Title of Report	2023/24 Overall Financial Position - February 2024	
Key Decision No	F S219	
For Consideration By	Cabinet	
Meeting Date	22 April 2024	
Cabinet Member	Cllr 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	30 April 2024	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. Cabinet Member's Introduction

1.1 This is the ninth Overall Financial Position (OFP) report for 2023/24. It shows that as at February 2024, the Council is forecast to have an overspend, after mitigations of £7.993m - an increase of £0.66m from the previous month. Full details on the calculation of this figure, including the mitigations are given in the Interim Group Director's introduction below.

1.2 As can be seen below, the overspend relates to various pressures including:- Adult Social Care (primarily Care Packages, Mental Health and Provided Services); Climate, Homes and Economy (Environmental Operations); Children and Education (Corporate Parenting, Disabled Children Services and Family Intervention Support Services); F&CR (Revenues and Benefits and homelessness).

1.3 The Council is in a very challenging position but we are not unique in this regard. The Council must, of course, deal with its own position and it is essential that we continue to address this challenge head on if we are to remain financially stable over the longer term.

1.4 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.

1.5 I commend this report to Cabinet

2. Interim Group Director's Introduction

2.1 The OFP shows that the Council is forecast to have an overspend of £19,484m after the application of reserves but before the application of the additional in-year corporate 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 (£3.000m). We have increased the latter by £1m this month following a further review. The application of the savings and mitigations reduces the overspend to £7.993mm - an increase of £0.660m since January. This remaining overspend will be funded by applying corporate provisions and reserves.

The February budgetary position is shown below.

Table 1: Overall Financial Position (General Fund) February 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	9,577	74	-4,376	5,275	345
127,673	Adults, Health and Integration	16,433	187	-5,978	10,642	382
37,549	Climate, Homes & Economy	4,901	1,106	-4,512	1,495	231
28,176	Finance & Corporate Resources	4,363	453	-2,221	2,595	712
16,353	Chief Executive	1,848	308	-2,679	-523	-10
47,366	General Finance Account	0	0	0	0	0
355,435	**SUB TOTAL**	**37,122**	**2,128**	**-19,766**	**19,484**	**1,660**
	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 GFA Surplus				-3,000	-1,000
	GENERAL FUND TOTAL				**7,993**	**660**

2.2 The main areas of overspend are: -

Children's and Education - £5.275m 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 - £10.642m primarily in the area of Care Support Commissioning with smaller overspends in Provided Services and Mental Health.

Climate, Homes and Economy - £1.495m primarily in Environmental Operations with smaller overspends in Planning and Community Safety Enforcement and Business Regulation.

Finance & Corporate Resources - £2.595m - primarily in Benefits and Revenues, and Homeless Prevention. In Benefits and Revenues the primary cause of the overspend is £1.884m 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. In addition, there is an overspend of £916k in Homeless Prevention which primarily reflects the significant increase in the use and cost per night of nightly paid accommodation.

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 £20.2m 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 paid to the Council in tranches across this financial year and next year.

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 undertaken measures to mitigate part of the overspend this year and will continue to identify further actions to mitigate the impact of these pressures going forward.

2.5 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.

2.6 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 continue to review services and budget lines to mitigate the impact of this non delivery.

Cost of Living Crisis

2.7 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.

2.8 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.

2.9 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.

2.10 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 was allocated £475k of Household Support Fund monies (see below for detail on the Housing Support Fund) and, as at 27th March, this is fully spent.

2.11 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:

- 10,765 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 £2.15m of discretionary funds, and delivered £2.06m worth of increased incomes through benefits uptake work, mainly through the Council Tax Reduction Scheme (CTRS), Housing Benefit, Universal Credit, Personal Independence Payment appeals and Pension Credit.

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

- *Discretionary Housing Payments - £1.192m paid out*
- *Hackney Discretionary Crisis Support Scheme - £127k paid out*
- *CTRS discretionary hardship scheme - £54k*

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, £56k has been spent on procuring essential white goods that would otherwise have come out of the HDCSS scheme

2.13 The 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).

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

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.

<u>Breaking down the barriers to reach a wider group of vulnerable residents who are at risk of poverty</u>
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.

In the Spring National Budget on 6th March 2024, the Chancellor announced that the HSF 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. On 26th March, although **embargoed to sharing further than the Council until 1st April 2024**, guidance from DWP was received outlining Hackney's HSF 5 (April - September 2024) award of £2,822,258.58. There are also a few changes in the guidance for HSF 5 that will need to be reviewed with programme deovelopment to ensure we can administer a scheme that works alongside the guiding principles agreed with CLT, and try to balance emergency support with trying to prepare to support residents with more sustainable, early help approaches to tackling poverty where possible. The deadline for submission of a delivery plan to DWP is 10th May 2024.

2.14 Our November 2022 OFP report identified a further £600k to support poverty reduction. The focus is on either developmental interventions or those that meet the needs of groups that Household Support Fund cannot support, and specifically those with no recourse to public funds In summary resources will support:

- £300k - Tackling 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.

2.15 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 February 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 February 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. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
98,318	Children and Education	5,275

9. Children and Families Services (CFS)

9.1 CFS are forecasting a £5.3m overspend as at the end of February 2024 after the application of reserves totalling £3.8m and after the inclusion of the Social Care Grant allocation of £13m. The forecast has increased by £0.3m this month due to higher spend in legal and court costs fees across the service and unrealised income in the Clinical Service.

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, which 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.

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 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 arrangement new clients can add a considerable cost, and in holiday periods during the summer and winter, we 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 £1m which is related to over established posts and agency staff, as well as higher spend in Looked After Children (LAC) incidental costs. The forecast has increased by £0.3m since January due to higher legal fees, court costs and expert assessments which are directed by the Courts.

9.7 **The Access and Assessment and Multi Agency Safeguarding Hub** have an overspend of £0.3m primarily related to increased staffing costs from over established staff and agency.

9.8 **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.

9.9 **The Disabled Children Service** is showing an overspend of £0.4m, and this primarily relates to the demand in short break services which is a statutory requirement.

9.10 **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 overspends primarily related to agency premium, maternity and long term sickness cover pressures.

9.11 **Hackney Education (HE)** is forecast to overspend by around £3.123m after the use of reserves in 2023/24. The underlying overspend across the service before reserves is £4.765m, and this is partially offset by mitigating underspends of £1.130m. The main driver is a £3.760m pressure on 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. A grant of £1m has been awarded by the Department of Education (DfE) through the SEND Developing Better Value (DBV) programme. This programme of joint work with the DfE and its partners started in February 2023. The grant is to be spent towards an action plan targeted at work streams which have been agreed with the DfE which may help to mitigate some elements of the high needs budget pressures which have contributed towards year on year overspends.

9.12 **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 SEND £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 (£25k) and Early Years which includes Children’s Centres (£463k). 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.

9.13 **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 the 2024/25 financial year. The implementation of this is later than originally planned which 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.

9.14 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.

9.15 Many of the **financial risks** seen across the Children's and Education service during 2023/24 including the cost of living crisis, increasing demand and complexity for children and young people coming into the service as well as inflationary cost pressure in a competitive placement market, will result in children’s social care continuing to face challenges. These pressures will also be seen across Education with continuing uncertainty around the DSG high needs deficit and with the National reform of free early years entitlement expected to have a significant impact on demand for childcare placements.

9.16 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	10,642

10.1 Adult Social Care is forecasting an overspend of £10.64m after the application of reserves of £6m and the inclusion of the Social Care Grant allocation of £13.7m. This represents an adverse movement of £0.4m from the January 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 has been allocated £13.7m (including the Independent Living Fund £0.7m, now rolled into Social Care grant in 23/24) respectively, and this has been fully factored into the current forecast.

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

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

These are:

- 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 has been fully utilised this month.

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. 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 £8.9m budget pressure (after reserve usage of £3m) against an overall budget of £47m. The position has moved adversely by £0.7m compared to the previously reported position, largely driven by further demand pressures, specifically increases in Home Care activity (£0.5m). 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 (excluding 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 (including the Discharge and MSIF grants) over the last 5 years but 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

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%

Hackney

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 £1.2m against a £11.1m budget. This represents a favourable movement of £0.01m from the January 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 £1m 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 but 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 the end of October 2024.

10.11 **Mental health** is forecast to overspend by £1.2m against a £8.9m budget. This represents a £0.1m favourable movement on the January position, primarily as a result of increased recharges to health partners (ELFT). 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 £1.7m 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 (ELFT) to reduce the budget overspend as part of the agreed cost reduction measures.

10.12 **Preventative Services** reflects a favourable movement of £0.1m from the January position, as a result of staff vacancies across the service. The overall position now reflects a budget underspend of £0.8m, 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 £0.4m.

10.13 The **Care Management and Adult Divisional Support's** budget position reflects an overall budget underspend of £0.04m 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** has a £0.05m budget underspend. This represents a favourable movement of £0.1m from the January position driven by additional health funding secured. 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 £1.7m 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 (PH)** is forecasting a breakeven position.

The Public Health Grant funding allocation for local authorities in 2023/24 rose to £3.6 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 Ongoing **financial risks** persist for the social care service, despite improvements to the Mosaic system, as data verification is still underway. The directorate faces challenges from the cost of living and fuel price crisis, with potential impacts on service delivery costs. Despite budget increases, escalating demand and growing costs pose significant challenges to the adult social care budget.

10.19 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).

The cost reduction proposals will be monitored on a monthly basis highlighting delivery against these indicative targets. Detailed plans continue to be developed for these proposals, and these will be part of monthly discussions at AH&I SMT. It is essential that the service delivers against these plans.

11. Climate, Homes and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
37,549	Climate, Homes and Economy	1,495

11.1 The directorate is showing a £1.495m overspend after use of £4.51m in reserves and corporate support. There is a £231k deterioration from the January 2024 reported position. The directorate's main areas of underlying overspend are Environmental Operations, Planning 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 in income which is exceeding budgets into the forecast and forecasting an 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 in the remainder of the year. 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 £1.668m (£1.763m in January 2024). The projected overspend in EO of £1.819m which is partially offset by an underspend of £0.151m in EWS. This is due to a range of demand-driven challenges, including housing growth, population increases (including temporary influxes), responding to the aftermath of Anti Social Behaviour, 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; Low Traffic Neighbourhoods (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

- £0.578m - vehicle maintenance increased costs previously noted as a potential risk. This is an increase of £160k from January 24.

11.7 These cost pressures have been mitigated in part by cost reduction measures involving a trial of new ways of working within the street cleansing teams, originally estimated to be £0.496m by the Head of Service, across the full year. These actions were implemented from October 2023 to January 2024 with an estimated £343k of the £496k being achieved. This trial was stopped though, at the end of January 2024 leaving a potential shortfall of £153k from the proposed £496k reduction target. The forecast was increased last month as a result of the earlier ceasing of the trial than originally anticipated.

The reduction in forecast this month relates primarily to revised costs relating to the contract with the North London Waste Authority. The Head of

Service will continuously analyse service budgets to seek cost-cutting possibilities in order to reduce overspend while maintaining existing levels of service

11.8 **Community Safety, Enforcement, and Business Regulation (CSEBR)** is projected to overspend by £0.287m. This is an increase of £27k from the January forecast which relates to revised ICT costs. 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 £0.102m, showing an improvement of £0.040m on the January position. The reduction in forecast is due to a significant number of vacancies that are being held prior to a service restructure and also to help control overall spend. The Head of Service continues to review controllable budgets on an ongoing basis to identify any cost cutting possibilities across the division.

11.10 **Economy, Regeneration & New Homes** There is currently a £0.374m underspend forecast for the service. £0.296m 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, as the old scheme ended in October 2023 and a decision on whether to extend, expand or end 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 £0.105m 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 nil variance. £0.44m forecasted unspent grant (AEB + JSFL) will be rolled over to next year or moved to a grant reserve. Work on Jobs & Skills for Londoners has not commenced fully, therefore largely unspent this financial year.

11.12 **Markets -** Markets and Shop Front Trading are showing a £0.381m underspend, representing an increase of £0.131m from January 2024. 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 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 a balanced position, a positive movement of £0.072m since January. However, 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 is down by 6% compared to the same period last year, despite inflationary price increases having been applied.

The Head of Service 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 £0.155m, a deterioration of £0.107m from January 2024. Traffic Orders Road Closure Fees income is significantly lower than budgeted. This line of income is wholly dependent on third parties and largely tracks the economy as well as 3rd party investment in infrastructure (such as fibre optic cabling or other utilities). This has been identified as a risk throughout the year, and has been adjusted downwards accordingly in previous months. There was some optimism at the start of Q4 that year-end investments would materialise as they have in previous years, with signs that the economy was recovering and inflation steadying, however, these works did not materialise and we now know that major Thames Water and UKPN projects requiring road closures are delayed at least until 2025.

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11.15 **Planning and Regulatory Services** is forecast to overspend by £0.345m which is a deterioration of £0.279m from the January 2024 position. Some income in planning is not predictable - the forecast was based on a number of assumptions including planning application activity - the movement in forecast this period is due to reviews of all schemes 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 continue to review services and budget lines to mitigate the impact of this non delivery.

11.17 **Management Actions to reduce the overspend in 2023/24**. Heads of Services are continually reviewing their 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 As we near the end of the financial years the impact of **financial risks** within the budget lessen, however, there is a risk that there may still be an impact on the forecast especially in relation to income risks. The outstanding risks for CHE which may impact the latest forecast are parking Income and savings in relation to Hackney Commercial Services company and whilst there may be a change between this month's forecast and outturn but we do not expect it to be significant.

12. Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
28,176	Finance & Corporate Resources	2,595

12.1 **Finance and Corporate Resources** are currently forecasting an overspend of £2.595m after a reserve drawdown of £1.768m. This is an unfavourable movement of £712k on last month's forecast. This is discussed below in the Housing Needs section.

F&CR services continues to be impacted by Cyber with significant overspends in Revenues, Benefits and ICT totalling £2.98m

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

12.3 **Education Client** are 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** 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 are being 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 a reserve drawdown of £475k. 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 NCOB forecast is not currently included in the above table. There is a potential deficit here which will be finalised when we close the accounts.

12.6 **Customer Services** are currently forecast to budget but there is an ongoing risk depending on demand levels.

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** are currently forecast to overspend by £1.7m, which nets down to £916k after the allocation of one off grant funding. The overspend is attributable to an increase in temporary accommodation rental costs which is driven by the factors below:

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 at the new higher market rate compared to 2022/23. However, it should be noted that leases remain significantly more cost effective than alternative means of temporary housing.

There has been an adverse movement of £600k in the February forecast. This reflects a recasting of the forecast this month to take account of a significant increase in nightly paid temporary accommodation occupancy rates over the period January to March, and an increase in unit costs.

It should be noted that the increase in occupancy and 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. This problem is exacerbated by the availability of other forms of temporary accommodation.

12.12 **ICT** are forecasting an overspend of £388k after a reserve drawdown of £594k - this is an adverse movement of £72k 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, it is worth noting that the service is already partially offsetting the overspend in the current position by holding a number of vacant posts resulting from a recent restructure. Management has agreed to delay 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. There has been no movement on last month's forecast.

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 mostly offset by underspends across the service.

12.16 **HR & OD** is currently forecast to underspend by £160k. This is an unfavourable movement of £40k on last month’s forecast and is a result of staffing changes.

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

13. Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
16,353	Chief Executive	-523

13.1 The Chief Executive's Directorate is forecasting an underspend of £0.523m following the use of £2.7m of reserves and corporate support. The impact of cost reduction actions taken by the directorate to support the Council’s forecast overspend are reflected within this forecast.

13.2 **Communications, Culture & Engagement** is forecasting an underspend of £0.029m which is a deterioration of £128k compared to the January forecast. The underspend arises from 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 £0.357m showing a £72k improvement from the January forecast. The underspend reflects the directorate’s response to the Council’s overall overspend which arises 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 intends to continue to recruit 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 but 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 £0.132m underspend, which is a small adverse movement of £0.011m on the January position. The service continues to review the total forecast taking a prudent approach in response to the Council's overall overspend position.

13.5 All previously identified financial risks are now included in the forecasts.

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 £1.810m 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 which requires a £1.2m drawdown from reserves and an additional drawdown of £610k is now required in order to balance the HRA in 2023/24. This additional requirement reflects increased costs relating to repairs and maintenance expenditure. The forecast outturn position remains 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 (i.e. the charge for central support services provided to the HRA by other Council services) 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 £4.162m overall. This offsets pressures in expenditure budgets.

Dwelling Rents - overall a forecast of £587k 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 partially offset by lower income forecast for temporary accommodation properties .

Non Dwelling Rents - is forecast to be £536k over budget as confirmation of the likely level commercial properties income has been received which is higher than anticipated. We are also forecasting increased income from garages and community halls generated by the new online booking system.

Tenant Charges are forecast to be £958k over budget as a result of increased income which largely relates to Landlord lighting reflecting increased costs of energy.

Leaseholder Charges for Services and Facilities - is forecast to generate £2.883m 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 - The forecast for the year is a £2.385m overspend driven by DLO costs of £2.8m, which reflects increased labour and materials costs. An additional resources requirement in legal disrepair and building maintenance of £1.6m to tackle the demand for legal cases/complaints. These are offset by an underspend within community halls along with additional capitalisations.

Special Services - the overspend of £5.7m mainly relates to gas and electricity. Energy prices have significantly increased for 2023/24 which has been reflected in the monitor and refined for February. 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 of £200k. There is also a forecast overspend on grounds maintenance due to additional agency staff and forecast increased spend on hardware maintenance fees.

The repairs contact centre (RCC) is forecast to overspend by £300k. The volume of phone calls is particularly high which is being driven by the increased demand in the number of reactive repairs, including damp and mould works along with an increase in the average length of the phone calls.

Supervision and Management - refinement of forecasts has resulted in an overall forecast overspend of £1.811m. Insurance premium costs of £1.548m relating to Leasehold properties are now accurately included within the forecast. 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 and 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. As noted above, leaseholder insurance premium expenditure is also included in this month's forecast resulting in an increase in expenditure of £1.548m.

The current forecasts now include the impact of the recently agreed pay award for 2023/24 and also additional costs relating to a redundancy. 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 overspend of £723k in this area. This is mainly due to an increase in the Council Tax liability on void properties that includes unbilled amounts from previous years.

Provision for Bad and Doubtful Debts - 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**

INCOME

Dwelling Rents - overall there is an adverse forecast movement of £209k following the refinement of the forecast in February. This is due to a revised assessment of income due from shared ownership properties.

Non Dwelling Rents - a positive movement of £547k is forecast due to the confirmation of the level of income from commercial properties receivable for the year.

EXPENDITURE

Housing Repairs Account - the forecast expenditure has increased as a result of spend associated with Alternative Dispute Resolution Cases (ADR) £250k, and £590k due to legal disrepair costs for external legal fees, compensation and court costs.

Special Services - the improvement of £1.2m relates to revised gas and electricity prices. Energy prices have significantly increased for 2023/24 making forecasting difficult but these forecasts have been refined for February based on more up to date information..

Supervision and Management - Insurance premium costs of £1.548m relating to Leasehold properties are now accurately included within the forecasts.

Rents, Rates, Taxes and Other Charges - there is a £247k reduction in spend. Refinement of the forecast for Council Tax and NNDR liability has resulted in this movement.

Provision for Bad and Doubtful Debts - 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.

Risks

All previously identified risks are now included in the forecasts where appropriate.

Appendices

None

Background documents

None.

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