Hackney

Title of Report	2023/24 Overall Financial Position - July 2023	
Key Decision No	FCR S203	
For Consideration By	Cabinet	
Meeting Date	25 September 2023	
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open Report	
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	4 October 2023	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. <u>Cabinet Member's Introduction</u>

1.1 This is the second Overall Financial Position (OFP) report for 2023/24. It shows that as at July 2023, the Council is forecast to have an overspend of £9.065m on the General Fund, a reduction of £1.330m 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 (Environmental Operations); Children and Education (Corporate Parenting, Looked After Children and Leaving Care, Disabled Children and Safeguarding and Quality Assurance); F&CR (staffing pressures in Revenues and Benefits and web based computing costs in ICT).

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. Initiatives undertaken since the May forecast are discussed in 2.6 to 2.8 below. I welcome the reduction in the projected overspend that we are reporting this month and we will include details of action taken in future OFP reports.

1.4 The Council continues to face serious financial challenges, challenges which we need to continue to address head on if we are to remain financially stable over the longer term. 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.

1.5 Despite the recent small reduction in inflation, and provision in the budget for increases in energy and fuel costs, it will still significantly impact on the Council's services. Hackney's residents will also continue to face significant financial pressures as the inflation surge continues; we set out below details of what the Council is doing to assist residents to manage the impact of the cost of living crisis.

1.5 I commend this report to Cabinet

2. Interim Group Director's Introduction

2.1 The OFP shows that the Council is forecast to have an overspend of £13.689m after the application of reserves but before the application of the set aside as provided for in the budget. The application of this and the additional in-year savings noted in 2.6 to 2.8 below reduces the overspend to £9.065m.

2.2 The main areas of overspend are: -

Children's and Education - £2.396m primarily in the areas of Corporate Parenting (i.e. looked after children placements), Looked After Children and Leaving Care, Disabled Children and Safeguarding and Quality Assurance.

Adults, Health and Integration - £8.532m primarily in the areas of Care Support Commissioning, Provided Services and Mental Health.

Climate, Homes and Economy - £0.958m primarily in Environmental Operations with smaller overspends in Community Safety, Enforcement and Business Regulation, and Streetscene

F&CR - £2,173m in Benefits, Revenues and ICT. In Benefits and Revenues the primary cause of the overspend is £1.884m of costs associated with additional staff working on debt recovery, demand caused by the cost of living crisis and manual processes which are required while automation software is restored post cyber. The primary cause of the £784k 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 data centre.

SEND - there is also uncertainty around the Dedicated Schools Grant (DSG) high needs deficit and the treatment of any deficit post 2025/26. The brought forward Special Educational Need and Disabilities (SEND) deficit in 2023/24 is circa £17.1m, based on current forecasts this will increase to circa £22.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has 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/mitigations through a grant of up to £1m, rather than provide direct funding to address the deficit, hence the potential risk to the Council. Council officers are currently finalising the grant application with the DfE for submission in September/October, and the DfE will then release the grant.

2.3 There will also be further pressure as a result of the 2023/24 pay award. This will be met from the use of one-off reserves this year but will need to be factored in the budget on an ongoing basis from next year.

2.4 Given the direction of travel of the forecast towards the end of 2022/23 the fact that we have 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 Each directorate has implemented actions it is taking to mitigate the overspend and these are listed below.

Directorate Savings to mitigate the Overspend

Dir	Action	£'000	Impacts
F&CR	Increased Registrars income	100	None, early delivery on '12 Areas' income generation.
F&CR	Additional grant funding awarded to cover staffing costs as a result of new burdens	150	None
F&CR	Targeted reduction in ICT costs (minimum)	200	Reduction in cloud computing costs through rationalisation and review of contracts.
CHE	Manifesto commitments - underspend in base budget.	532	Reflects timing of delivery including time to recruit to additional posts.

CHE	Review all non-staffing spend lines and identify areas where spend can be minimised.	381	None anticipated
CHE	Income above budget	297	None
C&E	Increased HB take up	100	Increase in care leavers costs recovered through HB
AH&I	Grant income secured from GLA supporting DV contract	59	None - funding secured and will be included in July OFP
CX	Review all non-staffing spend lines and identify areas where spend can be minimised.	44	None anticipated
CX	Manifesto commitments - underspend in base budget.	120	Delay in implementation. Due to time to recruit
TOTAL		1,983	

2.7 The savings derived from the above actions are built into the July forecast. The reason this £1.98m has translated to a reduction in the overspend of only £0.2m reflects increasing cost pressures throughout services since May. These are discussed in detail in the directorate commentaries but the extent of these, after adding back the savings listed above are as follows: -

Increasing Cost Pressures since May	**£000**
Children and Education	624
Adults, Health and Integration	352
Climate, Homes & Economy	695
Finance & Corporate Resources	158
Chief Executive	(51)
Total Increasing cost Pressures	**1,778**
Less Savings identified since May (as noted above)	**(1,983)**
Net reduction in overspend	**(206)**

It must borne in mind that without these savings, the total overspend would have been considerably higher than what we are reporting

2.8 In addition to the above, we have also identified **£1.124m of corporate savings** resulting from revisions to Bank Charges, Concessionary Fares Charges and the Revenue Contribution to Capital. So overall, the overspend has reduced by £1.330m from the May forecast.

2.9 The General Fund financial position for July is shown in the table below.

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

Revised Budget £000	Service Area	Forecast Variance Before Reserves £000	Appropriation to Reserves £000	Reserves Usage £000	Forecast Variance After Reserves £000	Change in Variance from last month £000
		£k	£k	£k	£k	£k
94,985	**Children and Education**	6,399	45	-4,048	2,396	524
126,025	**Adults, Health and Integration**	12,716	160	-4,344	8,532	293
33,679	**Climate, Homes & Economy**	2,601	13	-1,656	958	-515
25,118	**Finance & Corporate Resources**	4,334	1	-2,162	2,173	-292
15,072	**Chief Executive**	1,241	0	-1,611	-370	-217
60,556	**General Finance Account**	0	0	0	0	0
355,435	**SUB TOTAL**	**27,291**	**219**	**-13,821**	**13,689**	**-206**
	Less the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber				-3,500	0
	Less Corporate Savings				-1,124	-1,124
	GENERAL FUND TOTAL	**27,291**	**219**	**-13,821**	**9,065**	**-1,330**

2.10 The Society of London Treasurers has recently undertaken a survey of London boroughs asking for latest overspend projections for 2023-24. 24 boroughs responded and the average General Fund overspend of these was £9.8m. 22 of the 24 boroughs reported a forecast overspend.

2.11 We are forecasting a significant but not full achievement of the 2023/24 budgeted savings**.** Climate, Homes and Economy (CHE) has achieved £2.508m of the 2023/24 savings plans of £2.858m. The Hackney Commercial Services company saving of £0.350m is being forecast as not being achieved given the company is a year behind schedule due to the impact of Covid 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.

2.12 We are also on course to achieving a significant proportion of the 2023/24 vacancy savings. In CHE, 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 Community Safety, Enforcement & Business Regulation (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.

2.13 The Council received a large duplicate business rates payment from a ratepayer whose rating agent had previously paid the outstanding bill of £2.48m; and a small overpayment was also made by the rating agent itself of £0.098m (resulting from it paying an earlier bill rather than the most up to date bill). Both of these amounts must be refunded and Cabinet approval is sought to approve these refunds as the amount exceeds officer delegation limits. This has no impact on our finances or on the efficacy of our account management processes as Revenues and Benefits recognised there was an error, investigated, established the cause and subsequently agreed the refund amount with the rating agent and ratepayer.

Cost of Living Crisis

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

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

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

2.17 The Council has established the Money Hub - a 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).

2.18 As well as paying out discretionary funds, the Money Hub works to increase benefits take-up and connect residents with other financial support, including providing housing navigation support and signposting to debt advice. So far:

- Over 6,300 residents have requested support since the team launched in November, which is more than three times the number who 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 £758k of discretionary funds, and delivered £818k worth of increased incomes through benefits uptake work, mainly through the Council Tax Reduction Scheme (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.

2.19 On funding distributed from the various funds, we have made the following payments up until the end of July:

- *CTRS Discretionary Hardship Scheme - £5k paid out*
- *Discretionary Housing Payments - £114k paid out*
- *Hackney Discretionary Crisis Support Scheme - £88k paid out*

2.20 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 the following initiatives:

<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).

<u>Vulnerable people known to the Council</u>

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.

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

Rationale
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 Household Support Fund (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.

Food Banks 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 retaining 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.

2.21 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 £65k scheme will be launched in September.

2.22 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. <u>Recommendations</u>

3.1 To agree a refund of £2.56m to a ratepayer and its rating agent as described in 2.13 above

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

4. Reasons for Decision

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

5.0 Details of Alternative Options Considered and Rejected

5.1 This budget monitoring report is primarily an update on the Council’s financial position and there is also a recommendation to approve a refund for a duplicate business rates payment and a small overpayment

6.0 Background

6.1 **Policy Context**

This report describes the Council’s financial position as at the end of July 2023. Full Council agreed the 2023/24 budget on 1st March 2023.

6.2 **Equality Impact Assessment**

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

6.3 **Sustainability and Climate Change**

As above.

6.4 **Consultations**

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

6.5 **Risk Assessment**

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

7. Comments of the Interim Director of Finance

7.1 The Interim Group Director of Finance financial considerations are included throughout the report.

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8. Comments of the Acting Director of Legal, Democratic and Electoral Services

8.1 The Interim Group Director of Finance 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 (Part Two) states that key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Under the Mayor's Scheme of Delegation financial matters are reserved to Cabinet, therefore, this report is being submitted to Cabinet for approval.

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

9. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
93,388	Children and Education	2,396

9.1 The Children and Families Service (CFS) are forecasting a £2.4m overspend as at the end of July 2023 after the application of reserves totalling £3.6m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.5m since May driven mainly within Corporate parenting due to an increase in client numbers. 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 and 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.

9.2 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1m. As part of the budget setting process for 2023/24 savings of £500k were agreed to be delivered with a further £500k to be delivered in 2024/25. The service is working towards implementing these proposed changes to the structure from January 2024 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 the cost savings required.

9.3 During September 2022 an Ofsted focused visit took place 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 £0.9m 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%**	

9.5 The increase in unit costs has been coupled with a relative increase 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. The forecast has increased by £0.5m since May due to an increase in client numbers, and June/July traditionally sees a spike in new care arrangements, particularly those of high cost. This is generally due to education provisions finishing for the year leading to children and young people having less structured times. This, combined with carers having holiday plans makes finding new care arrangements particularly challenging and the use of more expensive residential homes rather than foster care. Since May there have been 28 new placements, and this is significantly more than the normal trend and above the expected spike in activity anticipated at this time of year. As care arrangements settle and as schools resume we would expect the forecasting to shift downwards in the autumn, and this shift downwards has already been factored in and will be monitored during the next few months. The forecast is susceptible to variation due to the demand led nature of the service, depending on the complexity of the arrangement new clients can add a considerable cost, one current secure placement alone has added a cost pressure of circa £1m to the forecast in 2023/24.

9.6 The Family Intervention Support Services is showing an overspend of £0.3m which is related to over established posts and agency staff, as well as higher spend in Looked After Children incidental costs.

9.7 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.

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

9.9 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 challenging. 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.

9.10 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.

9.11 The Safeguarding and Quality Assurance services are showing an overspend of £0.3m. 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.

9.12 **Hackney Education (HE)** is forecast to overspend by around £4.90m in 2023/24. The underlying overspend across the service is £6.03m, and this is partially offset by mitigating underspends of £1.13m. The main driver is a £5.36m 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.

9.13 SEND Transport is forecasting a £975K 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 (£23k) and Children’s Centres (£608K) - reduced income levels are expected to continue within our Early Years service as a result of lower activity levels within services that has been the pattern 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.

9.14 **The Outcomes, Business Intelligence & Strategy (OBIS)** directorate has been formed with a mandate to drive transformation across Children and Education. There are two main service areas in OBIS – the Education Operations team and the OBIS Transformation team. There are four priority programmes currently in place which are planned to yield significant benefit for the organisation. These include:

- 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.
- Transforming our existing monitoring, supporting and improving services across C&E.
- Reviewing our traded services and increase revenue generation.
- 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

The directorate is expected to break even after the use of £0.5m reserves specifically set aside for the transformation programme.

9.15 **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 January 2024. 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.

9.16 **Vacancy Factor** A vacancy 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.

9.17 Many of the **financial risks** to the service that were present in 2022-23 have continued 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 £17.1m, based on current forecasts this will increase to circa £22.0m by the end of this financial year. The statutory override which allowed this deficit balance to be carried in the Council's accounts has 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. Council officers are currently finalising the grant application with the DFf for submission in September/October, and the DfE will then release the grant.

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.

9.18 **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 are factored into the forecast. 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.

10. Adult, Health and Integration

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
126,025	Adults, Health and Integration	8,532

10.1 Adult Social Care is forecasting an overspend of £8.5m (2022/23 outturn position was £7.7m) after the application of reserves of £4.3m and the inclusion of the Social Care Grant allocation of £13.7m.

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 £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.

10.3 In 2023-24, the Government introduced the Market Sustainability and Improvement Fund (MSIF) designed to support local authorities to make improvements in adult social care capacity, services and market sustainability. The MSIF Grant is payable in 2023-24 and 2024-25. In total, the fund amounted to £400 million of new funding for adult social care in 2023-24. There is a further £683 million expected in 2024-25. In 2023-24, the MSIF funding was combined with £162 million of continued Fair Cost of Care funding rolled forward from 2022-23 to yield a total allocation of £562m. Hackney's 2023-24 MSIF grant allocation was £3.3m. The Government has now announced that an additional £600m will be provided to adult social care across 2023-24 and 2024-25. £570m will be payable in 2023-24 and 2024-25 through the new MSIF Workforce Fund (£365m in 2023-24 and £205m in 2024-25). The remaining £30m of the announced funding will be paid to "local authorities in the most challenged health systems". Hackney's share of the £365m grant in 2023-24 is £2.1m.

10.4 Local authorities will be able to decide how they choose to focus the funding, in line with local circumstances and priorities but the Statement does draw attention to the same target areas of improvement that are set out for the MSIF. These are:

a. increasing fee rates paid to adult social care providers in local areas
b.increasing adult social care workforce capacity and retention
c.reducing adult social care waiting times

10.5 Adult Social Services in Hackney is already taking action and pursuing initiatives to support the workforce and provide more capacity within the adult social care sector. The current MSIF funding has been used primarily to support provider fee uplifts based on the Fair Cost of Care exercise completed in 2022, as well as allocating funding towards helping to reduce social care waiting times. This additional round of MSIF funding will continue to help fund these initiatives and any necessary expansion.

10.6 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. 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.

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10.7 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £5.8m budget pressure (after reserve usage of £2.5m) against an overall budget of £47m. The forecast has moved adversely by £0.5m compared to the May reported position, as result of two clients transitioning from Children services to Adult Social Care within Learning disabilities. 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 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 (LLW) 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:

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%

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%

10.8 The council and North East London (NEL) Integrated Care Board (ICB) were allocated discharge funding (£2.3m and £1.1m respectively) 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 £0.4m 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.

10.9 **Provided services** are forecast to overspend by £1.9m against a £10.3m budget. The £1.9m overspend 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 agreed by the June 23 Cabinet. Currently there is a delay in the maintenance work commencing as the planning application awaits approval, once approved works should commence in the latter part of the year.

10.10 **Mental health** is forecast to overspend by £1m against a £8.6m budget, an improvement of £0.2m on the previously reported position. The favourable movement is as a result of increased funding agreed with Health partners in respect of joint funded care arrangements for existing service users sectioned under the Mental Health Act S117. The Mental Health budget overspend 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, which includes the recently agreed S117 joint funding arrangements.

10.11 **Preventative Services** reflects a £0.05m budget underspend against a budget of £7.6m. Primarily attributable to a workforce budget pressures of £0.2m within the Integrated Discharge service, offset by a budget underspend across the Interim bed facility at Leander Court (£0.2m) and Carers services (£0.05m) due to lower than expected demand for these services.

10.12 **Care Management and Adult Divisional Support** budget position has moved adversely by £0.1m compared to the previous report position, to an overall budget underspend of £0.2m. The primary reason for the adverse movement this month is due to pension strain costs incurred for staff leavers. The overall budget underspend is primarily due to staff vacancies across the ASC management team, as result of delays in recruitment.

10.13 The **ASC commissioning** budget position reflects a £0.2m budget overspend, an improvement of £0.1m on the previous report position. The favourable movement is primarily due to external grant funding received from the GLA support costs in relation to the Domestic Violence contractual services. The ASC commissioning position also includes further 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 Discharge Funds (£2.3m LBH, £1.1m ICB), which is supporting the funding of various hospital discharge facilities including interim accommodation and nursing care block placements.

10.14 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.

10.15 **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.

10.16 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). In 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.

10.17 **A vacancy rate savings** 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.

10.18 Many of the **financial risks** to the service that were present in 2022-23 continue into 2023-24. The cyberattack continues to have a significant impact on a number of key systems across the local authority. 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. The majority of care package information has now been loaded on to Mosaic and the service teams are following up to ensure that all information is up to date and correct. However, until this task is completed and the data verified we cannot be certain that we are fully capturing and monitoring the cost of any additional demand for care. The service is working proactively to ensure that packages are loaded accurately and in a timely manner.

10.19 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 6.8% as at June 2023, and this not only presents challenges to the Council but also to care providers.

10.20 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.

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%

10.21 **Measures 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 £1.25m 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 (£0.25m).

11.0 Climate, Homes and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
33.679	Climate, Homes and Economy	958

11.1 The directorate is showing a £0.958m overspend after use of £1.656m in reserves, which is a positive movement of £0.515m from the May 2023 reported position. The directorate's main areas of underlying overspend are Environmental Operations, Community Safety, Enforcement and Business Regulation (CSEBR) and Streetscene. The change in overspend of £0.515m follows a review of non-essential spend resulting in a forecast reduction of £1.2m offset by new pressures and forecast revisions this period of £0.7m.

11.2 Since the last OFP report to Cabinet, the Directorate Leadership Team has worked with the finance teams to take actions to reduce spending and increase income. As outlined above the cost reduction activities we have taken have yielded an in-year cost reduction of £1.2m which arises from holding uncommitted budgets on non staff budget lines, factoring income which is exceeding budgets into the forecast and forecasting underspend on budgets to deliver manifesto and other commitment due to delays in recruiting staff.

11.3 We have considered all of the possible levers to identify underspends where we can. This is a continually moving picture and the position will change over the coming months. We are introducing monitoring processes to ensure that the saving forecast this month can be fully delivered but accept that there are items of expenditure that are essential, such as equipment replacement, that may need to happen to deliver services that may well reduce the forecast saving. In the same way a downward trend in income will impact what we have forecast this month. All Heads of Service in the directorate are aware of the financial challenge facing the Council and will use their best endeavours to deliver the cost reductions.

11.4 The net overspend for **Environmental Operations (EO) and Environment Strategy & Recycling (EWS)** is £1.324m. The projected overspend in EO of £1.404m which is offset by an underspend of £0.080m in EWS, is due to a range of demand-driven challenges, including housing growth, population increases (including temporary influxes), responding to the aftermath of ASB, and emergency responses, all of which have put strain on current resources. Inflation and the cost of living crises have had an additional impact on the service, particularly in the areas of vehicle maintenance and increased consumable expenses, such as PPE and receptacles (sacks and bins).

11.5 Other priorities in terms of addressing the climate emergency have also had an influence on the service budget, which has implications for the operation of our street cleaning function. 5,000 street trees, which impact not only the leafing season but also the spring and summer with blossom, seed, and fruit; Low Traffic Neighbourhoods (LTNs), which impact drive time and fuel usage; e-bikes, scooters, and bike hangers, which cause impediments to cleaning; and SUDs, which require litter picking and, in some cases, take longer to clean. In addition, the Service responds to emergency calls in the event of flash flooding. When this occurs, services are diverted from their regular duties to respond.

11.6 The principal 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.
- £0.236m - due to the impact of inflation on material purchasing such as refuse bins and refuse sacks and the cost of a route optimisation project (although this is aimed at producing a more efficient service in the longer term).

11.7 The overall overspend of £1.899m can be mitigated in part by steps offered by the Head of Service, this will result in £0.496m in savings to lower the predicted overspend. The mitigation savings are lower than reported in July due to a month's delay in implementation and minor changes to the plans. These recommendations should have little effect on service delivery and performance. The Head of Service will continuously analyse service budgets to seek cost-cutting possibilities in order to reduce overspend while maintaining existing levels of service. The downward revision of the mitigation impact is the principal reason for the forecast increase this period.

11.8 **Community Safety, Enforcement and Business Regulation** is forecast to overspend by £0.219m, which is a £0.052m reduction since May due to the review of non essential spend. The overspend relates to the service's continued need to generate vacancy factor savings, which is proving difficult in this vital front-line service. The Head of Service continues to evaluate budget lines in order to uncover opportunities to contain spend.

11.9 **Leisure, Parks & Green Spaces** are forecasting to come in on budget, but there is a risk that the water charges may be a problem where the utilities companies are trying to locate the exact position of an underground water leak on Hackney Marshes.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.091m underspend forecast for the service. The forecast underspend is due to the actions taken by management to hold unspent non staff budgets, mainly within the Area Regeneration and Economic Development, to mitigate the Council's forecast overspend. Private Sector Housing (PSH) is forecasting an underachievement in income arising from enforcement notices and inspection fees, £0.140m and licence fee income, £0.118m which has been mitigated by an underspend in staffing budgets due to the delay in appointing Environmental Health Officers to deliver the commitment to enhance the

Council's response to Damp and Mould in the private rented sector. There is a further risk relating to PSH licensing income, with the old scheme coming to an end in October 2023 and a new scheme not expected to be rolled out until the 2024/25 financial year. There currently appears to be enough in the PSH licensing reserve to cover this gap, but this also depends on what income is received for the last few months of the current scheme. This risk will be mitigated by use of the reserve funding.

11.11 **Employment, Skills and Adult Learning** are forecasting a small underspend of £0.060m as the majority of expenditure in Adult Learning is covered by grants.

11.12 **Markets** - Forecasts indicate that there might be a slight underspend of £0.015m in the markets, an improvement of £0.125m from May 2023. This improvement is a result of reviewing and adjusting the assumptions made about the expected income. There is a risk that the Indoor Market will not meet their target income for this financial year due to delays in getting the building fully prepared and operational. The team responsible for the markets is actively engaging with both the contractor and the legal services to explore options for compensation due to the missed deadline.

11.13 **Parking** Is showing an underspend of £0.154m following a review of non essential spend**.** While parking revenue is projected to broadly balance, a significant concern is the possible inability to generate expected revenue from Penalty Charge Notices (PCNs) due to continuous acts of vandalism directed at CCTV cameras which enable drivers to drive into Low Traffic Neighbourhoods and School Streets without a penalty. This situation is aggravated by the high costs of fixing and maintaining these cameras. As a result, income from PCNs has dropped by 30% compared to last year. The Head of Service has proposed a number of solutions to mitigate the risk posed by recurring acts of vandalism; these proposals are awaiting approval.

11.14 **Streetscene** is projecting an overspend of £0.121m after revision of income projections. The challenges posed by inflation and the prevailing cost of living crisis have brought about notable changes in the utilisation of services, consequently diminishing the demand for licences and associated fees. This trend is particularly evident in the context of contributions from companies such as G Network, which has reduced activity across the borough, and a reduction in the issuance of Highways Act Licences. This marked decline in activity across the is due to the broader economic challenges in the wider economy.

11.15 **Savings.** The directorate has achieved £2.508m of the 2023/24 savings plans of £2.858m. The Hackney Commercial Services company saving 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.

11.16 **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.

11.17 Management Actions to reduce the overspend in 2023/24. Heads of Services are continually reviewing their budgets and spend and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. A review of non-essential spend this period resulted in forecasts presented here being reduced by £1.2m.

11.18 Risks

	Amount £'000
Decline in TfL funding impacting capitalised salaries in Streetscene - we are keeping a watching brief on	TBA
Vehicle Maintenance cost in Environment Operations - based on expenditure 22/23 exceeding the budget significantly. This is due, in part, to more extensive maintenance work to lengthen the life of vehicles. This is being closely monitored to pick up trends early.	510
Assumed savings from operational changes in Environmental Operation - close monitoring of the mitigating actions will be undertaken to track delivery of the savings.	500
NLWA levy for non household waste - increase in tonnage projections reported show an increase in the estimated cost for 23/24.	500
	1,510

12.0 <u>Finance and Corporate Resources</u>

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
25,115	Finance & Corporate Resources	2,173

12.1 Finance and Corporate Resources are currently forecasting an overspend of £2.173m after a reserve drawdown of £2.162m. This is a favourable movement of £291k on last month's forecast.

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

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

12.4 **Strategic Property Services** are forecasting to break even after reserve movements. Commercial Property continues to be affected by the under recovery of income, this being the main budgetary pressure on the service.

The Head of Commercial Estates has expressed concerns about the high risk associated with income collection and deferred rents, considering the current fragility of the market. We continue to monitor this however, it is anticipated that the pressure in this area could potentially increase. Other budgetary pressures include additional security services expenditure at the Englefield Road site and Wally Foster Community Centre in order to prevent squatting. These pressures will be mitigated by reserves set aside last year for the fluctuations in commercial property income.

12.5 **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.

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

12.7 **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.

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

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

12.10 **Registration Services** are currently forecast to underspend by £113k. This is a favourable movement of £106k on last month's forecast and is a result of refining the income forecasts.

12.11 **Housing Needs** are currently forecast to budget after a reserve drawdown of £836k. There has been no movement on last month's forecast. 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) service. Since 2017/18 the number of TA approaches has increased by 65%. Currently, this can be offset by reductions in temporary accommodation rental spend as a result of:

1) Higher levels of TA placements in 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.

12.12 **ICT** ICT are forecasting an overspend of £784k after a reserve drawdown of £717k. The primary cause of the overspend can be attributed to the on-demand cloud computing platforms. There are also other one off exceptional costs - e.g. the cost of the computing capacity needed to recover data that was attacked.

With regards to the cloud computing costs a number of mitigating actions are being taken. These include:

- Discontinuing the utilisation of the Council's legacy data centre, removing the annual costs associated with data centre hosting and network connectivity. The work required to deliver this is now complete.
- Optimising the service's cloud computing consumption. We expect the actions we have identified to reduce the running costs by £300k pa and will then carry out further work to make sure we are optimising our use and reduce costs further where possible.

The position reflects the fact that the ICT budget was based on the traditional 'on-premises' infrastructure model, where the Council purchased its own data centre hardware and therefore a large proportion of the costs were funded from capital. Moving to cloud computing means that the Council is now renting the computing power needed, based on actual consumption needs, so these costs fall to revenue.

The move to cloud and the progress that has been made with delivering the Council's technology strategy also mean that costs relating to VMWare licensing (c £112k pa) and Microsoft infrastructure costs (of c £380k pa) are no longer required. These costs were reduced in previous years so this does not impact on the overall budget position for 2023/24.

Additionally, it is worth noting that the service is already mitigating 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 occupied within the last quarter of the financial year.

Finally, we are also expecting the new telephony service that has recently completed the procurement stage (with the award approved at CPIC on 4 September 2023) is expected to deliver meaningful cost reductions for telephony. This is a further benefit of the Council's cloud strategy, which gives the Council greater flexibility to take advantage of developments in the market by reducing vendor and infrastructure lock-in.

12.13 **The Audit and Anti-Fraud** service The Audit and Anti-Fraud service is forecasting an underspend of £64k. The overall underspend is due to the service holding vacant posts and a reduction in agency expenditure.

13.14 **Directorate Finance Support** Teams are forecasting an underspend of £178k. There is no movement on last month's forecast. This is primarily as a result of staff changes and holding posts vacant for an extended period of time.

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

12.16 **HR & OD** is currently forecast to underspend by £140k. This is a favourable movement of £140k on last month's forecast and is due to holding posts vacant for an extended period of time.

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

12.18 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.

13.0 Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
15,126	Chief Executive	-370

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.370m following the use of £1.6m of reserves. This is an improvement of £0.217m and reflects the impact of cost reductions actions taken by the directorate to support the Council's forecast overspend.

13.2 **Communications, Culture & Engagement** is forecasting an underspend of £0.128m, an improvement of £0.062m from the May forecast. This underspend is arising from a forecast overachievement in venues and film location income. All the income streams are monitored closely to identify trends and pick up any potential fall in activity and income so that mitigating actions can be taken to respond to mitigate the impact of reductions in activity.

13.3 **Legal, Democratic & Electoral Services** is forecasting an underspend of £0.303m, an improvement of £0.217m from the forecast as at May. The improvement arises from the delay in filling posts to improve member casework (the forecast for this service assumes full implementation by 1st October); and holding unspent non staff budgets across the service as part of the Council-wide initiative to reduce the overall forecast overspend. In addition the forecast underspend reflects a number of other vacancies across the services - the service is achieving its vacancy factor and will be recruiting to vacant posts over the coming months.

13.4 **Libraries & Heritage** is currently forecasting a £0.043m overspend where the pressure is predominately on staffing during the transition period embedding the new restructured service. There is also a risk of non achievement of vacancy factor savings detailed below.

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

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

- There is a risk of not achieving the £0.108m 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 £0.563m 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. The actuals received as at the end of July is £190K and we are forecasting that the income budget will be achieved. We will continually monitor activity and the income closely over the coming months.

- 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.

13.6 **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.

14.0 HRA

The HRA is forecast to budget. However there are a number of significant offsetting forecast over and underspends which make up this forecast:

Income

A review of HRA income was undertaken based on the Housing Finance system report, this has led to variances across all income categories.

- A reduction in dwelling rents (£293k) is due to a lower income forecast for temporary accommodation properties.
- An increase in non-dwelling rent (£252k) is due to an increase in income from garages and community halls generated by the new online booking system.
- An increase in Tenant Charges (£959k) results from an increase in income collected within the Housing Finance System, which largely relates to Landlord lighting. This additional income will partly fund the forecast overspend in Special Services related to increased utility costs resulting from the increased in electricity tariffs due to the prevailing pressures in the energy market, highlighted below
- An increase in Other Charges for Services and Facilities is mainly due to an increase in the management fee 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

- The Housing Repairs account is currently underspending by £1.024m due to the repairs forecast for 2023/24. The underspend represents 3% of the £34.224m Repairs account budget. This underspend mitigates the forecast overspend in lift repairs as reported in Special Services.
- There is a forecast overspend of £2.532m in Special Services mainly relating to gas and electricity. Energy prices have significantly increased for 2023/24 which has been reflected in the monitor. The forecast overspend is partly mitigated by a forecast increase in service charge income relating to utilities of £0.959m referred to above. There is a risk that the forecast overspend for utilities could increase as more meter readings across the housing stock are taken throughout the year. The other area of overspend is lift maintenance which is due to essential works on maintaining and renewing lifts across the estate. The lift major works procurement contract has been delayed resulting in increased responsive repairs spending.
- There is a forecast underspend on Supervision and Management of £1.299m due to a reduction in allowances to be paid to TMO's as service responsibilities were handed back to the council after the 2023/24 budget was set. Also there are a number of vacancies within Asset Management, a recruitment drive is currently underway and staff are expected to be in place for the last quarter of the year.

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.

- Gas and Electricity prices have more than doubled compared to 2022/23 and so there is a significant risk that the gas and electricity charged to the HRA will be substantially above the current forecast. The estimated charge is yet to be verified by the Energy Management Team.

Appendices

None

Background documents

None.

Report Author	Russell Harvey, Senior Financial Control Officer Tel: 020 8356 2739 russell.harvey@hackney.gov.uk
Comments of the Interim Group Director for Finance	Jackie Moylan, Interim Group Director of Finance Tel: 020 8356 3003 jackie.moylan@hackney.gov.uk
Comments of the Acting Director of Legal, Democratic and Electoral Services	Louise Humphreys, Acting Director of Legal, Democratic and Electoral Services Tel: 0208 356 4817 louise.humphreys@hackney.gov.uk