Title of Report	2023/24 Overall Financial Position - December 2023	
Key Decision No	F S215	
For Consideration By	Cabinet	
Meeting Date	26 February 2024	
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	6 March 2024	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. Cabinet Member's Introduction

1.1 This is the seventh Overall Financial Position (OFP) report for 2023/24. It shows that as at December 2023, the Council is forecast to have an overspend of £8.766m on the General Fund. While this shows a reduction from the previous month, the net figure includes a £3m one-off gain arising from the application of the 2023-24 estimated localised business rates pool surplus. Without this we would be reporting an overspend of £11.766m an increase in the total directorate overspend of £0.390m.

1.2 The major increase in overspend is in Childrens and Education of £450k which is primarily due to placement costs within Corporate parenting.

1.3 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 Family Intervention Support Services); F&CR (staffing pressures in Revenues and Benefits and web based computing costs in ICT).

1.4 The Council is in a very challenging position but, as set out in paragraph 2.5 below, we are not unique in this regard. The Council must, of course, deal with our own position this financial year and the Corporate Leadership Team will continue to work on actions to mitigate and contain the forecast, reporting back here on actions taken. It is essential that we continue to address this challenge head on if we are to remain financially stable over the longer term.

1.5 Despite the recent small reduction in inflation, and taking into account the provision in the budget for increases in energy and fuel costs, this is still significantly impacting on the Council's services. Hackney's residents 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.

1.6 The Council has, however, been successful in securing a total of £1,360,000 of external funding from the Local Electric Vehicle Infrastructure Fund (LEVI) Fund, which supports local authorities in England to plan and deliver chargepoint infrastructure for residents without off-street parking. The LEVI funding will go towards delivering 608 charge points in blue badge holder parking bays. Providing equal access to affordable electric vehicle charging across Hackney is a key part of our plan to rebuild a greener Hackney and acceptance of the grant award is an important step in achieving this objective

1.7 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 £17.257m after the application of reserves but before the application of the additional in-year savings set out in the July OFP and three further mitigations all of which are one off. The first mitigation is the budget provision for demand pressures, cost pressures and the ongoing impact of Covid and Cyber (£3.500m); the second is the backdated refund from HMRC (£0.867m) reported in the September OFP; and the third is the application of the estimated 2023-24 localised business rates pool surplus £3m). The application of the savings and mitigations reduces the overspend to £8.766m - a decrease of £2.610m since November. This will be funded by applying corporate provisions, the underspend on the 2023-24 General Finance Account and reserves

2.2 The main areas of overspend are: -

Children's and Education - £4.644m primarily in the area of Corporate Parenting (i.e. looked after children placements). There are also smaller overspends in Looked After Children Leaving Care and Access & Assessment

Adults, Health and Integration - £9.954m primarily in the area of Care Support Commissioning with smaller overspends in Provided Services and Mental Health.

Climate, Homes and Economy - £1.078m primarily in Environmental Operations with a smaller overspend in Community Safety, Enforcement and Business Regulation.

Finance & Corporate Resources - £1.960m - primarily in Benefits and Revenues £1.884m. In Benefits and Revenues the primary cause of the overspend is £1.241m of costs from additional staff working on debt recovery, additional demand caused by the cost of living crisis, and additional manual processes within the service. The latter are required while automation software is restored post cyber.

Special educational needs and disability (SEND) - there is also uncertainty around the Direct Schools Grant (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 £20.7m 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. The grant application has been successful and will be received in tranches from December 2023.

2.3 There is further pressure as a result of the 2023/24 pay award (£6.5m in addition to what we had budgeted for). 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 and this has been taken account of in our budget planning for 2024/25.

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 disappointing but 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. We need to address this as a leadership team. We have undertaken measures to mitigate the overspend as reported in the July OFP and the leadership team will continue to identify further actions to reduce the forecast overspend.

2.6 The General Fund financial position for December is shown in the table below.

Table 1: Overall Financial Position (General Fund) December 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**	**£k**
98,317	**Children and Education**	9,004	45	-4,404	4,644	450
127,651	**Adults, Health and Integration**	15,994	160	-6,199	9,954	214
37,474	**Climate, Homes & Economy**	5,009	210	-4,141	1,078	142
28,109	**Finance & Corporate Resources**	4,238	251	-2,529	1,960	-286
16,266	**Chief Executive**	2,743	179	-3,301	-379	-130
47,618	**General Finance Account**	0	0	0	0	0
355,435	**SUB TOTAL**	**36,988**	**845**	**-20,574**	**17,257**	**390**
	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	0
	Less Backdated HMRC Refund				-867	0
	Less 2023-24 Pool Surplus				-3,000	-3,000
	GENERAL FUND TOTAL				**8,766**	**-2,610**

2.7 The remaining overspend of £8.766m will be funded by unspent contingencies, the GFA underspend, provisions and reserves.

2.8 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 this year 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 2023/24 savings target. There has also been a delay in achieving the full year effect saving of £500k in the Children's and Education staffing review however one-off contributions from grants and other areas have mitigated this in this financial year.

2.9 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.

Grant Award from LEVI Fund

2.10 The Council has been successful in securing a total of £1,360,000 of external funding from the LEVI Fund, which supports local authorities in England to plan and deliver charge point infrastructure for residents without off-street parking. The LEVI funding together with £3.722m funding from our delivery partner Zest, will deliver 608 charge points in blue badge holder parking bays. These will be installed as dual charging bays, with one bay dedicated to blue badge EVs and one bay open for public charging.

2.11 These charge points will contribute to the Climate Action Targets for the borough and reduce the reliance on fossil fuel vehicles and carbon emissions.

Cost of Living Crisis

2.12 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 and 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.

2.13 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.

2.14 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.

2.15 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).

2.16 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:

- 9,489 residents have requested support since the team launched in November 2022. More than half of applicants are already in rent or Council Tax arrears.

- The team has distributed £1.5m of discretionary funds, and delivered £2.01m worth of increased incomes through benefits uptake work, mainly through the Council Tax Reduction Scheme (CTRS), Housing Benefit, Universal Credit and Pension Credit.

2.17 On funding distributed from the various funds, thus far we have made the following payments:

- *CTRS Discretionary Hardship Scheme - £24k paid out*
- *Discretionary Housing Payments - £666k paid out*
- *Hackney Discretionary Crisis Support Scheme - £121k paid out*

2.18 Government has awarded a total of £5.6m of Household Support Funding (HSF) 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: £3,075,100

Rationale:

- An estimated 32,786 (48%) children in Hackney are living in poverty (on household incomes of less than £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: £879,900

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, Special Guardians, Shared Lives Carers and Children in Need.

Breaking down the barriers to reach a wider group of vulnerable residents who are at risk of poverty
Total allocation: £1,405,946

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 £545,946** 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.
>
> From Quarter 3, an additional £70,000 has been allocated to the Money Hub to support households moving into social housing from temporary accommodation with large household items.
>
> **Income maximisation advice £80,000** The Money Hub team employs two advice workers to enable residents to maximise their incomes by claiming benefits they are entitled to.
>
> **Trusted referral partners £200,000 -** 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 £240,000 - 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 £65,000
Grant funding community organisations who will be able to deliver food/fuel help as well as advice to the community.

Citizens Advice £70,000 - 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 funding supports food partners to provide food to residents who are struggling financially.

Support to residents recently given leave to remain £65,000 - This funding will support migrants placed in Hackney hotels who have recently achieved the right to remain status and are awaiting benefits.

Some £10,000 has been allocated to support a robust evaluation of the programme to inform future commissioning and design of services to support residents facing financial crisis. We are retaining 6% toward administration, management, grant management and monitoring.

Any continuation of the Household Support Fund into the 2024-25 financial year was not mentioned in the Chancellor's Autumn Statement on 22nd November 2023 nor in the 2023-24 Provisional Local Government Finance Settlement. Subsequent press reports suggest that this funding will not be available in the next financial year although we have not received official confirmation at the time of writing. The Council will need to consider its future approach to crisis response depending on the outcome. The Tackling Poverty and Inequalities team is setting up a number of communications with internal and external funding partners about possible mitigations and support across the network given this risk of the fund ending.

2.19 Our November 2022 OFP report identified a further £600k to support poverty reduction. The team has distributed £1m of discretionary funds, and delivered £1.32m worth of increased incomes through benefits uptake work. 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 Food 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 Free School Meals 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 providing the funding. The task group produced a report outlining practical measures for use of the £300k allocation. The announcement that the Mayor of London will be funding universal free school meals for the 2024/25 academic year in primary schools is welcomed and will compliment our work

- 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 was launched in September.

2.20 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. We supported the Hackney Food Bank to apply for GLA funding to employ a Coordinator for the Hackney Food Network and are now supporting further fundraising to make the best use of surplus food.

3. Recommendations

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

3.2 Approve the acceptance of the grant from the Local Electric Vehicle Infrastructure (LEVI) Fund of £1,360,000 and agree to enter into a grant agreement with the applicable parties in respect of such funding.

4. Reasons for Decision

4.1 To facilitate financial management and control of the Council's finances and to approve the grant award

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. On the LEVI grant proposal, If the grant was rejected, dedicated electric vehicle charge point infrastructure for blue badge holders would not be delivered and there would be a risk to the Council's reputation for not accepting external funding to deliver the project.

6.0 Background

6.1 **Policy Context**

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

6.2 **Equality Impact Assessment**

An EQIA for the borough wide electric vehicle charge point project will be carried out prior to installation commencing.

6.3 **Sustainability and Climate Change**

The installation of Electric Vehicle Charge Points will significantly reduce the reliance on fossil fuel vehicles and carbon emissions. The charging stations will be powered by 100% renewable electricity, in some cases generated locally, which will contribute towards achieving a zero-net carbon target by 2040.

6.4 **Consultations**

Relevant consultations have been carried out in respect of the forecasts and savings contained within this report involving the Cabinet Member for Finance, Insourcing and Customer Service, the Mayor, Scrutiny, 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 Group Director of Finance

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

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 With regards to recommendation 3.2 above, it will be necessary for the Council to enter into an agreement to secure the grant funding from the LEVI Fund in accordance with the timeline required by the funding body (the Department for Transport).

8.7 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
98,317	Children and Education	4,644

9.1 **Children and Families Services (CFS)** CFS are forecasting a £4.6m overspend as at the end of December 2023 after the application of reserves totalling £4.4m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.45m since November primarily due to placement costs within Corporate parenting. The changes relate to high cost low volume placements this month, including two new placements and two existing placements which have increased significantly in cost, although rate increases are always challenged annual increases to unit costs do have to be negotiated and agreed.

9.2 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.

9.3 There is a gross budget pressure in staffing across Children and Families Services (CFS) of £1m. In 2023/24 savings of £500k have been agreed with a further £500k to be delivered in 2024/25. The service is working towards implementing these proposed changes to the structure with formal consultation planned for early 2024, this has led to a delay in achieving the full year effect saving of £500k however one-off contributions from grant and other areas have mitigated this in this financial year. A review of services 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

9.4 The main areas of pressure in CFS continue to be in Corporate Parenting which is forecast to overspend by £3.1m after the use of £1.4m 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.

Unit Costs	LAC Residential Average		Independent Fostering Average		LAC Semi Independent Average		LC Semi Independent Average	
	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
2023-24 (at period 6)	£6,122	29	£1,348	114	£2,618	43	£543	96
% increase over 5 year period	**64%**		**39%**		**116%**		**39%**	

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, 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 £0.6m since November due to an increase in individual placements in a very challenging market. 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 and holiday periods during the summer and winter have historically experienced spikes in demand and pressure on the budget due to care arrangements breaking down. This combined with carers having holiday plans makes finding new care arrangements particularly challenging leading to the use of more expensive residential homes rather than foster care.

9.6 **The Family Intervention Support Services** is showing an overspend of £0.4m which is related to over established posts and agency staff, as well as higher spend in LAC incidental costs.

9.7 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.2m 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 £0.3m, 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 £0.2m, and this primarily relates to the demand in short break services which is a statutory requirement.

9.11 **The Safeguarding and Quality Assurance** are showing an overspend of £0.1m. The quality assurance and improvement team and the safeguarding and reviewing team both have staffing overspend primarily related to agency premium, maternity and long term sickness cover pressures.

9.12 **Hackney Education (HE)** Hackney Education (HE) is forecast to overspend by around £3.630m after the use of reserves in 2023/24. The underlying overspend across the service before reserves is £4.760m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £3.560m 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, the forecast has been reviewed based on trend and reduced by £0.3m from the previous month. 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 now approved grant application includes an action plan to spend the £1m 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 £0.5m budget pressure after the use of reserves in 2023/24 due to increased activity coupled with continuing increases in fuel prices and transport costs (this is included in the overall £3.560m overspend above). Given the volatility seen in fuel prices since last financial year, this area will continue to be monitored closely, £0.5m of corporate reserves have been applied towards these increased fuel costs. Other areas of overspend are within Education Operations (£57k) and Early Years which includes Children's Centres (£626K), 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 Savings Requirement** for Children's Services and Education in 2023/24 includes £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 in early 2024. Implementation later than originally planned has meant that one-off grants and underspends in other areas have been used to mitigate this saving in 2023/24. 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.

9.15 The Vacancy Factor 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.

9.16 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 and this has had an impact in the movement in December's forecast. 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 £20.7m 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. The grant application has been successful and is received in tranches from December 2023.

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 have been received and implementation of the reforms will commence from September 2024, the scale of the potential impact is currently being assessed.

9.17 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 have been 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, in particular the development of in-borough SEND provision has been factored into our SEND deficit recovery plans being developed with the DfE and CIPFA.

10. Adult, Health and Integration

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
127,651	Adults, Health and Integration	9,954

10.1 Adult Social Care (ASC) is forecasting an overspend of £9.95m (2022/23 outturn position was £7.7m) after the application of reserves of £6.2m and the inclusion of the Social Care Grant allocation of £13.7m. This represents an adverse movement of £0.2m from the November position.

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 been allocated £13.7m (including the Independent Living

Fund £0.7m, now rolled into Social Care grant in 23/24), 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:

- increasing fee rates paid to adult social care providers in local areas
- increasing adult social care workforce capacity and retention
- 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 initial MSIF funding received 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. The additional round of MSIF funding has primarily been used to reduce waiting times for social care, and currently there is only £0.2m of funding remaining and these funds are expected to be fully utilised by the financial year end.

10.6 On 14 September 2023, the government announced a £40 million fund in 2023/24 to support local authorities to strengthen urgent and emergency care resilience and performance this winter - the Local Authority Urgent Emergency Care Support Fund (LA UEC). Local authorities within Integrated Care Systems (ICS) identified by NHS England as experiencing the greatest challenges with urgent and emergency care (in Urgent Emergency Care tiers one and two) were invited to put forward proposals for access to the fund. Hackney was successful in receiving £0.7m of this fund. The purpose of this grant is to enable Hackney to fund additional interventions or services which support urgent and emergency care performance and resilience over the 2023-24 winter period, whether by helping prevent avoidable admissions to hospital or by reducing discharge delays. This fund has been fully committed, with approximately £0.4m already utilised, with the remaining £0.3m expected to fund demand pressures over the next couple of months.

10.7 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 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.

10.8 **Care Support Commissioning** is the service area with the most significant budget pressure in Adult Social Care with a £8m budget pressure (after reserve usage of £3.1m) against an overall budget of £47m. The position has moved adversely by £0.6m compared to the previously reported position, largely driven by further demand pressures, specifically increases in Home Care activity (£0.6m). The increased cost of care continues to be primarily driven by growth in new clients as well as increased complexity of care needs for existing service users. This overall 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. ASC has been allocated a total of £14m of budget growth (excl employee related pay growth) primarily to support provider inflation uplifts (incl LLW) and demographic growth over the last 5 years, in addition grant funding for Social Care has increased by £17.8m (incl the Discharge and MSIF grants) over the last 5 years, despite this the ASC budget continues to face mounting challenges due to both escalating demand and growing costs, which together exert significant pressure on the overall service budget. In Hackney, the growth in all age population between 2016 and 2020 was on average 1.13%, whereas the growth in the number of people receiving care in the same period was 6.14% The tables below illustrate both the rise in demand, and increase in unit costs:

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%

10.9 The Hackney Council and North East London Integrated Care Board (NEL ICB) received discharge funding of £2.3m and £1.1m, respectively, for the 2023-24 financial year. Within this allocation, £1m has been earmarked to facilitate the efficient discharge of individuals from hospitals by supporting the cost of care packages. It's important to note that there has been an £0.8m reduction in overall discharge funding specifically designated for covering care package costs compared to the previous year. The current projection indicates a pressure of approximately £0.7m on the allocated discharge funding for post-discharge care. Ongoing discussions between NE London Integrated Care Board (NEL ICB) and LBH colleagues aim to identify additional funds to alleviate this pressure. In addition to discharge funding, the NEL ICB contributes a total of £9.2m toward healthcare costs for service users with learning disabilities. This contribution is part of the integrated commissioning arrangements established with the council.

10.9 **Provided services** are forecast to overspend by £1.2m against a £11.1m budget. This represents a favourable movement of £0.4m from the November position, primarily due to delays in planned recruitment. The £1.2m overspend is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.2m, offset by underspends on day services of £1m. This HwC forecast overspend of £2.2m 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 service is currently undertaking a number of management actions to address both the high level of sickness and agency staff usage, this includes working closely with HR, and Occupational health to reduce sickness levels, medically retiring staff that are no longer able to work, addressing the issues relating to staff members who are on reduced capacity due to medical conditions, as well as offering fixed term contracts to long term agency staff to reduce the dependency on agency usage. The majority of the day service underspend of £0.8m is from the Oswald Street day centre which continues with a limited number of service users as a result of maintenance work needed to the ventilation at the premises. A capital bid for the work required at Oswald Street was submitted, and agreed in the June 23 cabinet. There was a delay in the maintenance work commencing, however planning has now been approved with the capital work commencing soon, and is expected that the day centre will be back at full capacity by early 24-25.

10.10 **Mental health** is forecast to overspend by £1.2m against a £8.9m budget. This represents a £0.1m adverse movement on the November position, primarily as result of demand pressures within external commissioned care for mental health service users (£0.1m). The overall Mental Health budget overspend is linked in two parts, a budget overspend on Long term care services for mental health service users of £1.8m offset by an underspend against staffing budgets of £0.6m due to vacancies across the service. Adult Services continue to work in collaboration with East London Foundation Trust to reduce the budget overspend as part of the agreed cost reduction measures.

10.11 **Preventative Services** reflects a favourable movement of £0.3m this month, primarily driven by a reduction in costs for the interim bed facility at Leander Court and Substance Misuse linked to lower than expected demand for these services. The overall position now reflects a budget underspend of £0.7m, which is primarily attributable to the following: staff vacancies £0.1m, taxicard budget underspend of £0.3, and lower than expected demand for the interim bed facility at Leander Court and Substance Misuse services of £0.3m.

10.12 The **Care Management and Adult Divisional Support's** budget position is an overall budget underspend of £0.06m. This represents an adverse movement of £0.14m, largely due to workforce pressures as a result of increased staff capacity primarily within the Integrated Learning Disabilities team. 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** reflects a £0.04m budget overspend, There is no material movement from the November position. The ASC commissioning position also includes one-off funding of £0.7m 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 £1.6m of Discharge Funds (as noted previously, £2.3m LBH, £1.1m ICB), which is supporting the funding of various hospital discharge facilities including interim accommodation and nursing care block placements.

This directorate is coordinating the Council response for the support required for Refugees, Migrants and Asylum Seekers, including the Homes for Ukraine scheme, Afghan Resettlement schemes, as well as asylum seekers residing in the Borough in Home Office accommodation. 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.

10.14 **Public Health** Public Health (PH) is forecasting a breakeven position.

The Public Health Grant funding allocation for local authorities in 2023/24 rose 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 £0.18m budget overspend, primarily attributable to ongoing cost pressures in relation to the council's contribution towards 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) are on track to be delivered this financial year, and are factored into the forecast. Savings relating to Day Care (£200k) and Care Charges (£250k) are currently forecast to be partially met 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.

10.17 **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 **Financial Risks.** Many of the financial risks to the service that were present in 2022-23 continue into 2023-24 as set out above. 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 3.9% as at November 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. As mentioned in section 10.7 above, despite net budget growth of £14m and increases in grant funding of £17.8m over the last 5 years, the ASC budget continues to face mounting challenges due to both escalating demand and growing costs, which continue to exert significant pressure on the overall service budget. Actual care costs have risen by £8.1m 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

	2019-20 (£m):	2020-21 (£m):	2021-22 (£m):	2022-23 (£m):	2023-24 Forecast Outturn (£m)
Total Outturn	65.3	72.5	77.9	87.8	99.2
Movement on Previous Year	6.4	7.2	5.4	9.9	11.4
% Increase on Previous Year	10.9%	11.1%	7.5%	12.7%	12.9

Management Actions

10.21 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
37,474	Climate, Homes and Economy	1,078

11.1 The directorate is showing a £1.08m overspend after use of £4.1m in reserves and corporate support. There is a £142k deterioration from the November 2023 reported position. The directorate's main areas of underlying overspend are Environmental Operations, Community Safety, Enforcement and Business Regulation (CSEBR) and Streetscene.

11.2 Previous OFP reports to Cabinet detailed how the Directorate Leadership Team has worked with the finance team to take actions to reduce spend and increase income. This yielded an in-year cost reduction of £1.2m reflected which arose 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 commitments due to delays in recruiting staff.

11.3 All possible levers to call underspends continue to be considered. 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 can be fully delivered but accept that there are items of expenditure that are essential, such as equipment replacement, and will 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 Service Managers and Assistant Directors 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 £1.662m (£1.567m Nov-23). The projected overspend in EO of £1.759m which is offset by an underspend of £0.097m 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. Vehicle maintenance costs had been flagged as a risk in previous forecasts - this risk is now materialising and represents the main movement in the forecast for this area.

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; LTNs, which impact drive time and fuel usage; e-bikes, scooters, and bike hangers, which cause impediments to cleaning; and Sustainable Drainage Systems (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 savings 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.
- £0.268m - due to the impact of inflation on material purchasing such as goods used across the service, PPE and the cost of a route optimisation system
- £0.296m - vehicle maintenance increased costs previously noted as a potential risk. Up £96k from Nov 23.

11.7 The total of these cost pressures of approx £2m will be mitigated in part by steps offered by the Head of Service, with an estimate of £496k in cost mitigation across the full year to lower the predicted overspend. These actions are being implemented from October 2023. The impact to date is estimated at £245k of the £496k being achieved suggesting these mitigation actions are on track to be delivered. These recommendations should have little effect on service delivery and performance. The Assistant Director will continuously analyse service budgets to seek cost-cutting possibilities in order to reduce overspend while maintaining existing levels of service.

11.8 **Community Safety, Enforcement and Business Regulation** is projected to overspent by £0.262m. This is an increase of £18k from November, due to the cost of a new database which has been offset by underspends from various budget lines. The overspend also 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 an underspend of £0.062m, which is an improvement of £0.044m on the November position. The reduction is due to prudent housekeeping and a review of controllable budgets across the service. There is a risk, detailed in the table below, that the rental income for one of the major cafe areas will not be realised.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.371m underspend forecast for the service. £0.297m of the forecast underspend relates to Private Sector Housing (PSH). An additional budget of £0.400m was allocated to the service for 2023/24 to enhance the Council’s response to Damp and Mould in the private rented sector, however there has been a delay in appointing Environmental Health Officers to deliver this commitment and this is driving the significant underspend. Offsetting some of this is a reduction in licence fee income of £0.057m and an underachievement in income arising from enforcement notices and inspection fees equating to £0.100m. There is a further risk relating to PSH licensing income, with the old scheme ending in October 2023 and a decision on whether to extend, expand or scrap the scheme is yet to be made. 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. There is also a £0.099m underspend within Area Regeneration and Economic Development due to the actions taken by management to hold unspent non staff budget to mitigate the Council's forecast overspend.

11.11 **Employment, Skills and Adult Learning** are forecasting a small underspend of £0.083m as the majority of expenditure in Adult Learning is covered by grants. The reduction in spend in the period relates to non essential spend items that have been identified.

11.12 **Markets and Shop Front Trading** Markets and Shop Front Trading are showing a £0.183m underspend, representing a £0.002m adverse movement from November 2023. Markets are expected to exceed the budgeted target as a result of new initiatives such as Sunday trading at Broadway Market. This is despite the Indoor Markets not being able to meet their target income for this financial year. The team responsible for the markets is actively engaging with both the contractor and legal services to explore options for compensation due to the missed deadline.

11.13 **Parking** Is showing an underspend of £0.118m. This is in line with the November forecast. The underspend relates to delays in staff recruitment. Parking revenue is below budgeted expectations in particular revenue from Penalty Charge Notices (PCNs). There are two primary reasons for this decline. Firstly is the continuous acts of vandalism directed at CCTV cameras in the Low Traffic Neighbourhoods and School Streets. This situation is aggravated by the high costs of fixing and maintaining these cameras. A secondary cause is the maturation of existing CCTV schemes (where compliance has improved), and a reduction in new moving traffic restrictions being implemented. As a result, income from PCNs has dropped by approximately 30% compared to last year. Another area of concern that is emerging is parking suspensions. Income over the first 5 months is down by 9% compared to the first 5 months of last year, despite inflationary price increases having been applied.

The Assistant Director has proposed a number of solutions to mitigate the risk posed by recurring acts of vandalism. The estimated annual impact and risk to the revenue projections is £1.4m which is being closely monitored. The forecast for PCN income has been reduced over previous months - these reductions have been mainly offset by other income revisions. This period there has been no offsetting increases as this income risk materialises and so one-off risk resources have been used to manage the impact.

11.14 **Streetscene** is projecting an overspend of £0.161m, a negative movement of £0.064m from November 2023. 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 Service is due to the broader economic challenges in the wider economy.

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11.15 **Planning and Regulatory Services** is forecast to underspend by £0.109m which is a deterioration of £0.026m from the November 2023 position. Some income in planning is not predictable - the forecast is based on a number of assumptions including planning application activity - the forecast will continue to be reviewed. A risk around these income assumptions has been added to the list of risks this period.

11.16 **Savings/Vacancy 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 2023/24 savings target. 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 Assistant Directors 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.** Assistant Directors and Heads of Service are continually reviewing their overspends and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. An in-year review of non-essential spend resulted in forecasts previously 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	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.	214

Assumed savings from operational changes in Environmental Operation - close monitoring of the mitigating actions will be undertaken to track delivery of the savings.	249
NLWA levy for non household waste -increase in tonnage projections reported show an increase in the estimated cost for 23/24. Final 22/23 rebate from NLWA plus the estimated rebate for 23/24 has reduced the risk down to £100k from £500k.	100
Parking Income - reduction in PCN and parking suspension income due to acts of vandalism and reduced activity from companies in requesting parking bay suspensions to carry out work.	1400
A catering company operates the Clissold House Cafe at a base rent of £50,000 p.a. Since the pandemic and the wider challenges in the hospitality sector, this company has fallen into arrears on the payment of its rent, turnover share and utilities. Whilst a payment plan has been put in place by the Council there is a significant risk that this will not be met and the forecast income of £50,000 plus utility costs for 2023/24 not received."	100
Planning income assumptions - the forecast includes assumptions around the timing of income related to planning applications for large schemes. There is a risk that one of the major schemes will be delayed until 2024-25.	243
The Hackney Commercial Services company had savings of £0.500m at the start of the year. £0.350 has been forecast as not being achieved given the company is a year behind in operations. The £0.150m balance is now also at risk due to low turnover in the company. We are highlighting as a potential risk now the possibility that the full £0.150 may also not be achievable. Further analysis is needed to establish if this risk will materialise.	150

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

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
28,109	Finance & Corporate Resources	1,960

12.1 **Finance and Corporate Resources** are currently forecasting an overspend of £1.96m after a reserve drawdown of £2.27m. This is a favourable movement of £286k on last month's forecast. The service continues to be impacted by the cost of living crisis and cyber with significant overspends in Revenues, Benefits and ICT totalling £2.93m

12.2 **Financial Management and Control** are currently forecast to budget after a reserve drawdown of £58k.

12.3 **Education Client** is currently forecast to budget after a reserve drawdown of £14k. The reserve funding is being used to offset the costs associated with the legal fees for the withdrawal of lifecycle funding to the VA schools. Currently, there are 4 schools that have been impacted by this decision and an external legal team has been procured to ensure that there is a resolution. It is anticipated that the costs could change and as a result, we will continue to monitor and report any changes. The overall impact is unknown, and the total overspend will be supported by reserves

12.4 **Strategic Property Services** are forecasting to break even for the 2023/24 financial year 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. Additional budgetary constraints arise from the need to allocate resources towards enhanced security services, aimed at deterring break-ins and thwarting squatting incidents. To name a few, the Englefield Road site, the Wally Foster Community Centre, and the more recent case of the Brooksby Walk site have all been subject to increased security-related expenses. It is worth noting that these pressures will be alleviated through the utilisation of reserves that were earmarked during the last financial year to address fluctuations in income generated from commercial properties.

12.5 **Housing Benefits** Housing Benefits are currently forecasting an overspend of £1.24m after reserve drawdown of £315k. There has been no movement on the previous month's forecast.

- The agency forecast is currently £2m, of which £750k can be either 1) funded by specific grant funding or 2) absorbed by the underspend on permanent staff due to vacancies. The remaining £1.24m pressure is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery and additional demand in the service.
- The Net Cost of Benefits (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 any 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. There has been no movement on last month's forecast. The £643k overspend relates to the following:

- £0.5m off-site resources required to access and process the backlog of outstanding work across Council Tax and Non Domestic Rates using the Council's existing software systems Comino (document imaging) and Academy (revenues system) due to Cyber.

- 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.

There is a possibility that additional grant funding will be awarded to help fund new burdens within the service. If awarded, this will reduce the following month's forecasts.

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

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

12.10 **Registration Services** are currently forecast to underspend by £150k. There has been no movement on last month's forecast. The forecast underspend is as a result of overachieving on income targets.

12.11 **Housing Needs** are currently forecast to overspend by £316k after a reserve drawdown of £983k. There has been no movement on last month's forecast. The total additional pressure on the temporary accommodation rental forecast remains at £1.1m. Of this £800k can be offset by a one-off additional homelessness prevention grant resulting in a £300k overspend.

The £1.1m overspend in the temporary accommodation rental expenditure remains attributable to:

1) A significant 58% rise in the average nightly cost per unit for nightly paid temporary accommodation from 2022/23 rates.
2) Renegotiations on an expired hostel lease resulting in a 25% increase in the nightly cost per unit.
3) An increase in the use of nightly paid temporary accommodation due to the current shortage of alternative temporary accommodation tenures
4) A clause in one of our hostel leases requiring a rent review in response to any changes to the Local Housing Allowance (LHA) rate
5) Securing a new lease on a block of temporary accommodation comprising of 27 units

It should be noted that the increase in costs have only been partially realised in-year, mitigating the full impact of the annual cost increase that we are likely to see in the upcoming financial year.

The current availability of temporary accommodation is also having an impact on the financial forecast. 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** are forecasting an overspend of £373k after a reserve drawdown of £733k, this is a favourable movement of £253k on last month. The overspend is primarily linked to the on-demand cloud computing platforms provided by Amazon Web Services (AWS). Acknowledging the necessity of addressing this financial strain, the management is actively engaged in identifying strategies to mitigate the overspend. Significant headway has been achieved in discontinuing the use of certain outdated data centres, leading to a reduction in the projected annual costs associated with data centre hosting and network connectivity. Additionally, a thorough assessment is in progress to evaluate data migration and recovery efforts post the cyberattack. The objective of this assessment is to pinpoint areas where expenses related to cloud hosting can be minimised without compromising data security and operational efficiency. By implementing these measures, the service anticipates a decrease in the overspend and a more cost-effective utilisation of cloud computing resources. 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. Management is reviewing the possibility of delaying recruitment to these vacant posts to ease the budget pressure in the current financial year.

12.13 **The Audit and Anti-Fraud** service is forecasting an underspend of £154k. 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 £158k. There has been no movement on last month’s forecast.

12.15 **Procurement** is currently forecast to overspend by £9k. There has been no movement on last month's forecast. The overspend relates to the approval to award 10% market supplements on new and existing posts to increase staff retention, which is partially offset by underspends across the service.

12.16 **HR & OD** is currently forecast to underspend by £160k. There is no movement on last month’s forecast and the forecast underspend is due to holding posts vacant for an extended period of time pending restructure.

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
16,266	Chief Executive	-379

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.379m following the use of £3.3m of reserves and corporate support. This is a £130k improved position on the November forecast of £0.249m. The impact of cost reduction actions taken by the directorate to support the Council's forecast overspend are reflected within this forecast. The changes within services mainly reflects revised staffing and contract forecasts across the directorate.

13.2 **Communications, Culture & Engagement** is forecasting an underspend of £0.198m in line with the November forecast. This underspend is arising from a forecast overachievement in venues and film location income. Further downward revisions to the income forecast for the Tomlinson centre have been made this month which offset increased income forecasts across other areas. All the income streams are monitored closely to identify trends and pick up any potential fall in activity which reduces income so that mitigating actions can be taken to respond.

13.3 **Legal, Democratic & Electoral Services** is forecasting an underspend of £0.269m showing a £27k deterioration from the November forecast. The underspend reflects the directorate's response to the Council's overall overspend which arises from underspends arising from the delay in filling posts to improve member casework (the forecast for this service reflects full implementation from 1st October); and holding unspent non staff budgets across the service. In addition the forecast underspend reflects 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. The deterioration reflects revisions in the overall staffing costs relating to recruitment and agency costs. There has been a significant increase in reserve usage resulting from the recent local elections costs where the Council had set aside funds to cover this cost. The Council will now need to set aside new balances over time to prepare for the cost of future local elections.

13.4 **Libraries & Heritage** is currently forecasting a £0.093m underspend, which is an improvement of £0.140m on the November position. The underspend is predominantly due to a decision to delay recruitment and hold vacancies where possible until the new financial year. The service continues to review the total forecast for this area taking a prudent approach which resulted in further savings to operational budgets which, as mentioned above, is a response to the Council's overall overspend position.

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

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

- 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. This forecast shows achievement to budget and a review of activity will be carried out to inform the forecast for the end of financial quarter two. We continue to monitor this risk closely.

- Whilst we are currently forecasting an 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 <u>HRA</u>

14.1 The HRA is forecasting to draw down £1m from reserves in order to breakeven for 2023/24. This reflects the decision taken in April to phase the increase to the Council's district heat networks over two years. The forecast outturn position and future performance remain subject to the risk factors described in this report. The current forecast now includes the impact of the recently agreed pay award for 2023/24, this has been offset by a saving on central recharges to the HRA as the actuals for 2023/24 have now been posted into Cedar.

14.2 **Income**

- **Dwelling rents**. An increase of £355k income is forecast. The rental income forecast for temporary accommodation, reflecting the use of vacant homes across our housing regeneration programme estates, has reduced which reflects the decanting of properties for the next phases of the developments. This has been more than offset by an increase in the forecast for rent which is due to the new permanent and shared tenancies starting in-year reflecting an improvement in void turnaround times.

- **Non-dwelling rent** is forecast to be £759k above budget as a result of increased income from garages and community halls generated by the new online booking system, along with a forecast increase in commercial rent income.

- **Income from Tenant Charges** is forecast to be £958k over budget as a result of increased income collected within the Housing Finance System, which largely relates to Landlord lighting reflecting increased costs of energy.

- **Leaseholder Charges for Services and Facilities** is forecast to generate £554k of additional income due to the impact of the issue of actual bills for 2022/23.

- **Other Charges for Services and Facilities**, the reduction in forecast income of £717k is mainly due to the management fee collected as part of 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.

14.3 **Expenditure**

- **Housing Repairs Account -** there is an adverse change of £29k from the previous month due to refinement of forecasts. The forecast for the year is just over a £1.2m overspend driven by the DLO (£600K), which reflects increased labour and materials costs. There is an additional resources requirement in legal disrepair and building maintenance (£640k) needed to tackle the demand for legal cases/complaints. This is offset by £200k underspend within community halls and the R&M forecast.

- **Special Services** - the overspend of £2.474m mainly relates to gas and electricity prices. Energy prices have significantly increased for 2023/24 which has been reflected in the monitor. Also, there is an overspend on lifts due to works required on maintenance and renewal. The lift procurement contract has been delayed resulting in a forecast overspend. There is also a forecast overspend on ground maintenance due to additional agency staff and forecast increased spend on hardware maintenance fees.

- **The repairs contract centre (RCC)** is forecast to overspend by £300k but this could increase during the rest of the year. The volume of phone calls is significantly high and the winter period has yet to complete, which is usually the peak time of the year. This is being driven by the increased demand in the number of reactive repairs, including damp and mould works along with average length of the phone calls.

- **Supervision and Management** - there is an underspend 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. There are also some additional forecast overspends in other areas including £200k on the call centre. An increase in Insurance premiums has resulted in a forecast additional cost to the HRA for 2023/24 of £1m which has been offset by an estimated £1m reduction in the additional pension contribution required by the HRA in 2023/24. These forecasts will be refined and firmed up over the next few months. The current forecasts now include the impact of the recently agreed pay award for 2023/24. There are also additional costs relating to the redundancy and pension costs of a senior office that amount to £279k. These have been offset by a saving on central recharges to the HRA as the actuals for 2023/24 have now been posted into Cedar.

- **Rents, Rates, Taxes and Other Charges** - there is an adverse variance of £186k due to a confirmation that Christopher Addison House is no longer a HRA asset and therefore the budget for rents is not required. There is also an increase in the forecast for business rates on Community Halls and Housing Management Offices of £46k.

14.4 **Management Actions to reduce the overspend in 2023/24**

Assistant Directors are continually reviewing their overspends and working to identify strategies to mitigate the level of overspend.

14.5 **Risks**

A number of new risks have been identified during December that require further investigation, quantifying and discussion with the relevant Heads of Service.

Area	£000
Bills relating to gas and electricity are often based on estimated usage. If the estimates are higher than the usage assumed in the budgets there may be a risk to the HRA. The estimated charges are yet to be verified by the Energy Management Team.	TBC
DLO - the forecast overspend could increase up to £1.9m, this will be offset against the capitalisation of revenue works.	TBC
Legal dis-repair -external legal/court fees / compensation is significantly higher as YTD spend is around £1.6m, this is due to backlog of legal cases and the current upward trend of cases. Qtr 1 & Qtr 2 external legal/court/compensation charges have been estimated at £526K for Q1 & for Q2 £320k. These are being analysed and need verifying due to the increase from last year.	600
Ombudsman/compensation payments - Due to a significant increase in the number of complaints (Relating to repairs) payments required to prevent complaints going further to legal dis-repair cases.	300
Alternative Dispute Resolution (ADR) & Legal disrepair cost avoidance- Works being undertaken as part of the ADR which runs parallel to Legal Disrepair. This results in compensation payments being made as part of the process (Outside of Legal Disrepair Payments), as well as repair works to remedy damp & mould. Overall 99 cases have gone through the ADR route, of which 86 cases for 23/24. This will result in cost avoidance from legal/court & higher compensation charges.	450

Area	£000
Resident Safety - (Seaton Point & Morris Blitz Court Security) 24 hour costs relating to security of site due to H&S. YTD spend is £300k potential spend at year end could be £400k. Could potentially be capitalised. Follow up for the end date.	300
	1,650

There remain several other risks within the HRA budgets which could have a further financial impact as detailed in the commentary above. These will be continuously monitored and communicated to Senior Management during the remainder of the financial year.

Appendices

None

Background documents

None.

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