Hackney

Title of Report	2024/25 Overall Financial Position - September 2024	
Key Decision No	F S207	
For Consideration By	Cabinet	
Meeting Date	25 November 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	04 December 2024	
Group Director	Jackie Moylan, Interim Group Director, Finance	

1. Cabinet Member Introduction

1.1 This is the fourth Overall Financial Position (OFP) report for 2024/25. It shows that as at September 2024, the Council is forecast to have an overspend, after mitigations of £38.210m. This is an increase of £1.250m from the August forecast, primarily in the areas of Adult social services and Children's Services.

1.2 The main drivers for the overspend remains rising demand and costs in the provision of temporary accommodation for homelessness and social care. This level of overspend presents a major challenge to our financial sustainability going forward. Details of the calculation of the overspend, the mitigations applied and the actions going forward, including strict internal spending controls, are given in the Interim Group Director's introduction below. We will report on the impact of these actions in future OFP reports to Cabinet. We should acknowledge that even after these further actions are undertaken, a significant overspend will remain such that a substantial use of our reserves will be necessary to balance the budget. This position is not sustainable in the medium term.

1.3 The position also has an impact on our medium-term financial planning position increasing our budget gap. Difficult decisions will need to be taken both in relation to the current financial year, and the budget for 2025/26 and future years. We have revised the Medium Term Financial Plan (MTFP), which is attached as an Appendix to this report and the Plan shows that estimated budget gaps in each of the three years have increased significantly. The revised budget gaps are 2025-26: £35.814m; 2026-27: £49.281m; and 2027-28: £67.230m. More detail is given in 2.15.1 below.

1.4 On 30th October, the Government presented the Autumn Budget. I welcome the £1.3bn additional grant funding for local government and the 3.2% real terms increase in Local Government Core Spending Power (Government's measure of our core resources). I also welcome the additional funding for: - Social Care of £600m (which is within the £1.3bn total); Homelessness of £230m (which is additional to the £1.3bn total), and for the NHS and Education. The Budget also announced that the household support fund and discretionary housing payments have been extended with an additional £1bn in funding to 2025-26. Clearly, the Budget cannot solve all of our financial problems but it is very welcome.

1.5 As Cabinet are aware, in 2024-25 we continued our participation in the localised business rates pooling scheme which we originally entered into in 2022-23 comprising the City of London and 6 other London boroughs. For 2022-23 and 2023-24, we have received a significant financial benefit, estimated to be £6.3m over the two years and a provisional estimate of our 2024-25 allocation by the Pool's financial advisers, LG Futures, is £2.7m. This suggests that the scheme could deliver a financial benefit of c. £2.5m in 2025-26 We are proposing therefore to continue to participate in the scheme in 2025-26.

1.6 Hackney's residents also continue to face significant financial pressures and we set out in this report details of what the Council is doing to assist residents to manage the impact of the cost of living crisis.

1.7 I commend this report to Cabinet.

2. Interim Group Director's Introduction

2.1 The OFP shows that the Council is forecast to have an overspend of £50.876m after the application of specific reserves and grants but before the application of the following mitigations: -

(a) Pausing budgeted revenue contributions to financing the capital programme and life-cycle contributions (HSC, Fleet Reserve and Bus Fleet Reserve) - £4.716m. This does not impact the delivery of the capital programme, it is a change in how we fund it.

(b) Revision of the amount set aside to repay borrowing for the current year (the 'Minimum Revenue Provision') by £1.7m. This is possible because re-profiling of the delivery of some schemes in the capital programme means we are borrowing less than anticipated.

(c) 2024-25 Localised Business Rates Pool Surplus - £2.6m. This is a voluntary arrangement between Hackney and 6 adjoining London

Boroughs to combine ('pool') our business rates income and share the collective growth. Each borough is better off with this arrangement.

(d) Revised Concessionary fares levy - £0.4m, this is in line with information received from Transport for London (TfL).

(e) Revised Bank Charges - £0.350m, based on forecast of actual costs.

(f) Revised interest Income - £2.5m, a prudent estimate based on year to date and estimated cash flows.

(g) Reduced assumption around the cost of the changes to the Council Tax Reduction Scheme (CTRS) Discount Income Loss - £0.4m

2.2 Cabinet will remember that we added a significant amount of growth to budgets in 2024-25 (£17.6m excluding growth for the pay award) and that there was an £8m increase in social care grants. However, as this report demonstrates, cost pressures are fast outstripping allocated growth and additional grant funds.

2.3 In order to partly mitigate the overspend still further, a number of spend reduction initiatives are proposed and these are discussed in section 2.12.

2.4 The table below sets out the position on the Council reserves as at 1st April 2024 and the forecast position taking account of specific reserves that we plan on using in-year along with planned appropriations to reserves.

Forecast Reserves at 31st March 2024

	£m
Overall General Fund Reserves as at 31st March 2024*	**154.1**
Less: General Fund Balance	18.0
Less: Schools balances	9.7
GF Reserves (excl GF balance & Schools Balances)	**126.4**
Less Forecast Net Reserves usage 2024/25 (note, this is an estimated figure which is subject to change depending on variations to the current year forecast and the level of capital financed from reserves at year end)	9.9
Less Committed Reserves (main elements are the PFI, the Insurance Fund & elections reserves)	10.2
Less Third Party Agreement (S256 agreements with health and other joint balances)	10.9
Less set aside for capital (can be used for revenue purposes)	22.8
Other Usable Reserves	**72.6**

2.5 The final overspend position for 2024/25 will reduce this balance. In simple terms if we were to do nothing and we were to continue to overspend at the current rate our reserves will be exhausted in less than 3 years. Faster, if spend continues to grow and no containment action is taken and if no national resolution comes forward, including in relation to the deficit balance on the Dedicated Schools Grant where the current statutory override in relation to holding this deficit balance expires in 2026.

2.6 This report also contains at **Appendix 1** a review of how services are performing in achieving their budgeted savings requirements.

2.7 The September budgetary position is shown below.

Table 1: Overall Financial Position (General Fund) September 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
99,213	**Children and Education**	9,656	88	-720	9,024	579
136,462	**Adults, Health and Integration**	22,329	286	-4,119	18,497	722
68,914	**Total – Climate, Homes & Economy**	24,122	322	-1,793	22,652	-162
2,038	**Finance & Corporate Resources**	3,200	0	-2,583	618	0
8,262	**Chief Executive**	1,521	0	-1,436	85	111
62,970	**General Finance Account**	0	0	0	0	0
377,859	**SUB TOTAL**	**60,954**	**696**	**-10,650**	**50,876**	**1,250**
	Less the following Mitigations					
	Pause RCCO & Contributions to Lifecycle Funds				(4,716)	0
	Revised MRP				(1,700)	0
	2024-25 Localised Business Rates Pool Surplus				(2,600)	0
	Revised Concessionary fares				(400)	0
	Revised Bank Charges				(350)	0
	Revised interest Income				(2,500)	0
	Reduced CTRS Discount Income Loss				(400)	0
377,859	**GENERAL FUND TOTAL**	**61,072**	**645**	**-10,725**	**38,210**	**1,250**

2.8 More detail on the reserves usage by directorates is given in **Appendix 3,** including a brief description of what each reserve is being used for.

2.9 The main areas of overspend are: -

Children's and Education - £9,024m primarily in the areas of Corporate Parenting, Family Intervention Support Services and Disabled Children’s services.

Adults, Health and Integration - £18,497m primarily in the area of Care Support Commissioning with a smaller overspend in Mental Health

Climate, Homes and Economy - £22.652m primarily in Homeless Prevention and from a shortfall of income in Parking.

Finance & Corporate Resources - £0.618m - primarily in Strategic Property Services and ICT and Workplace.

2.10 It must be noted that within this broad description of the overspends, we do have elements such as staff over establishment and the agency premium, which we expect services to address.

2.11 Many of these pressures, such as those in Adult Social Care, Children's Services and Homelessness Prevention, are by no means unique to Hackney but clearly we must take measures to mitigate our own overspend and agreed initiatives are set out in the following paragraphs.

2.12 **Initiatives to Mitigate the Overspend**

2.12.1 As noted in the previous report, In order to mitigate the overspend as effectively and efficiently as possible, CLT has set up a Budget Recovery Board. The Board will meet once a month and its first meeting took place on 8th October.

2.12.2 Cabinet will also recall that two spend reduction initiatives are already underway. The first is a review of all agency assignments with the aim to release a proportion of these; and the second is a review of "non-essential" spending (where there are underspends year on year). This is primarily for meeting the forecast budget gap for 2025-26 to 2027-28, but where identified, budgets can be ring-fenced this year and the underspend built into forecasts. CLT is now doubling down on, and enhancing, the spend control measures put in place earlier in the year. These include a non-essential spend freeze, a freeze on recruitment (both permanent and agency) and overtime restrictions. There will be exceptions to these controls, but these will require sign off at Group Director level and will have oversight via CLT and at Cabinet level. CLT will also be reviewing options for greater oversight over social care and temporary accommodation placements.

2.12.3 These initiatives have communicated through the established Senior Manager Network and all-staff communications, as have the worsening financial position and the need to double down on spend. We can only tackle this issue head on if we do so as one Council, and everyone has their part to play. We do, however, recognise the additional pressures that this can place on staff and all are reminded of the support channels which are available.

2.12.4 The position on Non-Essential Spend savings and Agency costs is shown below.

Non Essential Spend

Directorate	Non Essential Spend Savings included in the August Forecast £000	Non Essential Spend Savings included in the September Forecast £000	Change since August Forecast £000
C&E	295	295	0
AH&I	25	25	0
CHE	505	623	118
F&CR	136	146	10
CX	12	19	7
GENERAL FUND TOTAL	**973**	**1,108**	**135**
HRA	**0**	**0**	**0**

The total amount of non-essential spend savings reported above remains relatively small compared to the total overspend with just a marginal increase in September. It follows that all services must continue their spend reviews and redouble their efforts to find further savings. Further centralised monitoring is to be put in place to ensure that these controls are applied consistently in all directorates and we expect the savings totals to increase in the December report to Cabinet.

On Agency costs, the table below shows the forecast agency costs in September and the movement in these costs from August

Agency Staff Costs

	2024/25 August Forecast £000	2024/25 September Forecast £000	Change since July Forecast £000
C&E	11,825	11,573	-252
AH&I	7,626	7,848	222
CHE	12,504	12,768	264
F&CR	9,289	8,866	-423
CX	2,245	2,320	75
GENERAL FUND TOTAL	**43,489**	**43,375**	**-114**
HRA	**4,422**	**4,322**	**-100**

2.12.4 Forecast agency staff costs are showing a small decrease of £114k since August for the General Fund and £100k for the HRA. Further work being undertaken on agency spend should see the agency forecast decrease further in our December report to Cabinet.

An explanation of each directorate’s position is given below

2.12.5 The agency forecast on C&E has decreased by £252k across the service from the August position after implementing mitigations on the duration of some posts. Overall, within C&E there is an overspend of circa £1.6m on staffing as a result of over established posts and agency use. Further reduction and mitigations are being considered by the Group Director in order to reduce the forecast overspend on staffing.

2.12.6 On the HRA, additional Agency staff have been recruited in order to manage the high volume of Legal Disrepair Cases and Alternative Dispute Resolution (ADR) Cases. Whilst there are additional costs in 2024/25 there is expected to be overall cost savings over the next three financial years once the case volume is managed down. There are also additional operatives that have been employed to assist with Reactive Repairs and Planned Maintenance to ensure the service can meet all its statutory obligations. The movement in the forecast is as a result of reviewing all agency contracts and not renewing those that are deemed non essential.

2.12.7 The AH&I agency forecast has increased by £222k this month, of which £100k relates to three Social worker posts which are fully funded by the discharge grant. The remaining change of £122k is primarily due to delays in permanent recruitment for HWC staff including agency workers transitioning to 12 month fixed term contracts. Where possible agency workers have been converted to fixed term or permanent contracts and the duration of assignments has been evaluated. The majority of roles carry out a statutory function, hence the need to engage temporary agency cover in the absence of a permanent replacement. This will be kept under review, to identify where any further reductions are achievable.

2.12.8 The FCR agency forecast has been revised and decreased by £423k. This reduction is due to the correction of coding errors that mistakenly included non-agency related costs. The forecast now accurately reflects only agency related expenses. Otherwise, the overall situation remains consistent with last month. Agency roles continue to be necessary due to ongoing challenges in permanent recruitment. However, we remain committed to identifying opportunities for further cost reductions in the future.

2.12.9 The agency forecast across CHE has increased by £264k since the previous forecast. The majority of agency costs within CHE are within environmental operations. Agency use in environmental operations is essential, it covers leave and sickness and is vital to keep the service running smoothly. The service is actively recruiting for a number of vacant posts which is expected to reduce the agency spend over the coming months. The position will continue to be monitored carefully.

2.12.10 The agency forecast across CEX remains broadly unchanged. This position will be reviewed to ensure the changes being actioned by the service are forecast fully.

2.13 **Tracking of Savings implemented in 2024-25.**

Appendix 1 presents an assessment of how services are performing in delivering the 2024-25 budgeted savings which cover the years 2024-25 to 2026-27. All of the savings are RAG rated with an assessment from services. In 2024-25, there were 26 savings schemes of which 14 are rated green, 10 amber and 2 red. Clearly, we are only part way through the year but leaving aside the 2 red schemes, we look to be on target to deliver the majority of the 2024-25 savings requirement. One of the red RAG savings relates to parking income levels. This has been significantly impacted by vandalism to cameras resulting in lower activity than expected in PCNs and the maturation of existing CCTV schemes where we have seen improved levels of compliance. Current forecasts suggest significant risk of under achievement against this target. The other red scheme is in Strategic Property Services (Estates). The projected savings associated with the increased income budget for the service will not be realised due to the vacancy of two high-profile buildings, 17 Sylvester Road and Christopher Addison House (more detail is given on this in the F&R narrative below).

17 of these savings continue into 2025-26 and 2026-27. 7 of these scheme are RAG rated green, 9 amber and one red (Estates)

2.14 National Budget October 30th 2024

The main elements of the Budget that impact on Local Government are as follows: -

- Core Spending Power will increase by an estimated 3.2% in real-terms in 2025-26.
- This includes £1.3bn of new grant funding – with £600m earmarked for social care, and £700m for general services (the distribution of both remains to be confirmed).
- Additional funding of £233m for homelessness prevention in 2025-26 (the distribution is to be confirmed)
- An increase of £1bn for SEND and alternative provision in 2025-26.
- The Small business rates multiplier will be frozen and retail, hospitality and leisure (RHL) businesses will receive a 40% business rates relief in 2025-26. Councils will be compensated.
- Business rates will be reformed from 2026-27 to include lower multipliers for high-street RHL businesses from 2026-27, funded by increases for properties valued over £0.5m.
- The Affordable Homes Programme will increase by £500m in 2025-26.
- Right-to-buy discounts will be reduced by the government, and local authorities will be able to retain 100% of the receipts from right-to-buy purchases.
- The government will consult on a new long-term social housing rent settlement of CPI+1% for 5 years as well as the option on further potential measures such as a 10-year settlement.

- Employer National Insurance Contributions will increase by 1.2% in 2025-26 - public sector organisations are expected to be compensated for this (details for local government remain to be confirmed)
- The UKSPF will continue for one more year at a reduced level of £900m across England.
- The English Devolution White Paper will include exploring how an integrated settlement could apply to the GLA from 2026-27.
- Local roads maintenance funding will increase by £500m in 2025-26.
- TfL will receive £485m for its capital renewals programme in 2025-26
- The household support fund and discretionary housing payments have been extended with an additional £1bn in funding to 2025-26.

The impact of the Budget on our financial position in 2025/26 and in future years is discussed in the attached MTFP

2.15 Updated MTFP

2.15.1 Appendix 5 presents the revised MTFP. As noted above in the Cabinet Member Introduction, the current overspend has impacted on the future financial position such that the budget gaps in the revised MTFP are significantly higher than those in the original MTFP. The revised MTFP gaps is shown below (after the Phase 1 Savings agreed at October Cabinet) and a comparison with the original MTFP budget gaps is shown in the table that follows

Revised MTFP Budget Gaps

	2025-26	2026-27	2027-28
Revised MTFP Budget Gap	45.989	63.972	82.955
Less Phase 1 Savings	10.175	14.691	15.725
Revised MTFP	**35.814**	**49.281**	**67.230**

Increase in Budget Gap over Original MTFP

	2025-26	2026-27	2027-28
Revised MTFP Budget Gaps (from above)	35.814	49.281	67.230
Original MTFP Budget Gaps	22.461	34.635	52.323
Increase over Original MTFP	**13.353**	**14.646**	**14.907**

The Revised MTFP budget gaps are based on: - updated external funding assumptions derived from the October Budget provisions; the assumption that we will continue to participate in the Localised Business Rates Pool; updated projections of council tax, NNDR and other income; and revised forecasts of corporate items including Capital revenue costs, NLWA and Concessionary Fares levies. We have also included a significant increase in service cash limits to mitigate the current level of the overspend and to fund increasing demands and cost pressures particularly in Adult Social Care, Children's Social Care and Homeless Prevention.

2.16 **Localised Business Rates Pooling**. In 2024-25, Hackney continued its participation in the localised business rates scheme together with the City of London and six other boroughs (Tower Hamlets, Brent, Barnet, Enfield, Haringey and Waltham Forest). For 2022-23 and 2023-24, we have received a significant financial benefit, estimated to be £6.3m over the two years and a provisional estimate of our 2024-25 allocation by the Pool's financial advisers, LG Futures, is £2.7m. This suggests that the scheme could deliver a financial benefit of c. £2.5m in 2025-26. The proposed scheme is set out in detail in **Appendix 4** together with the detailed recommendations which require approval for Hackney to participate in the pool and Cabinet is asked to approve these.

2.17 **Cost of Living Crisis**

Whilst the previous high rates of inflation have reduced, these have been baked into both the Council's and residents' costs and so the impact of the cost of living crisis is still ongoing. As we have seen in previous years' OFPs, the Council has responded positively to the cost of living crisis with a range of initiatives, many of which are continuing in 2024-25. As well as responding to material needs, our initiatives continue to focus on developing a more coordinated emergency support and advice network, with more preventative help, linking emergency support with income maximisation and advice. This includes working better with frontline services and community partners on the ground who are often best placed to support residents. We have also funded a range of activities to assist vulnerable adults in accordance with the Council's Poverty Reduction Framework utilising funding from the Government's Housing Support Fund. This amounted to £5.6m in 2023-24 and following the Government's extension of the HSF scheme into the second half of 2024-25, a further £5.6m in 2024-25.

Further details on our ongoing response to the cost of living crisis are given in **Appendix 2.**

3. Recommendations

3.1 To note the overall financial position of the Council and in particular the overspend and the initiatives set out to mitigate this, as at September 2024.

3.2 To approve the 2025-26 Local London Business Rates Pool recommendations set out in Appendix 4

3.3 To note the Revised MTFP 2025-26 to 2027-28 attached at Appendix 5 and the revised budget gaps (2025-26 £35.814m, 2026-27 £49.281m and 2027-28 £67.230m)

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 July 2024. Full Council agreed the 2024/25 budget on 28 February 2024.

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, Directors and Assistant Directors of Finance and Service Directors through liaison with Heads of Finance, Service 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, 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 Given the financial position detailed in this report, Cabinet is reminded of the fiduciary duty owed by elected members as trustees of the Council's assets including the need to apply those assets in the public interest and thus the need to ensure prudent use of the Council's resources both in the short, medium and long term; striking a balance between the interests of the council tax/rate payers and the community's interest in adequate and efficient services; and acting in good faith in compliance with its duties.

8.2 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.

8.3 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.

8.4 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.

8.5 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.

8.6 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.

8.7 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
99,213	Children and Education	9,024

9.1 Children & Education are forecasting an overspend before reserves of £9.8m and £9m after reserves - an increase of £0.58m since August

9.2 **Children and Families Services** (CFS**)** are forecast to overspend by £7.2m after the allocation of specific ring-fenced reserves totalling £0.202m and the application of 50% of the Social Care Grant that the Council receives which totals £17.1m. The main areas of overspend relate to Corporate Parenting (£3.1m), Disabled Children Services (£1.5m), Family Intervention Support Services (£1.1m), Looked After Children & Leaving Care Services (£0.5m), the Directorate Management Team (£0.5m), Access and Assessment (£0.2m), Young Hackney (£0.2m) and Safeguarding & Quality Assurance (£0.1m). In previous years Corporate Parenting has experienced pressures from an increase in the profile of more expensive placements linked to the complexity of care for children and young people, particularly during the holiday periods when care arrangements can break down. Budget growth of £2.3m and additional social care grant of £2.9m has only partially addressed the demand pressure and increasing costs for particularly complex arrangements in this area so far this financial year. However, this continues to represent a financial risk for the service in future months. The forecast increase from the previous month is mainly due to a number of new children placements which are particularly complex and expensive.

9.3 **Hackney Education** Hackney Education is predicted to overspend by £1.846m on the general fund and by £1.647m on the Dedicated Schools Grant (DSG) after the use of reserves. The main area of overspend within the DSG is driven by the continuing increase in recent years of children and young people with Education and Health Care Plans (EHCPs) and in need of access to specialist provision, on some occasions requiring out of Borough placements in non-maintained sector specialist provision. The brought forward SEND deficit in 2024/25 was £19.1m, based on the current forecast this will increase to circa £20.7m at the end of 2024/25. The overspend on the general fund includes the increase in our EHCP costs for the necessary staffing support needed within the assessment of our EHCPs, including Education Psychologists. This is mainly caused by staff over the establishment in order to cope with the demand led nature of this service. The SEND Transport Service is also continuing to experience budgetary pressures relating to home to school transport for children with SEND.

9.4 There is also uncertainty around the DSG high needs deficit and the treatment of any deficit post 2025/26. As noted above, the brought forward SEND deficit in 2024/25 was £19.1m, based on the current forecast this will increase to circa £20.7m at the end of 2024/25. 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 in previous reports 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. An increase in SEND funding of £1bn was announced in the Government's October budget statement, which equates to a 6% real terms increase in funding. If we apply this uplift percentage to our current funding, we will receive an additional £5.1m for SEND, this will be factored into the Council's DSG management recovery plan once the amount is confirmed by the DfE.

9.5 The directorate has a savings target of £3,300k. There are 5 savings schemes which are currently classed as 1 Green and 4 Amber. More details are given in **Appendix 1.** A vacancy rate savings target of £1.7m has been set for the directorate in 2024/25 (£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.

9.6 In addition to budgeted savings further cost reduction measures have been developed for 2024/25. For CFS, management actions of £1.5m had been identified and these are included in the predicted outturn position. 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 is the further development of in-borough SEND provision, that will allow more children with SEND to have their needs met in local provision, often mainstream settings with access to specialist provision through the work of additional resource base provision (ARP). 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 which have been developed with the DfE and CIPFA.

10. Adults, Health and Integration

Revised Budget	Service Area	Forecast Variance After reserves

£k		£000
136.462	Adults, Health and Integration	18.497

10.1 The Adult Social Care (ASC) forecast 2024/25 shows a projected overspend of £18.5 million, up from the £17.8 million in August. This increase persists despite the application of £3.2 million from reserves, 50% of the Social Care Grant allocation (the Council receives £17.2 million) and an additional £8.4 million of budget growth awarded this year. The key areas of overspend are Care Support Commissioning, Mental Health, and Provided Services.

10.2 **Care Support Commissioning (CSC)** faces significant budget pressure with a £15.4 million deficit against a £53 million budget, a 6.2% (£0.9m) increase from the £14.5 million deficit in August. This is primarily driven by an increase in the number of new Residential and Nursing care clients and the growing complexity of needs among existing clients. Additionally, Supported Living client numbers have risen, with a corresponding increase in the complexity of care packages. Notably, Learning Disabilities care costs constitute 52% (£8.04m) of the overall £15.4m deficit, underscoring the financial impact of supporting this client group.

10.3 **The Mental Health** budget is forecasted to overspend by £2.7 million, which is 31.4% increase over its £8.6 million budget, and a 17.3% (£0.4m) increase from the £2.3m deficit in August. The increase is largely attributed to a new complex Nursing care package and an increase in supported living clients.

10.4 **Provided Services** are projecting a £0.5 million overspend against a £12 million budget, an improvement of £0.4m on the previously reported position mainly due to delays in the recruitment of care staff at Oswald Street day centre and the Housing with Care (HwC) schemes. The overall overspend is driven by a £1.2 million overspend in HwC schemes, offset by a £0.7 million underspend in day services as a result of the delays in recruitment. The HwC budget pressure results from the need for additional staffing delivering direct care to residents in their homes, due to the increased complexity of service users and long-term staff sickness.

10.5 **Other ASC services** are projecting an underspend of **£0.1m.**

10.6 The overall budget overspend is driven by increased client activity and the growing complexity of commissioned care provision. Since 2019/20, there has been a 40% increase in individuals receiving care and support, with homecare seeing a 73% rise. Additionally, unit costs have risen significantly due to inflationary pressures, including the London Living Wage (LLW) and the increasing complexity of care packages.

10.7 AH&I has a savings target of £2.2m to deliver in 2024/25. There are 3 savings schemes which are currently classed as 2 Green and 1 Amber. More details are given in **Appendix 1.**

10.8 In addition to the planned budgeted savings, the service has implemented further cost reduction measures for the 2024/25 period. For Adult Social

Care, management actions totaling £1.2 million have been identified. These actions will be rigorously monitored and tracked monthly, and will be included in the forecast once realised. The cost reduction strategies include:

- Continuation of double-handed care package reviews, expected to save £0.25 million.
- Monitoring direct payments accounts, projected to save £0.4 million.
- Collaborating with ELFT to manage the Mental Health budget overspend, targeting savings of £0.35 million have been agreed.
- Continuation of the high-cost placements review work undertaken by the commissioning review team, anticipated to save £0.2 million.

10.9 Additional cost reduction measures are currently being developed by the service, including efficiencies achieved through the monthly Quality Assurance Meetings (QAM). Any new measures agreed upon will be updated in the monthly OFP reports once approved by the Director of Adult Services.

11. Climate, Homes and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£k		£000
68,914	Climate, Homes and Economy	22,652

11.1 The directorate is showing a £22.652m overspend after use of £1.793m in reserves. There are overspends currently reported in the Homelessness Prevention Service, Community Safety, Enforcement and Business Regulation (CSEBR), Culture, Libraries & Heritage and the Benefits Service. The Parking Service, Streetscene and the Planning service are forecasting significant income shortfalls.

11.2 **The Homelessness Prevention Service** is currently forecasting an overspend of £19.5m for 2024/25. There has been no movement on last month's forecast. The overspend is attributable to the significant increase in the rate of placing people in temporary accommodation and the associated increased prices. The net spend on temporary accommodation rental expenditure alone is expected to exceed £28m in 24/25. For comparison, in 2023/24 this figure was £8m (and in 2022/23 £2.5m). The current overspend is based on forecasting increased demand at the current rate across the year and assuming no further price increases. However, this is unlikely and if prices increase, then the forecast overspend will increase. Although, the management actions outlined below may help mitigate and reduce the overspend, which is reviewed on a monthly basis and will be updated where required.

11.3 The main drivers of the overspend are:

1) Increased reliance on the use of nightly paid temporary accommodation and B&B's due to the current shortages of alternative TA tenures (increased demand and reduction in private sector letting options).
2) A significant increase in the cost of various types of temporary accommodation rents, particularly nightly paid. On average it is now costing us between 127% - 325% more to place households in nightly paid accommodation compared to in 2023/24.
3) Re-negotiations on expired hostel leases resulting in increased costs.
4) Rent reviews on hostel leases in response to changes in the Local Housing Allowance (LHA) Rate means landlords are able to charge the higher rate whilst we are unable to recover this due to the current HB subsidy rules.

11.4 The £1.7m increase in the Homeless Prevention Grant allocation for 2024/25 has been factored into the forecast. There is a possibility that additional winter pressures grant funding will be awarded which will be reflected in the forecast once confirmed. Management actions are currently underway, but it will take some time before they begin to impact the forecast. These actions include:

- The acquisition of two hostels which will protect and expand our supply of suitable temporary accommodation, helping to shield us from further cost increases.
- The Chalkhill lease deal to provide 300 properties will start to deliver properties towards the end of the calendar year. In situations where existing families can be relocated to more suitable accommodations from nightly paid accommodation, this will result in a tangible cost reduction for the Council. Similarly, when new families are assigned to these properties, it will prevent the need for them to be placed in more expensive nightly paid accommodations, leading to substantial cost avoidance.

11.5 Management is currently exploring additional options to increase the supply of temporary accommodation, including leveraging the newly announced LAHF3 grant to deliver 56 more properties for this purpose.

11.6 Finally, a review of temporary accommodation is underway, focusing on three key areas:

- Benchmarking: Identifying statistical neighbours to compare homelessness and service data.
- Demand Modelling: Developing a model to forecast future demand for temporary accommodation by analysing the drivers of homelessness.
- Service Review: Evaluating the effectiveness of services in preventing homelessness, managing temporary accommodation costs, and providing move-on solutions.

11.7 **The Parking Service** is forecasting a £3.058m shortfall against income targets (£2.962m last period). This is an adverse £0.096m movement from last month. The primary reasons are shortfalls in Penalty Charge Notices (PCN) income due to CCTV vandalism in the Low Traffic Neighbourhoods and School Streets areas, the maturation of existing CCTV schemes (where compliance has improved) and a reduction in new moving traffic restrictions being implemented. Income targets for 24/25 were increased by £2.5m based on the projections of income arising from the continuing implementation of the Parking Enforcement Plan and including sustainable income achieved over the last couple of years. While some of this income target will be achieved, it is offset by the deterioration in PCN income and demand led parking suspensions.

11.8 **Benefit administration** is currently forecasting an overspend of £0.344m for 2024/25. There is no movement on last month's forecast. This is a result of the additional agency staff required to work on the backlog of work as part of Cyber recovery and additional demand within the service. There is an additional £300k risk if the system issues are not addressed in-year.

11.9 **Streetscene** is forecasting underachievement of income resulting in a £0.747m variance to budget (£0.750m last month). Whilst the team is operating at 15% less capacity than budgeted for, Section 74 Fees income is forecast to be significantly low. This line of income is wholly dependent on third parties and largely tracks the economy as well as third party investment in infrastructure (such as fibre optic cabling or other utilities).

11.10 **Community Safety, Enforcement, and Business Regulation (CSEBR)** is forecasting an overspend of £0.356m (£0.370m last period). The delayed implementation of a restructure linked to savings means the full year effect will not be realised in 24/25. The majority of the overspend relates to staffing pressures. There are specific additional budget pressures forecast in 2024/25, including IT costs, and a shortfall on FPN income.

11.11 **Leisure, Parks & Green Spaces** are forecasting an underspend of £0.250m (balanced last period). This is due to holding a high number of posts vacant pending a restructure - this is placing considerable pressure on the service and individuals within it.

11.12 **Culture, Venues, Libraries & Heritage** is currently forecasting an overspend of £0.201m for 2024/25 (£0.187m last month). This is driven by the need for additional security across various libraries in the borough, offset partially by a forecast overachievement of venues' income. The movement from August (£0.014m) is due to an extension in the length of time security at Stoke Newington Library will be required (now expected until March 2025) while awaiting the capital project at the library to begin.

11.13 **The Planning & Building Control Service** is forecasting an underachievement of income of £0.110m (£0.113m last period). The majority of the revision relates to lower forecasts of planning application fee income and Community Infrastructure Levy receipts of which the planning service retains an administrative percentage.

Other services are forecasting to budget at this stage in the financial year or forecasting small underspends

11.13 CHE has a **Savings** target of £4.5m to deliver in 2024/25. There are 9 savings schemes which are currently classed as 4 Green, 4 Amber and 1 Red. More details are given in **Appendix 1.**The red saving is Parking. Recent parking income levels have been significantly impacted by vandalism to cameras resulting in lower activity than expected in PCNs issued across 23-24. The income position will need to be carefully monitored in 24-25 to understand the ongoing impact of this activity and of those components of the savings plan that have dependencies on other council projects. Current forecasts suggest significant risk of achievement against this target.

12. Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
2,038	Finance & Corporate Resources	618

12.1 Finance and Corporate Resources are currently forecasting an overspend of £618k after reserves drawdown of £2,583k - no movement on last month's forecast.

12.2 **The Audit and Anti-Fraud** is forecasting an underspend of £127k. The overall underspend is due to the service holding vacant posts.

12.3 **Customer Services, Digital and Data** are currently projected to have an underspend of £115k, after a grant reserve drawdown of £20k, reflecting an favourable movement of £16k compared to the previous month's forecast. The previously reported overspend, which resulted from significant agency costs at the senior level due to the need to cover one of the Head of Service roles during the postholder's maternity leave, is planned to be mitigated by reducing the postholder's working days and enabling a middle management officer to assume an acting up role temporarily.

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

12.5 **Financial Management and Directorate Finance Support** are currently forecast to underspend by £85k after a reserve drawdown of £458k. This represents an adverse variance of £62k compared to last month's forecast, due to the filling of vacant positions. The reserves usage is specifically for one off expenditure related to development advice for the 55 Morning Lane project, consultancy costs for Hackney Light and Power, agency joint venture project, and the Corporate Peer Challenge.

12.6 **ICT and Workplace ICT and Workplace** are forecasting an overspend of £434k after a grant reserve drawdown of £59k. This is a favourable movement of £46k compared to the previous month's forecast. The overspend is due to the cost of commissioning consultancy work that provided advanced technology leadership skills, expertise in the platforms deployed by the Council, cyber security knowledge, and proven experience in skills development across all levels. This is currently forecast at £185k until the end October 2024. However, the service requirements are currently being reviewed by the Assistant Director of ICT and Workplace and this is likely to increase if the services are extended.

12.7 The Print service is projecting an overspend of £93k due to a decline in both internal and external demand. However, this projection may change throughout the year as demand remains difficult to predict. A service review is being proposed to create a more integrated model in collaboration with Corporate Business Support, which aims to rebalance print production and reduce costs.

12.8 There is a risk that the Education ICT Management Information System (MIS) team will be unable to meet their income target from traded services, which could prevent them from covering their running costs. Currently, the forecasted overspend for this service is £174k. Increased competition has impacted the service as schools and academies, affected by budget cuts, seek more affordable MIS support services.

12.9 It is important to note that the ICT service is already working to offset the overspend by holding a number of vacant posts. Management has agreed to review service requirements and, where possible, delay recruitment to these vacant posts to further alleviate budget pressures for the current financial year

12.10 **Registration Services** are currently forecast to underspend by £125k. There is no movement on last month's forecast and is a result of overachieving on income targets in line with the increase in statutory charges.

12.11 **Strategic Property Services** are forecasting an overspend of £429k after reserves drawdown of £1,597k. There is no movement on last month's forecast. These reserves were set aside from previous overachievement of commercial income to mitigate against future vacant properties, empty property costs, and one-off project work for implementing a corporate landlord model. Commercial Property continues to be affected by the under recovery of income, this being the main budgetary pressure on the service. The Head of Commercial Estates has expressed concerns about the high risk associated with income collection and deferred rents, considering the current fragility of the market. There has been an increase in the number of tenants defaulting on their leases and consequently voids costs have increased. We continue to monitor this however, it is anticipated that the pressure in this area could potentially increase. The Fleet Maintenance service also continues to forecast an overspend. The demand for repairs and rising inflation has escalated the costs of materials and labour for vehicle repairs significantly. This is partially offset by a number of vacancies held across the service. This is an area which will be considered for budget growth in 2025/26 as it is vital to the delivery of front-line services in CHE in particular.

12.12 **Support Services** are currently forecasting an overspend of £251k for 2024/25. There is no movement on last month's forecast. The overspend relates primarily to the preparatory costs for an Housing Benefit external audit required by the Government post the Cyberattack and ICT systems. There is an additional £250k risk if the system issues are not addressed in-year to reduce the need for manual input.

12.12 The directorate has a **Savings** target of £1.211m to deliver in 2024/25. Performance against this target is reported in **Appendix 1.** The projected savings associated with the increased income budget for Strategic Property Services will not be realised due to the vacancy of two high-profile buildings, 17 Sylvester Road and Christopher Addison House. Elsewhere on the Cabinet agenda, 17 Sylvester Road is now recommended for sale and income budgets will need to be adjusted accordingly for next year. The letting of Christopher Addison House has been significantly delayed due to the reconfiguration of the ground floor of the Hackney Service Centre (also planned for this year). This reconfiguration is necessary to relocate the post room and interview hearing rooms, which are currently situated on the ground floor of Christopher Addison House. To address these challenges, the service has engaged specialist marketing services to assist in letting these properties. Any resulting overspend will be mitigated by reserves that were set aside in previous years to account for fluctuations in commercial property income.

All other approved FCR Savings are forecasted to be achieved for the 2024-25 financial year.

13. Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£k		**£000**
8,262	Chief Executive	85

13.1 The Chief Executive's Directorate is showing a small overspend of £85k after the planned use of £1,498k of reserves. This reflects a net movement of £111k of pressures now forecast. The cost pressures are a result of one-off recruitment costs, a reduced forecast of income within the legal service, as well as income and inflationary pressure across Communications and Engagement. The forecast underspend is in Human Resources and Organisational Development and is due to vacancies across the service pending restructure. All other services are forecast to budget.

13.2 In 2024-25 Corporate Transformation, Human Resources and Organisational Development and Procurement and Energy Management are being reported within the Chief Executive's directorate. Previously they were reported with the Finance and Corporate Resources directorate. Libraries and Heritage that were previously reported within the Chief Executive's directorate are now being reported within the Climate Homes and Economy directorate

13.3 The directorate has a **Savings** target of £0.385m to deliver in 2024/25. There are 3 savings schemes which are currently classed as 2 Green and 1 Amber. More details are given in **Appendix 1.**

14. Housing Revenue Account (HRA)

14.1 The HRA is forecasting an overspend on Operations expenditure of £10m which is a worsening of £402k since the forecast in July. The reason for the increase in the forecast overspend is due to one off pension strain costs relating to the settlement of a one off Legal Claim as well as the demolition costs relating to Morris Blitz House. In order to address this overspend and to balance the HRA in year for 2024/25 the following mitigations have been taken and included in the forecast:

- the release of the repairs and maintenance contingency of £3.339m which has now been fully forecast;
- a reduction in the revenue contribution to capital of £2.437m which will not impact the current year's capital programme;
- Based on the Quarter 2 Capital Position and Financing a further £1.894m has been released from the revenue contribution to capital which also does not impact on the current year's capital programme and recognises the link between increased repairs and the non mobilisation of capital contracts
- the budgeted contribution to reserves of £2.014m in 2024/25 will not now be made;
- A drawdown from the Resilience Reserve of £227k has been made to offset the residual overspend. This has reduced from the August position.

14.2 **The Direct Labour Organisation (DLO)** is forecasting a £2.404m overspend as a result of increased salary costs which reflects the need for additional operatives to manage the increasing number and complexity of legal disrepair cases, voids and revenue repairs works. There is also a continued increase in materials costs over and above the headline inflation rate.

14.3 There is a forecast £2.203m overspend in **Legal Disrepair.** There has been an increase in the number of cases that progress through the courts and we are expecting this to increase throughout 2024/25. This means legal costs, court costs and compensation costs will go up significantly. The forecast overspend reflects this expected rise in cases.

14.4 There is a forecast overspend of £1.139m in **Alternative Dispute Resolution** (ADR) which is a result of the take up of the ADR Process, where the settlement and repair costs are forecast to be more than budgeted. This will result in reduced cost to the HRA over the medium to long term as the approach results in far less legal and court costs. The original ADR business case will be reviewed and updated to correctly reflect the likely costs and future savings on overall disrepair costs.

14.5 **Building Maintenance i**s forecasting a £2.389m overspend which is due to additional agency staff and Building Safety Officers and the settlement of a legal claim. The additional staff are required to manage the demand of Damp and Mould works as well as the increasing number of responsive repairs works, which is still very high.

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14.6 **Housing Management** is forecasting a £0.682m overspend which is mainly due to costs relating to Council Tax on void properties and business rates on neighbourhood offices not in use are predominantly the cause of the forecast overspend.

14.7 **Resident Safety** is forecasting a £0.995m overspend due in the main to increased security on a number of residential blocks, including Seaton Point and Morris Blitz Court, which is required to ensure safety of residents whilst essential works are planned, procured and carried out. Close monitoring over the coming months will be undertaken to track the progress of the planned and reactive works to inform the future forecasts.

14.8 A key risk in this forecast is the increasing spend on reactive repairs and maintenance. This is being closely monitored during the financial year with cost mitigations being sought. A Repairs Task and Finish Group has been established to monitor and report in more detail in this area and to inform Housing Services Management Team (HSMT) of possible further mitigations to limit expenditure on non essential areas. The Strategic Director of Housing Services has also introduced cost control measures within the service In order to contain expenditure in this area. The current forecast includes an allowance for the anticipated pay award for 2024/25. Should the agreement be higher than the current pay offer this will place an additional pressure on the HRA for 2024/25 that will need to be factored into future forecasts. There is also a need to to plan for the response to the Housing Regulator report to improve Housing Services. As far as possible this will be contained with existing budgets, however, there is risk that more resources may be needed to fund the improvement plan.

14.9 The escalating overspend within the HRA is significantly impacting the level of HRA reserves. This forecast of the year has impacted the HRA reserves adversely by £2.241m when you take into account the removal of the planned contribution to reserves. The management actions already in place have not yet mitigated or slowed the level of forecast overspend and further action is needed to contain expenditure in order to maintain the financial sustainability and resilience of the HRA and the HRA Business Plan going forward. This overspend, which will be incorporated into the HRA Business Plan review currently underway, will increase the savings requirements over the medium term and further cost savings will be needed to ensure a financially sustainable HRA.

14.10 The HRA has four savings schemes in 2024/25 and progress is reported in Appendix 1.

Appendices

Appendix 1 - Savings Performance 2024-25 to 2026-27
Appendix 2 - Cost of Living Support
Appendix 3 - Use of Reserves
Appendix 4 - Localised Business Rates Pooling
Appendix 5 - Revised MTFP 2025-26 to 2027-28

Background documents

None.

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