

Title of Report	2025/26 Overall Financial Position - October 2025		
Key Decision No	F S524		
For Consideration By	Cabinet		
Meeting Date	15 December 2025		
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service		
Classification	Open		
Ward(s) Affected	All Wards		
Key Decision & Reason	<table border="1"> <tr> <td>Yes</td> <td>Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function</td> </tr> </table>	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
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Implementation Date if Not Called In	22 December 2025		
Group Director	Naeem Ahmed, Group Director, Finance & Corporate Resources		
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1. **Cabinet Member's Introduction**

- 1.1 This is the Council's first Overall Financial Position (OFP) since the Chancellor's Autumn Budget which provided a great deal of good news for residents of Hackney and the local authority.
- 1.2 After a long campaign, I'm pleased the Government is to lift the two child benefit cap. That single measure alone will help the hundreds of families in Hackney with more than two children who have been struggling to make ends meet. My colleague, the Mayor, Caroline Woodley, welcomed this news on the day on behalf of the administration and I echo her sentiments. We have repeatedly raised the issue of the benefit cap with the new Government and it's reassuring to know those pleas were heard.
- 1.3 The budget also provides good news for the Council directly. Whilst the details are still to emerge, the proposed changes to the way Special Educational Needs and Disabilities (SEND) is funded should hopefully

mean there is less pressure on our own finances while still ensuring children and young people get the help they need.

- 1.4 Finally, knowing all local authorities are to receive a multi-year settlement will make it easier for us to plan for the long term. We now wait for the Government to confirm the funding available to Hackney and every other borough when they announce the results of their fair funding review. It is encouraging to hear the Government will now take into account the persistently high levels of deprivation in Hackney and the extreme costs of housing when deciding our funding.
- 1.5 Whilst this backdrop is positive it sadly doesn't make the short term balancing of our current year's budget easier, and this OFP report sets out the measures we're putting in place to continue delivering the services residents need.
- 1.6. This report shows that as at October 2025, the Council is forecast to have an overspend of £10.959m - an increase of £0.584m from the September forecast. The overspend for Adults, Health and Integration has continued to increase (£202k). There has also been a £327k increase in the overspend in Children and Education and a £158k increase in Housing, Climate and Economy. Finance and Corporate Resources has reduced its overspend and the Chief Executive directorate is forecasting to come in under budget. Overall, this position remains a concern for the Council and if not addressed presents a challenge to our financial sustainability going forward. I welcome the actions to mitigate this, as set out in section 2.10 below
- 1.7 I thank officers and colleagues for their continued efforts and commend this report to Cabinet.

2. Group Director's Introduction

- 2.1 The OFP shows that the Council is forecast to have an overspend of £10.959m after the application of reserves.
- 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 £202k this month and by £1.6m 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.

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

Table 1: 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)	17.8
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	44.9

2.5 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. Moreover, the analysis does not take account of the impact of the Fair Funding review in 2026/27. Whilst the Local Government Finance Policy Statement published by the Government on 28 November 2025 will improve LBH's position compared to that based on the original proposals set out in the June 2025 Fair Funding Consultation (in particular the continuation of the Recovery Grant), we will have to wait until the 2026-27 Provisional Local Government Finance Settlement (LGFS) is published in the third week in December, before we know the actual impact. It must also be recognised that it is likely that additional cost pressures will negatively impact the budget gaps further in future years.

When the Provisional 2026/27 LGFS is published in December, we will be in a much better position to assess the potential strain on reserves in future years.

2.6 This report also contains at **Appendix 1** a review of how Services are performing in achieving their 2025-26 budgeted savings requirements.

2.7 The overall financial position is as follows and individual directorate commentaries are included in section 9 onwards.

Table 2: Overall Financial Position (General Fund) October 2025

Revised Budget £000	Service Area	Forecast Variance Before Reserves £000	Appropriati on to Reserves £000	Reserves Usage £000	Forecast Variance After Reserves £000	Change in Variance from last month £000
100,622	Children and Education	7,903	77	-4,113	3,868	327
160,996	Adults, Health and Integration	6,036	649	-2,535	4,150	202
93,363	Housing, Climate & Economy	2,698	261	-543	2,416	158
1,796	Finance & Corporate Resources	1,599	0	-969	630	-51
8,117	Chief Executive	514	0	-619	-105	-52
60,995	General Finance Account	0	0	0	0	0
425,889	SUB TOTAL	18,750	987	-8,779	10,959	584

2.8 The main areas of overspend are:

Children's and Education - £3.9m 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 the reduced use of more expensive taxi journeys from home to school. 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 savings include a review of staffing structures which will also include these service areas.

Adults, Health and Integration - £4.15m 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 - £0.63m primarily in Revenues Administration

2.9 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.

2.10 Initiatives to Mitigate the Overspend

2.10.1 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. While we do not currently require Emergency Financial Support (EFS), continued overspending throughout the year will severely impact our financial stability.

2.10.2 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.
- **Housing Revenue Account Finance Improvement Panel** - As we have reported throughout 2024/25 the HRA is in a precarious financial position and had to draw on reserves to fund the overspend in 2024/25. Despite management actions introduced throughout last year to bear down on costs we did not see a reduction in the escalating spend on repairs and maintenance. Therefore the Group Director Finance and Corporate Resources has established an HRA Finance Improvement Board to interrogate the cost pressures within the service and introduce further 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 will also oversee the development of savings proposals for the HRA as well as oversee 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 Board that will focus upon the financial sustainability of Adult Social Care. The first meeting took place at the end of November.

2.10.3 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. We are continuing with the non-essential spending freeze that we introduced last year to mitigate the current overspend and to protect reserves. Progress will be reported on in the November OFP.

2.10.4 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.

2.11 **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.

2.12 **Agency Staff Expenditure**

2.12.1 The following tables show the trend and expenditure on agency staff. Table 3 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.

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	Agency Staff Numbers (FTEs)
	£000	£000	%	%	
CHILDREN & EDUCATION	8,831	108	12	16	248
ADULTS, HEALTH AND INTEGRATION	7,028	192	21	22	151
HOUSING, CLIMATE AND ECONOMY	11,441	-126	12	13	194
FINANCE & CORPORATE RESOURCES	5,624	32	11	17	97
CHIEF EXECUTIVE	1,236	26	6	12	24
TOTAL	34,160	232			714

2.12.2 As the table shows the forecast has increased by **£0.232m**. 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 27th 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
	£000	£000	£000	£000
CHILDREN & EDUCATION	8,831	1,329	6,811	691
ADULTS, HEALTH AND INTEGRATION	7,028	962	6,012	54
HOUSING, CLIMATE AND ECONOMY	11,441	1,161	7,214	3,065
FINANCE & CORPORATE RESOURCES	5,624	340	5,284	0
CHIEF EXECUTIVE	1,236	0	1,168	68
TOTAL	34,160	3,792	26,489	3,878

2.12.3 The total agency spend for each directorate (i.e. agency staff funded from all sources) is as follows:-

Table 5: Total Agency Spend

Directorate	Agency Staff Forecast (£000)	2024/25 Actuals (£000)	Agency Staff Numbers (FTEs)
Children and Education	9,710	11,778	223
Adults, Health & Integration	9,203	8,766	185
Housing, Climate and Economy	13,337	14,675	266
Finance & Corporate Resources	7,327	9,344	122
Chief Executive	2,498	3,080	32
Total	42,075	47,643	828

2.12.4 Children's and Education

Children and Education are forecasting a spend of £9.7m this month, an increase of £0.1m since the September Forecast.

Hackney Education has an agency forecast of £2.87m of which £0.31m is attributable to the DSG, leaving a general fund cost of £2.56m. £1.091m 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 £0.670m, 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 £6.8M as at October 2025, of which £6.3M is related to the General Fund. Details are as follows: -

Over-established (£0.9M: representing 15% of total posts funded by the GF):

22 posts are categorised as over-established, of which, 13 are Social Worker posts (£0.5M, 67%).

Filling Vacant Permanent Posts (£4.8M: 76% of Total GF Funded):

£2.7m [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. £0.6M [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 (£0.6M: 9% of Total GF Funded):

Nine posts are used to support maternity cover £0.32M [56%] and seven posts are used to support long term sick cover £0.25M [44%] across the Children's directorate.

2.12.5 Adults, Health & Integration

The Adults, Health & Integration (AH&I) agency forecast for October 2025 is £9.2M, £7m from the General Fund base budget and £2.2m from external grant funding including Public Health grant and discharge funding. While this is an adverse movement of £0.5m compared to the last forecast, the overall impact has been mitigated by a £0.9m reduction in permanent staff costs due to service-wide recruitment delays.

Over-established positions account for 10.5 Full-Time Equivalents (FTEs), representing £0.6M, or 8% of the Total General Fund (GF) Funded amount. This is a reduction of 5.5 FTE from last month.

Invest to Save initiatives comprise 6.6 FTEs, totaling £0.45M, representing 6.4% of the total posts funded by the GF. To date these initiatives have achieved £0.6M in savings.

The filling of vacant permanent posts represents £6M, or 85.5% of the Total GF Funded amount.

The Agency Full-Time Equivalent (FTE) figures in Tables 1 and 3 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.

2.12.6 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 most other services. When staff are absent due to leave, sickness, parental leave, 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 -£123k movement between September and October in the following areas.

Environment Operations, £28k increase relates to another 2 front line staff leaving the service in October plus additional cover for a/l, sickness and other absences.

Parks & Leisure, has a £53k reduction relating to seasonal staff forecasts resulting from delays of restructure implementation.

Community Safety, Enforcement and Business Regulation Service (CSEBR), £3k increase due to recruitment difficulties and delays leading to additional agency spend.

Street Scene, £25k increase due to recruitment difficulties and delays leading to additional agency spend for 2 more months.

Within the Benefits and Homeless Prevention Service, there has been a £126k favourable movement, driven by several leavers, as well as the inclusion of mandatory leave for agency workers across the December period. Overall, the agency spend is being used to cover critical vacancies and provide temporary support for the new ICT system implementation. For many of the administrative roles, which 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.

2.12.7 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 £340k, 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 expected in-year remains below the 94% target, reinforcing the need for this temporary support to maintain service continuity and minimise income loss.

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 this does not adversely affect the Council's finances.

2.12.8 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.

2.13 **Housing Revenue Account**

2.31.1 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
	£000	£000	%	%
HRA	3,395	-208	5.73%	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
	£000	£000	£000	£000
HRA	3,395	890	2,468	37

2.13.2 The total agency spend for the HRA staff funded from all sources is £3.395m (in 2024/25 the total spend was £5.2m). October sees a reduction in the total forecast of £208k. There are currently 58 live placements for Agency staff within the HRA.

2.13.3 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.

2.13.4 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.

2.13.5 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.

2.13.6 The HRA Agency Staff Cost Forecast for October 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 Services undergoes a service review with the aim of establishing staff into permanent roles within the new structure.

2.14 **National Budget - 27th November 2025**

2.14.1 The main provisions affecting local government are as follows: -

- **SEND reform plans will be set out early in the next year.** The Budget confirmed that the Government will set out its plans for SEND reform early in the new year and that future funding implications will be managed within the Government's Department Expenditure Limit (DEL) envelope. Therefore, local authorities will not be expected to use general funds after the Statutory Override ends in March 2028. The Government recognises that local authorities will need support for historic and accruing deficits and details of this support will be provided through the Local Government Finance Settlement.
- **High Value Council Tax Surcharge.** The Budget announced a new tax on owners of residential property in England for properties worth £2 million or more. The revenue will be used to support local government services. It will be paid by relevant homeowners in addition to council tax.

The High Value Council Tax Surcharge (HVCTS) is a new charge on owners of residential property in England worth £2 million or more in 2026, taking effect in April 2028. A public consultation on details relating to the surcharge will be held in early 2026. Homeowners, rather than occupiers, will be liable to the surcharge and will continue

to pay their existing Council Tax alongside the surcharge. Social housing will not be in scope. The Valuation Office will conduct a targeted valuation exercise to identify properties above £2 million and therefore in scope. Fewer than 1% of properties in England are expected to be above the £2 million threshold. Revaluations will be conducted every five years.

Properties above the £2 million threshold will be placed into bands based on their property value. Charges will increase in line with CPI inflation each year from 2029-30 onwards. The charges range from £2,500 for properties valued at between £2m and £2.5m up to £7,500 for properties valued at over £5m. The HVCTS will be administered alongside existing Council Tax by local authorities, who will collect this revenue on behalf of central government (but retain none of the proceeds). The HVCTS is estimated to raise around £430 million of revenue per year from 2028/29 to support funding for local government services. Local authorities will be fully compensated for the additional costs of administering this new tax. The government will undertake a new burdens assessment to ensure costs to local authorities are fully funded.

The government will ensure a support scheme is in place for those who may struggle to pay the charge. This will be a key area of consultation in the New Year. The government will also consult on a full set of reliefs and exemptions.

- **Business Rates Revaluation.** The 2026 Business Rates Revaluation will come into effect from 1 April 2026, updating rateable values for all non-domestic rating properties to reflect current market conditions and adjusting the tax rates to reflect the changes to the tax base. The Government is introducing new permanently lower tax rates for eligible retail, hospitality and leisure (RHL) properties, 5p below the relevant national multiplier (tax rate). This will replace the current 40% RHL relief.

Alongside this, the Government announced a support package to protect ratepayers seeing their bills increase because of the Revaluation, including:

- A Transitional Relief Scheme capping bill increases for ratepayers seeing significant bill increases, this will be partly funded by a 1p Transitional Relief Supplement in 2026/27 paid by all ratepayers not in receipt of Transitional Relief or Supporting Small Business Relief.
- A Supporting Small Business Relief capping bill increases for those ratepayers losing some or all of their Small Business Rate Relief, Rural Rate Relief or 2025/26 Retail Hospitality, and Leisure Relief.

- **Business Rates and Investment: Call for Evidence.** Following the Transforming Business Rates Interim Report, the Government is committed to explore how moving to a marginal tax rate, where successive bands are taxed at increasing rates, may be beneficial for investment. This Call for evidence (which runs until 18 February 2025) seeks stakeholder input on these elements of the system. It also seeks views on the tax treatment of short-term lets and business rates avoidance, recognising the importance of these to local government revenue.
- **Business Rates Retention.** In line with the Fair Funding Review 2.0, the Budget reaffirmed the Government's commitment to improve how the Business Rates Retention System supports Mayoral Strategic Authorities. This could see Mayors allocated a share of rates in place of existing grant funding. The Budget also committed to developing new business rates retention zones offered at the mayoral strategic authority level.
- **Overnight Visitor Levy.** The Government set out a plan to introduce a new overnight levy that will apply to visitors at accommodation providers including hotels, holiday lets, bed and breakfasts and guesthouses. The fee would apply to visitors' overnight trips, and it would be up to mayors and other local leaders to introduce a modest charge if it's right for their area. The Government is seeking views on the design of the power and has published a consultation which runs until 18 February. London Councils has called for the GLA to distribute some of the funds to the boroughs.
- **Planning system capacity.** The Budget included £48 million of additional funding to boost capacity and capability in the planning system.
- The Chancellor also announced a **0.5% cut to all Department Expenditure Limits (DELs)** will be applied across Government budgets in 2028-29, 2029-30 and 2030-31. For the Local Government DEL (Departmental Spending Limit), this applies to local government grant funding only and excludes council tax and business rates. This is therefore equivalent to around 0.1% cut of Core Spending Power in 2028-29. MHCLG are working through the implications of this and will set out further detail of how this impacts allocations for 2028-29 at the provisional 2026/27 Local Government Finance Settlement in December 2025. MHCLG confirmed though, that it will not impact any of the proposals in the Local Government Finance Policy Statement last week, for example, funding floors.

2.15 Funding Reform - The Policy Statement and Other Publications

On 28th November, the Government published three documents relating to the new funding system: -

- (a) The Policy Statement 2026-27 to 2028-29
- (b) The Government's response to the June 2025 Consultation Paper
- (c) A paper on resetting the Business Rates Retention System from 2026-27

At this stage it is not possible to provide even a broad brush assessment of the impact of the proposals contained within the Papers on our funding levels. Aside from the complexities and sheer volume of information, there are some significant changes which will result in different outcomes in the modelling previously provided by London Councils and others

A summary of the main points is as follows: -

- **Recovery Grant** – the 2025-26 allocations will continue for the next 3 years. *This will benefit LBH. In 2025/26 we received £9.7m*
- **Indices of Multiple Deprivation (IMD):** The 2025 IMD has been updated to reflect 'income after housing costs' as part of its 'Income' domain. *The 2025 IMD will be used as the primary deprivation measure throughout the reforms and specifically used in the Foundation Formula and in the 2025 IDACI (Children and Young People's Relative Needs Formula). This will benefit LBH and is a lobbying win for London*
- **Council tax referendum limits:** Unchanged (i.e. 5% limit); however, in some circumstances, the government will entertain requests for council tax limit flexibilities A key criterion is an authority would need to have below-average council tax to make such a request.
- Data updates to Relative Needs Formula (the Government's measures of local authority needs) including **sub-national population projections** based on mid-2022 estimates *According to London Councils the population data will not be using the Census figures. This is another win for London lobbying and will benefit LBH*
- New **damping floors** will provide real-terms protections for some authorities, with complicated eligibility criteria. Upper-tier Recovery Grant authorities will receive minimum increases of 5%/6%/7%. Other authorities will receive either 100% income protection (flat cash) or 95% protection. *LBH will receive the minimum increases of 5%/6%/7% but the funding is capped and is likely to include council tax income in which case the benefit will not be as significant as it seems*

- Reduced weighting for the **non-resident population** uplifts within the Foundation Formula. No change in the data used to measure **commuters and visitors**.
- **Remoteness** uplifts only remain in the Adult Social Care Area Cost Adjustment (ACA) and have been removed from all the other ACAs. *LBH would be better off without any remoteness uplift at all but It is good news that it has been removed from all but Adult Social Care ACA. Another Lobbying win for London*
- **Projected taxbase growth** will not be included in the Resources Deduction (as an incentive for house-building).
- **The Council Tax Collection Rate** applied to all councils within the Resource Deduction is a uniform 100%. The Deduction is taken off all councils' assessed needs to produce their grant allocations and so is a key element of the calculation. *Hackney and other deprived Inner London boroughs would have been better off with the application of the actual council tax collection rate rather than the uniform rate. As no council collects 100% all would benefit from the use of their actual rates but deprived boroughs would benefit even more because collection rates in deprived boroughs are lower than the average, which means such boroughs would get a relatively lower Resources Deduction and a relatively higher grant.*
- **Weightings** for the Relative Need Formula (RNFs) have been updated for the latest expenditure data. *This will benefit LBH as it will reflect, in particular, the large increase in our homelessness expenditure. Another win for London lobbying*
- The upper limit on **Home-to-School Transport (HTST)** has been increased from 20 to 50 miles. *This will probably be a small disbenefit as it increases the number of qualifying pupils in large shire county areas thereby giving these areas a greater share of assessed HTST needs (and grant) and other areas including Hackney a marginally smaller share.*
- It is confirmed that the **increase in grant funding** within Core Spending Power (CSP) is £3.4bn This will include funding for new burdens, including **food waste** (no further details on the amount or distribution within SFA). *This was built into the June 2025 spending review and would have been reflected in London Council's modelling*
- £21.5bn will be distributed via the four **Consolidated Grants**, with further detail supplied about the grants that will be included. No change in the distribution of **Public Health** grant. *Keeping the current distribution of PH grant is very good news for LBH as alternative proposed methodologies tended to lose us funding*
- **Grants rolled into Settlement Funding Assessment (SFA)** will be distributed using the Fair Funding Assessment (SFA). Grants that rolled into SFA and are new to the settlement will continue with their existing distributions, and will be outside the phasing-in arrangements.

- There will be no change in the amounts of **Local Authority Better Care Grant (BCG)** that authorities have to pool with the NHS (i.e. based on 25-26 allocations).
- **£866 million** new investment in children's social care reform from 2026-27. Of this, £319 million from the Transformation Fund was announced at the 2025 Spending Review, and a further £547 million has now been confirmed. This funding will be delivered through one of the new consolidated grants: the 'Children, Families and Youth Grant. *This will benefit all Councils with responsibility for the service*
- **No funding allocation figures:** Funding allocations were not provided as part of the information published today. MHCLG will only publish funding allocations at the provisional settlement in w/c 15 December.

2.16 **Garden Waste Charge 2026-27**

2.16.1 The garden waste subscription charge was launched in May 2024 with annual prices starting at £85. In 2024/25 the service ran for c.11 months and a pro rata charge from £78 was applied. In 2025/26, prices continued to start from £85 for the year which was perceived as a price rise from 2024/25. One-off collection options were introduced for 2025/26, with up to 10 bags of garden waste collected for £23, and 50% concession prices were introduced for both services. The concessions are for those in receipt of Council tax relief. The service needs to cover its own costs, which over the past two years it has achieved, reaching an income of £577k in 2024/25 and £632k to date in 2025/26.

2.16.2 It is recommended that the charges for the subscription service and one-off collections increase annually in line with CPI. This is the same approach taken to the Council's charged bulky waste service. Annual price increases will support the Service to continue to cover its rising costs and is the fairest approach for residents (as they can prepare for a small price increase each year). To ensure the service continues to cover its costs, early communication with residents is essential to ensure current subscriber numbers are maintained, as a minimum.

2.16.3 A 3.8% price rise in line with CPI would see 2026/27 prices start from £88 for the annual subscription and £24 for one-off collections. The pricing schedule for 2026/27 can be seen in **Appendix 2**.

2.17 **Cost of Living Recovery**

2.17.1 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.

2.17.2 **Here to Help.** Hackney Here To Help (HH2H) 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 the Hub is tackling benefits under-claiming in the borough; it is estimated that residents are missing out on £28m 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 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:
Receive applications via its online application form and outreach events for help with: <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

<ul style="list-style-type: none"> • 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 Fund
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

2.17.3 The latest activity figures show that, since its commencement in November 2022, Here To Help distributed £6.1m of discretionary funds including: -

Discretionary Housing Payments - £3.22m

Household Support Fund - £2.16m

Hackney Discretionary Crisis Support Scheme - £0.46m

CTRS discretionary hardship scheme £0.2M

2.17.4 The team also achieved £6.47m worth of increased incomes through benefits uptake work. An increase of £87k since last month generated by a combination of uptake from outreach, HH2H officer work, disability case work and the TA Benefit uptake.

2.17.5 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.

3. Recommendations

- 3.1 That from 1st April 2026 the annual garden waste subscription costs and one-off garden waste collection costs are increased by 3.8%, in line with CPI, as set out in Appendix 2**
- 3.2 To note the overall financial position of the Council as at October 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 and to approve the increase in Garden Waste service costs ahead of the Fees & Charges approval in the Council's Budget report at the beginning of March. This will enable timely communications from January of the new fees, ensuring renewals and take up of the garden waste service is maximised.

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 October 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. With regards to the Garden Waste Charges proposal we could maintain 2025/26 prices. But if the service price is maintained year on year, the service would not be recovering the costs of running the service, and the Council could end up in a position where it eventually has to introduce a large price increase in future years, which could be perceived as unfair by residents. This could damage reputation, limit subscriber numbers and reduce the amount of garden waste collected for recycling.

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. With regards to the Garden waste proposal the following equality considerations were reviewed in an Equality Impact

Assessment when developing the approach to charging for garden waste in 2025/26. This is a live document and any further impacts identified will be included.

- For elderly or disabled residents who are not physically able to present their waste, assisted collections are provided;
- Options are available for presenting waste in bins and sacks depending on the households' preference;
- Residents who prefer not to pay for garden waste collections can home compost their garden waste or take it to one of three Reuse and Recycling Centres;
- Charging for garden waste enables the Council to prioritise funding, e.g. for vulnerable children and adults;
- One-off collections and concessions prices help make the service more accessible and affordable for those on lower incomes.

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. With regards to the Garden Waste charges proposal included in this report, reductions in garden waste tonnages since charging for collections, alongside declining food waste recycling and higher contamination of dry mixed recycling, has contributed to a decline in recycling rate from 25.8% in 2023/24 to 24.4% in 2024/25. The introduction of incremental annual price increases in line with CPI is not expected to affect the sustainability impacts of this service, as this is already common among charged services (i.e. bulky waste) and clear messaging will be used to communicate the price change and the rationale to residents and encourage continued participation. Maintaining one-off collections and concession prices for 2026/27 should help mitigate negative environmental impacts by making the service more accessible and encouraging more people to recycle their garden waste. Residents have free alternatives for recycling garden waste. While it is not possible to measure how much garden waste is being home composted, we have seen a 69% increase in garden waste tipped at Reuse and Recycling Centres since introducing a charge.

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, and Directors of Finance and Service Directors through liaison with Assistant Directors of Finance, Directors and Teams. With regards to the Garden Waste proposal, a resident consultation is not a statutory requirement in this case, however residents have and continue to have a chance to provide feedback on the charged service. Since announcing the charge in March 2024, queries and

complaints about the service have been logged. The common themes have been reviewed and have influenced the proposals for year two and three of the service. The Service will continue to take feedback on board as part of the monitoring process for the charged service.

Risk Assessment

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

6. Financial Implications

6.1 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,
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Date: 24 November 2025

7. HR & OD Implications

7. HR & OD Implications

7.1 The financial report's forecast **£10.959m overspend** has significant implications for HR & OD, demanding a strategic response focused on stringent cost management, proactive workforce planning, and sustained employee wellbeing support.

7.2 Workforce Cost Management:

- **Agency Reduction:** The top priority is controlling the substantial General Fund agency spend, which is forecast at **£34.160m (714 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.

7.3 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.

7.4 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.

7.5 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
Name: Cassy Goring, Assistant Director of HR & Traded Services
Email: cassy.goring@hackney.gov.uk
Date: 4 December 2025

8. Legal Implications

- 8.1 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.
- 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 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.
- 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 With regards to charges for garden waste, the Council may recover a reasonable charge for the collection of such waste. There is no definition in either the Environmental Protection Act 1990 or the Controlled Waste (England and Wales) Regulations 2012 as to what a ‘reasonable charge’ is nor how it is to be calculated. Section 93 Local Government Act 2003 provides that in setting a charge for a discretionary service the Council is subject to a duty to ensure that, taking one financial year with another, the income from charges does not exceed the costs of provision.
- 8.7 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
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 Date: 3 December 2025

9. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
100,622	Children and Education	3,868

- 9.1 Children & Education have a forecast overspend before reserves of £7.9m and £3.9m after reserves for 2025/26.
- 9.2 **Children and Families Services (CFS)** is predicted to underspend by £0.5m 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 (£0.8m), Looked After Children & Leaving Care Services (£0.3m), Disabled Children Services (£0.2m) and Young Hackney (£0.2m). 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.

- 9.3 **Hackney Education** (HE) is forecast to overspend by £4.352m on the General Fund and be balanced on the Dedicated Schools Grant (DSG). The overspend on the General Fund includes the increase in our Education, Health and Care Plan (EHCP) costs for the necessary staffing support needed within the assessment of our EHCPs, including Education Psychologists (£1.45m). The SEND Transport Service is also continuing to experience budgetary pressures relating to home to school transport for children with SEND (£1.02m). Plans are being implemented to resolve this. In addition there is £1.66m pressure in Early Years, largely due to not meeting savings in respect to the reconfiguration of our Children Centres in previous years.

There continues to be uncertainty around the DSG high needs accumulated deficit - the brought forward SEND deficit in 2025/26 was £19.1m. The Government have recently confirmed that the statutory override which allows this deficit balance to be carried in the Council's accounts has been extended from 31 March 2026 to 31 March 2028 and also to provide more detail on the plan to support local authorities with both historical and accruing deficits as part of the next provisional local government finance settlement. 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. In 2024/25 a DSG underspend of £2.6m was set aside in a grant reserve which is separate to the accumulated deficit but which contributes to an overall DSG position of £16.5m deficit. The statutory override will have been in place for a total of 8 years by the end of the 2027/28 financial year.

- 9.4 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.

10. **Adults, Health and Integration**

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
160,996	Adults, Health and Integration	4,150

- 10.1 The **Adult Social Care (ASC)** shows a £4.15m overspend for 2025/26, a substantial improvement from the £20m overspend reported in 2024/25. This positive shift is attributable to a £20.8m increase in the budget allocation and the full utilisation of the £21.1m Social Care Grant. Despite this increase in budget and grant the current forecast indicates a £0.2m adverse movement this month compared to the September 2025 reported position, primarily driven by Learning Difficulties (LD) and Mental Health demand pressures.
- 10.2 **Care Support Commissioning** is forecasting an overspend of £2.9m, an improvement from the £17.8m overspend reported in 2024/25 due to the increased budget allocation outlined above. The current position shows an adverse £0.4m movement compared to last month. This adverse movement is primarily attributed to three factors: growth in the number of new clients, an increase in the complexity of cases, and a rising number of individuals transitioning from Children's Services to ASC.
- 10.3 **The Mental Health (MH)** budget is currently forecasting an overspend of £1m on its total budget of £11.5m. This represents an adverse movement of £0.5m since the last report, primarily due to rising demand for Mental Health care services.
- 10.4 **Provided Services** is forecasting a net £0.1m underspend on its £13.7m budget. This favourable position is driven by a £0.7m underspend in Day Services, including savings from vacant posts at Oswald Street, where operating levels are not at full capacity. 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 £0.2m compared to the September 2025 reported position, primarily due to vacant posts.

- 10.5 **Other ASC services** A net underspend of £0.2m is projected, primarily due to ongoing vacant posts. This represents a favourable movement of £0.3m from the previously reported position, mainly due to delays in recruitment.
- 10.6 The forecast 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. Also, unit costs have significantly increased due to inflationary factors, notably the London Living Wage (LLW), and the rising complexity and intensity of care required.
- 10.7 Although Adult Social Care received a £20.8m budget increase and an additional £3.3m in grants, including the Market Sustainability and Improvement Fund (MSIF), significant financial pressures remain. These challenges are compounded by the decision not to uplift the MSIF for 2025/26. To stabilise the service, we must urgently identify the specific drivers behind escalating costs and care complexity. The newly established ASC Finance Improvement Panel will lead this initiative, leveraging best practices from boroughs that have successfully managed similar cost increases.
- 10.8 **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.
- 10.9 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 (Table 4 above).
 - Joint Funding Reviews: With a projected saving of £0.3m identified
 - Monitoring direct payments accounts, projected to save £0.4m.

11. Housing, Climate and Economy

Revised Budget £000	Service Area	Forecast Variance After reserves £000
93,363	Housing, Climate and Economy	2,416

11.1 The directorate is showing a £2.416m overspend after use of £0.543m in reserves. There are material overspends currently reported in the Climate, Sustainability & Environmental Services and the Streetscene service is forecasting significant income shortfalls.

11.2 **The Homelessness Prevention Service (HPS)** reports an underspend of £2.178m for 2025/26, an adverse movement of £0.498m since last period. This is driven by an increase of 49 service users in the month, in high-cost accommodation, which have a significantly higher unit cost than other forms of temporary accommodation. It is important to note that the overspend in Benefits directly offsets the underspend within HPS. This is expected with the move to charging LHA 2024 rental rates due to how Housing Benefit is calculated and awarded.

Demand for temporary accommodation had been rising more slowly than in 2024/25, allowing the service to manage its expenditure within the 2025/26 budget and growth allocations. However, this month has seen a sharp, unpredicted increase, putting pressure on the budget. The transition from Housing Benefit to Universal Credit necessitates an increased bad debt provision. This is due to the inherent unpredictability of Universal Credit, which introduces additional risk elements that have not yet been 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 December; 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 in their own homes, 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.
- 11.3 **Benefit administration** reports an overspend of £2.235m for 2025/26, no movement since the last period. The subsidy loss forecast within Net Cost of Benefits (NCOB) entirely drives this overspend, while all other cost centres are forecasted to 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. It is important to note that the underspend in HPS directly offsets the overspend within Benefits. This was anticipated with the move to charging LHA 2024 rental rates due to how Housing Benefit is calculated and awarded.
- 11.5 **Streetscene** is forecasting an underachievement of income of £0.714m (£0.683m 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).
- 11.6 **Community Safety, Enforcement, and Business Regulation (CSEBR)** is forecasting an overspend of £0.165m (£0.200m last period). The overspend relates to pressure on staffing budgets and a projected shortfall in income from fixed penalty notices.
- 11.7 **Climate, Sustainability & Environmental Services (CSES)** is forecasting a combined overspend of £2.132m (£2.117m last period). Environmental Operations are forecast to overspend by £2.262m. The primary drivers are (a) £1.055m service and operational pressures, (b) £0.747m - 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; offset by an underspend of £0.130m in the Climate and Sustainability Team.

- 11.8 Other services are forecasting broadly to budget at this stage in the financial year or to underspend.

12. Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
1,796	Finance & Corporate Resources	630

- 12.1 Finance and Corporate Resources project an overspend of £630k, a favourable movement of £51k compared to the last reporting period, inclusive of a reserve drawdown of £969k.
- 12.2 The **Audit and Anti-Fraud** reports an underspend of £106k, no movement from the last reporting period. The overall underspend is due to the service holding vacant posts.
- 12.3 **Customer Services, Digital, and Data** are currently forecasting no variance to budget, no movement from the last reporting period.
- 12.4 **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.
- 12.5 **Financial Management and Directorate Finance Support** reports no variance to budget after a reserve drawdown of £445k, 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.
- 12.6 **ICT and Workplace** ICT and Workplace services reports an overspend of £189k after reserves drawdown of £194k. 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. In response, the AD ICT & Workplace Services is undertaking a comprehensive review of service requirements to identify measures that will address the overspend and improve the financial sustainability of the ICT and Workplace service.

- 12.7 **Registration Services** reports an underspend of £79k, no movement from the last reporting period. The overachievement of income targets drives the underspend.
- 12.8 The **Revenues service** reports an overspend of £627k, a favourable movement of £51k from the last reporting period. The overspend reflects the increased costs of debt recovery 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 due to increased court income.
- 12.9 **Soft Facilities Management** reports an overspend of £205k, no movement 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.
- 12.10 **Strategic Property Services** reports an underspend of £205k, after reserves drawdown of £330k, no movement 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 raised concerns regarding the elevated risk of income shortfalls and potential tenant defaults, reflecting the prevailing market uncertainty. While ongoing monitoring is in place, it is expected that this pressure will persist into the next financial year.
- 12.11 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.
- 12.12 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.
- 12.13 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.

13. **Chief Executive**

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
8,117	Chief Executive	-105

13.1 The Chief Executive's Directorate is forecasting an underspend of £105K, this is a £52K favourable movement compared to the previous period. (£234k underspend in 24/25) after the planned use of £619k of reserves (£1,534k in 24/25).

13.2 Corporate Strategy & Transformation overall has a forecast underspend of £155k due to reduced spend on staffing. 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.

14. Housing Revenue Account (HRA)

14.1 The HRA is forecasting to overspend on Operations expenditure by £7.004m, an adverse movement on the Period 6 position of £177k. 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 £2.122m from general reserves is required to balance the HRA in 2025/26 - an increase of £82k from Period 6.

14.2 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.

- 14.3 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.
- 14.4 The main under and overspends are as follows: -

Home Ownership - £1.318m 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 - £3.459m 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 £179k more than budget along with a forecast increase of £192k 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 - £1.135m overspend

This is due to additional agency staff and Building Support Officers to manage the demand of Damp and Mould works as well as responsive repairs works, which is still very high, continuing 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 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 - £4.798m 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 - £5.802m 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 controls 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.

Appendices

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

Appendix 2: Schedule of Garden Waste Charges 2026-27

Background documents

None.