdown of £551k. This is a favourable movement of £224k on last month's forecast. The remaining overspend comprises: 1) 271k relating to staffing pressures as a result of the pay award and 2) 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, which is offset by a reduction in the Temporary Accommodation (TA) rental expenditure forecast. Currently, there are higher levels of TA placements in hostels (less voids, access to more hostels), reducing the need for more costly accommodation (nightly paid, and private sector lettings). Alongside a reduction in supply of private rental lettings which has resulted in a further reduction in the temporary accommodation rental expenditure forecast this month.

12.13 **ICT** are currently forecasting to overspend by £1.4m after a reserve drawdown of £230k. This is a favourable movement of £284k compared to last month.

ICT Corporate are currently reporting an overspend of £1.3m after a drawdown from reserves. This is a favourable movement of £150k on last month, this is mainly due to a number of vacant posts as a result of the recent restructure. There has also been a reduction in planned expenditure on computer licences. The overspend is mainly due to £714k for Cyber projects and the ongoing AWS costs.

Financial Management Systems are currently reporting an underspend of £81k for 2022/23.

Hackney Education ICT are currently forecasting an overspend of £207k which is a favourable movement of £121k on last month, this is mainly due to the hard work of the team working with service users in identifying items which are no longer required as the service has been wound down alongside a reduction in computer hardware requirements. There was also an income received of £30k for ICT support to children centres which was not previously forecasted.

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. There is no movement on last month's 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. There is no movement on last month’s forecast. There is a possibility that additional rebates relating to 22/23 will be received which would increase the reserve contribution in the following month if confirmed.

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.
- 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 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	-658	-85

13.1 The Chief Executive's Directorate is forecasting an overspend of £67k, after the pay award costs. As can be seen from the table above, this becomes an underspend of £658k after the pay award is removed. The forecast includes the use of £2.2m of reserves. The cost of the 2022/23 pay award is forecast at £725K. The main reason for the underspend is due to vacancies in Legal, Governance and Election Services and an improved income forecast in Engagement Culture and Organisational Development.

13.2 **Libraries & Heritage** are forecasting a £0.231m 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 £0.049m 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 £0.064m but the forecast position before the impact of the 2022/23 pay award is £0.256m. 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:

(1) Not achieving budgeted income from our venues operations due to the impact of the cost of living crisis has abated somewhat. Our income target is £538K. Income received to the end of January is £780K, some of which relates to prepayments for future years and as the year progresses most income taken will relate to future years. The risk of non achievement of income will continue onto 2023/24.

(2) Not achieving the external income target of £500K in legal services. Income received to the end of January is £305K. 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 £3.7m, 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, £6.7m, is mainly due to increasing energy prices. 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 £396k, 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.

15.0 Capital

15.1 This is the third OFP Capital Programme monitoring report for the financial year 2022/23. The actual year to date capital expenditure for the eleven months April 2022 to February 2023 is **£70m** and the forecast is currently **£139.8m**, **£28.9m** below the revised budget of **£168.7m**. This represents a forecast of 57% of the approved budget of £244.3m set in February 2022 (Council's Budget Report). The main reasons for this variance are:

- construction industry inflation resulting in tender prices being above cost estimates and further work required on viability of schemes (e.g CCG Primary Care Project, Estate Regeneration & Housing Supply programme)
- the ongoing delay in the procurement of a main planned maintenance contractor for Housing Asset Management works.
- external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)

A summary of the forecast by the directorate is shown in the table below along with brief details of the reasons for the major variances. Officers are also undertaking a further line by line analysis of variances at project level.

Table 1 Summary

Capital Programme 2022/23	Budget Set at Feb Cab 2022		Budget Position at Feb 2023	Spend	Forecast	Variance (Under/Over)		New Bids	Updated Budget Position
	£'000		£'000	£'000	£'000	£'000		£'000	£'000
Chief Executive's	4,035		408	56	93	(315)		0	408
Adults, Health & Integration	30		0	0	0	0		0	0
Children & Education	14,862		16,388	7,817	15,739	(648)		0	16,388
Finance & Corporate Resources	28,668		21,666	8,650	12,873	(8,793)		0	21,666
Mixed Use Development	32,382		8,707	3,205	7,791	(916)		0	8,707
Climate, Homes & Economy	40,318		26,057	13,239	21,016	(5,041)		(175)	25,882
Total Non-Housing	**120,297**		**73,225**	**32,968**	**57,513**	**(15,713)**		**(175)**	**73,050**
AMP Housing Schemes HRA	43,886		42,689	20,254	40,214	(2,475)		0	42,689
Council Schemes GF	6,999		4,426	2,777	4,317	(108)		0	4,426
Private Sector Housing	2,164		1,210	899	1,057	(153)		0	1,210
Estate Regeneration	30,003		12,928	3,594	9,032	(3,896)		0	12,928
Housing Supply Programme	33,406		24,923	8,199	18,792	(6,131)		0	24,923
Woodberry Down Regeneration	7,595		9,294	1,295	8,897	(397)		0	9,294
Total Housing	**124,052**		**95,469**	**37,018**	**82,309**	**(13,160)**		**0**	**95,469**
Total Capital Budget	**244,349**		**168,695**	**69,985**	**139,822**	**(28,873)**		**(175)**	**168,520**

15.2 CHIEF EXECUTIVE'S

The current forecast for the overall Chief Executive's is £93k, £315k below the revised budget of £408k. Below is a brief update on the main variance:

CX Directorate Capital Forecast	Budget Set at Feb Cab 2022		Budget Position at Feb 2023	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Libraries and Archives	4,035		408	56	93	(315)
Total Non-Housing	**4,035**		**408**	**56**	**93**	**(315)**

Library Capital Works - The forecast is nil spend against the in-year respective budget of £152k. This forecast is the expected emergency capital works due in the Council's Library buildings in quarter 4. Any surplus budget will be utilised in the next financial year.

Stoke Newington Library - The forecast is £93k, £124k below the in-year budget of £217k. The expenditure this year will be consultancy fees. Any underspend at year end will go towards the next phase of the programme in 2023/24.

15.3 CHILDREN AND EDUCATION

The current forecast for the overall Children and Education is £15.8m, £0.6m below the revised budget of £16.4m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Feb 2023	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Children & Family Services	0	477	72	82	(394)
Education Asset Management Plan	4,095	2,547	1,197	1,914	(633)
Building Schools for the Future	38	91	29	82	(9)
Other Education & Children's Services	1,328	1,651	323	1,119	(532)
Primary School Programmes	6,368	8,393	4,495	9,742	1,349
Secondary School Programmes	3,033	3,228	1,701	2,800	(428)
TOTAL	**14,862**	**16,388**	**7,817**	**15,739**	**(648)**

Children and Family Services

The forecast for the overall Children and Family Services is £82k, £394k below the in-year budget of £477k. Below is a brief update on the main variance:

Shoreditch Play Adventure Project - The forecast is £18k, £327k below the in-year budget of £345k. The project is currently on hold due to issues with the original contractor. The Project manager is unable to go back out to procurement due to an ongoing legal dispute. The Project manager anticipates the project will resume in the next financial year.

Education Asset Management Plan

The forecast for the overall Education Asset Management Plan is £1.9m, £0.6m below the in-year respective budget of £2.5m. Most of the AMP programme works are near completion for this financial year. Below is a brief update on the main variance:

Shoreditch Park AMP (Art Block snagging, main roof and partial soft play) - The forecast is nil spend against the in-year respective budget of £121k. The scheme is complete so any underspend will cover any overspends in the overall programme at year end or offered up as savings.

Sir Thomas Abney AMP - The forecast is £151k, £344k below the in-year budget of £495k. The project has been delayed due to late submission of tender reports. The budget will be utilised in the next financial year for the on-going works.

Building Schools for the Future

There is no material variances to the budget.

Other Education & Children's Services

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

The Garden School (Expansion and Provision of Sixth Form (SEND) inc Roof and Pipework and asbestos) - The forecast is £22k, £418k below the in-year respective budget of £440k. The project is complete. The variance is due to a delay in the receipt and agreement of the final account proposed by the consultant and that of the contractor. It is unlikely that we will have an agreed position until the new financial year. Hence the variance.

Primary School Programmes

The forecast for the overall Primary School Programme is £9.7m, £1.3m above the in-year respective budget of £8.4m. Below is a brief update on the main variance:

Woodberry Down Children Centre - Relocation - The forecast is £4.9m, £2.4m above the in-year respective budget of £2.5m. But the Project Manager has confirmed that in fact it is likely that only £2.5m will be spent this financial year. On that basis the balance on the Purchase Order of £2.4m will be cancelled at year end and moved to the new year. The contractor is currently on site but the project is behind schedule due to materials found underground on site.

Colvestone Façade - The forecast is £0.6m, £0.2m below the in-year respective budget of £0.8m. Completion is scheduled for April 2023. The variation is as a result of the costs allocated to this project being less than originally anticipated because some of the works were transferred to AMP. The variance will support any underspends in the overall programme at year end.

Gayhurst Façade - The forecast is £0.5m, £0.5m below the in-year respective budget of £1m. This project is part of 'Batch 3 scheme works' and was delayed due to increased cost in the tender return. The variance will be moved to 2023/24 budget in line with revised programme of works.

Springfield Façade - The forecast is £0.4m, £0.1m below the in-year respective budget of £0.5m. This project is part of 'Batch 4 scheme works'. The variance is due to the Contractor's resourcing issues identified in quarter 3. Any surplus budget from this year will be moved to the 2023/24 budget to support the revised programme of works.

Secondary School Programmes

The forecast for the overall Secondary School Programme is £2.8m, £0.4m below the in-year respective budget of £3.2m. Below is a brief update on the main variances:

Lifecycle Early Failure Contingency budget - The forecast is £1.3m, £0.3m below the in-year respective budget of £1.6m. This budget is to cover reactive works across the overall programme. The spend forecast is based on the emergency and health and safety work expected to be completed by the end of quarter 4. The variance will either cover any identified overspends across the overall programme at year end or be carried over into 2023/24 to cover future works.

Haggerston School Lifecycle - The forecast is £0.8m, £0.1m below the in-year respective budget of £0.9m. The works have been scheduled to complete by the end of quarter 4. Any surplus budget from this year will be moved to the 2023/24 budget to support any future works.

15.4 FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £20.7m, £9.7m below the in-year respective budget of £30.4m. Below is a brief update on the main variances:

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Feb 2023	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Property Services	23,772	16,126	4,594	8,135	(7,991)
ICT	4,243	4,143	3,892	4,143	(0)
Other Schemes	654	1,398	163	596	(802)
Total	**28,668**	**21,666**	**8,650**	**12,873**	**(8,793)**
Mixed Use Development	32,382	8,707	3,205	7,791	(916)
TOTAL	**61,051**	**30,373**	**11,855**	**20,664**	**(9,709)**

Strategic Properties Services - Strategy & Projects

The forecast for the overall Strategic Properties Services is £8.1m, £8m below the in-year respective budget of £16.1m. Below is a brief update on the main variances:

Acquisition 2a Woodberry Grove (Temporary Accommodation) - This is the most significant variance in Strategic Properties Services. The forecast is nil spend against the in-year budget of £4.4m. The acquisition to purchase this hostel for temporary accommodation did not proceed. The vendor sold the property to another party.

Stoke Newington Assembly Hall - The forecast is £0.3m, £0.9m below the in-year budget of £1.2m. Phase 1 of the project is replacing the ceiling of the Assembly Hall but asbestos was discovered resulting in an additional quotation. There are £95k commitments for asbestos clearing work to the ceiling. There are also plans to design a new fire alarm, emergency lighting and internal fees. The remaining budget will be moved at year end to 2023/24 to support the continued works.

The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project - The forecast is £3.6m, £0.4m below the in-year respective budget of £4m. The project is currently in the construction phase. Belfast Road (new build) is scheduled to complete at the end of October 2023. The Portico (repair and refurbishment of existing Grade II listed building and new build extension) is scheduled to complete at the end of November 2023. Any variance from this year will be utilised in 2023/24.

Asbestos Surveys - The forecast is £30k, £506k below the in-year respective budget of £536k. This forecast reflects the number of surveys and emergency asbestos removal works expected for this quarter. Any surplus budget from this year will be utilised in 2023/24 to support the rolling programme of surveys.

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

Kings Hall Leisure Centre - The forecast is £0.5m, £0.3m above the in-year budget of £0.2m. This project is at the initial feasibility and design stage. The Design Team was appointed in October 2022 and the forecast this quarter covers consultancy costs. The Contractors will be appointed in 2023/24. Any overspend will therefore be funded from the 2023/24 budget.

ICT

There is no material variances to the budget.

Corporate Resources Other Schemes

The forecast for the overall Corporate Resources Other Schemes is £0.6m, £0.8m below the in-year respective budget of £1.4m. Below is a brief update on the main variances:

Solar Project (Commercial) - The forecast is £0.2m, £0.4m below the in-year respective budget of £0.6m. Solar installation is complete at Hackney Marshes Centre. Roof works are complete at Concorde Centre & Wrens Park Community Hall with electrical works remaining. Solar installation at a further four sites: Webb Estate Community Hall, Queensbridge Leisure, Gascoyne House and Rose Lipman Community Hall are planned for completion in 2023. Any surplus budget from this year will be utilised in 2023/24 to support the programme of installations.

As of the 15th of March 2023, the total solar PV generation on completed sites was 315.63 MWh which equates to 67.02 tCO_2e of carbon savings (from switch on dates).

Hackney Green Homes Programme - Phase 3 is now live. The forecast spend is £200k in 2023/24.

Mixed Use Developments

The forecast for the overall Mixed Use Developments is £7.8m, £0.9m below the in-year respective budget of £8.7m. This forecast largely relates to the Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

Tiger Way - The Nightingale Primary school is completed and occupied. All residential units have been sold and the development is fully occupied. The final account for the Design and Build element of the project remains in draft agreement as anticipated. The final account value includes adjustments for variations and value engineering.

Nile Street - New Regents College is completed and occupied. The review of the sales strategy has a forecast outlook of higher sales in the next financial year due to a report on the likelihood of a lower inflation rate which may affect the mortgage markets and interest rates. The final account for the Design and Build element of the project has been agreed.

Britannia Site - Phase 1a (new Leisure centre) remaining snagging items are being addressed with the retention to be paid in March 2023. Phase 1b (CoLASP) retention is mostly paid. Phase 2b (Residential Private & Social) is in the initial stages. The design and build contractor tenders received in

February 2023 are under final commercial evaluation and moderation. Construction is due to commence next financial year.

15.5 CLIMATE, HOMES & ECONOMY

The overall forecast in Climate, Homes & Economy is £21m, £5.1m under the revised budget of £26.1m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Feb 2023	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	22,934	12,659	5,949	8,159	(4,500)
Streetscene	12,765	10,130	4,726	8,978	(1,152)
Environmental Operations & Other	734	254	0	87	(167)
Public Realms TfL Funded Schemes	0	1,058	2,045	2,464	1,406
Parking & Market Schemes	308	70	0	0	(70)
Community Safety, Enforcement & Business Regulations	493	488	20	355	(132)
Area Regeneration	3,084	1,399	500	973	(425)
Total	**40,318**	**26,057**	**13,239**	**21,016**	**(5,041)**

Leisure, Parks and Green Spaces

The forecast for the overall Leisure, Parks and Green Spaces is £8.2m, £4.5m below the in-year respective budget of £12.7m. Below is the brief update on the main variances.

Essential Maintenance of Leisure Centres - The forecast is £0.3m, £1.7m below the in-year budget of £2m. This budget is to cover reactive works and repairs that may occur at any time in the Leisure Centres across the borough. The spend forecast is based on the work expected to be completed by the end of quarter 4. Any surplus budget from this year will be utilised in 2023/24.

Parks Strategy and Infrastructure - The forecast is £0.7m, £0.6m below the in-year budget of £1.3m. This budget is to cover both reactive and planned works in this quarter. The majority of work usually takes place in quarter 4 which is the quieter period of the year. The team are progressing with the upgrade of parks equipment and machinery but are still experiencing supplier issues resulting in an underspend this quarter.

Abney Park - The forecast is £2m, £1.8m below the in-year respective budget of £3.8m. As reported in the previous quarter the team have experienced delays due to unexpected additional underpinning works required to stabilise the Chapel and delays in supplies causing the variance. These underpinning works have commenced. The contractor has completed installing the windows and rooflights doors in the new building. The roofing membranes are being installed on the new building ready for the Bauder green/brown roof. The underfloor heating and floor screed is completed in the North Lodge and new building. Insulation has been installed to the exterior walls of the new buildings ready for the pre-cast concrete cladding panels to be installed. The new Chapel windows will be installed in March. The roofs have been installed on the new Chapel welfare units. The Church Street entrance gate and new railings are installed. The current expected completion date is the end of May 2023 for all other buildings apart from the Chapel which is expected to be completed at the end of June 2023.

West Reservoir Improvements - The forecast is £0.2m, £0.2m below the in-year budget of £0.4m. A Design Team has been appointed, and they have started producing initial designs. A Development Board has been established, which has met twice so far to review the designs. To allow for the consultation period the likely date for submitting a planning application will be autumn 2023. Overall the programme needs additional funding and will be progressed in 2023/24.

Streetscene

The forecast for the overall Streetscene is £8.9m, £1.2m below the in-year respective budget of £10.1m. The estimated underspend is largely due to new S106 schemes that will begin in the new year, as work can only be done once the developer's work is completed. Other schemes have been delayed due to lengthy consultations and the prioritisation of larger grant-funded schemes.

Environmental Operations & Other

The overall forecast for Environmental Operations & Other is nil spend against the in-year respective budget of £254k. This budget is the contingency budget held for the replacement of waste and fleet operating vehicles required during the year and as it stands there is not a call to use this causing the variance. Any underspend at year end will be reviewed and either be offered up as savings or carried forward to support future replacement plans.

Public Realms TfL Funded Schemes

The overall forecast for Public Realms TfL Funded Schemes is £2.5m, £1.4m above the in-year respective budget of £1.1m. The projected spending is based on work that is expected to be completed by the end of the fourth quarter. The allocation for 2022/23 was confirmed at the end of February due to TfL funding constraints. As a result, we were unable to complete the required budget realignments, leading to the variance. The grant allocation for 2022/23 will fully reimburse any excess spending this year.

Community Safety, Enforcement & Business Regulations

There is no material variances to the budget.

Area Regeneration

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

Hoxton Public Realm - The forecast is nil spend against the in-year respective budget of £232k. The project implementation date is pushed back to align with the UK Shared Prosperity Fund (UKSPF) timeframe, which is the Government's domestic replacement for the European Structural and Investment Programme (ESIF) which the UK continues to participate in until 2023. Additional funding will be added to the Hoxton public realm scheme via the UKSPF funding and also S106 receipts (subject to separate approval). The scheme is likely to be completed in the 2024/2025 financial year as it is required to be designed and subject to community engagement before it can start on site. Start on site is estimated for February 2024

15.6 HOUSING

The overall forecast in Housing is £82.3m, £13.2m below the revised budget of £95.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Feb 2023	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	43,886	42,689	20,254	40,214	(2,475)
Council Schemes GF	6,999	4,426	2,777	4,317	(108)
Private Sector Housing	2,164	1,210	899	1,057	(153)
Estate Regeneration	30,003	12,928	3,594	9,032	(3,896)
Housing Supply Programme	33,406	24,923	8,199	18,792	(6,131)
Woodberry Down Regeneration	7,595	9,294	1,295	8,897	(397)
Total Housing	**124,052**	**95,469**	**37,018**	**82,309**	**(13,160)**

AMP Housing Schemes HRA

The overall forecast is £40.2m, £2.5m below the in-year respective budget of £42.7m. Below is a brief update on the main variances:

Wates - HiPs North West - The forecast is £2.9m, £0.6m below the in-year budget of £3.5m. New discoveries have pushed forward works into next year so that they can be properly timetabled for completion that includes asbestos removals, water piping networks and connections.

Equans - HiPs Central - The forecast is £7.4m, £0.4m above the in year budget £7m. The costs continue to escalate at Seaton Point and Fermain

Court following the discovery of asbestos and window frames that are not fire compliant and so there are price increases.

Estate Lighting - The forecast is £0.0m, £0.1m below the in-year budget of £0.1m. A full programme will start next year following procurement of a new contractor.

Domestic Boiler Replacements - The forecast is £2.5m, £0.5m above the in-year budget of £2m. It is expected that a higher volume of replacements will result due to an increased programme of inspections this year.

Disabled Adaptation - The forecast is £1.7m, £0.2m above the in-year budget of £1.5m. There has been an increase in the volume of children’s adaptations and an increase in the team to manage down the back-log of assessments.

Health & Safety Major Replacements - The forecast is minimal spend against the in-year budget of £0.1m. Currently there are no major emergency works identified.

Community Halls - The forecast is £0.3m, £0.2m below the in-year budget of £0.5m. The programme has been pushed into next year due to the prioritisation of resources for the repairs on the housing stock.

Integrated Housing Management Systems - The forecast is £4.1m, £1.4m above the in-year budget of £2.7m. A contract extension has been granted to a consultancy that is providing additional staff to augment the Hackney ICT development teams working on the Modern Tools for Housing Programme.

Boiler House Major Works - The forecast is £0.3m, £0.1m above the in-year budget of £0.2m. The variance is due to emergency replacement works identified at Gooch House and Welshpool House.

Fire Risk Assessments - The forecast is £0.5m, £2.3m below the in-year budget of £2.8m. The fire safety works scheduled for Fellows Court are now on hold due to a review of the gas supply network by Cadent. The aim is to bring Fellows Court onto an overall ‘Front Entrance Doors’ contract also deferred to next year. The underspend will be carried forward at year-end as these works will start early in the new financial year.

High Value Repairs - The forecast is £2.4m, £0.3m below the in-year budget of £2.7m. The first half of the year witnessed a higher volume of repairs and a contingency was anticipated for the second half. The repairs have since steadied and the contingency is not expected to be used.

Capitalised Salaries - The forecast is £5.4m, £0.1m below the in-year budget of £5.5m. There are lower than anticipated recharges for interim consultants and agency leavers.

Lateral Mains - The forecast is £0.2m, £0.1m below the in-year budget of £0.3m. The newly appointed contractor has revised its number of tests to be completed each month.

Hardwire Smoke Alarms - The forecast is £0.05m, £0.1m below the in-year budget of £0.15m. A full programme is to be implemented next year following the procurement of a new contractor.

Commercial Properties - The forecast is £0.05m, £0.2m below the in-year budget of £0.3m. The programme has been revised following approval of a comprehensive schedule of works with funding starting next year.

Bridport - The forecast is £2.8m, £0.5m below the in-year respective budget of £3.3m. This year's spend has been revised downwards due to uncertainties in costing estimates for rotting timber, water ingress and re-levelling of windows. The costs of repairing further defects are continuing to emerge and the timeline for completion is estimated to be mid 2024/25. The total capital spend estimate is now £10.6m (of which contract sum of works is £8.25m).

Council Schemes GF

The forecast for the overall Council Schemes GF is £4.3m, £0.1m below the in year respective budget of £4.4m. Below is a brief update on the main variances:

Temporary accommodation void works - The forecast is £2.2m, £0.4m above the in year respective budget of £1.8m. The majority of the spend relates to voids on Regeneration sites that are to be used as Temporary Accommodation. The current estimate is 150 units at an average cost of £13k per unit. This number has increased since last quarter. These units are checked on an individual basis to ensure that the works are financially viable.

Hostels - Major Repairs - The forecast is £0.2m, £0.3m below the in year respective budget of £0.5m. Some previously forecast costs relating to fire safety are now not likely to be incurred until early 2023/24. The budget will therefore be utilised next financial year.

Purchase Leasehold Properties - The forecast is £1.9m, £0.2m below the in year respective budget of £2.1m. 3 Buybacks have completed to date with a further 2 forecast to complete before 31 March 2023. These will be part funded by either GLA grant or RTB subsidy and will form part of the Local Space agreement.

Private Sector Housing Schemes

The forecast for the overall Private Sector Housing Schemes is £1.1m, £0.1m below the in year respective budget of £1.2m. The spend forecast is based on applications for Disabled Facilities, General Repairs and Warmth and Security Grant received so far in the year and the works expected to complete in the last quarter of 2022/23. All of the spend is externally grant funded.

Estate Regeneration Programme (ERP)

The overall forecast for the Estate Regeneration Programme is £9.0m, £3.9m below the in year budget of £12.9m. Below is a brief update on the main variances:

Estate Renewal Implementation - The forecast is £2.9m, £1.7m below the in-year respective budget of £4.6m. The main reason for the variance to budget is due to a number of the Mayor of Hackney's Housing Challenge site payments now not likely to take place until early 2023/24. The budget will therefore be utilised next financial year.

Tower Court - The forecast is £1.8m, £0.3m below the in-year respective budget of £2.0m. The project is nearing completion. Final handover of the expected units is expected to take place in March 2023. Discussions are still ongoing about how to best utilise the commercial space moving forwards, but this will likely have cost and time implications. Spend allowance had previously been made for these works in 2022/23, but these are now unlikely to take place until next financial year.

Kings Crescent 3&4 - The forecast is £0.2m, £0.5m below the in-year respective budget of £0.7m. The project should be going into a cost optimisation period with the preferred contractor in March 2023, with a view to reducing costs and improving viability. The cost optimisation period has been delayed slightly and so no costs are expected to be incurred this financial year.

Marian Court - The forecast is £1.9m, £0.3m below the in-year respective budget of £2.2m. The project should be going into a cost optimisation period with the preferred contractor in Mar 2023, with a view to reducing costs and improving viability. The cost optimisation period has been delayed slightly and so no costs are expected to be incurred this financial year.

Nightingale Block E - The forecast is £0.1m, £0.2m below the in-year respective budget of £0.3m. The project should be going into a cost optimisation period with the preferred contractor in Mar 2023, with a view to reducing costs and improving viability. The cost optimisation period has been delayed slightly and so no costs are expected to be incurred this financial year.

Colville Phase 2C - The forecast is £1.1m, £0.4m below the in-year respective budget of £1.5m. A PCSA period commenced in Jan 2023 and is expected to last around 7 months.

Colville Phase 4 - The forecast is £0.4m, £0.4m below the in-year respective budget of £0.8m. 1 Buyback has completed during the year. This has reduced from the 2 buybacks forecasted last period and explains the reduction in spend this quarter. Buybacks will continue to complete in 2023/24.

Housing Supply Programme

The forecast for the overall Housing Supply Programme is £18.8m, £6.1m below the in-year respective budget of £24.9m.

Wimbourne Street and Buckland Street - The forecast is £13.8m, £6.0m below the in-year respective budget of £19.8m. The sites are now under contract and works are progressing. The estimated completion date is June 2024. The reduction in spend compared to budget is due to updated cash flow forecasts being received from the contractor, which show a lower level of spend than initially expected. Spend will accelerate as the project progresses and the budget will be utilised in future years.

Murray Grove - The forecast is £10k, £196k below the in-year respective budget of £206k. Options are being considered after the initial tender exercise resulted in bids significantly higher than expected. Minimal spend has been forecast this year as options are considered.

De Beauvoir Phase 2 - The forecast is £110k, £118k below the in-year respective budget of £228k. Planning submission expected in Spring 2023. The works are ongoing with the design team trying to find value engineering savings and look at delivery options. The variance in the period is due to a reduction in the forecast spend on architects and asbestos removal which will now take place during 2023/24.

Woodberry Down Regeneration

The forecast is £8.9m, £0.4m below the in-year respective budget of £9.3m. 8 Buybacks are now expected to complete this financial year, based on current activity levels and sales to date. Early indications suggest that there appears to have been a slow down in sales as Leaseholders stay put for longer due to the current uncertain financial climate and high mortgage rates.

Appendices

1. UKSPF- Further Information

Background documents

None.

Report Author	Russell Harvey, Senior Financial Control Officer Tel: 020 8356 2739 russell.harvey@hackney.gov.uk
Comments of the Group Director for Finance and Corporate Resources	Ian Williams, Group Director for Finance and Corporate Resources Tel: 020 8356 3003 ian.williams@hackney.gov.uk
Comments of the Director for Legal, Democratic and Electoral Services	Dawn Carter-McDonald, Director for Legal, Democratic and Electoral Services Tel: 0208 356 6234 dawn.carter-mcdonald@hackney.gov.uk