

Title of Report	2025/26 Overall Financial Position - November 2025	
Key Decision No	F S525	
For Consideration By	Cabinet	
Meeting Date	26 January 2026	
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	2 February 2026	
Group Director	Naeem Ahmed, Group Director, Finance & Corporate Resources	
Report Author	Russell Harvey, Financial Management russell.harvey@hackney.gov.uk	

1. Cabinet Member's Introduction

- 1.1 This is the Council's sixth Overall Financial Position (OFP). The report shows that as at November 2025, the Council is forecast to have an overspend of £10.868m - a slight improvement since the October forecast.
- 1.2 This report is also the first since the Government published the Provisional 2026/27 to 2028/29 Local Government Finance Settlements. This settlement contains welcome news for the Council. Our expected funding for next year is much improved from the position being forecast after the Fair Funding 2.0 Consultation was published in June 2025.
- 1.3 This improvement in part reflects the work we have done, ourselves, and with other boroughs and London Councils to help ensure the Government recognises the particular needs of the Council. It is a demonstration of what we can achieve when local and national governments work together.

- 1.4 The details of the settlement are set out in 6.8 below, but the overriding implication is that the Council can set a balanced budget in 2026/27 without using any reserves, and plan ahead with more confidence now that we have been presented with a multi-year agreement.
- 1.5 Despite this positive broader context, balancing this year's budget in the short term remains a challenge. This report details the steps we are taking to protect the services our residents rely upon and which we will do all we can to continue to provide.

2. Group Director's Introduction

- 2.1 The OFP shows that the Council is forecast to have an overspend of £10.868m after the application of reserves. This is a decrease of £0.090m from the October forecast. The overspend for Adults, Health and Integration has continued to increase (£247k). In other directorates, there has been a £165k decrease in the overspend in Children and Education and a £8k increase in Housing, Climate and Economy. Finance and Corporate Resources has reduced its overspend by £70k and the Chief Executive directorate is forecasting to increase its underspend by £110k.
- 2.2 Cabinet will recall that we added a significant amount of growth to budgets in 2025-26 - £45.640m (primarily in Adult Social Care £20.858m and £21.300m in Temporary Accommodation) excluding growth for the pay award). There was also a £9.15m increase in social care grants, and a £3.4m increase in Homeless Prevention Grant. However, as this report demonstrates, we have a significant overspend which is increasing.
- 2.3 It's concerning that despite the significant increase in the Adult Social Care (ASC) budget and grant income for 2025/26, the directorate's overspend continues to increase - by another £247k this month and by £1.8m since May. We have established an Adult Social Care Finance Improvement Board to focus upon the financial sustainability of Adult Social Care and the first meeting was held on 26 November 2025. A forward plan will be developed, and will focus largely on the key cost drivers, and what mitigating measures can be implemented to control costs going forward.
- 2.4 Full details on the overall position is set out in section 6 below.

3. Recommendations

- 3.1 **To note the overall financial position of the Council as at November 2025 and in particular the overspend and the initiatives set out to mitigate this.**

4. Reasons for Decision

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

5. Background

5.1 The report is primarily an update on the Council's financial position.

Strategic Policy Context

5.2 This report describes the Council's financial position as at the end of November 2025. Full Council agreed the 2025/26 budget on 26 February 2025.

Options Appraisal

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

Equality, Diversity and Belonging

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

Sustainability and Climate Change

5.5 Impacts relating to Sustainability and Climate Change are carried out as part of the implementation of proposals and will be included in any relevant reports to Cabinet.

Consultations/Engagement

5.6 Relevant consultations have been carried out in respect of the forecasts contained within this report involving the Cabinet Member for Finance, Insourcing and Customer Service, the Mayor, Scrutiny, Audit, and Directors of Finance and Service Directors through liaison with Assistant Directors of Finance, Directors and Teams.

Risk Assessment

5.7 The risks associated with the Council's financial position are detailed throughout the report.

6. Overall Financial Position

6.1 The overall financial position is as follows and individual directorate commentaries are included in section 7 onwards.

Table 1: Overall Financial Position (General Fund) November 2025

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
100,622	Children and Education	7,749	45	-4,093	3,702	-165
160,997	Adults, Health and Integration	6,354	683	-2,640	4,397	247
93,363	Housing, Climate & Economy	2,706	283	-565	2,424	8
1,858	Finance & Corporate Resources	1,532	25	-1,019	539	-70
8,055	Chief Executive	425	0	-619	-194	-110
60,995	General Finance Account	0	0	0	0	0
425,889	SUB TOTAL	18,766	1,036	-8,936	10,868	-90

6.2 The main areas of overspend are:

Children's and Education - £3.7m primarily in Hackney Education resulting from the increase in our Education Health and Care Plan (EHCP) costs for the necessary staffing support needed within the assessment of our EHCPs; a pressure in Early Years largely due to not meeting savings in respect to the reconfiguration of our Children Centres in previous years; and a pressure on Home to School SEND Transport. The service is working to implement in-year mitigations for SEND Transport including implementing independent travel training. The staffing support needed in respect to the assessment of EHCP applications has to be balanced against the requirement to assess applications within the statutory timeframe of 20 weeks. Future years MTFP projections include a review of staffing structures which will also include these service areas.

Adults, Health and Integration - £4.4m primarily in the areas of Care Support Commissioning and Mental Health.

Housing, Climate and Economy - £2.4m primarily in the Environmental Services and a shortfall of income in Streetscene.

Finance & Corporate Resources - £0.5m primarily in Revenues Administration

6.3 It must be noted that within this broad description of the overspends, we do have elements such as staff over establishment and agency premiums, which we expect services to address through proactive reviews across the year. In terms of staff over establishment, there are a number of reasons that this occurs such as - responding to increased demand in the service, e.g. social workers dealing with increased caseload, operatives dealing with increased level of repairs, providing cover for sickness in frontline services

such as waste operations and providing support to manage the transition to new IT systems.

6.4 Initiatives to Mitigate the Overspend

6.4.1 Despite the growth that has been added to the budget for 2025/26 we are forecasting an overspend which, if not mitigated, will require a further draw down on reserves. It is imperative that we act decisively to reduce the level of spend and contain the draw down on reserves. Whilst the Provisional Local Government Finance Settlement announced mid December reduces the risk of the Council requiring Emergency Financial Support (EFS), if we continue to overspend throughout this year and next year this risk will increase and will severely impact our financial stability.

6.4.2 The Corporate Leadership Team (CLT) in response to the financial situation will maintain oversight and focus on the budget and finances through enhanced governance arrangements as follows:

- **Budget Recovery Board** - Established in mid 2024 with an overall objective to mitigate the current year's financial position and improve the Council's ongoing financial sustainability. Following his review of the Board, the Group Director Finance & Corporate Resources has focused a refreshed Budget Recovery Board on tracking savings delivery, with an emphasis on management actions to get back on track, and cross Council initiatives to reduce spend, which includes a hold on non-essential spend, whilst separate targeted Financial Improvement Boards will focus on the overspending areas - Adult Social Care, agency and staff spend, and the Housing Revenue Account as set out below.
- **CLT Resources Approval Panel** - Agency expenditure remains high. Therefore CLT has agreed to the establishment of a Resources Approval Panel to maintain oversight and approval of all recruitment activity, both permanent and temporary, and all enhanced payment arrangements for permanent staff. This Board aims to ensure a consistency of approach in relation to employee remuneration to ensure that staffing costs are maintained within approved budgets and enhancements to pay are applied consistently across the Council. An automated, streamlined process has been designed and will be implemented in January 2026.
- **Housing Revenue Account Finance Improvement Panel** - As we have reported the HRA is in a precarious financial position and we had to draw on reserves to fund the overspend in 2024/25. The Group Director Finance and Corporate Resources established the HRA Finance Improvement Board to interrogate the cost pressures within the service and introduce management actions to contain expenditure throughout 2025/26. The spend controls implemented so far are showing a positive effect, and if this trend continues throughout the year, the overspend could be reduced by £3.75 million compared to last year's figures, though the impact of the upcoming winter months

needs to be considered. This Panel has also overseen the development of savings proposals for the HRA as well as the review and refresh of the HRA Business Plan.

- **Adult Social Care Finance Improvement Panel** - In light of the increased overspend since May, the Group Director Finance and Corporate Resources has set up a monthly improvement panel similar to the HRA Finance Improvement Panel that will focus upon the financial sustainability of Adult Social Care. The first meeting took place at the end of November.

6.4.3 Additionally, following this forecast, CLT will continue the non essential spend controls which contributed over £3m of mitigations across the General Fund and HRA in 2024/25. It is continuing with the non-essential spending freeze that we introduced last year to mitigate the current overspend and to protect reserves.

6.4.4 These and any other emerging initiatives will be communicated through the established Senior Manager Network and all-staff communications and the outcomes reported to Cabinet in future OFP reports.

6.5 2025-26 Savings

Appendix 1 presents an assessment of how services are performing in delivering the 2025-26 budgeted savings which cover the years 2025-26 to 2026-27. The savings amount forecast to be achieved in the year has increased by £0.5m since August.

A focus of the refreshed Budget Recovery Board will be to review delivery of approved savings and establish recovery plans to either 1) get the savings plan back on track or 2) require Group Directors to find alternatives to deliver the savings.

6.6 Reserves

6.6.1 The table below sets out the position on the Council reserves as at 1 November 2025 and the forecast position taking account of specific reserves that we plan on using in-year along with planned appropriations to reserves.

Table 2: Forecast Reserves 2025/26

	£m
Overall General Fund Reserves as at 31 March 2025	111.6
Less: General Fund Balance	19.0
Less: Schools balances	5.9
GF Reserves (excl GF balance & Schools Balances)	86.7
Less Forecast Net Reserves usage 2025/26 (note, this is an estimated figure which is subject to change depending on variations to the current year forecast)	17.9
Less Committed Reserves (main elements are the PFI, the Insurance Fund & elections reserves)	12.5
Less Third Party Agreement (S256 agreements with health and other joint balances)	7.6
Less Grant reserves (Adult Education, Homes For Ukraine, and other grants)	4.0
Other Earmarked reserves	44.8

6.6.2 The final overspend position for 2025/26 will reduce this reserve balance. In addition, we need to factor in the impact of any shortfall on our capital receipts planned to be used for transformation. 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 within 1-2 years, faster if spending continues to grow. It must also be recognised that it is likely that additional cost pressures will negatively impact the budget gaps further in future years.

6.7 Agency Staff Expenditure

6.7.1 The following tables show the trend and expenditure on agency staff. Table 1 below shows the change in General Fund Agency Spend. In this context, General Fund agency spending excludes agency staff funded from other sources such as grants, the HRA, Capital and Reserves. There has been a minimal increase since October (£8k).

Table 3: Trend in Agency Spend

Directorate	General Fund Agency Spend Forecast	Change from Agency Spend forecast from last month	Agency Spend forecast as a % of total staff budget 2025/26	Agency Spend outturn as a % of total staff budget 2024/25
	£000	£000	%	%
CHILDREN & EDUCATION	8,784	-47	12	16
ADULTS, HEALTH AND INTEGRATION	7,017	-11	21	22
HOUSING, CLIMATE AND ECONOMY	11,465	24	12	13
FINANCE & CORPORATE RESOURCES	5,872	110	12	17
CHIEF EXECUTIVE	1,030	-68	6.5	8.6
TOTAL	34,168	8		

6.7.2 As the table shows the forecast has increased **by £0.008m**. The focus of CLT's control of agency spend is through the CLT Resources Approval Panel which will be critical to controlling our spend going forward. The first meeting was held on 27 November.

The next table shows a breakdown of these costs

Table 4: Breakdown of Agency Spend

Directorate	General Fund Agency Spend Forecast	Over Establishment	Filling Vacant Permanent Posts	Covering Maternity or Long-term Sick
	£k	£k	£k	£k
CHILDREN & EDUCATION	8,784	1,361	6,758	664
ADULTS, HEALTH AND INTEGRATION	7,017	766	6,194	57
HOUSING, CLIMATE AND ECONOMY	11,465	1,229	6,519	3,717
FINANCE & CORPORATE RESOURCES	5,872	336	5,536	0
CHIEF EXECUTIVE	1,030	0	963	68
TOTAL	34,168	3,692	25,970	4,506

6.7.3 The total agency spend for each directorate (i.e. agency staff funded from all sources) and the change in total agency staff numbers is shown below

Table 5: Total Agency Spend

Directorate	Agency Staff Forecast (£k)	2024/25 Actuals (£k)
Children and Education	9,770	11,778
Adults, Health & Integration	9,412	8,766
Housing, Climate and Economy	13,373	14,675
Finance & Corporate Resources	8,162	9,344
Chief Executive	1,469	3,080
Total	42,186	47,643

Table 6: Agency Staff Numbers

Directorate	FTE Agency Staffing Numbers October	FTE Agency Staffing Numbers November	Difference
Children and Education	223	231	8
Adults, Health & Integration	151.5	142	-9.5
Housing, Climate and Economy	194.1	214.7	20.6
Finance & Corporate Resources	97	100	3
Chief Executive	20	20	0
Total	685.56	707.66	22.1

6.7.4 Children's and Education

Hackney Education has an agency forecast of £2.983m of which £0.412m is attributable to the DSG, leaving a general fund cost of £2.571m. £1.133m of the agency forecast relates to children's centres. This service is currently undertaking recruitment activity, however it must on all occasions meet the statutory staff to child ratios and as such agency staff sometimes remain necessary. The SEN transport service has an agency forecast of £0.635m, the service is seeking to fill vacant roles to reduce the use of agency staff. In addition this service has two assistant managers hired through an agency to create more capacity in the service.

Children's Services has an agency forecast of £6.787M as at November 2025, of which £6.213M is related to the General Fund.

Over-established (£0.981M : 16% of Total GF Funded):

32 posts are categorised as over-established, of which, 21 are Social Worker posts (£0.653M, 67%).

Filling Vacant Permanent Posts (£4.703M : 76% of Total GF Funded):

£2.675m [57%] of the agency costs are related to filling vacant permanent posts which are for front line services where competition for social workers make permanent and agency recruitment challenging. £0.596M [13%] of these costs are for Specialist Clinical Practitioners used by the Clinical

Services, the cost of these staff is more expensive as it is difficult to attract to the roles due to comparatively higher NHS rates.

Maternity & Long Term Sick (£0.529M : 9% of Total GF Funded):

Nine posts are used to support maternity cover £0.307M [58%] and seven posts are used to support long term sick cover £0.223M [42%] across the Children's directorate.

6.7.5 Adults, Health & Integration

The Adults, Health & Integration (AH&I) agency forecast for November 2025 is £9.4m, with the General Fund responsible for £7m of this total. While this is an adverse movement of £0.2m compared to the last forecast, the overall impact has been mitigated by a £0.3m reduction in permanent staff costs due to service-wide recruitment delays.

- Over-established positions account for 7 Full-Time Equivalents (FTEs), representing £0.37m, or 6.14% of the Total General Fund (GF) funded amount. This is a reduction of 3.5 FTE from last month.
- Invest to Save initiatives comprise 7 FTEs, totaling £0.39m, or 5.6% of the Total GF funded amount.
- The filling of vacant permanent posts represents £6.2m, or 88.3% of the Total GF funded amount.
- The Agency Full-Time Equivalent (FTE) figures in Table 4 are based on actual agency staff numbers across the service. An exception is made for Provided Services, specifically Housing with Care (HwC), where FTEs are an **estimate** based on the number of vacancies. This estimation is necessary because HwC locum arrangements use bulk orders, which are not easily converted into a standard FTE metric.

The increase in agency staff expenditures is primarily attributed to two significant challenges within Adult Social Care (ASC): escalating demand for services and persistent difficulties in recruiting and retaining permanent employees. To secure the specialised expertise required in the social work field, it is frequently necessary to offer premium rates to agency staff.

The service continues its efforts to transition agency workers to permanent or fixed-term contracts where feasible, and the duration of assignments has been subjected to careful evaluation. This situation will remain under continuous review to identify further opportunities for reductions where practicable.

6.7.6 Housing, Climate & Economy

The majority of agency spend within Environment and Climate Change is in Environmental Operations. High agency costs in frontline services are primarily driven by the need to maintain continuous operations, which differs from other services. When staff are absent due to leave, sickness, paternity, requirements to fill other roles or when vacancies exist, agency staff must be employed to ensure essential services are delivered without interruption. It is expected that agency costs will decrease as recruitment

efforts are successful and permanent staff levels increase. However, it should be noted that the Service can have a continuous turnover of staff as operatives leave the service for one reason or another. For this reason recruitment only takes place periodically to avoid managers constantly being in recruitment cycles.

There was a £24k movement between October and November due to the following areas.

Environment Operations, £0.068m increase relates to another 5 front line staff leaving the service in November plus additional cover for annual leave, sickness and other absences.

Street Scene, £0.024m reduction on GF spend due to staff members moving onto capital funded schemes.

Planning & Building Control, a reduction of £0.012m due to delayed recruitment of agency staff cover.

Benefits and Homeless Prevention Service, there has been a £7k favourable movement. Overall, the agency spend is being used to cover critical vacancies and provide temporary support for the implementation of the new ICT system. For many administrative roles that suffer from high turnover, using agency staff has proven more cost-effective than repeated recruitment. Despite a difficult recruitment market, we are actively managing this expenditure through regular reviews to ensure value and reduce costs wherever feasible.

6.7.7 Finance and Corporate Resources

The Finance and Corporate Resources directorate is currently carrying 7 over-establishment agency staff within the Revenues service to support council tax collection and queries. While these positions cost approximately £336k, they provide essential operational resilience during periods of high demand. This investment has already contributed to an increased collection forecast and if current performance is maintained throughout the remainder of the year, it is projected to generate an additional £0.5m in revenue. Although this demonstrates a positive return, the overall collection rate in-year remains below the 94% target, reinforcing the need for this temporary support to maintain service continuity and minimise income loss.

The increase in agency assignments within the directorate stems from several key factors: the recruitment of a critical vacant role within ICT; the appointment of two additional Customer Services Officers to backfill staff members seconded to other Council services; and the formal transfer of the Procurement and Energy Service from the Chief Executive's Directorate to the Finance and Corporate Resources Directorate.

The majority of agency assignments across the directorate are being used to fill budgeted posts that are currently vacant, particularly within

administrative and support roles where staff turnover is high. In these cases, using agency workers has proven to be a cost-effective solution, as their expense is often lower than the combined salary, on-costs, and recruitment costs of a permanent employee. This approach also aligns with the transformation programme's resident experience element; by utilising agency staff in areas slated for post reduction, the Council can minimise redundancies and achieve cost savings, making it an appropriate strategy for business support and administration at this time.

Agency assignments continue to be necessary due to ongoing challenges in recruiting permanent staff. However, efforts to identify and implement further reductions in agency costs will persist wherever it is cost effective. The directorate will continue to review agency assignments and adhere to the recruitment freeze where it is safe to do so.

6.7.8 Chief Executive

Agency spend in the Chief Executive's Service is managed to ensure operational resilience. It is used for two primary purposes: to cover hard-to-fill vacant posts and to provide essential 'flex capacity' by engaging staff above our core establishment during periods of peak demand. This approach allows us to maintain service continuity while actively managing costs, and all assignments are under continuous review for best value.

6.7.9 Housing Revenue Account

The same analysis is made of HRA agency costs as shown below

Table 6: Trend in Agency Spend

	HRA Agency Spend Forecast	Change from Agency Spend forecast from last month	Agency Spend forecast as a % of total staff budget 2025/26	Agency Spend outturn as a % of total staff budget 2024/25
	£k	£k	%	%
HRA	3,549	154	6.26	10.25%

Table 7: Breakdown of Agency Spend

Directorate	HRA Agency Spend Forecast	Over Establishment	Filling Vacant Permanent Posts	Covering Maternity or Long-term Sick
	£k	£k	£k	£k
HRA	3,549	901	2,609	38

Table 8: Agency Staff Numbers

Directorate	FTE Agency Staffing Numbers October	FTE Agency Staffing Numbers November	Difference)
HRA	58	52	-6

The total agency spend for the HRA staff funded from all sources is £3.549m (in 2024/25 the total spend was £5.2m). This month sees an increase in the total forecast of £154k. There are currently 52 live placements for Agency staff within the HRA. The forecast links directly to the Service Review and the planned end dates of current agency staff along with refinement of the forecasts

Over Establishment

The use of additional agency staff beyond the established headcount is a direct response to the increased demand for repairs. This approach is deemed appropriate for managing fluctuating demand and will continue while the Planned Preventative Maintenance Programmes are being implemented. A service review is expected to lead to a reduction in these staff as permanent positions are created to align with the new model for delivering Housing Services.

Filling Budgeted Posts

The service is undergoing a service review where the aim is to establish staff into permanent roles within the new structure, this should reduce spend on Agency staff as they will be replaced by permanent staff.

Covering Maternity and Long term sick

There is a very small forecast related to the covering of maternity/sick leave. It is not possible to comment on whether this will increase in future forecasts due to the type of cover.

The HRA Agency Staff Cost Forecast for November 2025/26 indicates an overall decrease in agency staff spending compared to the previous year. The use of Agency staff is likely to decrease over the second half of the financial year as the Housing Service undergoes a service review with the aim of establishing staff into permanent roles within the new structure

6.8 2026/27 to 2028/29 Provisional Local Government Finance Settlement

6.8.1 The Ministry of Housing, Communities and Local Government (MHCLG) has published the provisional local government finance settlement for the three-year period from 2026/27 to 2028/29, with a consultation closing date of 14 January 2026. Key proposals include:

- **Core Spending Power (CSP):** Total England CSP is projected to rise by 5.7% in 2026/27, 4.3% in 2027/28, and 4.4% in 2028/29. By 2028/29,

overall CSP will be around 15.6% higher in cash-terms, and 8.8% higher in real-terms than in 2025/26.

- **LBH's CSP** is projected to rise, in cash terms, by 5.8% in 2026/27, 4.0% in 2027/28, and 3.8% in 2028/29. The increase from 2025/26 to 2028/29 is £61m of which £28m is from assumed council tax increases. Over the period 2024/25 to 2028/29, the increase was £97m of which £34.1m is from assumed council tax increases.
- **Pixel Financial services** calculate that this Settlement will result in more redistribution of funding within the sector than any other for at least the last 25 years. Overall, the change in the distribution of resources reflects the government's objective, which is broadly to redistribute resources towards more-deprived authorities, many of whom have had the largest cuts in funding since 2010.
- **Council Tax:** A core referendum principle of up to 3% will apply to London boroughs plus a 2% adult social care precept, which means that in LBH, we can raise the council tax level by 4.99% without a referendum in each year 2026/27 to 2028/29
- **Revenue Support Grant (RSG):** RSG distribution will change in line with the outcomes of the Fair Funding Review 2.0 (primarily revised needs assessments and revised estimates of what councils can raise locally from council tax to set against the needs assessments). A number of grants, including the New Homes Bonus, Social Care Grant, Market Sustainability and Improvement Fund, the Temporary Accommodation element of the Homelessness Prevention Grant, and several smaller children's and historic business rates grants, will be consolidated into RSG. An additional £900 million will be allocated to Adult Social Care within RSG over the three years, and £180 million for neighbourhood services.
- **LBH's RSG** is projected to be £135.2m in 2026-27, £161m in 2027-28 and £167m in 2028-29. The large increase in 2027-28 reflects the transfer of the Local Authority Better Care Fund Grant (LABCG) into RSG (it will be paid as a special grant in 2026/27 at the 2025/26 value - £20.5m).

It is not possible to compare the movement in RSG from 2025-26 because of all the rolled in grants and other changes.

- **Fair Funding Review Transition Grant:** Councils will move towards their new fair funding shares in one-third increments across the multi-year settlement. Various transitional grant schemes will be implemented to reduce the funding losses. LBH does not qualify for any transitional funding as its increase in funding exceeds the transition thresholds.
- Analysis by the **IFS** and **Pixel Financial Services** shows that
- If all councils put bills up by the maximum typically allowed, revenues from council tax would increase by around £2.4 billion in 2026–27 and by

£7.8 billion (15% in real-terms) by 2028–29. By that final year, assumed increases in council tax revenues – which reflect both increases in tax rates, and growth in the underlying council tax base due to new housing development – are set to account for around three-quarters of the overall increase in councils’ core funding.

- Almost half of councils (43%) will see their funding fall in real-terms over the next three years. This includes the majority of shire districts (70%) and inner London boroughs (67%), but far smaller shares of outer London boroughs (15%), unitary authorities (13%), metropolitan districts (6%) and shire counties (5% - or 1 out of 21).
- At the other end of the spectrum, one-in-ten councils will see their funding increase in real-terms by 16.7% or more over the next three years. There is a concentration of such big winners in outer London, where half (10 out of 20) councils are set to gain at least this much. Five outer London boroughs (Barking and Dagenham, Enfield, Hillingdon, Hounslow and Newham) are set to increase their funding by a quarter or more.
- The biggest increases in CSP in cash terms over the next 3 years are in Luton (+47.8%), and then in four outer London boroughs (Enfield +45.7%, Hounslow +37.3%, Hillingdon +36.3%, Newham +35.6%). Some metropolitan authorities have very large increases, particularly Coventry (+34.7%), Birmingham (+33.2%) and Manchester (+31.4%). Tower Hamlets has the highest increase amongst inner London boroughs (+32.5%).
- More than a third of councils are still set to still be receiving some funding through ‘transitional protections’ in 2028-29, when the reforms to the funding system will have been fully rolled out.
- **Business Rates Retention and Reset:** The system will be reset in 2026/27 primarily to take account of revalued rateable values as at 1 April 2026.
- **Adult Social Care:** The Market Sustainability and Improvement Fund, Social Care Grant, and Deprivation of Liberty Safeguards funding are consolidated into RSG and distributed using the new fair funding shares.
- **Consolidated Grants:** Four consolidated grants have been announced, i.e: -
 - **Children, Families and Youth Grant:** £3.1 billion over the multi-year Settlement, combining five funding streams including new funding for children’s social care reform and the current Children’s Social Care Prevention Grant.
 - **Homelessness, Rough Sleeping and Domestic Abuse Grant:** £2.4 billion over the period, with the domestic abuse component being ringfenced. Other elements are the prevention and relief and staffing element of the Homelessness Prevention Grant,

Rough sleeping accommodation programme and Rough sleeping prevention and recovery grant.

- **Crisis and Resilience Fund:** £2.5 billion, including the Household Support Fund and Discretionary Housing Payment funding.
- **Public Health Grant:** £13.45 billion over three years, consolidating with related grants and remaining ringfenced.
- **Dedicated Schools Grant (DSG) allocations.** DSG allocations for 2026-27 were announced just ahead of the settlement. Total DSG (including Supplementary Funding) will increase to £72.9bn, a 6.1% increase from 2025-26. London boroughs will receive an increase of £557m compared to 2025-26
- **Core schools funding** is increasing by £1.7bn in 2026-27 compared to 2025-26, bringing total core schools funding to £367bn next year. Mainstream school funding in the DSG is increasing by 2.6% per pupil in 2026-27. Pupil premium funding rates for 2026-27 are increasing by 2.2%, in line with the GDP deflator measure of inflation.
- **Each SEN place** in a mainstream school will now receive a fixed amount of £539, adjusted for local area costs (ACA), based on the agreed number of places and the time the provision is open.
- **High needs funding.** Further details on support for historic and accruing DSG deficits will be provided later and a full Schools White Paper will be released early in the new year, setting out substantial plans for reform of special educational needs provision.

6.9 Cost of Living Response

6.9.1 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 2025-26. 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 Household Support Fund. Here to Help continues to tackle benefits under-claiming in the borough and contributes to income maximisation and reduction in financial distress for some of Hackney's most vulnerable residents. These are discussed below but before considering these, mention is now made of the measures that the Government took to cut the cost of living in its Budget published on 26 November. The key measures include:

- (a) Removal of the two child benefit cap in full from April 2026

- (b) The Universal Credit Standard Allowance for a single person aged 25 or over will increase by around £295 per year (£110 more than if uprated by inflation alone). For couples, where one partner is aged 25 or over, it will increase by £465 a year (£180 more than if uprated by inflation alone)
- (c) Other measures include: - taking off levies from energy bills, a significant increase in the minimum wage and national living wage, the freezing of regulated rail fares, continuation of the pension triple lock and a freeze on prescription fees.

6.9.2 Hackney Here To Help is an easily accessible, multi-disciplinary service that brings together some benefits assessment support with assessment for a range of discretionary grants managed by LBH, in a delivery model with data-led, active outreach at its heart. The core goal of Here To Help (H2H) is tackling benefits under-claiming in the borough; it is estimated that residents are missing out on £28 million in financial support they are entitled to. Here To Help contributes to income maximisation and reduction in financial distress for some of Hackney’s most vulnerable residents.

Here To Help grew out of the commitment made in the Poverty Reduction Strategic Framework 2022-2026 to “better meet people’s immediate material needs and offer more preventative help”. The Framework was published in 2022 and Here To Help became operational in November of that year. It remains a pilot initiative and is funded up to March 2026 through a combination of a small base budget, plus funding from public health and the Household Support Fund.

Tasks Here To Help undertakes:
<p>Receive applications via its online application form and outreach events for help with:</p> <ul style="list-style-type: none"> ● benefits check (general & disability) ● council tax bill or debt ● rent arrears ● imminent eviction ● cost of living support ● home goods ● transport ● removals ● storage ● money management <p>Lead the analysis of Council-held data to inform and shape proactive outbound information campaigns to tackle lack of awareness of eligibility for specific benefits</p>
Specifically, this means:
Check for take up of benefits entitlement
Assess eligibility for and administer food and fuel vouchers funded via the Household Support Funds
Assess eligibility for and administer Hackney Discretionary Crisis Support Scheme, which

provides household goods
Assess eligibility for and administer Discretionary Housing Payments, which provides grants towards rent arrears and rent deposit in advance
Assess eligibility for and administer Council Tax Reduction Discretionary Scheme
Assess eligibility for and administer transport costs
Assess eligibility for and administer removals costs
Assess eligibility for disability benefits, support application and lead mandatory reviews and challenges, including taking cases to tribunal
Sign post to additional support (food banks; debt advice; immigration advice etc)
Complex case work
Reviews and complaints

6.9.3 The latest activity figures, for the end of December 2025 show that, since its commencement in November 2022, Here To Help distributed £6.44m of discretionary funds including: -

- Discretionary Housing Payments - £3.36m
- Household Support Fund - £2.40m
- Hackney Discretionary Crisis Support Scheme - £0.48m
- CTRS discretionary hardship scheme £0.2m

6.9.4 The team also achieved £6.62m worth of increased incomes through benefits uptake work.

6.9.5 The Council has also invested in a raft of initiatives from funding provided by the Government's Household Support Fund. These initiatives focus on assisting vulnerable people, particularly children and families, and breaking down the barriers to reach a wider group of vulnerable residents at risk of poverty. For 2025-26, Hackney's Household Support Fund allocation is £4.974m. In March 2025, Cabinet authorised the distribution of the grant to a wide range of voluntary and community sector and independent organisations working with residents and the Council. The grants are being distributed in line with Household Support Fund requirements - supporting households struggling to meet the cost of food, fuel, water and other household essentials.

7. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
100,622	Children and Education	3,702

7.1 Children & Education have a forecast overspend before reserves of £7.7m and £3.7m after reserves for 2025/26.

- 7.2 **Children and Families Services (CFS)** is predicted to underspend by £0.794m after the allocation of specific ring-fenced reserves and the application of 50% of the Social Care Grant that the Council receives which totals £20.4m. The main areas of overspend relate to the Directorate Management Team (£0.7m), Looked After Children & Leaving Care Services (£0.3m) and Disabled Children Services (£0.3m). 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. In 2025/26, additional budget growth of £0.7m and social care grant of £3.3m has been applied to Corporate Parenting and the service is currently predicting an underspend of £1.6m based on current placement costs and the number of children and young people in our care. It is to be noted that the forecast is susceptible to variation during the course of the year, holiday periods during the summer and winter in particular have historically experienced increases in demand and pressure on the budget due to care arrangements breaking down, this represents a risk for the service. Two Children's Homes are also currently under development within the borough and are anticipated to open during 2026/27. These homes are expected to help mitigate the costs associated with our most expensive external care packages in future years.
- 7.3 **Hackney Education (HE)** is forecast to overspend by £4.496m on the General Fund and be balanced on the Dedicated Schools Grant (DSG). 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 (£1.443m). The SEND Transport Service is also continuing to experience budgetary pressures relating to home to school transport for children with SEND (£1.021m). Plans are being implemented to resolve this. In addition there is £1.7m pressure in Early Years, largely due to not meeting savings in respect to the reconfiguration of our Children Centres in previous years.
- 7.4 In addition to budgeted savings further cost reduction measures have been developed for 2025/26.

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 this year will be through further development of in-borough SEND provision and early engagement work, that will allow more children with SEND to have their needs met in local provision including in school themselves, 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.

There is also a great deal of work being undertaken with SEND transport to reduce the overspend. This includes rebrokering of expensive taxi routes, moving children from taxis to buses where possible and other plans to reduce expenditure and solutions which are not best value.

8. Adults, Health and Integration

Revised Budget £000	Service Area	Forecast Variance After reserves £000
160,997	Adults, Health and Integration	4,397

- 8.1 The **Adult Social Care (ASC)** forecast shows a £4.3m overspend for 2025/26, this is a change from the £20m overspend reported in 2024/25. This shift is attributable to a £20.8m increase in the budget allocation and the full utilisation of the £21.1m Social Care Grant. The current forecast indicates a £0.2m adverse movement this month compared to the October 2025 reported position, primarily driven by Learning Difficulties, Physical Support, support with memory cognition and Mental Health demand pressures.
- 8.2 **The Care Support Commissioning** budget currently forecasts an overspend of £3.6m on its total budget of £68.5m. The current position shows an adverse £0.7m movement compared to last month. This adverse movement is primarily attributed to an increase in the complexity of cases and increase in clients transitioning from Children's Services to ASC.
- 8.3 **The Mental Health** budget is currently forecasting an overspend of £1.1m on its total budget of £11.5m. This represents an adverse movement of £0.06m since the last report, primarily due to rising demand for Mental Health care services and increase in complexity of cases.
- 8.4 **Provided Services** is forecasting a net £0.4m underspend on its £13.7m budget. This favourable position is driven by a £1m underspend in Day Services, including savings from vacant posts at Oswald Street, where operating levels are not at full capacity plus £0.3m contribution from Public Health (PH) towards eligible spend in Oswald Street. This underspend offsets a £0.6m overspend in Housing with Care (HwC) schemes due to the increased staffing requirements for residents with complex needs. The current position reflects a favourable movement of £0.3m compared to the October 2025 reported position, primarily due to vacant posts and the contribution from Public Health.
- 8.5 **Other ASC services** A balanced position is projected, primarily due to ongoing vacant posts. This represents a favourable movement of £0.2m from the previously reported position, mainly due to delays in recruitment.

- 8.6 The overspend is primarily driven by a sustained increase in client activity and the rising complexity of commissioned care. Adult social care demand has grown steadily over five years, with budget uplifts failing to fully match service pressures.
- 8.7 Despite a £20.8m budget increase and a £3.3m boost in Social Care grants (including the Market Sustainability and Improvement Fund - MSIF), the ASC budget continues to face substantial challenges. Unit costs have significantly increased due to inflationary factors, notably the London Living Wage (LLW) and the MSIF has not been uplifted for 2025/26, further exacerbating resource strain.
- 8.8 **The Public Health (PH) budget** is reporting a breakeven position, with planned £1m of savings on track. Hackney received an uplift of £2.1m in 2025/26 through the national Public Health Grant, which must be used in line with the ringfenced grant conditions. These include meeting service demand pressures, funding inflationary costs, and supporting workforce pay increases within public health commissioned services.
- 8.9 In addition to the 2025/26 ASC planned budgeted savings of £2.1m, the service has implemented cost reduction measures under invest-to-save initiatives. These management actions will be rigorously monitored and tracked monthly, and will be included in the forecast once realised. The cost reduction strategies include:
- Continuation of the high-cost placements review work being undertaken by the commissioning review team, anticipated to achieve at least £0.2m in cost reductions. Anything achieved beyond the initial £0.2m in cost reductions will contribute towards the £0.3m budgeted savings target for 2025/26
 - Joint Funding Reviews: With a projected saving of £0.3m identified
 - Monitoring direct payments accounts, projected to save £0.4m.

9. Housing, Climate and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
93,363	Housing, Climate and Economy	2,424

- 9.1 The directorate is showing a £2.424m overspend after use of £0.565m in reserves. There are material overspends currently reported in the Climate, Sustainability & Environmental Services and the Streetscene service is forecasting significant income shortfalls.
- 9.2 **The Homelessness Prevention Service** reports an underspend of £2.608m for 2025/26, a favourable movement of £0.430m compared with the last period due to increased rental income. This movement is directly linked to, and offsets, the adverse movement in Benefits because of

subsidy loss. This is expected with the move to charging LHA 2024 rental rates, given how Housing Benefit is calculated and awarded.

Demand for temporary accommodation has been rising more slowly than in 2024/25, allowing the service to manage its expenditure within the 2025/26 budget and growth allocations. The transition from Housing Benefit to Universal Credit carries risk of higher non-payment which may necessitate an increase in bad-debt provision. This is due to the inherent unpredictability of Universal Credit, which introduces additional risk factors not yet incorporated into the current financial forecast.

The management actions outlined below are aimed at containing the spend and implementing cost reduction/avoidance measures, although it will take time before they impact the forecast.

- 1) The acquisition of the Ridley Villas hostel will protect and expand our supply of suitable temporary accommodation, helping shield us from further cost increases. This is due to close for refurbishment in mid January; this refurbishment will improve the accommodation in the facility.
- 2) The Chalkhill lease deal to provide 300 properties will start to deliver properties in the fourth quarter of the financial year. When 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.
- 3) Management is exploring options to increase the supply of temporary accommodation, including leveraging the LAHF3 grant to deliver 59 properties. To date, 23 properties have been acquired, with an additional 16 currently under consideration. It is projected that once all properties are delivered, an annual cost saving of approximately £1.5m will be achieved by housing residents, as opposed to accommodating them in the nightly paid market.
- 4) Acquisition of 34 specialist supported housing units in Hackney, scheduled for completion in September 2026. This strategic acquisition aims to alleviate the substantial financial burden of expensive, nightly-paid temporary accommodation and provide improved support for homeless adults with complex needs.
- 5) The Council is establishing the Housing Acquisition Programme (CHAP) to acquire 125 homes for use as temporary accommodation. Supported by the Greater London Authority, the programme aims to reduce the Council's reliance on expensive, nightly paid units. This acquisition is projected to deliver an annual cost avoidance in the region of £3.3m compared to housing residents in the nightly paid market.

- 9.3 **Benefit administration** reports an overspend of £2.665m for 2025/26, an adverse movement of £0.430m since the last period. This movement is directly linked to, and offset by, the favourable movement in the Homeless Prevention Service due to rental income. This was anticipated with the move to charging LHA2024 rental rates, given how Housing Benefit is calculated and awarded. The subsidy loss forecast within Net Cost of Benefits (NCOB) entirely drives the benefits overspend, while all other cost centres are forecast to be within budget or show minor underspends. The NCOB position faces a risk of further deterioration. This is due to an anticipated increase in residents transitioning to Universal Credit, which will subsequently diminish our capacity to recover historical overpayments.
- 9.4 **Streetscene** is forecasting an underachievement of income of £0.673m (£0.714m last period). Traffic Orders Road Closure fees and income from issuing Highways Act licenses are forecast to be significantly lower than budgeted. 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).
- 9.5 **Community Safety, Enforcement, and Business Regulation (CSEBR)** is forecasting an overspend of £0.145m (£0.165m last period). The overspend relates to pressure on staffing budgets and a projected shortfall in income from fixed penalty notices.
- 9.6 **Climate, Sustainability & Environmental Services (CSES)** is forecasting a combined overspend of £2.119m (£2.132m last period). Environmental Operations are forecast to overspend by £2.267m. The primary drivers are (a) £1.070m service and operational pressures, (b) £0.737m - increased costs of operation and maintenance of the vehicle fleet and (c) £0.460m savings from the Commercial Waste company that will not be achieved in 2025/26; partially offset by an underspend of £0.148m in the Climate and Sustainability Team.
- 9.7 Other services are forecasting broadly to budget at this stage in the financial year or to underspend.

10. **Finance and Corporate Resources**

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
1,796	Finance & Corporate Resources	539

- 10.1 Finance and Corporate Resources project an overspend of £539k, a favourable movement of £70k compared to the last reporting period, inclusive of a reserve drawdown of £1,019k. This month includes the formal transfer of the Procurement and Energy Service from the Chief Executive's Directorate back to the Finance and Corporate Resources Directorate.

- 10.2 The **Audit and Anti-Fraud** reports an underspend of £111k, a favourable movement of £5k from the last reporting period. The overall underspend is due to the service holding vacant posts.
- 10.3 **Customer Services, Digital, and Data** are currently forecasting no variance to budget, no movement from the last reporting period.
- 10.4 **Education Client Services** reports no variance to budget, no movement from the last reporting period. Included within the service are ongoing fees related to the management companies' overheads and void charges of the unoccupied units at one of the sites.
- 10.5 **Financial Management and Directorate Finance Support** reports no variance to budget after a reserve drawdown of £372k, no movement from the last reporting period. The reserves usage is specifically for one-off expenditure related to development advice for the 55 Morning Lane project.
- 10.6 **ICT and Workplace** ICT and Workplace services reports an overspend of £189k after reserves drawdown of £192k. The overspend is primarily attributable to the Education ICT Management Information System (MIS) team's inability to achieve its income target from traded services, thereby limiting its capacity to cover operational costs. Increased market competition has had a detrimental impact, as educational institutions, including schools and academies, that are facing budgetary constraints, are increasingly seeking more cost-effective MIS support options. The cessation of the service was approved by Hackney Education Senior Leadership Team.
- 10.7 **Registration Services** an underspend of £90k, a favourable movement of £10k from the last reporting period. The overachievement of income targets drives the underspend.
- 10.8 **Procurement and Energy Services** reports an underspend of £64k, a favourable movement of £44k from the last reporting period. The overall underspend is due to the service holding vacant posts.
- 10.9 The **Revenues service** reports an overspend of £616k, a favourable movement of £11k from the last reporting period. The overspend reflects increased debt-recovery costs due to a rise in resident calls to the service centre, as well as rising costs of supplies and services. It is worth noting that this anticipated overspend is expected to decrease in the coming months as court income increases.
- 10.10 **Soft Facilities Management** reports an overspend of £222k, an adverse movement of £17k from the last reporting period. The overspend is primarily driven by increased security costs associated with our main campus buildings. A comprehensive review is underway to look at alternative security measures which could alleviate some of this pressure.

- 10.11 **Strategic Property Services** reports an underspend of £222k, after reserves drawdown of £455k, a favourable movement of £17k from the last reporting period. The service continues to review agency assignments, adherence to a recruitment freeze, where it is safe to do so. The Commercial Property portfolio continues to experience financial pressure due to the under-recovery of income, which remains a key budgetary risk. The Head of Commercial Estates has expressed concerns regarding the elevated risk of income deficits and potential tenant defaults, reflecting the current climate of market uncertainty. While a continuous monitoring framework is in effect, it is projected that these financial challenges will continue into the forthcoming financial year. Furthermore, periods of vacancy are generating additional financial strain, as non-recoverable void costs, such as security costs and business rates are being incurred in the absence of rental revenue. If void levels increase or persist for longer than anticipated, the cumulative impact of these costs could significantly exacerbate the budgetary pressures.
- 10.12 The Fleet Maintenance service also continues to forecast an overspend which is primarily related to fleet growth and an increase in statutory maintenance obligations. The demand for repairs and rising inflation have significantly escalated the costs of materials and labour for vehicle repairs. This is partially offset by several vacancies held across the service.
- 10.13 It should be noted that some of these financial pressures will be alleviated through the utilisation of reserves allocated in previous years, specifically to manage fluctuations in commercial property income and void costs.
- 10.14 It is essential to highlight that the Directorate is actively taking steps to mitigate the current overspend by maintaining several vacant positions. Management has committed to reviewing service requirements and, where feasible, deferring recruitment to ease budgetary pressures for the remainder of the financial year.

11. **Chief Executive**

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
8,055	Chief Executive	-194

- 11.1 The Chief Executive's Directorate position is forecast an underspend of £194K, this is a £110K favourable movement compared to the previous period. (£234k underspend in 24/25) after the planned use of £691k of reserves. Procurement & Energy Management is no longer included and will form part of the Finance and Corporate Resources Directorate forecast from this period.
- 11.2 Legal, Democratic & Electoral Services are underspent which is related to the reduced costs forecast for Members allowances. Corporate Strategy &

Transformation overall is underspent by £173k due to reduced spend on staffing and Members Allowances. Within this there are cost pressures from Communications and Engagement associated with printing and distribution for Love Hackney publication where the service plans to provide 8 editions this year. There are further pressures relating to storage costs, subscriptions and software licence fees across the directorate.

12. Housing Revenue Account (HRA)

12.1 The HRA is forecasting to overspend on Operations expenditure by £7.972m, an adverse movement on the October position of £968k. In order to address this overspend and to balance the HRA in year for 2025/26 the following mitigations have been taken and included in the forecast:

- The centrally held funds for the 2025/26 pay award have now been allocated across the HRA to the relevant cost centres.
- The budgeted contribution to reserves of £2.059m in 2025/26 has not been forecast.
- A drawdown from earmarked reserves of £982k has been forecast to partially offset the overspend. This will completely deplete all balances available in earmarked reserves for the HRA.
- With effect from April 2025 the rents charged on HRA Dwellings being used for Temporary Accommodation (TA) have been restructured as part of the Council's overall TA rent policy. This will generate additional income for the HRA whilst HRA Dwellings are being used for this purpose. This is not a base budget adjustment and is directly linked to the availability and use of void and regeneration properties for TA purposes. The additional income forecast for 2025/26 is £4.3m.
- A drawdown of £3.082m from general reserves is required to balance the HRA in 2025/26 an increase of £960k from October.

12.2 The key risk to the HRA in 2025/26 continues to be repairs and maintenance expenditure which has continued to be forecast above budget. The forecast for 2025/26 is below the outturn for 2024/25 by £3.75m. Management action has been taken to contain expenditure which includes that all work should be ordered on repairs hub with a clear commitment to aid budget monitoring / management and that expenditure is limited to the 'musts' i.e.the legal requirements. The new instructions set out the need to work within set budgets during 2025/26 as well as reviewing and setting authorisation limits to improve financial controls. Bi-weekly spend review meetings will review all works raised via the surveying function and all follow-on works requested by the DLO.

12.3 The current financial position and depletion of earmarked reserves places the HRA budgets under significant financial pressure and the current level

of spend is not sustainable within the HRA MTFs and 30 Year Business Plan. The newly created HRA Finance Improvement Board will continue to oversee and monitor the financial sustainability of the HRA and recommend appropriate action.

12.4 The main under and overspends are as follows: -

Home Ownership - £1.431m overspend

The recent Internal Audit of Leasehold Major Works Debt Recovery recommended that a provision for the write-off of Major Works bad debt should be promptly raised in the financial records for current and future debt write-offs. A provision for £1.5m will be set up in 2025/26.

Housing Management - £3.135m underspend

With effect from April 2025 the rents charged on HRA Dwellings being used for Temporary Accommodation have been restructured as part of the Council's overall TA rent policy. This will generate additional income for the HRA whilst HRA Dwellings are being used for this purpose. This is not a base budget adjustment and is directly linked to the availability and use of void and regeneration properties for TA purposes. The additional income forecast for 2025/26 is £4.3m.

The forecast for **Leaseholder Service charges** has been adjusted to reflect the anticipated impact of adjusting the charges for the 2024/25 actuals. Additional income offsets the forecasts for the Cleaning recharge from the general Fund which is £202k more than budget along with a forecast increase of £197k in Business rates.

Alternative Dispute Resolution (ADR) - £3.068m overspend

As a result of the take up of the ADR Process settlement and repair costs continue to be forecast to be more than budgeted. This expectation is in line with the 2024/25 outturn position, it is anticipated that the new operatives recruited should generate additional repairs income during the year. In addition a review is underway to compare the business case to the outcome for 2024/25 with a view to updating it.

Building Maintenance Salaries - £1.447m overspend

Additional agency staff and BSO to manage the demand of Damp and Mould works as well as responsive repairs works, which is still very high, continue to result in a forecast overspend. The use of Agency staff is reducing.

Direct Labour Organisation (DLO) - £5.000m overspend

The DLO is forecast to be overspend by £5.000m as a result of increased salary and material costs, the need for additional operatives to manage legal, voids and revenue repairs works and together with increased materials costs. The current Schedule of Rates (SOR) does not account for the additional accumulated pay awards or the rising cost of materials, leading to a significant deficit. A review is underway to uplift the DLO SOR's to reflect the increased cost of labour/materials.

Legal Disrepair - £4.834m overspend

The service is expecting to see a continued increase in the number of cases that progress through the courts in 2025/26, as there are more resources in place. As a consequence legal costs, court costs and compensation costs will rise significantly. Thus, the actual year end forecast on legal charges is significantly higher than budget as more cases are expected to go through courts for final settlements in order to reduce the overall number of cases.

Repairs and Maintenance - £5.479m underspend

Overall the full year forecast has reduced by £5.802m to take into account capitalisation and the spend controls imposed to manage the overall repairs and maintenance spend. The impact from the spend control will be monitored closely, the impact continues to be assessed. The building maintenance team continues to face high demand for reactive repairs and damp and mould works together with additional pressure from the Awaab's law going live in October.

13. Financial Implications

- 13.1 The Group Director of Finance and Corporate Resources financial considerations are included throughout the report.

Financial comments prepared by Naeem Ahmed, Group Director Finance & Corporate Resources,
Email: naeem.ahmed@hackney.gov.uk
Date: 12 January 2026

14. HR & OD Implications

- 14.1 The financial report's forecast **£10.868m overspend** has significant implications for HR & OD, demanding a strategic response focused on stringent cost management, proactive workforce planning, and sustained employee wellbeing support.

14.2 Workforce Cost Management:

- **Agency Reduction:** The top priority is controlling the substantial General Fund agency spend, which is forecast at **£34.168m (707 FTEs)**. This will primarily be managed through the newly established **CLT Resources Approval Panel**, ensuring rigorous scrutiny and approval of all recruitment activity, both permanent and temporary. Efforts will focus on transitioning agency workers to permanent roles via service reviews (HRA, Housing), or to C2H where there is a saving/income to be made from reduction of agency rate.

- **Strategic Agency Use:** While overall reduction is key, the directorate notes the successful use of agency staff in specific areas, such as the **Revenues service**, where a £340k investment in over-establishment agency staff is projected to generate an **additional £0.5m in revenue** through increased collection forecast. Such targeted, return-on-investment agency use will continue to be reviewed and managed.
- **Staffing Levels:** Regular star chambers have commenced with Group Directors to address agency reduction and over-establishment across multiple directorates to align staffing with approved budgets, in line with the work of the **Budget Recovery Board**.
- **Spend Freeze:** Define and communicate a clear, sensitive policy for any re-introduced non-essential workforce spending freeze, ensuring it is applied consistently and does not impede front-line service delivery or critical, cost-saving recruitment.

14.3 **Workforce Planning & Change:**

- **Recruitment/Retention:** The Resourcing & Talent Acquisition team will need to develop targeted strategies (potentially including competitive remuneration) to fill persistent 'hard-to-fill' permanent specialist roles, particularly **Social Workers, Specialist Clinical Practitioners (Children's), and roles within Adult Social Care**, to reduce the high reliance on premium-rate agency staff.
- **Organisational Change:** Supported by the workforce transformation projects, the HR function will provide expert HR advice (TUPE, consultation, employee relations) to manage forthcoming change projects and restructures, including the **HRA Service Review** aimed at reducing its £3.395m agency spend by establishing permanent roles within the new structure. This support will also manage potential increases in casework stemming from grievances and complaints.
- **Governance Support:** HR & OD will provide embedded support to the **ASC Finance Improvement Panel** and **HRA Finance Improvement Panel** to ensure workforce implications are central to their financial sustainability plans.

14.4 **Employee Wellbeing:**

- **Support:** Ensure staff support channels (EAP, mental health first aiders/champions and staff networks) are promoted and available, acknowledging the "additional pressures" on staff due to the transformation and financial situation.
- **Culture:** Monitor morale and promote a "one Council" culture, emphasising collective responsibility and transparent communication regarding the financial challenge. Conduct staff surveys and wellbeing focussed surveys and continuous staff engagement to ensure everyone feels supported.

14.5 In summary, HR & OD will focus on stringent financial control of the workforce budget, leveraging the new governance panels to manage agency

spend and over-establishment, while simultaneously driving necessary organisational change and supporting long-term recruitment efforts to achieve financial sustainability.

HR/OD comments prepared on behalf of Director of Human Resources and Organisational Development by Cassy Goring, Assistant Director of HR & Traded Services
Email: cassy.goring@hackney.gov.uk
Date: 12 January 2026

15. Legal Implications

- 15.1 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.
- 15.2 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.
- 15.3 The Group Director of Finance and Corporate Resources 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.
- 15.4 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.
- 15.5 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.

- 15.6 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.
- 15.7 All other legal implications have been incorporated within the body of this report.

Legal comments prepared by Louise Humphreys, Director of Legal,
Democratic & Electoral Services
Email: louise.humphreys@hackney.gov.uk
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Appendices

Appendix 1: Savings Performance Assessment 2025/26 to 2027/28

Background documents

None.