Title of Report	2023/24 Overall Financial Position - May 2023	
Key Decision No	FCR S201	
For Consideration By	Cabinet	
Meeting Date	24 July 2023	
Cabinet Member	Cllr Chapman, Cabinet Member for Finance	
Classification	Open Report and Appendices 2,4, and 5, and Exempt Appendices 1 and 3	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	30 July 2023	
Group Director	Ian Williams, Group Director of Finance and Corporate Services	

1. CABINET MEMBER'S INTRODUCTION

1.1 This is the first Overall Financial Position (OFP) report for 2023/24. It shows that as at May 2023, the Council is forecast to have an overspend of £10.396m on the General Fund.

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 (Environmental Operations); Children and Education (Corporate Parenting Looked after Children and Leaving Care and Access and Assessment); F&CR (staffing pressures in Revenues and Benefits and computing costs in ICT). Some legacy cyberattack costs were anticipated alongside pressures in social care and provided for in part in the 2023/24 Budget by the 'Demand pressures, cost pressures and the ongoing impact of Cyber' set aside.

1.3 We have clearly started the financial year in a very challenging position, and, as set out in paragraph 2.5 below, one which is not unique to Hackney. The Council must, of course, deal with its own position and the Corporate Leadership Team will be working on actions to mitigate and contain the forecast. It is also important that the Council works with its London colleagues to continue to make the case to the government on the inadequacy of current funding levels in the light of increasing demand for our services and the inflationary pressures which councils are under.

1.4 Despite the recent small reduction in inflation, and provision in the budget for increases in energy and fuel costs, it still impacts on the Council's services and 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 In this report we also recommend for approval the first tranche of budget proposals as we work towards closing the Medium Term Financial Plan (MTFP) Gap of an estimated £57m (mid-case scenario) for the 2024/25 to 2026/27 period. The specific proposals put forward this month relate to Parking income and maximising the commercial income from our estate - further details are set out in paragraph 2.11

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 £13.896m after the application of reserves but before the application of the set aside as provided for in the budget. The application of this reduces the overspend to £10.396m.

2.2 The main areas of overspend are: -

Children's and Education - £1.872m primarily in the areas of Corporate Parenting (i.e. looked after children placements), Looked After Children and Leaving Care, Disabled Children and Access and Assessment.

Adults, Health and Integration - £8,239m primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

Climate, Homes and Economy - £1,473m primarily in Environmental Operations with smaller overspends in Community Safety, Enforcement and Business Regulation, and Markets

F&CR - £2,465m in Benefits, Revenues and ICT. In Benefits and Revenues the primary cause of the overspend is £1.961m of costs associated with additional staff working on debt recovery, demand caused by the cost of living crisis and manual processes still required while automation software is restored. The primary cause of the £819k overspend in ICT relates to the costs of cloud computing, which is being reviewed and will be in part mitigated by work that has recently completed to exit the Council's legacy datacentre. There is also a much smaller one-off cost of £215k resulting from cyberattack systems recovery.

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 2023/24 is circa £17m, based on current forecasts this will increase to circa £21.7m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has 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, providing assistance on deficit recovery actions/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Discussions with Newton Europe/CIPFA, who are working on behalf of the Department of Education (DfE) and the development of a grant application to secure £1m through the SEND Developing Better Value (DBV) programme have continued in 2023/24. The process started in February 2023 and the grant application will include an action plan to spend the grant allocation towards targeted workstreams which may help to mitigate some elements of the high needs budget pressures which have contributed towards year on year overspends.

2.3 There is also likely to be further pressure as a result of the 2023/24 pay award.

2.4 Given the direction of travel of the forecast towards the end of 2022/23 the fact that we start the financial year with a considerable forecast overspend is not a surprise. It is also worth noting that this overspend, with the exception of the Chief Executive's directorate, is Council-wide.

2.5 While these pressures are not unique to Hackney, and indeed in areas such as homelessness other boroughs are reporting much more extensive pressures, we have to look to address our own position. There is a concern that if action is not taken the forecast overspend will increase as the year progresses. We need to address this as a leadership team.

2.6 We do not report to Cabinet again until September which gives some space for each Group Director to continue to work with the finance teams on actions to reduce spend and/or increase income. The requirement is for Group Directors to develop their own action plans for the end of July.

2.7 Some suggested actions are set out below, but this list is not exhaustive and Group Directors will know their own services and levers they have to pull:

(a) Review and target reduction of over-established staff in service areas where these exist and are not funded by grant or other means.
(b) Reduce staff costs by agency to permanent.
(c) Identify initiatives which can be stopped or delayed.
(d) Review all income budget lines, are budgets likely to be exceeded and can this be factored into the forecast?
(e) Are there increases in fees and charges that can be brought forward early?
(f) Review all non-staffing spend lines and identify areas where spend can be minimised.

2.8 The financial position for services in May is shown in the table below.

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

Revised Budget £000	Service Area	Forecast Variance Before Reserves £000	Appropriation to Reserves £000	Reserves Usage £000	Forecast Variance After Reserves £000
		£k	£k	£k	£k
94,516	Children and Education	5,377	45	-3,550	1,872
127,434	Adults, Health and Integration	12,178	160	-4,099	8,239
31,438	Climate, Homes & Economy	3,141	10	-1,678	1,473
23,260	Finance & Corporate Resources	4,261	0	-1,796	2,465
15,126	Chief Executive	281	0	-434	-153
63,661	General Finance Account	0	0	0	0
355,435	**SUB TOTAL**	**25,238**	**215**	**-11,557**	**13,896**
	Less the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber				**-3,500**
	GENERAL FUND TOTAL	**25,238**	**215**	**-11,557**	**10,396**

2.9 It should be noted that we are forecasting a significant but not full achievement of the 2023/24 budgeted savings. Climate, Homes and Economy (CHE) is on target to achieve £2,308m of its £2.658m savings plans - the Hackney Commercial Services company savings of £0.350m is being forecast not to be achieved this year (full details are given in the CHE narrative below).

2.10 We are also on course to achieving a significant proportion of the 2023/24 vacancy savings. The CHE vacancy factor savings is not being achieved in two of the directorate services, Environmental Operations and Community Safety, Enforcement and Business Regulation. The total of non delivery is £753K. The Heads of Service are reviewing services and budget lines to mitigate the impact of this non delivery.

2.11 **Closing the Budget Gap 2024-25**

The MTFP sets out the estimated budget gaps over the period 2024-25 to 2026-27, i.e.

Year	2024/25 £m	2025/26 £m	2026/27 £m
Medium Case	22.162	39.692	57.583

There are two proposals to increase budgeted income in 2024-25 to 2026-27 which will reduce the budget gap by a total of £3.55m in 2024-25 and by £4.8m over the three years. These relate to Estate Work and Parking, and are described below

Proposed Savings 2024-25 to 2026-27

Service	Savings 2024-25 £000	Savings 2025-26 £000	Savings 2026-27 £000	Total Savings (Cumulative) £000
Parking The savings will be delivered through increased income arising from the continuing implementation of the Parking Enforcement Plan and including sustainable income achieved over the last couple of years.	2.50	0.40	0.40	3.30
Estates work This work incorporates a range of activities aimed at maximising the financial contribution from our commercial estate; ensuring the efficient and effective operation and maintenance of our corporate buildings (incorporating the implementation of a Corporate Landlord model and a review of our assets generally including the sustainability of assets in the VCS portfolio). The savings set out for approval relate to increased income from commercial lettings. It is anticipated that further financial opportunities will arise as the other work progresses.	1.05	0.45	0.00	1.50
Total	**3.55**	**0.85**	**0.40**	**4.80**

Purchase of temporary accommodation (per the additional details set out in Exempt Appendix 1)

2.12 The levels of homelessness in Hackney are increasing rapidly, with the number of approaches from single persons in October 2021/22 up by 19% when compared to the same period in 2018-19. Consequently, expenditure on temporary accommodation is rising, from £7.38m in 2017/18, £9.37m in 2018/19, £10.13m in 2019/20, £12.7m in 2020/21 and £13.8m in 2021/22 inclusive of running costs.

2.13 Despite the fact that Hackney has the largest temporary accommodation hostel stock in London (the most affordable type of temporary accommodation) it is inadequate to meet the level of demand and it has become increasingly necessary to offer accommodation outside the borough. In September 2014 293 households were placed outside the borough; by January 2022 this figure had risen to 1,100.

2.14 For the Council, securing the supply of suitable temporary accommodation and the supply of affordable housing in the borough is a priority and we are now in a position where there is a rare opportunity to purchase a residential block of two and three bedroom flats at the property detailed in **Exempt Appendix 1** which will support the provision of temporary accommodation within the borough for families. This is part of our wider and sustained work to improve the quality and range of temporary accommodation in the borough. This proposal will be cost effective by reducing the need to use more expensive alternatives and most importantly will benefit some of the most vulnerable families in the borough who already face homelessness or may in the future end up needing this accommodation.

2.15 The Benefits and Housing Needs Service has been working closely with Strategic Property Services and Housing Strategy to make sure that the Council makes the most of the Department for Levelling Up, Housing and Communities' ("DLUHC") Local Authority Housing Fund (LAHF) programme. Round 2 of this programme (LAHF 2) involves direct allocations from DLUHC to 230 Local authorities from a fund of £250M. Hackney's indicative share is £2.6M to include a minimum of 1 home for resettlement of Afghan refugees and 9 temporary accommodation units. The funding equates to £240,000 per unit + £20,000 per unit towards cost of purchase and any refurbishment works. Once awarded, the work supported by the grant funding needs to be delivered by March 2024. It is therefore critical to identify opportunities that can be delivered rapidly.

2.16 The negotiation to potentially purchase the property, led by Strategic Property Services, is ongoing (at the time of preparing this paper). A budget has been agreed with the Group Director, Finance and Corporate Resources. In addition to the purchase price the transaction will be subject to Stamp Duty (SDLT). The legal work and condition survey will be undertaken by Legal Services and Benefits and Housing Needs' building surveyor respectively. Further details can be found in Temporary Accommodation - **Exempt Appendix 1.**

2.17 The proposal to purchase the property has been assessed by Finance who have conducted a financial appraisal over a 30-year period, using a 5% discount rate. Based on their analysis, the following conclusions have been drawn:

(a) If the LAHF 2 grant bid is successful, they recommend proceeding with the project.

(b) However, if we are unable to secure the grant, the Council can still proceed with the project by assuming that we will sell the asset at the end of the 30 years while maintaining its real-term value.

(c) The proposal offers a more cost-effective solution compared to alternative options such as nightly rentals or spot purchases, resulting in cost avoidance

Agreement for Lease of Springfield Hydrotherapy Pool

2.18 A Hydrotherapy Pool was added to the Springfield Adventure Playground approximately 15 years ago and operated by the current Lessees (KIDS) until about ten years ago when they found it was costing too much to run and the Pool was mothballed. It is currently used as storage space and needs a capital injection to make it usable as a Hydrotherapy Pool again.

2.19 In 2021 the Council was approached by an organisation known as Step by Step Kids (SBSK) who are a charity that provides facilities for children with special needs and have asked if they could reinstate the Hydrotherapy Pool for the use of children requiring treatment where a Hydrotherapy Pool can assist. SBSK is an Orthodox Jewish Charity and part of the agreement for granting them a lease is that they will make the pool equally available to all children in need.

2.20 The Pool now needs a substantial amount of money to bring it, and the building housing it, back to a fit for purpose condition and make it available to those in need of its therapy in the community. It will need to be removed from the Springfield Adventure Playground lease, which the current lessees and operators KIDS, are keen to support; and it will need a separate entrance to be provided and a car park created behind the Adventure Playground car park. Planning consent has been obtained by SBSK for the new vehicular access leading to a rear car park, as shown on the plan attached, and for alterations to the Hydrotherapy Pool building, subject to detailed plans being approved, to provide a new entrance and additional facilities.

2.21 This report seeks approval to grant an Agreement for Lease to SBSK, which will allow for the construction of a new access, car park and improvement works to the building. This will lead to a grant of a 15 year lease but this will only become operational when the required works to the pool have been satisfactorily completed. The rent will be reviewed to RPI (Retail Price Index) at the end of each financial year, and the initial rent will be £2,500.00 p.a. Providing SBSK with a 15 year lease assists them to raise grant aided funds to cover the resources required for the management of the Pool and to write off the initial costs for works to reinstate the facility

2.22 SBSK will be responsible for all repairs to the property and all existing rates, taxes, utility bills and costs and all other outgoings for the property.

2.23 This lease disposal recommendation aligns with the strategic plans of the Council and the priorities of the Mayor, particularly with regard to prioritising children's safety, investing in their mental health and well-being, providing access to exceptional play, culture, and sports facilities, addressing child poverty, and supporting families in need.

2.24 There is a risk that SBSK does not raise sufficient funds to complete the agreed work and the Council is left with a partly completed project. Whilst the lease will not be entered into the Council may be put in a position to either complete the work or have a partly completed pool mothballed once again. This risk can be mitigated by having SBSK provide proof of the availability of the funding for the whole project and the project management ability to deliver the project on time and within budget as a precondition of allowing them to start on site. In addition SBSK will need to provide a detailed operational plan for the long term management of the Hydrotherapy Pool.

Agreement for Lease of 2 Hillman Street, London E8 1BN

2.25 2 Hillman Street is a single let office building in the General Fund let to the Department for Work and Pensions (DWP) at a rent of £711,000pa. The lease was due to expire 21st January 2026, however the DWP submitted a break notice, permitted under the terms of their present lease, to terminate the lease on 21st January 2024. The building is currently operated as a Job Centre Plus. This is a suitable use for a property located on the Council's civic campus, and as a government department the DWP provides a strong financial covenant.

2.26 Should the DWP leave the premises following expiry of the break notice in January 2024, this would mean a major liability in the General Fund due to the loss of rent, as well as substantial void costs being incurred. It would also mean that the Council will have another large office building vacant in Hackney Central (in addition to Christopher Addison House and 17 Sylvester Road, which are to be marketed for commercial lettings).

2.27 Since the break notice was served, DWP's agents, Cushman & Wakefield (C&W), confirmed that many of the DWP's JobCentre Plus operations were being reviewed site by site, and that 2 Hillman Street, as well as a non-council owned building on Mare Street, were part of this review. C&W suggested that the DWP's preference was to remain at 2 Hillman Street and they were willing to negotiate terms. We have now had confirmation from C&W that the DWP would be willing to agree to a new lease, the details of which are listed in **Appendix 5.**

2.28 The terms that have been negotiated are essentially an extension of the current lease and are a strong outcome for the Council as the new letting will avoid the financial impact noted at 2.26 and ensure a key partner organisation remains in the building, providing a strong covenant and with an appropriate use for a building on the Council's campus.

Cost of Living Crisis

2.29 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.

2.30 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.

2.31 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.

2.32 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 £475k of Household Support Fund monies (see below for detail on the Housing Support Fund).

2.33 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:

- Over 5,600 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 £621k of discretionary funds, and delivered £718k worth of increased incomes through benefits uptake work, mainly through the CTRS, Housing Benefit, Universal Credit and Pension Credit. The team is now focusing on outbound campaigns helping residents who are missing out on State Retirement Pension and CTRS.

- 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. We will be continuing to monitor the Return on Investment and we expect that this will rise further.

2.34 On funding distributed from the various funds, we have made the following payments since the start of the 2023/24 financial year:

- *CTRS Discretionary Hardship Scheme -* Payments to date have been limited because we are working carefully to determine how we can use it to incentivise behaviour change, rather than just partially clearing very significant arrears for a small handful of residents. We have absolutely no doubts though, that we will spend the budget allocation of £100,000 - but it is right to be cautious at the start of the financial year."

- *Discretionary Housing Payments - £56k paid out*

- *Hackney Discretionary Crisis Support Scheme - £62k paid out*

2.35 Government has awarded a total of £5.6m of Household Support Funding from April 2023 to March 2024. The focus remains on emergency support although there is now some ability to fund:

<u>Children and families 0-19</u>

Total allocation: £3,099,000

Rationale:

- An estimated 32,786 (48%) children in Hackney are living in poverty (on households incomes of £14,000) after housing costs are deducted.
- An estimated 49% of children in poverty live in families where the youngest child is aged 4 or under (total population estimated 20,000)
- There are an estimated 25,000 people in the Orthodox Jewish community and 11,000 (44%) are under 14 and 6,600 (60%) live in households in receipt of benefits, although a very low number claim free school meals even in maintained schools (1% compared with 32% overall).

Vulnerable people known to the Council

Total allocation: £814,900

Rationale:
There are groups of people identified in the Poverty Reduction Framework and analysis of risks and needs who the Council is able to reach directly. These groups include: residents in temporary and supported accommodation (TA/SA),disabled adults and their unpaid carers, foster carers and special guardians, children in need.

Breaking down the barriers to reach a wider group of vulnerable residents who are at risk of poverty
Total allocation: £1,019,946

There are a wide range of groups identified in the Poverty Reduction Framework and analysis of risks who we need to reach, and, in some cases, they face multiple barriers to accessing help, such as learning disability or language needs, or they would not access help from the Council because of stigma or lack of trust in statutory services.

We need to ensure that a mixed economy approach is taken so we can maximise reach into diverse communities. This means that a range of routes are being employed to reach residents with a financial help offer, as outlined below:

> **Money Hub £450,946** Government requires us to maintain an open application route to local HSF spend - we are delivering this through Money Hub. This is being spent on food and fuel vouchers to residents in need - 12% of those who have received a voucher have also increased their benefits income through support from the Money Hub.
>
> **Trusted referral partners £241,000 -** The **direct referral route for frontline workers from across sectors enables us** to reach residents in need who are least likely to contact a Council helpline, and offer timely support.
>
> **Hackney Giving £82,500-** Grant funding community organisations who are set up to deliver financial help to residents enables us to tap into the community reach that grassroots organisations have and offer timely support on the ground.
>
> **Community infrastructure organisations £75,000**
> Grant funding community organisations who will be able to deliver food/fuel help as well as advice to the community.
>
> **Citizens Advice £30,000 -**Citizens advice will deliver help with fuel costs through the scheme they have already been running in HSF 2

and HSF 3. Residents will be able to top up their metres with a voucher or get a cash alternative if not using a metre.

Foodbanks and low cost shops £140,000

This leaves a balance of £501,100 to top up any of the above, depending on take up and need. We are also ensuring 6% toward administration, management, grant management and monitoring, as this is becoming more difficult to sustain across Here to Help (Income Maximisation) and the Policy and Strategic Delivery Teams.

2.36 Our November 2022 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 In summary resources will support:

- £300k - Tackling child poverty in schools: A task group **has reviewed 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 in a financially sustainable way to a wider group of children and look at models that reduce unit cost, improve quality, but do not simply rely upon Councils picking up the funding. The announcement that the Mayor of London will be funding universal free school meals for the 2023/24 academic year in primary schools is welcomed and we are taking on board the implications and opportunities for local work to complement this, drawing on the £300k injection of funding.

- 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- this £100k scheme will be launched in July.

2.37 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. For example:

- We worked in partnership with Food Hubs to bring in £170k over three years and are now supporting further fundraising to make the best use of surplus food

3. RECOMMENDATIONS

3.1 To agree to the purchase of the property detailed in Exempt Appendix 1 - Temporary Accommodation

3.2 To delegate authority to the Group Director of Finance and Corporate Resources to settle all the commercial terms of the transaction.

3.3 To pay the stamp duty (SDLT) due on the purchase.

3.4 To authorise the Director of Legal, Democratic and Electoral Services to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation as required.

3.5 To agree the Estate Management savings proposal at 2.11 above

3.6 To agree the Parking Income proposal at 2.11 above

3.7 To approve the granting of an Agreement for Lease to SBSK to allow for the works to be completed at Springfield Hydrotherapy Pool leading to the grant of a 15 year lease, at an initial rent of £2,500.00 p.a. subject to an RPI rent review on the 1st April each year.

3.8 To delegate to the Group Director of Finance and Corporate Resources and the Director of Strategic Property Services authority to determine the most cost effective options in terms of disposing of the lease in ways that represent best value on the part of the Council.

3.9 To delegate authority to the Director of Legal, Democratic and Electoral Services to negotiate, sign, settle and complete the contracts and all other relevant and ancillary legal documents arising thereto on behalf of the Council.

3.10 To approve the granting of an Agreement for Lease in respect of 2 Hillman Street, to DWP with the proposed rent free and break clauses to allow continuity of occupation of the building from January 2024.

3.11 To approve the grant of a 10 year lease, at an initial rent of £711,000pa subject to a rent review on the 5th anniversary of the term.

3.12 To delegate to the Group Director of Finance and Corporate Resources and the Director of Strategic Property Services authority to agree to the lease and ensure that it represents best consideration.

3.13 To delegate authority to the Director of Legal, Democratic and Electoral Services to complete the lease and all other relevant and ancillary legal documents arising thereto on behalf of the Council.

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

4. REASONS FOR DECISION

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

4.2 As outlined within the report, there is a significant need to expand the stock of social housing in Hackney and retain as well as increase the provision of temporary accommodation. The Council has a statutory duty to provide interim temporary accommodation to homeless households and it is currently meeting this statutory duty in part by using expensive nightly let and/or spot purchased accommodation. The acquisition of the property detailed in **Exempt Appendix 1** increases the provision of this vital accommodation thereby reducing the need to use these more expensive forms of alternative accommodation.

4.3 With regard to the Springfield proposal, the Hydrotherapy Pool has not been in use for nearly 10 years and this is an opportunity to bring it back into use for the benefit of the Borough. The Pool needs a great deal of money spent on it which SBSK is currently in the process of raising.

4.4 SBSK have confirmed that they will make the Hydrotherapy Pool available to all residents of Hackney who have a need for the benefits that such a Pool can provide. This will meet the Council’s requirement for proportionality and respect for human rights under Article 13 of the Constitution.

4.5 On the 2 Hillman Street proposal, DWP has served a break notice ending their present lease in January 2024. DWP requires a timely decision from the Council as to whether they will permit the granting of a 10 year lease under the terms noted in Appendix 5 or they will look to relocate to another privately owned building.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

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

5.2 With regards to the property proposal detailed in **Exempt Appendix 1**, the Benefits and Housing Needs Service is facing a shortage in the supply of Council owned and / or leased accommodation for use as emergency / temporary accommodation, especially within the borough. This has resulted in the increased use of expensive nightly paid accommodation, plus the increasing use of out of borough accommodation. Purchasing the block of flats will be less expensive than the alternatives, which are likely to be largely out of the borough; and allow more residents to be offered temporary accommodation in the borough.

5.3 With regards to the Springfield proposal, the do nothing option will mean that responsibility for the Hydrotherapy Pool stays within the Adventure Playground lessees who have no funds to bring it back into use and its deterioration will continue, and cost of repair will continue to escalate. The offer from SBSK is currently the only offer to bring the Pool back into use.

5.4 On the DWP proposal, the Council could consider rejecting this proposal, taking the property back in January 2024, and then marketing the building openly. The DWP would have to relocate to another privately owned building within Hackney. This option has been rejected because the cost of security, business rates and other ancillary costs, excluding marketing costs and re-letting incentives, is estimated at £585,280 per annum. A typical void period of a building of this type and location is estimated at 18-24 months, but the loss of rent could extend much further depending on the rent free negotiated by the incoming tenant.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of May 2023. Full Council agreed the 2023/24 budget on 1st March 2023. It also includes a proposal to increase the housing stock available for temporary accommodation and reduce the costs of provision

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.

With regards to the property proposal detailed at Exempt Appendix 1, there are no adverse equalities impact arising from the purchase of the property for temporary accommodation. By acquiring the property and retaining it in our hostel portfolio we increase the housing opportunities that the Council can provide and consequently the number of people who could benefit.

With regards to the Springfield proposal, a clause will be inserted into the lease to require SBSK to make the services provided at the Hydrotherapy Pool available to all sections of the community.

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 property proposal at Exempt Appendix 1, the Mayor, Cabinet Member for Finance, Deputy Cabinet Member for housing needs and homelessness, and the relevant Service and Finance Directors and Heads of Finance have been consulted.

On the Springfield proposed lease, the Mayor, Cabinet Member for Finance, and the relevant Service and Finance Directors and Heads of Finance have been consulted. Also, consultations have been held with Springfield Adventure Playground as lessees and they are very supportive of the Pool being brought back into positive use and to have the responsibility of the building and pool transferred to a party who will invest in the property.

With regards to the proposed 2 Hillman Street lease, the Mayor, Legal Services and Finance Directors and Heads of Finance have been consulted.

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 With regard to the property proposal detailed at Exempt Appendix 1 - Temporary Accommodation - the acquisition and disposal of land is a matter reserved to the Council's Cabinet, and the Mayor pursuant to the Mayor's Scheme of Delegation. S120 of the Local Government Act 1972 enables the Council to acquire by agreement any land for the purposes of discharging any of the Council's functions or for the benefit, improvement or development of its area. The Council may exercise this power whether or not the land purchased by agreement is immediately required for the intended purpose and the Council may use the purchased land in the interim for the purpose of discharging any of its other functions. Section 9(1) of the Housing Act 1985 permits the Council to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them or acquiring houses. Under Section 1 of the Localism Act 2011, the general power of competence, the Council has power to do anything that individuals with full capacity generally may do.

8.7 With regard to the Springfield proposal, the grant of a lease is pursuant to the Hackney Mayoral Scheme of Delegation and is reserved to the Mayor and Cabinet. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less.

8.8 Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General

Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. A grant of a long lease is defined as a disposal within the Local Government Act 1972.

8.9 The proposed disposal complies with the regulatory requirements as to grant of a long lease and the improvements to the well being of the community in general have been clearly discussed throughout the report. There is no legal reason to impede the grant of the Agreement for Lease and then subsequent to compliance of the terms in that agreement, the 15 year Lease.

8.10 In respect of 2 Hillman Street, the grant of a lease is pursuant to the Hackney Mayoral Scheme of Delegation and is reserved to the Mayor and Cabinet. Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. However, the General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less.

8.11 Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. Furthermore, the General Consent Order 2003 specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act. A grant of a long lease is defined as a disposal within the Local Government Act 1972.

8.12 The proposed disposal complies with the regulatory requirements as to grant of a lease as have been clearly discussed throughout the report. There is no legal reason to impede the grant of the Agreement for Lease and then subsequent to compliance of the terms in that agreement, the 10 year Lease.

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

9.0 COMMENTS OF THE STRATEGIC DIRECTOR OF PROPERTY SERVICES

9.1 The proposed purchase of the property detailed in Exempt Appendix 1 increases the stock of temporary accommodation where the Council has direct freehold control, presenting an opportunity to increase supply of the best value form of temporary accommodation. Making use of grant monies available from DLUHC for this purchase strengthens the viability for the Council.

9.2 Although it often seems that property values can only go up it must be noted that the market is entering into a cycle of increased uncertainty with interest rate increases starting to dampen values. This purchase today is viable, especially so with the benefit of the DLUHC funding. However in the medium term the value may fall although over the long term without a significant increase in supply the Hackney experience of increasing residential property prices is likely to remain. It must also be noted of course that the Council's need for these temporary accommodation units is unlikely to diminish and the likelihood of the Council selling the property in the medium or long term is very small.

9.3 The aim of the Springfield proposal, is to use the Council's land interest to support SBSK in their endeavours to restore a rare and desirable facility to the use of local communities after years of redundancy. This is an outcome that the Council is pleased to support. As landlord, the Council has a responsibility to ensure that the parties can and will deliver the facilities in full, and to that end SBSK will be required to prove that they have the necessary funding, plans and project management capacity to deliver in full before being granted construction access to the site. Thereafter, the use of an Agreement for Lease arrangement allows the Council to withhold the lease until the agreed works have been completed.

9.4 With regards to the 2 Hillman Street proposal, the DWP has been the tenant of this asset since January 2021. The letting has been a success, with the rent paid promptly and the tenant cooperating with the Council's management of the campus. The DWP is also working closely with the Council's Employment and Skills team, as hoped and building upon a Memorandum of Understanding agreed at the time the original letting was agreed.

9.5 The terms that have been negotiated for what is almost in practice an extension of the current lease are a strong outcome for the Council. The new letting will ensure a key partner organisation remains in the building, providing a strong covenant and with an appropriate use for a building on the Council's campus. The terms agreed are in line with commercial property market expectations, and I am satisfied that the letting represents best consideration for the purposes of section 123 of the Local Government Act 1972.

10. CHILDREN AND EDUCATION

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
94.516	Children and Education	1.872

10.1 As has been the practice since the grant was announced in 2019/20, the Social Care Grant for both children's and adult social care has been split equally across both services. In 2023/24 the grant was increased by a further £1.5bn nationally, Hackney's allocation is a total of £26.7m this year, which represents a £9.7m increase from 2022/23. Except for a specific Independent Living Fund element of £0.7m which has been allocated to Adult Social Care the remaining £26m has equally shared between Children's Services and Adult Social Care.

10.2 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1m and the main areas of budget pressure in Children and Families Services (CFS) continue to be in Corporate Parenting, Looked after Children (LAC) and Disabled Children Services. In 2023/24 corporate savings of £500k have been agreed with a further £500k to be delivered in 2024/25. The service is working towards implementing proposed changes to the structure from October 2023 via a review of services that will achieve the following:

- Provide best outcomes for children and families
- Enhance the development of the service
- Protect front line practice
- Simplify and provide clearer management oversight
- Creating career development opportunities for staff
- Ensure service resilience and meet business continuity requirements
- Provide cost savings

10.3 A significant area of pressure in CFS continues to be in **Corporate Parenting** which is forecast to overspend by £0.4m after the use of £1.2m commissioning reserves. Since 2019/20, we have monitored unit costs in different placements types and have seen them significantly increase during this period. This is illustrated in the table below.

	LAC Residential Average		Independent Fostering Average		LAC Semi Independent Average		LC Semi Independent Average	
Unit Costs	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**	**Per Week**	**No. of Young People**
2019-20	£3,725	32	£967	143	£1,211	41	£390	104
2020-21	£3,979	35	£987	126	£1,309	36	£529	103
2021-22	£5,399	35	£1,080	131	£1,667	40	£515	166
2022-23	£6,346	30	£1,241	114	£1,996	35	£558	162
% increase over 4 year period	**70%**		**28%**		**65%**		**43%**	

10.5 The increase in unit costs has been coupled with a change in the profile of placements linked to the complexity of care for children and young people coming into the service. For example children with very complex mental health needs, which can carry a constant risk of self harm and require round the clock supervision. In addition restricted supply nationally coupled with higher demand results in an extremely competitive market for placements, which drives up costs. At the start of 2023/24 we saw a reduction in residential placements, however placement costs are increasing in residential care and semi-independent placements due to care providers being faced with the challenges of rising inflation linked to the cost of living crisis. We are expecting further young people to be stepped down from residential placements during the first half of this financial year and this will be reflected in the forecast as this progresses.

10.6 **Looked After Children & Leaving Care Services** are expected to overspend by £0.4m, and this relates to an increase in placement costs and some staffing costs pressures linked to additional posts and agency staff usage to respond to increasing demands in the service.

10.7 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.3m primarily related to increased staffing costs from over established staff and agency. The Workforce Development Board has a rolling Social Worker recruitment process which should address the agency premium costs, providing successful permanent appointment of candidates. Competition for social workers, particularly in London, is fierce. This applies both in permanent and agency recruitment. Local authorities are now frequently offering ‘golden handshakes’ and ‘retention bonuses’ along with promises of competitive salaries, career development opportunities and a variety of other benefits.

10.8 **The Disabled Children Services** is showing an overspend of £0.3m, and this primarily relates to the demand in short break services which is a statutory requirement.

10.9 **The Safeguarding and Quality Assurance** services are showing an overspend of £0.2m. The quality assurance and improvement team and the safeguarding and reviewing team both have an overspend of £0.1m respectively. In both cases the overspend was primarily related to staff with agency premium, maternity and long term sickness cover pressures.

10.10 **Hackney Education (HE)** is forecast to overspend by around £4.7m in 2023/24. The underlying overspend across the service is £5.8m, and this is partially offset by mitigating underspends of £1.1m. The main driver is a £4.8m pressure in SEND as a result of a continuing increase in recent years of children and young people with Education and Health Care Plans (EHCPs), and this increase is predicted to continue in 2023/24. Discussions with Newton Europe/CIPFA, who are working on behalf of the Department of Education (DfE) and the development of a grant application to secure £1m through the SEND Developing Better Value (DBV) programme have continued in 2023/24. The process started in February 2023 and the grant application will include an action plan to spend the grant allocation towards targeted workstreams which may help to mitigate some elements of the high needs budget pressures which have contributed towards year on year overspends.

10.11 SEND Transport is forecasting a £1.4m budget pressure in 2023/24 due to increased activity coupled with continuing increases in fuel prices and transport costs. Given the volatility seen in fuel prices since last financial year, this area will continue to be monitored closely. Other areas of overspend are within Education Operations (£50k) and Children's Centres (£1.0m), reduced income levels are expected to continue within our Early Years service as a result of lower activity levels within services post-pandemic. There has also been a change in legislation which means previously traded services for attendance and specialist intervention provided to schools are now required to be delivered free of charge. The loss in traded income amounts to £0.4m.

10.12 **The Savings** for Children's Services and Education in 2023/24 include £250k through the consolidation of the Children, Education and Health commissioning functions which will allow more effective market engagement and more effective joint commissioning and £500k from a review of the Children and Families staffing structure which is expected to be in place from October 2023. A further £650k has been delivered through a wide-range of targeted and specialist interventions for young people that need extra support, as well as a range of play and sports opportunities on a universal basis, including through Youth Hubs and adventure playgrounds. The £650k is an addition to £350k of savings in 2022/23 from our early help services. All savings are forecast to be delivered this year.

10.13 **Outcomes, Business Intelligence & Strategy (OBIS) directorate** - In addition to the savings above the OBIS directorate has been formed with a mandate to drive transformation across Children and Education. There are four priority programmes currently in place which are planned to yield significant benefit for the organisation. These include:

(i) Creating a universal practice model informed by STAR (systemic, trauma informed and anti racist) principles, the aim of this work is to develop and embed a new practice model across Children & Education teams.
(ii) Transforming our existing monitoring, supporting and improving services across C&E.
(iii) Reviewing our traded services and increasing revenue generation.
(iv) Realising the benefits of the recent restructure across our Education Operations team, ensuring that the short, medium and long term operational support that is provided to schools, settings and the Education directorate is of a consistently high quality.

Further updates will be reported on a regular basis through the OFP process.

10.14 **Vacancy Factor** rate savings target of £1.7m has been set for the directorate in 2023-24 (£0.9m for Children and Families and £0.8m for

Education) and the forecast assumes that this will be achieved or mitigated within respective service budgets. Progress against the target is carefully monitored and tracked by the C&E Senior Management Team and this will continue to be monitored closely and reported through this monthly finance report.

10.15 Many of the **financial risks** to the service that were present in 2022-23 continue into 2023-24. 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.

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 2023/24 is circa £17m, based on current forecasts this will increase to circa £21.7m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has 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. As stated earlier in this report 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/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council.

Early Years - The National reform of the free early years entitlement is expected to have a significant impact on demand for childcare placements, with the greatest shift expected to be for two year olds 30 hour care. There is likely to be significantly more demand for childcare through the proposed reform, specifically for two year olds. Further funding details are expected in September 2023 for implementation from September 2024, the scale of the potential impact is to be assessed when further details are available.

10.16 **Management Actions to reduce the overspend.** In addition to budgeted savings further cost reduction measures have been developed for 2023/24.

For CFS, management actions of £1.5m have been identified and these will be factored into the forecast when delivered. These include reductions in the number of high cost placements (£0.5m); review of the top 30 high cost placements (£0.3m); a Foster First Approach (£0.5m); and review of agency spend through maximising permanent recruitment and greater challenge through the workforce development board (£0.2m).

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. Detailed plans continue to be developed for these proposals, and these will be part of discussion alongside the deficit recovery plans being developed with Newton Europe and CIPFA.

11. ADULT, HEALTH AND INTEGRATION

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
127.887	Adults, Health and Integration	8,239

11.1 Adult Social Care is forecasting an overspend of £8.2m (2022/23 outturn position was £7.7m) after the application of reserves of £4.1m and the inclusion of the Social Care Grant allocation of £13.7m.

11.2 As has been the practice since the Social Care Grant was announced in 2019/20, the grant allocation for both children's and adult social care has been split equally across both services. This financial year the grant was increased by a further £1.5bn nationally and this has meant the Council has received a total of £26.7m which represents a £9.7m increase on the previous year. Children's Services have been allocated £13m and Adult Social Care have each been allocated £13.7m (including the Independent Living Fund £0.7m, now rolled into Social Care grant in 23/24) respectively, and this has been fully factored into the current forecast.

11.3 The forecast continues to be adversely impacted by the challenging situation on a number of fronts. Firstly, there has been increased demand seen particularly from hospital discharge for people requiring ongoing social care, and also due to mitigations required to be in place to manage the risk to vulnerable adults as a result of recent and upcoming 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. The Discharge Fund from the DLUHC has provided a grant of £2.3 million for the 23/24 period, and eligible expenditure against the discharge fund to date has been factored into the forecast. However, it's important to note that this funding is specifically designated for additional initiatives aimed at facilitating discharges. It does not address the substantial rise in expenses and demand associated with ongoing care packages. Secondly, there is increasing demand and complexity coming from the community, including new adults requiring long term care, due to deterioration in health or circumstances, higher prevalence of severe mental ill health in Hackney compared to other authorities, and multiple intersecting complexities, including substance use and trauma.

11.4 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £5.1m budget pressure (after reserve usage of £2.3m). The budget overspend reflects both the growth in client activity and increasing complexity of care provision being commissioned. The service has seen a 30% increase in the total number of people receiving care and support since 2019/20. For some services such as home care, the increase is even more significant (43%). In addition to rising demand, unit costs have also increased significantly since 2019/20 due to inflationary pressures including London Living Wage coupled with greater complexity of care in care packages. The ASC budget faces mounting challenges due to both escalating demand and growing costs, which together exert significant pressure on the overall service budget. The tables below illustrate both the rise in demand, and increase in unit costs:

Table 2: ASC Demand 2019/20 v 2022/23

	2019/20	2022/23	% increase
Overall number of ASC service users	2610	3390	30%
Home care provided (hours)	915,297	1,312,959	43%
Residential care (number of placements)	619	626	1%
Supported living (number of placements)	305	398	30%

Table 3: Snapshot Unit costs trend

	2019/20			2022/23			
Service type	# of Service Users/ Hours	Avg unit cost (£)	Total cost (£m)	# of Service Users/ Hours	Avg unit cost (£)	Total cost (£m)	% Change in Unit Cost
Home care	915,297	17.97	16.45	1,312,959	19.16	25.16	7%
Supported Living	279	911	13.79	342	1,241	21.83	36%
Residential	347	970	18.75	388	1,068	21.56	10%
Nursing	157	766	6.72	155	879	7.83	15%

11.5 The council and NEL ICB were allocated discharge funding (£2.3m and a further £1.1m) for 2023-24 for Hackney. From this overall allocation, £1m of discharge funding has been allocated to support the cost of care packages and enable the efficient discharge of people from hospital, of which £0.2m is currently in the forecast. The overall funding received in relation to supporting care package costs from discharge funds has reduced by £0.8m compared to the previous year. The ICB also contributes a total of £9.2m of funding towards health care costs for service users with learning disabilities as part of the integrated commissioning arrangements with the council.

11.6 **Provided services** are forecast to overspend by £1.9m which is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.5m, offset by underspends on day services of £0.6m. This HwC forecast overspend of £2.5m reflects both the impact of £1m of undelivered savings from 21-22 and 22-23, as well as high levels of staff sickness and the service engaging agency staff to cover these roles alongside additional capacity required to maintain the service. The majority of the day service underspend of £0.6m 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. A capital bid for the work required at Oswald Street was submitted, and is expected to be agreed in the June 23 Cabinet meeting.

11.7 **Mental health** is forecast to overspend by £1.2m which is primarily attributed to an overspend on externally commissioned mental health care services. Adult Services continue to work in collaboration with East London Foundation Trust to reduce the budget overspend as part of the agreed cost reduction measures.

11.8 **Preventative Services** forecasts a £0.1m budget underspend which is primarily attributable to a workforce budget pressures of £0.1m within the Integrated Discharge service, offset by a budget underspend across the Interim bed facility at Leander Court (£0.2m) due to lower than expected demand for this service.

11.9 **Care Management and Adult Divisional Support** reflects a £0.3m budget underspend, this is primarily due to staff vacancies across the ASC management team, as result of delays in recruitment.

11.10 The **ASC commissioning** budget position reflects a £0.3m budget overspend, after the application of one-off funding of £0.8m which is supporting various activities across commissioning. This includes additional staff capacity across the Brokerage Team, Direct Payment teams, and funding of extracare services at Limetrees and St Peters. The forecast also includes £1.4m of the Discharge Fund (£2.3m), which is supporting the funding of various hospital discharge facilities including interim accommodation and nursing care block placements.

11.11 This directorate is coordinating the council response for the support required for Refugees, Migrants and Asylum Seekers, including the Homes for Ukraine scheme which enables Hackney residents to offer a home to people fleeing Ukraine. There is Government support for the costs being incurred under these schemes and so no cost pressure is currently forecasted. However there is uncertainty about the level of funding we will receive to support Refugees (including Ukrainians), Migrants and Asylum Seekers in future years.

11.12 **Public Health** is forecasting a breakeven position. The Public Health Grant funding allocation for local authorities in 2023/24 has risen to £3.5 billion nationally, representing a 3.3% cash terms increase compared to the previous year's allocation. Hackney's share of the increased allocation is £1.1 million. The 2023/24 grant includes an adjustment to cover the cost of implementing the Botulinum Toxin and Cosmetic Fillers (Children) Act 2021 (our allocation is £15k). The 2023/24 grant will continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant to deliver public health outcomes. This may include public health challenges arising directly or indirectly from the legacy impact of the Covid-19 pandemic. To ensure the allocated Public Health budget is managed effectively, demand-led services, such as sexual health, are carefully monitored by the service. This monitoring process aims to maintain service provision within the allocated budget for the current and future financial years. The Hackney Mortuary position reflects £0.2m budget overspend, primarily attributable to ongoing cost pressures in relation to the council's contribution for the coroner's costs.

11.13 Adult Social Care has **Savings** of £1.4m to deliver in 2023/24. Savings related to efficiencies of housing related support contracts (£650k), housing related support review (£194k), ASC commissioning (£100k), increased care charging (£250k) and Daycare review (£200k). All of these savings are on track to be delivered this financial year, and are factored into the forecast. There still remains £1m of undelivered savings from previous years in relation to the Housing with Care service 2021/22 (£0.5m) and 2022/23 (£0.5m). Previous years these savings have been mitigated by efficiencies across our Housing related Support contracts, but currently there is real cost pressure of £1m. The service is confident that mitigations will be identified throughout the year.

11.14 **A vacancy rate savings** target of £0.3m has been set for the directorate in 2023-24. The forecast assumes that this will be achieved or mitigated within respective service budgets. Progress against the target is carefully monitored by the AH&I Senior Management Team and reported through this monthly finance report.

11.15 Many of the **financial risks** to the service that were present in 2022-23 continue into 2023-24. The cyberattack continues to have an impact. Following the recovery of the basic social care system (Mosaic) in November 2022, further work is ongoing to develop the system including improving important case management functionality. Further to this, Mosaic has not been in place as the primary Social Care Finance system for Adult Social Care for over two years, and further significant improvements are required. There is ongoing risk in relation to monitoring and capturing the cost of any additional demand for care, as not all the data has been loaded onto Mosaic since the system has been recovered. The service is working proactively to ensure that packages are loaded accurately and in a timely manner.

11.16 One of the main risks for the directorate is the ongoing cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years. Inflation rates are currently 8.7% in 2023, and this not only presents challenges to the Council but also to care providers.

11.17 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. Actual care costs have risen by £7m per year on average over the last 5 years. The table below illustrates the year on year increase on external commissioned care spend.

Table 4: Gross Outturn - External care commissioned services

	2018-19 (£m):	2019-20 (£m):	2020-21 (£m):	2021-22 (£m):	2022-23 (£m):
Total Outturn	58.9	65.3	72.5	77.9	87.8
Movement on Previous Year	5.8	6.4	7.2	5.4	9.9
% Increase on Previous Year	11.0%	10.9%	11.1%	7.5%	12.7%

11.18 **Management Actions** to reduce the overspend. In addition to budgeted savings, further cost reduction measures have been developed for 2023/24. For Adult Social Care, management actions of £1.5m have been identified and these are factored into the forecast. These include continuation of the multi-disciplinary panel process (£0.25m); double-handed care package review (£0.2m); direct payment monitoring of accounts (£0.1m); review of agency spend through tighter controls with Head of Service and greater challenge through the Workforce Development Board (£0.1m); working with ELFT to manage the Mental Health overspend (£0.35m) and a commissioning review team (£0.5m). The cost reduction proposals will be monitored on a monthly basis highlighting delivery against these indicative targets. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at AH&I SMT. It is essential that the service delivers against these plans.

12.0 Climate Homes and Economy (CHE)

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
31,438	Climate, Homes and Economy	1,473

12.1 The directorate is showing a £1.473m overspend after use of £1.678m in reserves. The directorate's main areas of underlying overspend are Environmental Operations, Environment Strategy & Recycling, and Community Safety, Enforcement and Business Regulation (CSEBR).

11.2 **Environmental Operations (EO) and Environment Strategy & Recycling (EWS)** is showing a net overspend of £1.103m. The forecast overspend is in Environmental Operations due to a number of demand-led pressures, including housing growth, population increases (including temporary influxes), responding to the aftermath of Anti Social Behaviour and emergency responses, which have led to pressures on existing resources. Inflation and the cost of living crisis have further impacted the service, in particular in the areas of vehicle maintenance and rising costs of consumables, including PPE and receptacles (sacks and bins). The service budget has also been impacted by other priorities in terms of tackling the climate emergency, and these have consequences for the operation of our street cleansing function. 5,000 street trees, which not only impacts at leafing season but also spring and summer with blossom, seed and fruit and leaves fallen in periods of drought; Low Traffic Neighbourhoods impacting on drive time and fuel usage; e-bikes, scooters and bike hangers causing impediments to cleansing; and Sustainable Drainage Systems which require litter picking and in certain instances, taking longer to cleanse. The Service also responds to emergency call outs in incidents of flash flooding. When this happens, services are diverted from their day jobs to respond.

The cost pressures within the service are as follows:

- £0.687m - overspend relating to the impact of increased demand on the service. Since 2013 Hackney has seen household numbers rise by 13,530; this increase in households and the waste they produce has, up until last year, been absorbed into existing rounds and other services as far as possible. This demand pressure has also resulted in non-funded services, such as responsive cleansing of the highways and estates, night time economy cleansing, being delivered to maintain our cleanliness standards across the public realm. However, this increased pressure on services for both refuse collection and street cleansing can no longer be contained within the existing budgets.
- £0.562m - non delivery of previously approved vacancy factor savings. This saving approved in 2021/22 is proving increasingly difficult to deliver especially given the increased pressure on the services as outlined above.
- £0.350m - non delivery of the saving relating to the establishment of the Commercial Waste company. Due to the impact of the pandemic there was a delay in establishing the company and this saving was to be delivered in year 3 following the establishment of the Company. We are just entering year 2 and therefore this saving will not be achieved until 2024/25.
- £0.207m - due to the impact of inflation on material purchasing such as refuse bins and refuse sacks and the cost of a route optimisation system.

The Head of Service has put forward proposals aimed at partially mitigating the overall overspend of £1.806m. If these proposals are implemented they are estimated to deliver £0.704m, thereby reducing the overspend to £1.103m. The impact on service delivery is expected to be closely monitored and assessed during the implementation of these measures. The Head of Service will continue to evaluate the service budgets to identify potential cost saving opportunities with the goal of reducing the overspend whilst, where possible, preserving the current service standards.

12.3 **Community Safety, Enforcement and Business Regulation** (CSEBR) is overspent by £0.271m, the 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. The Head of Service continues to review budget lines in order to identify opportunities to reduce overspend.

12.4 **Leisure, Parks & Green Spaces** are forecasting to come in on budget.

12.5 **Economy, Regeneration & New Homes** are set to come in on budget for 2023/24.

12.6 **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.

12.7 **Savings.** The directorate will achieve £2.308m of the 2023/24 savings plans of £2.658m. The Hackney Commercial Services company savings of £0.350m is being forecast as not being achieved given the company is a year behind schedule and this was a saving expected in year three of operations. The company has not established its market share base yet to deliver the 23/24 savings target.

12.8 **Vacancy Factor.** The vacancy factor savings agreed as part of the 2021/22 budget are not being achieved in two of the directorate services, Environmental Operations and CSEBR. The total of non delivery is £753K. The Heads of Service are reviewing services and budget lines to mitigate the impact of this non delivery.

12.9 Risks

	Amount £'000
Decline in TfL funding impacting capitalised salaries in Streetscene	TBA
Vehicle Maint - Environment Ops - based on expenditure 22/23	510
Assumed savings from operational changes in Environmental Operation	704
	1,214

12.10 Heads of Services are continually reviewing their overspends and working to identify strategies to mitigate these. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas.

13.0 FINANCE & CORPORATE RESOURCES (F&CR)

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
23,260	Finance & Corporate Resources	2,465

13.1 Finance and Corporate Resources are currently forecasting an overspend of £2.465m after a reserve drawdown of £1.796m. This includes forecast overspends in Revenues, Benefits and ICT totalling £2.176m (further details below).

13.2 **Financial Management and Control** are currently forecast to budget..

13.3 **Education Client** is currently forecast to budget.

13.4 **Strategic Property Services** are forecasting to break even for the 2023/24 financial year after reserve usage. Commercial Property are reporting an overspend of £154k before reserves and this is primarily attributed to the under recovery of income. The Head of Service has expressed concerns about the high risk associated with income collection and deferred rents, considering the current fragility of the market. Furthermore, it is anticipated that the pressure in this area could further increase. The overspend also includes additional security services expenditure at the Englefield Road site and Wally Foster Community Centre in order to prevent squatting alongside specialist marketing services being procured for two high profile assets which are currently vacant (Christopher Addison House and Sylvester Road). The overspend will be mitigated by reserves set aside last year for the fluctuations in commercial property income.

13.5 **Housing Benefits** are currently forecasting an overspend of £1.24m:

- The agency staffing forecast is currently £2m, of which £750k can be funded either by specific grant funding or absorbed by the underspend on permanent staff due to vacancies. The remaining £1.24m pressure is a result of the additional agency staff required due to additional demands on the service as a result of the cost of living crisis and higher levels of manual work required while automation software is restored following the cyberattack.

- The NCOB forecast is not currently included in the above table. Eligible error continues to be significantly higher than pre-cyber levels which poses a financial risk, however it is too early to provide an accurate forecast. Once the figures have been refined the overspend will be included in the forecast.

13.6 **Customer Services** are currently forecast to budget.

13.7 **Revenues** are currently forecasting an overspend of £643k. This relates to the following:

- £0.5m off-site resources required to support arrears collection work, including the impacts of delayed arrears collection caused by Covid-19 and the cyberattack.
- The remaining overspend 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 and business rates.

13.8 **Facilities Management** is currently forecast to budget.

13.9 **Support Services** is currently forecast to budget.

13.10 **Registration Services** are currently forecast to underspend by £7k**.** There is a possibility that the underspend will increase due to overachieving income targets which will be reflected in future forecasts.

13.11 **Housing Needs** are currently forecast to budget after a reserve drawdown of £836k. The reserve drawdown relates to grant funding received in advance. There is an £850k agency staffing pressure as a result of the increased demand for temporary accommodation (TA) - since 2017/18 the number of TA approaches has increased by 65%. Currently, this can be offset by reductions in TA rental spend as a result of:

1) Higher levels of TA placements in the Council's hostels, which are the most cost effective type of accommodation within our portfolio.
2) Greater focus on prevention work and the reduction in supply of temporary accommodation (especially private sector lettings) which currently means that only 30% of new TA placements will be placed in temporary accommodation.

This will be reviewed on an ongoing basis and the forecast will be updated to reflect any changes in the availability of TA properties.

13.12 **ICT** is forecasting an overspend of £819k after a reserve drawdown of £241k. The primary cause of the overspend can be attributed to the on-demand cloud computing platforms provided by Amazon Web Services (AWS) and the service management is actively working to identify strategies that will help alleviate this position. This includes work that has recently been completed to exit the Council's legacy datacentre (saving hosting and connectivity costs) and also review of remaining data recovery work. Additionally, it is worth noting that the service is already offsetting the overspend in the current position due to holding a number of vacant posts resulting from a recent restructure. These vacant positions are planned to be fully filled by the last quarter of the financial year.

13.13 **The Audit and Anti-Fraud** service is forecasting an underspend of £53k. The overall underspend is due to vacant posts and a reduction in agency expenditure.

13.14 **Directorate Finance Support** Teams are forecasting an underspend of £178k. This is primarily as a result of staff changes and holding posts vacant for an extended period of time.

13.15 **Procurement** is currently forecast to budget.

13.16 **HR & OD** is currently forecast to budget.

13.17 All of F&CR **Savings** and the **Vacancy Savings** are forecast to be achieved

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

- Net Cost of Benefits - Loss of subsidy from Local Authority (LA) error & increase in the Bad Debt Provision (BDP).

- Customer service costs depending on the level of demand.

13.19 **Management Actions to Reduce the Overspend.** We are reviewing the options listed in 2.7 above with a view to implementing those with the best fit to the service

14.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
15,126	Chief Executive	-153

14.1 The Chief Executive's Directorate is forecasting an underspend of £0.153m following the use of £0.434m of reserves.

14.2 **Communications, Culture & Engagement** is forecasting an underspend of £66K. This underspend is arising from a forecast overachievement in venues and film location income, although we are still forecasting this income stream rather conservatively. All the income streams are monitored closely to identify trends and pick up any potential fall in activity and therefore income so that mitigating actions can be taken.

14.3 **Legal, Governance & Elections** is forecasting an underspend of £82K which arises from a number of vacancies across the services. The service is achieving its vacancy factor and will be recruiting to vacant posts over the coming months. This is reflected in the forecast.

14.4 **Libraries & Heritage** is forecasting to come in on budget but there is a risk of non achievement of vacancy factor savings detailed below.

14.5 The directorate is on target to deliver the approved **Savings**.

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

- There is a risk of not achieving the £108K vacancy savings in the Library Services due to the time it is taking to recruit to all the new posts in the restructured service and the need to retain some old unbudgeted posts during the transition period to keep this frontline service open.

- Not achieving the external income target of £563K in legal services is a risk. Income was £67K (13%) below target in 2022/23 and this may continue into 2023/24. The income risk is due to the slowdown in the development activity across the borough. The income generated from capital recharges, property and S106 agreements has reduced in the last couple of years. This first forecast of the year is to budget and a review of activity will be carried out to inform the forecast for the end of June. We continue to monitor this risk closely.

- Whilst we are currently forecasting and overachievement of income from our venues and film location service the non delivery of income remains a risk. The cost of living crisis and high inflation continues and these income streams are particularly sensitive to the impact of the current economic situation. We will continue to monitor income streams closely as part of our OFP reporting.

14.6 **Management Actions to reduce any overspends.** The Directors and Heads of Service will continually review their budgets to identify opportunities to reduce reserve use and mitigate any potential income shortfalls.

15.0 HRA

HRA is forecast to budget. The main variances are

<u>Income</u>

- The Other Charges for Services and Facilities overspend of £465k is mainly due to a forecast reduction in the management fee income collected as part of the major works billing. A review of major works bills is currently being undertaken by the homeownership team to establish the level of income expected for 2023/24.

Expenditure

- Although the Housing Repairs account is currently underspending by £1.089m due to the repairs forecast for 2023/24 this is offset by the overspend in lift repairs and reported in Special Services.
- The Special services overspend of £0.964m is due to works required on lift maintenance and renewal. The lift procurement contract has been delayed resulting in a forecast overspend.
- The Supervision and management underspend of £0.288m is due to a reduction in allowances to be paid to Tenant Management Organisations as service responsibilities were handed back to the council after the 2023/24 budget was set.

Risks

- The 2023/24 pay award is yet to be agreed by trade unions, however repetition of the current award would add an additional £3.2m to the cost of the HRA. There are currently a number of areas of spend under review within the HRA, unless additional efficiencies can be identified the additional cost may need to be funded from Reserves.

Appendices

Exempt Appendix 1: Temporary Accommodation

Appendix 2 - Springfield Lease Plan

Exempt Appendix 3 - Springfield Heads of Terms of Agreement for Lease

Appendix 4 - Springfield Plan showing new access and car park

Appendix 5 - 2 Hillman Street

Background documents

None.

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