Title of Report	2023/24 Overall Financial Position - January 2024	
Key Decision No	F S217	
For Consideration By	Cabinet	
Meeting Date	18 March 2024	
Cabinet Member	Councillor Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open	
Ward(s) Affected	All Wards	
Key Decision & Reason	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
Implementation Date if Not Called In	27 March 2024	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. Cabinet Member's Introduction

1.1 This is the eighth Overall Financial Position (OFP) report for 2023/24. It shows that as at January 2024, the Council is forecast to have an overspend of £7.333m on the General Fund. While this shows a reduction of £1.433m from the previous month, the net figure includes a £2m one-off gain arising from the application of a forecast surplus on interest income and a forecast underspend on superannuation and added years payments. Without the application of these, we would be reporting an overspend of £9.333m - an increase in the total directorate overspend of £0.567m.

1.2 The major increases in the overspend are in Adults, Health and Integration of £306k and Childrens and Education of £286k 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, Disabled Children Services 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 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 £17.824m after the application of reserves but before the application of the additional in-year savings set out in the July OFP (£1.124m) and four 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. The third is the application of the estimated 2023-24 localised business rates pool surplus (£3.000m) and the fourth is the application of a surplus of interest income and a forecast underspend on superannuation and added years payments (£2.000m). The application of the savings and mitigations reduces the overspend to £7.333m - a decrease of £1.433m since December. This remaining overspend will be funded by applying corporate provisions and reserves

2.2 The main areas of overspend are: -

Children's and Education - £4.930m primarily in the area of Corporate Parenting (i.e. looked after children placements). There are also smaller overspends in Family Intervention Services and in Disabled Childrens' Services.

Adults, Health and Integration - £10.260m primarily in the area of Care Support Commissioning with smaller overspends in Provided Services and Mental Health.

Climate, Homes and Economy - £1.264m primarily in Environmental Operations with a smaller overspend in Community Safety, Enforcement and Business Regulation.

Finance & Corporate Resources - £1.833m - primarily in Benefits and Revenues. 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 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 £20.3m 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 being received in tranches as 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 and has been factored in the 2024-25 budget and on an ongoing basis thereafter,

2.4 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.

2.5 The General Fund financial position for January is shown in the table below.

Table 1: Overall Financial Position (General Fund) January 2024

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**
98,318	**Children and Education**	9,302	45	-4,417	4,930	286
127,673	**Adults, Health and Integration**	16,237	184	-6,161	10,260	306
37,512	**Climate, Homes & Economy**	5,081	523	-4,340	1,264	186
28,176	**Finance & Corporate Resources**	3,628	435	-2,180	1,883	-77
16,353	**Chief Executive**	2,474	179	-3,166	-513	-134
47,403	**General Finance Account**	0	0	0	0	0
355,435	**SUB TOTAL**	**36,722**	**1,366**	**-20,264**	**17,824**	**567**
	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	0
	Less 2023-24 surplus Interest income & underspend on superannuation and added years				-2,000	-2,000
	GENERAL FUND TOTAL				**7,333**	**-1,433**

2.6 The remaining overspend of £7.333m will be funded by unspent contingencies, provisions and reserves.

2.7 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.

2.8 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.

Cost of Living Crisis

2.9 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.

2.10 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.

2.11 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.

2.12 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).

2.13 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.

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

- *CTRS Discretionary Hardship Scheme - £50k paid out*
- *Discretionary Housing Payments - £740k paid out*
- *Hackney Discretionary Crisis Support Scheme - £121k paid out*

While spend on the HDCSS has been static the service has been allocated 70k from the Household Support Fund for applicants who are moving out of Temporary Accommodation into Settled accommodation and need white goods. Of this 70k, £32k has been spent on procuring essential white goods that would otherwise have come out of the HDCSS scheme

2.15 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:

Children and families 0-19

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 £475,946 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 alongside University of Sheffield 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. However, in the Spring National Budget on 6th March 2024, the Chancellor announced that the grant would be extended for a further 6 months (until September 2024) at the current rate. This movement is clearly the result of a strong and intense lobbying by many organisations including Hackney.

2.16 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.

2.17 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.
- The Council is working alongside organisations in the Charedi communities in Hackney to deliver a £450k fund from GLA to deliver food support during Passover. We have been exploring models such as the pantry model or a low cost kosher food shop accessible to the Stamford Hill area.

3. Recommendations

3.1 To note the overall financial position of the Council as at January 2024 as set out in this report.

4. Reasons for Decision

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

5. Details of Alternative Options Considered and Rejected

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

6. Background

6.1 Policy Context

This report describes the Council's financial position as at the end of January 2024. 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 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 All other legal implications have been incorporated within the body of this report.

9. <u>Children and Education</u>

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
98,317	Children and Education	4,930

9. **Children and Families Services (CFS)**

9.1 CFS are forecasting a £4.9m overspend as at the end of January 2024 after the application of reserves totalling £3.9m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.3m due to backdated assessment and support costs within Children in Need services as directed by the Court.

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 grants 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 £3.7m 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.

	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
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 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 is susceptible to variation due to the demand led nature of the service, depending on the complexity of the arrangements, 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 £0.7m which is related to over established posts and agency staff, as well as higher spend in LAC incidental costs, the forecast has increased by £0.3m since December due to backdated assessment and support costs which have been directed by the Courts. The structure will be reviewed as part of the overall directorate restructure.

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 £0.1m, 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 £0.4m, 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 £0.1m. 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 £3.192m after the use of reserves in 2023/24. The underlying overspend across the service after reserves is £4.322m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £3.760m 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 increased by £0.2m 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 £3.760m 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 (£44k) and Early Years which includes Children's Centres (£513K) - reduced income levels are expected to continue within our Early Years service as a result of lower activity levels within services, which 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** 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 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.

9.15 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.

9.16 Many of the **financial risks** 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 the forecast during the course of the year. 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 £20.3m 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 being 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
127,763	Adults, Health and Integration	10,260

10.1 Adult Social Care is forecasting an overspend of £10.26m (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 £0.3m from the December 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 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 £488 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.

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 been fully utilised, primarily to reduce waiting times for social care.

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 was fully utilised in January.

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 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 £8.2m budget pressure (after reserve usage of £3.1m) against an overall budget of £47m. The position has moved adversely by £0.1m compared to the previously reported position, largely driven by further demand pressures, specifically increases in Home Care activity (£0.1m). 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:

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 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.

10.10 **Provided services** are forecast to overspend by £1.3m against a £11.1m budget. This represents an adverse movement of £0.06m from the December position, primarily due to increase in staff capacity during the festive season. The £1.3m overspend is made up primarily of an overspend on Housing with Care (HwC) scheme costs of £2.3m, offset by underspends on day services of £1m. This HwC forecast overspend of £2.3m 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.

10.11 **Mental health** is forecast to overspend by £1.3m against a £8.9m budget. This represents a £0.1m adverse movement on the December 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 £0.5m 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.

10.12 **Preventative Services** reflects no material movement from the December position. The overall position now reflects a budget underspend of £0.7m, which is primarily attributable to the following: Carers £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.

10.13 The **Care Management and Adult Divisional Support's** budget position reflects an overall budget underspend of £0.03m and is primarily due to staff vacancies across the ASC management team, as result of delays in recruitment.

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10.14 The **ASC commissioning** reflects a £0 .01m budget overspend. There is no material movement from the December 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.

10.15 **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 £0.2m 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** 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. 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 4% as at January 2024, 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 10.8 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. Climate, Homes and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
37,512	Climate, Homes and Economy	1,264

11.1 The directorate is showing a £1.264m overspend after use of £4.34m in reserves and corporate support. There is a £186k deterioration from the December 2023 reported position. The directorate's main areas of underlying overspend are Environmental Operations and Community Safety, Enforcement and Business Regulation (CSEBR).

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 Heads of Service 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 £1.763m (£1.662m December 2023). The projected overspend in EO of £1.880m which is offset by an underspend of £0.117m 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.

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 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.
- £0.143m - 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
- £0.418m - vehicle maintenance increased costs previously noted as a potential risk. Up £25k from Dec 23.

11.7 The total of these cost pressures of approx £2m has been 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 were implemented from October 2023 to January 2024 with an estimated £343k of the £496k being achieved. This trial was stopped at the end of January 24 leaving a potential shortfall of £151k from the proposed £496k reduction target. The forecast has increased as a result of the earlier ceasing of the trial than originally anticipated. 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 (CSEBR)** is projected to overspend by £0.26m. This is in line with the December forecast. 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 an underspend of £0.062m, showing no movement on the December position. The Head of Service continues to review controllable budgets on an ongoing basis to identify any cost cutting possibilities across the division. There is a risk, detailed in the table below, that the rental income for one of the cafe areas will not be realised.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.368m 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 £0.087m 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 is enough within the PSH licensing reserve to cover the gap for 2023/24, but a decision will need to be made on the future of the licensing scheme as soon as possible to mitigate any budget risk for 2024/25. There is also a £0.094m 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 nil variance. £0.233m forecasted unspent grant will be rolled over to next year or moved to a grant reserve.

11.12 **Markets and Shop Front Trading** Markets and Shop Front Trading are showing a £0.250m underspend, representing a £0.063m movement from December 2023. Markets are expected to exceed the budgeted income 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 £0.073m, a movement of £0.045m. 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. 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 down by 6% compared to the same period 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 was £1.4m in total 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. One-off risk resource has been used to manage the impact in periods where there was no offsetting increased income.

11.14 **Streetscene** is projecting an overspend of £0.048m, a positive movement of £0.113m from December 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 overspend by £0.066m which is a deterioration of £0.175m from the December 2023 position. Some income in planning is not predictable - the forecast is based on a number of assumptions including planning application activity - the movement in forecast this period is due to one major scheme where the planning income is now expected in 2024/25 rather than this financial year. This risk around these income assumptions was added to the list of risks previously.

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 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.** Assistant Directors and Heads of Services are continually reviewing their overspends and working to identify strategies to mitigate the level of overspend. Strategic Directors will review all service areas to hold non essential spend to mitigate the overspending areas. An in-year review of non-essential spend resulted in forecasts previously being reduced by £1.2m.

11.18 Risks

Risk Description	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.	92
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

Risk Description	Amount £'000
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. This risk has been materialising and been recognised in the forecast over time.	1,400
There is a risk to the income due from a cafe provider within the Leisure, Parks & Green Spaces service. This risk is estimated at up to £100k. The Council continues to work with the provider to secure recovery of outstanding amounts.	100
The Hackney Commercial Services company saving 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 be in full.	150
	1,842

12. Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
28,176	Finance & Corporate Resources	1,883

12.1 **Finance and Corporate Resources** are currently forecasting an overspend of £1.883m after a reserve drawdown of £1.745m. This is a favourable movement of £77k on last month's forecast. The service continues to be impacted by Cyber with significant overspends in Revenues, Benefits and ICT totalling £2.93m

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

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

12.4 **Strategic Property Services** are forecasting to break even for the 2023/24 financial year after reserve movements. Strategic Property Services budgetary constraints arise from the need to allocate resources towards repairs and maintenance as well as 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 service holding vacant posts and recovery of one-off historic income.

12.5 **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 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**. 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.

All grant funding confirmed for 2023/24 has been factored into the forecast.

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** 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. Since the start of the financial year the temporary accommodation rental forecast has increased by £1.1m. Of this, £800k can be offset by a one-off additional homelessness prevention grant resulting in a £300k overspend.

The £1.1m increase 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 TA 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 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 **£316k** after a reserve drawdown of £713k, this is a favourable movement of £58k 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 continuing 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 £172k. The overall underspend is due to the service holding vacant posts.

13.14 **Directorate Finance Support Teams** are forecasting an underspend of £120k. This is an unfavourable movement of £38k and is a result of higher levels of agency staff covering permanent vacancies.

12.15 **Procurement** 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** Human Resources and Organisational Development is currently forecast to underspend by £200k. This is a favourable movement of £40k on last month’s forecast. 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. Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
16,353	Chief Executive	-513

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.513m following the use of £3.1m of reserves and corporate support. This is a £134k improved position to the December-23 forecast of £0.379m. 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 £0.157m which is a small deterioration of £41k to the December 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 £0.285m showing a £16k improvement from the December 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 significant use of reserves results 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 £0.143m underspend, which is an improvement of £0.050m on the December Position. The variance to the December forecast is due to the decision to continue to delay recruitment and hold vacancies where possible until the new financial year. The service continues to review the total forecast taking a prudent approach in 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. 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. HRA

14.1 The HRA is forecasting to draw down £1.2m from reserves in order to breakeven for 2023/24. This reflects the decision taken in April 2023 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 forecasts now include the impact of the recently agreed pay award for 2023/24, which has been offset by a saving on central recharges to the HRA as the actuals for 2023/24 have now been posted into Cedar. We have also updated the forecasts for utility costs and the Leaseholder Service Charge Income.

14.2 **Income**

Refinement of the income forecasts based on the actual billing for shared ownership rental income and leaseholder service charges was undertaken during the period resulting in a positive movement of £3,824m overall. This offsets pressures in expenditure budgets.

- **Dwelling rents**. Overall a forecast of £796k additional income for the year is forecast. This is due to additional income from new tenancies and shared ownership properties during the year. The increase in income for these properties is offset by lower income forecast for temporary accommodation properties

- **Non-dwelling rent** is forecast to be £11k under budget as confirmation of the likely level commercial properties income has been received which is lower than anticipated however there is a forecast of increased income from garages and community halls generated by the new online booking system.

- **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 £2.833m of additional income due to the confirmed impact of the issue of actual bills for 2022/23.

- **Other Charges for Services and Facilities**, the reduction in forecast income of £752k 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 and beyond.

14.3 **Expenditure**

- **Housing Repairs Account -** there is a positive change of £402k change from the previous month due to refinement of forecasts. The forecast for the year is a £874k overspend driven by the DLO (£600k), which is due to increased labour and materials costs. An additional resources requirement in legal disrepair and building maintenance

£640k is required to tackle the demand for legal cases/complaints but this is partially offset by a £200k underspend within community halls and R&M forecast along with additional capitalisations.

- **Special Services** - the overspend of £6.877m mainly relates to gas and electricity. Energy prices have significantly increased for 2023/24 which has been reflected in the monitor and refined for Period 10. 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 remainder of the year. The volume of phone calls is significantly high and then there is the winter period yet to come, 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** - refinement of forecasts has resulted in an overall forecast minor overspend of £39k. 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. The current forecasts now include the impact of the recently agreed pay award for 2023/24. 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 movement of £785k. This is mainly due to an increase in the Council Tax liability that includes unbilled amounts from previous years.

- **Bad Debt Provision** a review of the methodology for the calculation of the Bad Debt Provision will result in a reduction of the provision required. As assessment has shown the HRA is over providing for current tenant arrears. This is required to be drawn down to revenue in order to balance the HRA Budget in 2023/24.

14.4 **Variances from the Previous month**

Dwelling Rents - overall there is a forecast movement of £441k additional income for the year. Forecast refinement has been carried out during January. This is due to additional income from new tenancies and shared ownership properties during the year.

Non Dwelling Rents - an adverse movement of £770k is forecast due to the confirmation of the level of commercial properties income received which is lower than anticipated. Income is billed quarterly in advance so all the income has been billed to date.

Leaseholder Charges for Services and Facilities - a positive forecast of £2.279m of additional income due from the position reported in Month 9 is reported as a result of the impact of the issue of actual bills for 2022/23.

Rents, Rates, Taxes and Other Charges - there is an adverse variance of £970k. This is mainly due to an increase in the Council Tax liability of £653k that includes unbilled amounts from previous years. In addition 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 HM Offices.

14.5 **Risks.** The previously identified risks are still being monitored.

Area	**£000's**
DLO - the forecast overspend could increase up to £1.9m, this will be offset against the capitalisation of revenue works.	0
Legal dis-repair -external legal/court fees / compensation in H2905 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
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
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

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,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