

<b>Title of Report</b>	2026/27 Budget and Council Tax Report		
<b>Key Decision No</b>	FCR S532		
<b>For Consideration By</b>	Cabinet and Council		
<b>Meeting Date</b>	Cabinet 2 March 2026 and Council 4 March 2026		
<b>Cabinet Member</b>	Mayor Caroline Woodley		
<b>Classification</b>	Open with one exempt appendix		
<b>Ward(s) Affected</b>	All Wards		
<b>Key Decision &amp; Reason</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: center; vertical-align: top;">Yes</td> <td style="padding-left: 10px; vertical-align: top;">Setting the 2026/27 Council Tax Rate and the 2026/27 General Fund Revenue Budget result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function and is significant in terms of its effects on communities living or working in an area comprising two or more wards</td> </tr> </table>	Yes	Setting the 2026/27 Council Tax Rate and the 2026/27 General Fund Revenue Budget result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function and is significant in terms of its effects on communities living or working in an area comprising two or more wards
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<b>Implementation Date if Not Called In</b>	Following Full Council Approval		
<b>Group Director</b>	Naeem Ahmed, Group Director of Finance and Corporate Resources		
<b>Report Author</b>	Russell Harvey Senior Financial Control Officer Tel: 020 8356 2739 <a href="mailto:russell.harvey@hackney.gov.uk">russell.harvey@hackney.gov.uk</a>		

## **1. MAYOR'S INTRODUCTION**

- 1.1 Across the country, following 14 years of the former Government's programme of austerity, councils like ours have faced serious financial pressures. Increased demand for services, combined with the growing cost of delivering them, has seen local authorities seek emergency help from the Government or to raise council tax far above standard increases.
- 1.2 But there is great cause for hope in Hackney! Against this challenging backdrop, I'm incredibly proud to present a balanced financial plan for 2026/27, without drawing on our reserves or asking for emergency support from the Government.
- 1.3 In fact, following confirmation of the Local Government Finance Settlement and the outcome of the Fair Funding Review, our Government Core Spending Power has substantially increased, meaning we are now in a far stronger financial position. I welcome the Government's action to begin reversing the impacts of austerity and to direct fairer funding where it is most needed. It means that in Hackney, we are seeing a 25% increase to Core Spending Power over the 2024/25-2028/29 period. This is testament to the teamwork I've been immersed in, working with local MPs, London leaders, advocacy groups and our dedicated officers to make the case that funding in Hackney should reflect real needs, enabling us to tackle housing shortages and stark levels of poverty and deprivation. Crucially, the Settlement also brings the long sought three year funding certainty which will make planning easier and more effective.
- 1.4 We will still face pressures, particularly relating to increased social care and homelessness prevention costs, but the additional Government funding means we can allocate funding where it is most needed.
- 1.5 As a direct result of the additional funding, and from directly witnessing the importance of free access to warm and welcoming spaces over the cold winter months, I am really happy that we are able to halt the review into reducing library opening hours. Instead, we will propose investment to maintain the current opening hours, honouring a commitment I made should our financial outlook improve. In addition, we will be increasing our investment in keeping Hackney's streets clean, providing additional street sweeping and amping up enforcement against fly-tipping, ensuring an even higher standard of maintenance for our residents. We are committed to doing all we can, to listen to residents and protect the services that make Hackney a fair and inclusive place to live.
- 1.6 In order to achieve a balanced budget over the period 2026-27 to 2029-30, we estimate we will need to identify a further £10m in increased income or through savings by 2029-30. I'm confident that we can tackle this by transforming how we work and investing to save – from expanding our temporary accommodation supply to developing our own children's homes and additional SEND provision – so that we can continue to maintain and improve our services while reducing costs.
- 1.7 Like most councils, we are proposing a 4.99% increase to the Council's element of

Council Tax. This will bring in an additional £5.9m, helping us support those who rely on the services the Council provides while continuing to maintain one of the lowest Council Tax rates in London.

- 1.8 By taking these steps to balance our budget, we can continue to support Hackney's most vulnerable residents. I know that there are huge challenges ahead of us and I have set out my priorities as Mayor in tackling these. Housing is my top priority, and one of the biggest challenges the borough faces. This year, we will invest £50m on maintaining and improving our Council homes, and a further £226m on our Housing Delivery programmes, of which over 50% will be for genuinely affordable homes. We will also spend an additional £144m to address the homelessness crisis, focusing on expanding and maintaining our temporary accommodation.
- 1.9 I am constantly committed to tackling poverty in Hackney. In 2024/25 we increased the maximum Council Tax discount for working households on low incomes from 85% to 90%, two years ahead of our target, and that discount will remain in place. Through our pioneering Here to Help team, we will also continue to ensure every resident gets all the help they're entitled to, whether through Council Tax support, crisis payments, discretionary housing payments or other benefits. On top of that, this year we will spend £5.6m on our award-winning employment and lifelong learning programmes to ensure local people are first to benefit from the huge opportunities in our borough. We will also spend £105.6m on our Children and Education services, supporting children and families, including those in our care, as well as continued investment in our early intervention and prevention services that are so vital to reversing poverty and inequality.
- 1.10 We are acutely aware of the climate challenges we face, and will ensure our communities are first to benefit from our work to tackle the climate emergency including further improvements in Hackney's air quality. We will invest £38m in capital projects towards our net zero ambitions over the next year. This funding will support £18.9m for decarbonising schools and other buildings, £6.4m for streets and public spaces including electric vehicle charging and cycle hangers, £4.5m for retrofitting and housing improvements, £3.4m for Colville and Britannia Heat Network and £3m towards the Connecting Hoxton programme that includes biodiversity enhancements, tree planting, green infrastructure and public realm improvements to support pedestrians, and the refurbishment of Arden Estate Community Hall. We will also spend £31.7m on community investment and amenities, maintaining Hackney's 58 parks and seven sport and leisure centres, including £26m towards the transformation of Kings Hall Leisure Centre.
- 1.11 We can only achieve our ambitions, and meet our legal obligation for a balanced budget, through sound financial management, working with an excellent team of Council officers and councillors. I must thank Cllr Rob Chapman, my Cabinet and all my councillor colleagues, especially Cllr Margaret Gordon and Cllr Anna Lynch on chairing the Scrutiny and Audit committees and all who contributed to them. I am deeply thankful to Naeem Ahmed the Group Director of Finance and Corporate

Resources and his entire team for their work on the budget report, as well as the continued work to maintain the financial resilience of the Council. I would also like to thank our Chief Executive Dawn Carter-McDonald and the entire Corporate Leadership Team for their tireless work on the budget and focus on maintaining services across the Council, along with all the staff and union representatives who help us to navigate all the challenges and constantly consider the impact of the decisions we make in terms of fairness and our equalities duties. There has been really extensive and insightful work with the Budget Scrutiny Task & Finish Panel, established in June by Scrutiny Panel, to ensure pre-budget engagement on the proposals that make up this budget.

- 1.12 This is a Labour values driven budget that protects universal services, builds resilience, creates opportunities and supports the most vulnerable in the most challenging of times, while investing in our priorities and Hackney's future. I am proud to commend this report as my Budget to Cabinet and then Full Council.

## **2. GROUP DIRECTOR'S INTRODUCTION**

- 2.1 This report asks Cabinet to agree and recommend to Council for approval, the 2026/27 General Fund budget estimates, a 4.99% increase in the Hackney element of Council Tax made up of 2% in respect of adult social care and 2.99% in respect of other services, and a series of recommendations relating to the Council finances in respect of the 2026/27 financial year.
- 2.2 I would like to place on record my thanks and gratitude for the support and cooperation I have received from the Mayor, Cabinet Members, Scrutiny and Audit Committee members as well as colleagues on the Corporate Leadership Team (CLT) and officers within my own team and the other Directorates throughout the budget setting process. The support received from this group has been invaluable and, in a particularly difficult year, unyielding.
- 2.3 In the 2026/27 to 2028/29 Final Local Government Finance report, the Government set out Core Spending Power (CSP) estimates. CSP consists of revenue grant funding and the top-up grant made available through the settlement, locally retained business rates and council tax. Our CSP is projected to rise, in cash terms, by 6.2% in 2026/27, 3.8% in 2027/28, and 3.6% in 2028/29. The increase from 2025/26 to 2028/29 is £61m of which £28m is from assumed council tax increases. The CSP increases will have a positive impact on the budget gap such that we will be able to set a balanced budget in 2026/27 without using reserves and should have no need for exceptional financial support in this year. However, maintaining this stability remains contingent on robust budget management, the timely delivery of agreed savings, and the identification of further efficiencies.
- 2.4 The Revenue Budget and Capital Strategy has been put together against the backdrop of a projected cut in real terms core funding of 11% between 2010/11 and 2028/29. However, from 2024/25 to 2028/29, our real terms core funding is

forecast to increase by 15.6% (25% in cash terms). Included in this increase is additional core funding of £4m that was made available in the Final 2026/27 Local Government Finance Settlement. At the same time costs in social care and more recently in homelessness prevention services have sharply increased and we know that increases in funding may not meet increases in demand and costs in these areas. We have added growth to reflect these pressures in this year's budget and included further growth within our Medium Term Financial Plan which will inform our Budget Strategy for 2027/28 and beyond and improve financial resilience.

- 2.5 Turning to Council Tax, this report proposes to set an increase of 4.99% in the Hackney element of the Tax in 2026/27. I believe such an increase is essential to protect the Council's funding position in both the short and medium term whilst balancing the demands it places on local taxpayers. Moreover, the increase must be viewed, not just in the context of external funding losses over the last fifteen years, but also in terms of the ongoing demand and inflationary pressures the Council is facing.
- 2.6 With regard to the 2026/27 revenue budget proposals set out in this report, they are underpinned by budget proposals approved throughout the current and previous financial years. We have developed proposals that achieve expenditure reductions through a range of measures and sought to maximise income opportunities to, as far as possible, sustain universal services and those to the most vulnerable. In this regard, I would like to thank, in particular, Cllr Margaret Gordon who, with the support of Tracey Anderson, Head of Scrutiny & Ward Forums, established and spearheaded the comprehensive budget scrutiny process through the Budget Scrutiny Task & Finish Panel, details of which are included later in this report. My thanks also go to Cllr Anna Lynch and the Audit Committee for their work in reviewing and recommending the Council's Treasury Management Strategy, thereby providing vital oversight and challenge in this increasingly important area of the Council's finances.
- 2.7 In preparing this budget, we have ensured that the Council has in place appropriate arrangements and controls to manage the risks and impacts. These include: -
  - (a) Extensive Financial Management, Monitoring and Reporting. Regular finance updates are included in the Overall Financial Position (OFP) report and detailed reporting is provided to both the Corporate Leadership Team (CLT) and joint sessions of Cabinet and the CLT on financial planning in the short and medium term.
  - (b) Risk Management. The Council has in place mechanisms for managing risks on savings through relevant risk registers and has looked to link the delivery of savings to outputs and performance, taking on board recommendations from the Scrutiny Panel.

- (c) Prioritising Resources to Strategic Plan Objectives. This report includes a summary of our Strategic Plan and sets out how we continue to invest in line with our priorities.
- (d) Equality. CLT makes sure that equality underpins all that we do. It also looks to ensure that all equality impact assessments on staff and service changes are undertaken.
- (e) Cumulative Impacts. The budget proposals that underpin the budget are wide-ranging and have been subject to a cumulative impact assessment. Although this exercise cannot be used to fully protect residents given the level of budget reductions required, we can work to anticipate impacts, plan for them and build them into our new equality plan, wider corporate strategy and transformation work.

2.8 In considering the proposals set out in this report Members should have regard to the future indicative budgetary position of the General Fund. The Medium Term Financial Plan, at **Appendix 5**, summarises the challenges we face in future years. It is vital therefore that the work already underway to bridge this gap intensifies so that plans and proposals for future years can be set out and progress on early implementation achieved to ensure that we continue to maintain our track record of sound financial management in these ever more exacting times. To this end as set out in **Appendix 11** to this report, we have updated our self assessment of how we shape up compared to the financial standards which are a translation of CIPFA's Principles of Good Financial Management.

### **3. RECOMMENDATIONS**

**Council is recommended:**

- 3.1 To bring forward into 2026/27 the Council's projected 2025/26 General Fund balance of £19.0m with the aim of increasing this to £22m - £24m over the medium-term period noting the Housing Revenue Account (HRA) projected 2025/26 balance of £13.5m with the aim of increasing to £16.8m by the end of March 2027**
- 3.2 To agree for approval the directorate estimates and estimates for the General Finance Account items set out in Table 2 in Section 12 of this report.**
- 3.3 To note that the budget is a financial exposition of the priorities set out within the Strategic Plan summarised at Section 6 below.**
- 3.4 To note that in line with the requirements of the Local Government Act 2003, the Group Director Finance and Corporate Resources, is of the view that:**

**The General Fund balances which currently stand at £19.0m and the level**

of other reserves are adequate to meet the Council's financial needs for 2026/27 and that considering the economic uncertainty they should not fall below this level and that the aim is to increase these to £22m - £24m over the medium term.

This view takes account of the reserves included in the Council's latest published 2024/25 Accounts and the movements of those reserves since that date – which have been tracked through the Overall Financial Position (OFP) Reports, and the latest OFP projections. Note also, that the projections in the HRA Budget to increase the balance to £16.8m by 31 March 2027. The HRA Business Plan sets out how the reserve levels will be built up over the next two financial years with the aim to be at 10% by the end of 2027/28.

The General Fund estimates are sufficiently robust to set a balanced budget for 2026/27. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2025/26 budget with the projected spend identified in the December 2025 OFP. The overall level of the corporate contingency has been set at £2m.

- 3.5 To approve the proposed General Fund fees and charges as set out in Appendix 7a & Appendix 7b (exempt) for implementation from 1 April 2026.
- 3.6 To require the Mayor, Cabinet and the Corporate Leadership Team to ensure the delivery of the approved savings plans and develop robust savings plans to close the revised Medium Term Financial Plan budget gaps set out in Appendix 5 and deliver a year on year balanced position, taking into account the recommendation of the S151 Officer as set out in the Section 25 Statement (Appendix 12). Consideration should be given to building in increases to our revenue reserves to improve the financial resilience of the Council in the medium term.
- 3.7 To note the summary of the HRA Budget and Rent setting report proposed to Cabinet on 26 January 2026.
- 3.8 To authorise the Group Director of Finance and Corporate Resources to implement any virements required to allocate provision for demand and growth pressures set out in this report subject to the appropriate evidence base being provided.
- 3.9 To approve the allocation of resources to the 2026/27 capital programme referred to in Section 20 and Appendix 6.
- 3.10 To approve the Flexible Use of Capital Receipts Strategy for 2026/27 (Appendix 10), with a maximum expenditure limit of £19.3m (2026/27),

recognising that this approval does not constitute a commitment to utilise the strategy (paragraph 20.5 and Appendix 10).

- 3.11 To agree to delegate authority to the Section 151 Officer to authorise the implementation of the Flexible Use of Capital Receipts Strategy at the conclusion of the financial year, contingent upon a comprehensive assessment of the Council's overall financial position (paragraph 20.5 and Appendix 10).
- 3.12 To agree the prudential indicators for Capital Expenditure:- the Capital Financing Requirement; the Authorised Limit and Operational Boundary for External Debt; the Affordability Prudential Indicators; and the Treasury Management Prudential Indicators for 2026/27 as set out in Section 21 and Appendix 3.
- 3.13 To confirm that the authorised limit for external debt of £1,241m agreed above for 2026/27 will be the statutory limit determined under section 3(1) of the Local Government Act 2003. Further reassurance about the robustness of the budget is the confirmation that the Council's borrowings are within the boundaries of prudential guidelines.
- 3.14 To note that at its meeting on 28 January 2026 the Council agreed its Council Tax Base for the 2026/27 financial year as 80,163.35 in accordance with regulations made under section 33(5) of the Local Government Finance Act 1992. The Council Tax Base is the total number of properties in each of the eight council tax bands A to H converted to an equivalent number of band D properties.
- 3.15 To agree that the following amounts be now calculated by the Council for the year 2026/27 in accordance with Sections 31A to 36 of the Localism Act 2011.

The authority calculates the aggregate of: (in accordance with Section 31A (2) of the Act)

- (a) £1,371.155m being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices.
- (b) £2m being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.
- (c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future

expenditure.

- (d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.
- (e) £nil being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and
- (f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

**3.16 The authority calculates the aggregate of: (in accordance with Section 31A (3) of the Act)**

- (a) £1,245.957m being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices.
- (b) £2.962m being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.
- (c) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
- (d) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2) (a), (b), (e) and (f) above.

**3.17 £124.236m being the amount by which the aggregate calculated under subsection (1) above exceeds that calculated under subsection (2) above, the authority calculates the amount equal to the difference; and the amount so calculated is its Council Tax Requirement for the year.**

**3.18 £124.236m being the amount at (3.2.17) divided by the amount at (3.2.14) above, calculated by the Council, in accordance with section 31A of the Act, £1,549.79 as the basic amount of its council tax for the year.**

**3.19** That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council tax for 2026/27 for each part of its area and for each of the categories of dwellings.

**Valuation Bands Hackney**

A	B	C	D	E	F	G	H
£1,033.19	£1,205.39	£1,377.59	£1,549.79	£1,894.19	£2,238.59	£2,582.98	£3,099.58

**3.20** That it be noted that for 2026/27 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below. These precepts are subject to the approval of the GLA Assembly at their meeting scheduled for 26 February

**Valuation Bands GLA**

A	B	C	D	E	F	G	H
£340.34	£397.06	£453.79	£510.51	£623.96	£737.40	£850.85	£1,021.02

**3.21** That having calculated the aggregate in each case of the amounts at 3.2.19 and 3.2.20 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for 2026/27 for each of the categories of dwellings as shown below.

**Valuation Bands Combined Hackney/GLA**

A	B	C	D	E	F	G	H
£1,373.53	£1,602.45	£1,831.38	£2,060.30	£2,518.15	£2,975.99	£3,433.83	£4,120.60

**3.22** To agree, subject to the decision of Members on recommendations 3.2.19 to 3.2.21 that Hackney’s Council Tax requirement for 2026/27 be £124.236m which results in a Band D Council Tax of £1,549.79 for Hackney purposes and a total Band D Council Tax of £2,060.30 including the Greater London Authority (GLA) precept.

**3.23** To agree that in accordance with principles approved under section 52ZB of the Local Government Finance Act 1992, and the new provisions included in the Localism Act 2011, the increase in the Council’s Council Tax requirement for 2026/27 as shown at Appendix 8 is not excessive (5% or above) and

therefore does not require the Council to hold a referendum.

- 3.24 To agree the Treasury Management Strategy for 2026/27, set out at Appendix 3.
- 3.25 To agree the criteria for lending and the financial limits set out at Appendix 3.
- 3.26 To approve the Minimum Revenue Provision statement setting out the method of calculation to be used, as set out in paragraphs 21.19-21.23 below.

#### **4. Reasons for Decision**

- 4.1 The Council has a legal obligation to set its Council Tax and adopt its annual budget. This report is seeking formal approval of the 2026/27 budget.
- 4.2 Previous decisions in this context relate to:
  - The Overall Financial Position reports presented monthly to Council during 2025/26.
  - The Calculation of the 2026/27 Council Taxbase & Local Business Rates report approved by Council on 28 January 2026.

#### **5. Details of Alternative Options Considered and Rejected**

- 5.1 The requirement to agree a legal budget and set the Council Tax for the forthcoming year has been laid down by Statute. As such there are no alternatives to be considered.
- 5.2 The details of the budget, including savings, have been the subject of reports to Cabinet and consideration by the Corporate Leadership Team at meetings throughout 2025/26.
- 5.3 As part of the political process opposition groups are permitted to put forward alternatives to these proposals for consideration. Any alternative proposals put forward will be tabled at the Council meeting on 4 March 2026.

#### **6. Background**

##### Statutory context

- 6.1 The Mayor's budget proposals set out in this report show the position in relation to the development of the 2026/27 Revenue Budget including the effect of savings proposals which were agreed by Cabinet in July 2025 and September 2025, and others that were approved during the 2023/24 and 2024/25 budget setting process.

- 6.2 The annual budget decisions are among the most important of those which local authorities are called upon to make during the course of the year. This is emphasised by the fact that they are among the few decisions which the Council is not permitted by law to delegate to a Committee or to Officers. They affect every household and service user and the manner in which decisions must be made, is closely prescribed by law. **Appendix 1** of this report sets out the relevant legal considerations which affect the budget process of which Members must be aware. Members are required therefore to give careful consideration to the information and advice set out in this report. It is also important in taking this decision for Members to take into account the Medium-Term financial plan (which is attached at **Appendix 5**) which sets out estimated spending, income, budget gaps and required savings over the period 2027/28 and 2029/30.
- 6.3 In addition, the Local Government Act 2003 placed a specific personal duty on the Group Director Finance and Corporate Resources (and s151 officer) to report to Council on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals. Members are advised that due regard has been given to the requirement of the Local Government Act 2003 during the current budget process. Specific reference is made to the adequacy of the General Fund reserves in Section 19 of this report and the basis for the assessment included at **Appendix 12**. The position on the HRA reserves includes a projected level of balances of £16.8m by 31 March 2027 rising to £19.9m by 31 March 2028. The level of balances as at 31 March 2028 is in-line with the Council's policy on reserves and balances. However, he advises that this is a matter that Members should keep under review.
- 6.4 It should also be noted that there is an ongoing requirement to review limits and indicators in accordance with the Prudential Code. There is a requirement to agree these indicators and limits are set in conjunction with the Council's overall budget. See section 23 of this report for more detail.

### Strategic Plan

- 6.5 The Strategic Plan 'Working Together for a Better Hackney' 2022/26, is the Council's key policy document. It sets out the ambitions for the Council as well as the challenges we face, and describes how we need to respond and change, working closely with residents and partners. The Plan is framed by the commitments for the 2022-2026 Labour administration.

### Our priorities

- 6.6 The priorities set out in the plan are:

#### Working together...

- **For A Fairer, Safer Hackney** - we will tackle inequality through poverty reduction, and anti-racism, providing at least 1000 more Council homes as we improve standards of our existing homes, and creating pathways into

decent jobs. We will improve our customer services. We will create safe, vibrant, and successful town centres and neighbourhoods and foster strong, cohesive communities and a more inclusive economy

- **For A Greener, Healthier Hackney** - we will continue to lead the way in the fight against climate change, working towards a net zero Hackney, with cleaner air, less motor traffic, and more liveable neighbourhoods. We will transform adult and children's social care, tackle physical and mental health inequalities and continue to support, value, and give voice to our older and disabled residents
- **For Every Child In Hackney** - We will work to ensure every child and young person in Hackney has the best start in life; shaping a more inclusive and high performing education system, maintaining our early years and youth services, keeping children safe and investing in their mental health and well being, providing access to outstanding play, culture, and sport, and opportunities; tackling child poverty, and supporting those families who need us most

6.7 The Mayor of Hackney, has driven her priorities within the scope of the Strategic Plan on ensuring the council and partners deliver on pledges to address:

- **Housing and homelessness**
- **Poverty and inequalities**
- **Climate change**

#### How we work as a Council

6.8 The strategic plan also defines the Council's corporate values, which are:

**We are...**

**Open And Inclusive; Ambitious And Proud; Pioneering And Proactive**

6.9 Finally the Strategic Plan sets out how we as an organisation need to work to respond to the challenges we face. The three goals below defined in the strategic plan form the basis for our Corporate Transformation Strategy 2024-28 published in July 2024 and supported through our Corporate Transformation Programme.

- **Putting our residents first:** a Council that works for the people who live and work here
- **Securing Hackney's future:** a Council that is financially sustainable and investing in what matters

- **Changing Together:** a Council that is modernised, flexible, collaborative, and skilled to meet our future challenges.

### Delivering on the Strategic Plan

- 6.10 To support the delivery of the Strategic Plan, we are ensuring it informs and frames service plans and performance management frameworks. The Council has a service planning process to help embed the 'golden thread' from the strategic plan to team and individual delivery. An annual update is provided to Council with the next update with the final update covering the period 2022-26 scheduled to be presented to Council alongside this Budget report.
- 6.11 We will continue to invest in the priorities set out in the Strategic Plan through our ongoing revenue budgets and the table below is a high level exposition of how as well as delivering our statutory services a large proportion of what we will spend in 2026/27 will be on teams and services that contribute to delivering against these objectives.

<b>Fairer Safer</b> (Gross budget £502.9m, Net budget £76.7m)
<p>We are investing in services which will tackle poverty and inequality, respond to the housing crisis, strive to make Hackney safer, building community cohesion for our community and deliver good economic growth for our residents and businesses including the following:</p> <ul style="list-style-type: none"><li>● We will spend £81.4m on our Homeless Prevention Service, including £64.9m on the provision of Temporary accommodation for homeless households.</li><li>● We will spend £130m on supporting financially vulnerable residents including housing benefit services, the crisis support scheme and our Here to Help service for residents struggling financially, as well as managing housing allocations and providing housing advice.</li><li>● We will spend £8.85m on ensuring the safety of our communities — a partnership approach to supporting people out of violent crime alongside the police, probation service and public health partners, on our enforcement teams tackling anti-social behaviour on estates and in green spaces, and consumer protection.</li><li>● We will spend £1.3m delivering a Domestic Abuse Intervention Service.</li><li>● We will spend £5.6m on our employment and lifelong learning services, ensuring local people are first to benefit from the huge opportunities in our borough.</li><li>● We will spend £23.5m on keeping Hackney's streets clean and collecting both domestic and commercial waste to maintain a clean and safe environment for our residents.</li><li>● We will spend £201m, through the Housing Revenue Account, managing and maintaining our 21,500 Council homes and 9,000 leasehold homes ensuring properties are safe, warm and dry; and making sure communal areas are safe and clean.</li></ul> <p>During this and the coming financial year our investment in these priorities is and will be -</p> <ul style="list-style-type: none"><li>● actively working to address Homelessness, which continues to be a pressing issue for individuals and families, by providing emergency housing and support services;</li></ul>

- continuing to use Government funding (Crisis and Resilience Fund) innovatively to enhance support for those most in need, whilst also identifying opportunities to work more preventatively with those supported;
- continuing to deliver on a new Community Safety Partnership Plan following on from the 2023-26 plan tackling serious violence and gang violence, alcohol-related crime and disorder, domestic abuse and Violence Against Women
- creating opportunities for good quality employment for Hackney residents through our Employment Skills and Adult Learning (ESAL) team;
- supporting local businesses through the Hackney Business Network and creating affordable workplaces through the Affordable Workspace Grant programme;
- delivering successful and vibrant Street markets.

#### **Greener Healthier priorities** (Gross budget £274.6m, Net budget £122.2m)

We are investing in services which will transform adult social care, tackle physical and mental health inequalities and continue to support our older and disabled residents, strive to make the borough more accessible, create environments that enhance well being, providing clean and safe spaces continue to lead the way in the fight against climate change, working towards a net zero Hackney, with cleaner air, less motor traffic, and more liveable neighbourhoods.

- We will spend £183.3m on delivering statutory Adult Social Care services from assessment of need, hospital discharge planning and the commissioning and provision of care and housing related support.
- We will spend £42.6m on a full range of Public Health services including sexual health services, substance misuse services, health promotion and prevention services and obesity prevention work.
- We will spend £4.4m recycling both domestic and commercial waste - as well as additional spend on delivering on our net zero ambitions such as activities to promote and directly impact recycling in the borough, zero waste hubs for unwanted electrical and other goods, work in schools to actively promote recycling.
- We will spend £13.6m managing and maintaining our public highways, cycle ways, footpaths and streetlights including ensuring our increased number of street trees are maintained and promoting walking and cycling in the borough.
- We will spend £7.6m managing and maintaining Hackney's parks, green spaces and its seven sport and leisure centres.

During this and the coming financial year our investment in these priorities are and will be -

- introducing preventative and transformational work to respond to the demands for adult social care services through improving accessibility and supporting frail residents to stay at home longer, and continuing the Transforming Outcomes Programme to improve care delivery and promote independence among residents;
- enhancing health outcomes for residents by providing inclusive healthcare services and access to an integrated care system;
- promoting healthier ways to live through encouraging physical activity in our Leisure Centres, Parks and Green Spaces such as the Walking Together programme;

- continuing to work towards our net zero ambitions through rolling out our EV charging points programme and continuing the expansion of secure onstreet cycle parking; there are around 1300 bike hangars in place and we plan to install a further 265 cycle hangars. This would bring the total of cycle hangars in Hackney to 1,559 with each hangar containing up to 6 spaces for bikes, helping more people to cycle and creating a greener, healthier Hackney.

### **Every child** (Gross budget £423.7m, Net budget £107.5m)

We are investing in services which will help to ensure that every child and young person in Hackney has the best start in life, enhancing the lives of children and families through a range of focused initiatives.

- We will spend £94.7m working with families to support safe and effective parenting where children are at risk of significant harm and looking after children when it is not possible for them to be safely cared for within their family network.
- We will spend £6.6m on statutory education services such as admissions and school place planning and also services such as school improvement services to ensure that all schools in the borough maintain or achieve secure Ofsted evaluations as soon as possible. As at the end of academic year 2024/25, all pupils at maintained provision attend a school rated good or better for overall effectiveness.
- We will spend £83.5m on young people with Education & Health Care Plans (EHCP) to ensure they receive the support and education they need in mainstream schools or specialist schools and provision.
- We will spend £7.3m on Young Hackney Services for all young people aged 6 to 19 and up to 25 with additional needs. We aim to help all of Hackney's young people to enjoy their youth and become independent and successful adults.
- We will spend £10.7m on a full range of Public Health services for children and young people including services for the 0-5s (including health visiting), health promotion and prevention for children aged 5-19 (including school nursing and young people's sexual health services).

During this and the coming financial year our investment in these priorities is and will be -

- Deliver timely, high-quality support for all children with additional needs through early identification and inclusive practice across schools.
- Create an inclusive alternative learning system that reduces exclusions and re-engages pupils through tailored, therapeutic support.
- Ensure all schools and settings remain strong, financially sustainable, and adaptable to changing community needs.
- Maintain high educational standards through collaboration, innovation, wellbeing, and continuous professional growth.
- Promote equity, anti-racism, and genuine partnership with families to narrow achievement gaps and improve outcomes for all children.
- To adopt our STAR approach to be systemic, trauma informed and anti-racist.

6.16 We are also making long-term commitments to our priorities through our capital programme, further details are provided later in this report but in summary:

Priority	Example Projects	25/26 £m	26/27 £m	27/28 £m	28/29 £m	Total £m
Fairer, Safer Hackney	Maintaining the homes of our Council residents, Housing Regeneration Schemes delivering more and improved homes, the Britannia Scheme also delivering new homes, and investment in temporary accommodation.	369.8	489.4	511.2	322.9	<b>1,693.2</b>
Greener, Healthier Hackney	Kings Hall, Play areas in parks, Parks Infrastructure, Parks Depot, Highways Planned Maintenance, Waste & Fleet Replacement and specific greening projects including Cycle Hangers and Electrical Vehicle charging points.	103.1	80.0	49.4	15.9	<b>248.3</b>
Every Child in Hackney	Investment in the maintenance of our schools and delivery of additional in-borough, SEND places.	14.9	24.0	9.5	4.3	<b>52.7</b>
Corporate Cross-cutting	Corporate property and investment in ICT to support a range of our services.	5.9	6.1	4.3	3.7	<b>20.0</b>
<b>Total</b>		<b>493.6</b>	<b>599.5</b>	<b>574.4</b>	<b>346.7</b>	<b>2,014.2</b>

### Cumulative Impacts

6.17 Guidance from the Equality and Human Rights Commission advises that the public sector should see individual decisions within the wider context of decisions made by the authority and by the wider public sector, so that people with particular protected characteristics are not unduly affected by the cumulative effects of different decisions. This means that alongside ensuring that equality impact assessments are carried out for individual decisions that have a material impact on staff or residents, we also undertake a cumulative impact assessment when there are a range of savings or changes being proposed at the same time.

6.18 Equality impact analysis was undertaken as part of developing individual savings proposals. This analysis has been used to pull together the cumulative impact assessment that has been shared iteratively with decision makers so that it can support final decisions going into the budget 26/27. A final cumulative equality impact assessment is published here along with the final budget for 26/27. It will be kept under review to support future budget setting, the implementation of

savings and to help shape transformation and inform corporate planning.

6.19 A full assessment is provided at **Appendix 13**.

## 7. The Council's General Fund Performance in 2025/26

7.1 Based on Directorate returns, the General Fund forecast for 2025/26 at the end of December 2025 is an overspend against the revenue budget of £10.249m.

**Table 1: Overall Financial Position (General Fund) December 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	7,575	45	-4,162	3,458	-244
160,997	Adults, Health and Integration	6,626	677	-2,513	4,790	393
93,864	Housing, Climate & Economy	2,005	317	-526	1,796	-628
1,858	Finance & Corporate Resources	1,382	25	-1,009	398	-141
8,055	Chief Executive	442	0	-635	-193	1
60,495	General Finance Account	0	0	0	0	0
<b>425,890</b>	<b>SUB TOTAL</b>	<b>18,030</b>	<b>1,064</b>	<b>-8,845</b>	<b>10,249</b>	<b>-619</b>

\*The GFA includes budgets for items such as Concessionary Fares, Levies, capital items, pension contributions, corporate contingency and the energy provisions and is forecast to budget subject to review in the fourth quarter.

7.2 This reflects the position part way through the year and, as with all forecasts, there is always a possibility of unforeseen circumstances changing things but assuming the position remains unchanged to the end of the financial year 2025/26 then we will have to use further c. £10.3m of reserves to fund the overspend. This could change by year end.

7.3 The maintenance of corporate contingencies continues to be an important element of the Council's Financial Strategy and the inclusion of adequate contingencies in the base budget going forward is essential. However, there must be a balance between holding back contingencies to mitigate against unforeseen circumstances and the recognition that in an environment of budget reductions, contingencies at too high a level could result in reductions to other budgets and therefore services. The Group Director of Finance and Corporate Resources is content to maintain the total level of corporate contingencies at £2m for 2026/27. This is in the context of the significant increase in budgets which has been factored into the key pressure areas of social care and temporary accommodation. This will be reviewed on an annual basis. It should be noted however, that contingencies are a buffer against unforeseen and exceptional circumstances and there is still the same requirement for Group Directors to ensure they keep within their base budget allocation.

It is recommended that similar reporting arrangements for contingencies apply for 2026/27, as those that apply to 2025/26, i.e. that the commitment of these sums

in-year should continue to be permitted only on the agreement of Cabinet after it has considered a written report from the Group Director of Finance and Corporate Resources setting out the circumstances of each case and with a full justification provided by the relevant Group Director.

## **8. THE GENERAL FUND BUDGET STRATEGY 2026/27**

### Background and context

- 8.1 Planning for the 2026/27 budget has been set against the continuing uncertainty over the main funding streams, which was not fully resolved until the Provisional 2026/27 Local Government Finance Settlement (LGFS) was published on 17 December 2025 (and the final settlement was published on 9 February 2026). Whilst the additional funding delivered by the Settlement is very welcome, as this report demonstrates, the Council's finances remain under considerable pressure.
- 8.2 Over the period 2022/23 to 2025/26, Hackney was part of the localised London business rates pooling scheme. We did in fact receive a significant financial benefit from this scheme which was estimated to be £9m over the period. However, the changes to the local government finance system in 2026/27 have removed the financial incentive for the localised business rates pooling arrangement that we had in previous years, so there will be no scheme in 2026/27. This will be reviewed in future years.
- 8.3 Directorate and corporate savings plans have been formulated as part of the 2026/27 budget processes which when added to savings approved in previous years totalled £33.8m for 2026/27. Two phases of savings were approved at the July 2025 and September 2025 Cabinets.
- 8.4 For many years now the scrutiny of proposals has been an integral and essential part of the budget development process and the Cabinet Member for Finance, Insourcing and Customer Services has, in conjunction with Chairs of Scrutiny and Audit, set a framework for Scrutiny input for this year. Budget Scrutiny has been organised in various ways over the recent years but this year Scrutiny Panel proposed a different and more focused approach which was to establish a dedicated Budget Scrutiny Task & Finish Panel (BSTFP), made up of eight core Scrutiny Commission Members. The purpose of the Task & Finish Panel was to focus on the task of scrutinising essential cost savings proposals for the 2026/27 budget as they emerged during the summer of 2025.
- 8.5 The BSTFP held six private sessions from June to November to review emerging savings proposals, including dedicated sessions on the Councils' medium term financial planning and the HRA Business Plan processes incorporating the estimated budget gap and the cost pressures faced. The budget scrutiny process was an intense one reflective of the increasing financial challenges the Council faces.
- 8.6 Following receipt of the Budget Scrutiny Report which is included at **Appendix 14**,

an initial Executive response has been prepared and is included at **Appendix 15**. This response addresses Scrutiny comments raised in respect of the overarching themes and cross-cutting issues, as well as lessons learned for future years. The Scrutiny process provided invaluable input to the process and the focus and depth of the work undertaken this year is very much welcomed. Overall, there appears to be a consensus on the lessons learnt and it is helpful that these have been highlighted at this stage as we acknowledge the milestone of presenting this year's budget report to Council and continue on the cycle of addressing our medium term financial challenges.

- 8.7 Of course identifying budget savings proposals to offset a reduction in financial support is only part of the budget setting process. For 2026/27, as has been the case for many years, there have been emerging cost pressures and areas of unavoidable growth. These have been addressed, in the same way as previous years, by a combination of reallocating existing resources, additional savings and allocation of specific Government grants.

#### Cost Pressures and Growth

- 8.8 The Council's preferred strategy to manage growth, inflation and its impact on cost pressures has been for service areas to manage pressures within their budgets.
- 8.9 This strategy has become increasingly more difficult given the escalating demands on services (particularly social care and homelessness prevention). For 2027/28 - 2029/30 significant budget growth has been built into the Medium Term Financial Plan (MTFP) to address these pressures.
- 8.10 For 2026/27 in particular the following growth has been added to budgets.
- Assumed pay award for 2026/27 at 3% but held corporately until the pay award is agreed (£7.3m);
  - Assumptions in relation to increases in demand for social care (£9.7m)
  - Other directorate cost pressures amounting to £4.6m to reflect the cost pressures in respect of statutory and contractual requirements, and cost pressures identified in the mid-year review of the MTFP. These include, increased interest on borrowing, additional insurance costs, contractual requirements on non-social care contracts (primarily the requirement to pay LLW), statutory changes e.g. centralisation of Land Charges, and Cabinet decisions already taken.
  - Increase in the budget for minimum revenue provision as a result of an increased reliance on borrowing to fund the Council's capital programme (£4.8m).

- Increase in Concessionary Fares and the NLWA levy (estimated £2m in total).

8.11 The estimates in respect of the above growth items are reviewed on an ongoing basis as the current year picture emerges and as more information becomes available and estimates adjusted accordingly where appropriate.

8.12 Funding for Directorate cost pressures where there is certainty over the impact are allocated to Directorate budgets, but where the impact of pressures are unclear, resources are held corporately until such time as the pressure emerges and will only be allocated to Directorates following agreement of the Group Director of Finance and Corporate Resources and after it is clear that the pressure cannot be managed from within the current directorate cash limits and/or additional funding streams.

## 9. THE PROVISIONAL AND FINAL LOCAL GOVERNMENT FINANCE SETTLEMENTS 2026-27 TO 2028-29

9.1 The Ministry of Housing, Communities and Local Government (MHCLG) published the provisional local government finance settlement for the three-year period from 2026/27 to 2028/29 on 17th December 2025, with a consultation closing date of 14 January 2026. Hackney responded to the Consultation. 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 15.1% higher in cash-terms, and 8.8% higher in real-terms than in 2025/26.
- **LBH's CSP** In the 2026/27 to 2028/29 Local Government Finance report, the Government set out individual local authority Core Spending Power (CSP) estimates. Our 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.
- **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.
- **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.
- 9.2 The Final Settlement was published on 9th February 2026 and introduced changes to the data which increased our RSG Allocations from the Provisional Settlement allocation and introduced a new Recovery Uplift Grant which increased our overall Recovery Grant entitlement. There was also a change to the CSP increases - Our CSP is now projected to rise, in cash terms, by 6.2% in 2026/27, 3.8% in 2027/28, and 3.6% in 2028/29. It also gave more information on how the SEND deficits will be funded which is discussed in 10.5.3 below
- 9.3 The overall impact of the provisions set out in the Provisional Settlement and amended by the Final Settlement will have a positive impact on the budget gap such that we will be able to set a balanced budget in 2026/27 without using reserves and should have no need for exceptional financial support in this year. It will also enable us to increase our investment in Libraries and Street Cleansing. However, maintaining this stability remains contingent on robust budget management, the timely delivery of agreed savings, and the identification of further efficiencies.

## 10. **General Fund Principles 2026/27**

### Inflation and Local Government pay

- 10.1 The Government's preferred measure of inflation for economic management purposes is the Consumer Price Index (CPI). CPI is also the measure that the Bank of England's Monetary Policy Committee must target when setting the Bank Rate. The latest inflation figures from the Bank of England are as follows:

	Year on year increase CPI
November 2022	9.3%
November 2023	4.2%
November 2024	3.5%
November 2025	3.5%
November 2026 (Estimate)	2.1%

- 10.2 There will inevitably always be some costs which don't correlate with CPI e.g. Levies and Concessionary Fares and care contracts which are aligned to more local indices. Where known to be unmanageable within existing cash limits, specific provision has been made in the budget proposals as set out above.

- 10.3 For 2026/27 we have assumed an additional 3% on pay budgets (£7.3m).

#### Concessionary Fares

- 10.4 Concessionary fare costs have risen significantly in recent years, driven by a surge in travel demand, particularly among Freedom Pass holders. Consequently, the borough charges have seen an increase in the forecast for the 2026/27 period, with Hackney's estimated charge at £12.9m, an increase of £1.4m compared to the previous year. This heightened expenditure has been incorporated into our budget assumptions for 2026/27.

#### North London Waste Authority Levy

- 10.5 The North London Waste Authority (NLWA) charges Hackney, by way of an annual levy, for the disposal of the Borough's waste from residents and businesses. The levy in 2026/27 is estimated to be £10.7m (excludes chargeable household waste and commercial waste cost), which is a circa £0.2m increase from the previous year.
- 10.6 The Council is one of seven constituent boroughs of the North London Waste Authority (NLWA). NLWA handles waste disposal on the Council's behalf and recovers the costs from the Council by way of a levy. Borough levies are apportioned between the constituent boroughs in accordance with an Inter-Authority Agreement entered into in 2016, under which costs are predominantly allocated according to waste volumes from boroughs. The NLWA is

currently taking forward a programme of construction to replace major assets built at the start of the 1970s. This is the North London Heat & Power Project (NLHPP). This programme involves waste handling facilities which are now completed and operating, and a 700,000 tonne Energy Recovery Facility (ERF). Delivery on the contract to construct the ERF is behind schedule, and the NLWA is taking steps with the contractor to establish greater delivery and schedule confidence. The NLHPP has reported a programme outturn cost of £1.5bn and this is being reviewed considering the delays. The old assets were fully depreciated. The current levy takes account of financing costs for the new waste handling facilities which have commenced operation and the levy will increase further when the ERF is completed which will be later than originally scheduled. Constituent boroughs have been kept up to date by NLWA on likely levy increases arising from the NLHPP since 2019. It is estimated that our annual levy will increase to around £12.3m (12.1%) by 2027/28. Mitigating this additional cost, through waste minimisation and maximising recycling, is key.

#### Use of Reserves

- 10.7 The Council's budget proposals currently project no planned use of reserves. However, the Council does maintain specific earmarked reserves to mitigate various risks. Should cost pressures continue to intensify across service areas, these reserves will be utilised. The robustness of these estimates and the sufficiency of the proposed reserves are detailed further in the S151 officer's statement, provided in **Appendix 12**.

#### Pension Fund

- 10.8 The financial performance of the Pension Fund has a significant impact on the Council's budget relating to the setting of employer contributions rates. The Pensions Committee agrees the investment strategy and strategic asset allocation of the Fund and oversees the Fund's performance. When the Fund is doing well then there is the potential to reduce employers' contributions which has a direct impact on how much employers, of which the Council is the main one, have to budget for those contributions.
- 10.9 Changes in contribution rates follow the triennial valuation undertaken by the Fund's appointed Actuary. The 2025 valuation process is nearing completion and the Council's contribution rates up to 31 March 2029 have been agreed. To estimate the funding level, the Fund Actuary takes into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the long term and assets that the Fund holds to meet these liabilities. This is a complex process which is heavily reliant on the actuarial assumptions used and the stated funding level is extremely sensitive to those assumptions. Thousands of scenarios are run on the data to give a level of confidence that can be relied upon for setting contribution rates. Since the last valuation date, there has been a sharp rise in global interest rates which have increased the discount rate assumption, placing a lower value on the Fund's liabilities. Asset values have increased slightly over the

period, (however have not increased in line with the Actuary's assumptions at the previous valuation). This has led to increased funding levels for the majority of employers (driven by the lower value of the Fund's liabilities).

- 10.10 Following receipt of the 2025 valuation data, discussions took place with employers in the Fund to determine appropriate contribution rates. Due to improvements in the funding level, the outcome of the 2025 actuarial revaluation is that the Council's contribution rate will reduce from 27% to 24% for 2026/27, 22% for 2027/28 and 21% for 2028/29. The reduction has been achieved through a realistic approach to funding the Council's pension scheme, recognising the improvement in funding level since the last valuation, however noting that benefits are continuing to be accrued by current employees. A similar approach will be taken when reviewing the Council's contribution rate at future valuations, with a contribution stability mechanism limiting future increases and decreases in contribution rates to 1% of pay per annum.
- 10.11 The Pension Fund has continued to work hard to collaborate with other LGPS funds both through national procurement frameworks, Local Authority Pension Fund Forum (LAPFF) and through the London Collective Investment Vehicle (LCIV). LCIV is part of the Government's asset pooling agenda for LGPS funds, which requires funds to pool their investment assets to achieve economies of scale, greater assurance around governance, reduced costs and an improved capacity to invest in infrastructure.
- 10.12 In line with Government directive for the LGPS, all Fund assets will move to the LCIV in April 2026. Over time such changes may deliver significant benefits in terms of cost savings and opportunities to benefit from investment returns.
- 10.13 The Pensions Committee also directs and oversees a Responsible Investment (RI) strategy. Where appropriate, the Committee considers how it wishes to approach specific Environmental, Social, and Governance (ESG) factors in the context of its role in investment strategy setting. In October 2025 the Council passed a motion on the conflict in Israel and Gaza which stated we would take collective action, with other London councils, to explore the changes required to engage with, and divest pension fund investments from, companies tied to human rights breaches, including conflict. These actions will be taken forward under the Pensions Committee Responsible Investment strategy and in accordance with the Pension Fund's fiduciary duty.
- 10.14 The Committee also recognises that climate change represents a systemic risk that will have an impact on investment portfolios. It brings significant risks, including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy. The inevitable impact of climate change on investment portfolios means that it is vital to integrate it into investment decision making where possible.

Whilst significant progress in reducing carbon footprint was made over the past years, in 2023, the Committee set 3 new interim targets to focus on the positive climate impact of the Fund's investments and help measure progress against the Fund's 2040 net zero ambition. The target to allocate 10% of assets to climate solutions over 5 years has since been met with the allocation of 5% to London CIV Nature Based solutions such as sustainable forestry which can help remove carbon from the atmosphere in September 2024, and 5% to the London CIV Renewable Infrastructure Fund in 2023.

10.15 The Fund's climate ambition is to reach net zero emissions by 2040. To assist it in achieving this ambition, it has set a series of interim targets as follows:

- Achieve a 50% reduction in carbon footprint (Scope 1 & 2) by 2030 compared to 2023 carbon footprint as the baseline.
- Target a 2C portfolio by 2030 with a 1.5C goal for 2040.
- Allocate no less than 10% of Fund assets to climate solutions in line with the Strategic Asset Allocation (SAA) changes and in line with Fund's fiduciary duties.

These targets will be monitored on an annual basis. Although these targets do not contribute directly to the Council's budget savings, robust management of the ESG risk could make a positive contribution to future Fund performance, helping to reduce pressure on the Council's contribution rate over the longer term.

10.16 The Fund prepared its first Task Force for Climate Financial Disclosures ("TCFD") report in September 2025. By preparing this report, the Fund became one of the few organisations publicly declaring their support for the TCFD recommendations that TCFD recommendations provide a useful framework to increase transparency on climate-related risks and opportunities within financial markets. The report is currently voluntary for the LGPS.

10.17 Engagement, Stewardship and Responsible Investment remains at the forefront of the Fund's priorities, in February 2025, the Fund successfully became a signatory of the UK Stewardship Code for the first time following its 2024 application in October 2024 and has for two years running retained its signatory status. The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners and those that support them.

In March 2025, the Pensions Committee undertook a review of its Responsible Investment Policy, Investment Engagement Policy and carried out a survey of all scheme members in January 2025 regarding responsible investment the results of which inform the development of these policies. The Fund also procured the services of a voting partner in December 2025 to ensure that its passive equity holdings will be voted inline with its policies.

## **11. COUNCIL TAXBASE, COLLECTION RATE AND COLLECTION FUND**

## SURPLUS

- 11.1 For 2026/27, the referendum limit is 2% for the social care precept and 2.99% for general spending.
- 11.2 In recognition of the significant pressures on adult social care budgets, both in terms of increased cost of provision and increased demand for the service; and significant cost pressures in other services; this budget proposes to increase the Band D Council Tax rate by 2% in respect of adult social care and 2.99% in respect of other services giving a total increase of 4.99% for 2026/27. This proposal will generate around £5.9m in additional resources which will help protect adult social care services and other services.
- 11.3 To determine the total amount of income to be raised from Council Tax for 2026/27, both the amount expected to be collected (the collection rate) and the physical number of properties in the Borough (the taxbase) must be considered.
- 11.4 There are a number of factors to be considered when assessing the likely collection rate for 2026/27. Collection rates since 2020/21 have been adversely affected by the Covid-19 pandemic, system issues, and latterly, by the continuing cost of living crisis. However, the Revenues Service has worked extremely hard to improve collection rates and we now are setting a collection rate of 94.5% in 2026/27 which is 0.5% above the 2025/26 rate and is approaching our pre Covid collection rate of 95%.
- 11.5 If actual collection in the forthcoming year exceeds the budgeted collection rate this could generate a surplus in the Collection Fund which would provide additional one-off resources available for use in 2027/28. If on the other hand, the collection rate set is over-optimistic, this may result in a deficit on the collection fund at the end of 2026/27, the major part of which would need to be met from Hackney's 2027/28 Budget.
- 11.6 A collection rate of 94.5% will result in a tax base of 80,163.35 Band D equivalents. The calculation of the taxbase for 2026/27 was finalised and approved by Council on 28 January 2026.

## 12. OVERALL POSITION ON THE GENERAL FUND

- 12.1 The overall 2026/27 proposed budget position is summarised in the table below.

	2026/27 Budget £m
Adult Services and Public Health	123.724
Children's Services	86.398
Education	19.180
Education – Schools Budget (estimate)	273.398
Less Dedicated Schools Grant (estimate)	-273.398

	2026/27 Budget £m
Housing, Climate & Economy	68.664
Chief Executives	19.066
Finance & Corporate Resources	41.155
HRA Recharge	-7.876
<b>Directorate Cash Limits</b>	<b>350.311</b>
General Finance Account (Note 1)	73.807
<b>NET EXPENDITURE BUDGET</b>	<b>424.117</b>
Revenue Support Grant Allocation	-137.897
Recovery Grant	-12.312
Top up Grant	-71.395
Retained Business Rates adjusted for prior year surplus/deficit	-70.703
Prior year Council Tax surplus	-4.600
Other Income	-2.974
<b>RESOURCES</b>	<b>-299.881</b>
<b>Council Tax Requirement</b>	<b>124.236</b>

Note 1: The GFA includes budgets for items such as Pension contributions, Concessionary Fares, NLWA Levy, Capital Items, Energy provision and 2026/27 Pay award.

- 12.2 At paragraph 3.2.2 Cabinet is asked to consider and recommend to Council for approval, the budget estimates for 2026/27 for expenditure budgets totalling £424.117m, included in the table above. Of this total £350.311m is allocated to directorates to deliver a range of services to residents ranging from statutory support to some of our more vulnerable residents such as social care and support for those who are homeless, and investment in targeted work to prevent escalation of need, such as targeted youth work through to the provision of universal services which all residents will be familiar with such as waste collection and maintaining our parks to a high standard. Further details on how these budgets will be spent are set out in the tables below.

### Where the Council will spend the money in 2026/27

<b>Adult Services - Net budget £122.9m</b>
Adult Social Care plans to spend their budget on statutory duties that it is required to undertake within our legal frameworks, this includes assessment for care and support from the community, hospital discharge, safeguarding duties and the commissioning and provision of care and housing related support. We will support residents who have statutory need for care and support, which includes but is not limited to those with learning disabilities, mental health conditions, physical disabilities, sensory impairments as well as older people and unpaid

carers. Services provided include: safeguarding vulnerable adults; providing information and advice to residents including linking people to universal and preventative services including reablement; planning and paying for individual packages of care for clients ranging from support in the home to residential and nursing placements for those with a high level of need and ensuring our service users have out of hours support in an event of an emergency.

Adults Social Care continues to work with a number of key stakeholders, including the NHS North East London Integrated Care Board (NEL ICB), Homerton Healthcare NHS Foundation Trust (HHFT), the East London NHS Foundation Trust (ELFT), and a range of third sector partners as well as independent providers to deliver joined up care for people in Hackney.

#### **Public Health - Net budget £0.8m**

Spending will be in accordance with conditions of the ring-fenced Public Health Grant. In 2026/27 we will spend our money on a range of services and programmes, including sexual health services, services for the 0-5s (including health visiting), substance misuse services, health promotion and prevention for children aged 5-19 (including school nursing and young people's sexual health services), obesity prevention work, mental wellbeing, smoking cessation and oral health and NHS health checks (cardiovascular risk checks for those aged 40 - 75), delivering our community-based programmes, e.g. physical activity and social capital, as well as progressing the council-wide Health in All Policies approach.

We will also use the ring-fenced grant to provide continuation funding for the community champions programme. Additionally the grant funds the core public health staff team, which includes some of the Population Health Hub, as well as staffing for public health intelligence and strategy, commissioning and contract management. The service level agreement with the City of London to provide the full range of public health services, including commissioning and managing a number of public health services for City residents, for which the City pays agreed service contributions and management fees, will continue.

#### **Children's Services - Net budget £86.4m**

The Service will work with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the Service will look after those children. The core focus is child protection, children in need, supporting families where their children are on the edge of care, securing positive long-term life chances of children looked after by the Council and providing universal (for example, youth services provision) and targeted early help and prevention services for Hackney's children and young people (for example, parenting support). Expenditure in this area will be predominantly on staffing (mainly social workers, youth workers and other practitioners) and on the care (foster care or residential) for our looked after young people. The Council will also deliver a Domestic Abuse Intervention Service from this budget.

#### **Education - Net Budget £19.2m**

Hackney Education (HE) will spend its non-delegated budgets on statutory services such as admissions and school place planning and also services such as school improvement services to ensure delivery against the vision that all schools in the borough are graded good or better as soon as possible. As at the end of academic year 2024/25, all pupils at maintained provision attend a school rated good or better for overall effectiveness.

HE invests in young people with Education & Health Care Plans (EHCP) to ensure they receive the support and education they need in mainstream schools or specialist schools and provision. The High Needs Budget also provides for our pupil referral unit at New Regent's College.

The early years service passes on Government funding for 2, 3, and 4 year old provision across the borough. We also maintain a range of early years activities, services, support and childcare across our children's centres. The early years service provides quality assurance for the range of settings across the borough.

### **Housing, Climate and Economy - Net Budget £68.7m**

The budget will be spent delivering a wide range of services that support residents, businesses and visitors across Hackney, from Community Safety, Environmental Services, Culture, Regeneration, Adult Learning, and Homeless Prevention. The directorate is vital in helping to overcome large collective challenges, such as our response to the Climate Emergency, social inequality, and the high demand for housing, as well as in meeting the Council's ambitious goals to achieve a fairer, safer, healthier, and greener Hackney. It includes the following services:

The Benefits and Homeless Prevention Service works to prevent and relieve homelessness within the borough, and to provide access to social and private rented sector housing and support lower-income households through the administration of Housing Benefit, Council Tax Support, and discretionary awards. It provides temporary accommodation to homeless households and commissions supported accommodation schemes for those who are homeless with complex needs.

The Environment and Climate Change division delivers key frontline services including street cleansing, household and commercial refuse waste collections, managing parking on Hackney's streets, managing and regulating our six street markets, maintaining our highways and parks as well as leading our response to Climate Change. This division also is the lead for community safety and enforcement.

The Culture, Libraries and Heritage services team manages the Council's eight libraries, including a community library service with a range of partners to promote reading, lifelong learning and community hubs. The library service continues to promote study space for young people across the borough and tackles digital exclusion through the provision of public PC use. Part of the service is the Hackney Museum and Hackney Archives service, as well as the Culture team delivering the council's borough-wide culture offer. The service also leads the commercial and income generation teams, which include Hackney Venues, the Tomlinson Centre, and the Film Office. Together, they facilitate council-wide training and organisational development events, weddings, corporate and creative economy events, and professional film

productions and photo shoots. An integrated Adult Education and Hackney Works team supporting local people into work through one to one work and working in partnership with other agencies. In addition, Hackney's Supported Employment Team has continued to deliver on the commitment to ensuring young people, with Special Educational Needs and Disabilities (SEND) aged 16-24, have access to high quality employment opportunities, through further development of its Supported Internship Programme.

#### **Chief Executives - Net Budget £19.1m**

This area of the budget delivers key strategic functions as well as some frontline delivery including:

- Running the legal and governance services for the Council, ensuring it is legally compliant and that processes are clear and transparent and includes servicing the Council's many meetings, including scrutiny, throughout the municipal year.
- The Council's Policy and Strategic Delivery, leading the Council's Transformation Strategy and Programme and delivering the Council's communication functions.
- Business Intelligence, Elections and Member Services.
- Human Resource services work to support our managers and staff including in recruitment and delivering the payroll service.

#### **Finance & Resources - Net Budget £41.2m**

The Finance and Corporate Resources directorate contains a combination of front-line and support services.

The Revenues Service is responsible for the mandatory administration of Council Tax and Non-Domestic Rate billing and collection, as well as the collection of Housing Benefit Overpayments.

Support functions include Finance, ICT, and Property Services.

The finance function manages the Council's finances, producing financial plans, supporting services to deliver against these plans, producing statutory accounts, undertaking audits to ensure we have the proper controls in place to protect public money and collecting income due including Council Tax and Business Rates.

The Strategic Property Services teams run the Council's corporate and schools portfolios, the commercial investment and voluntary sector portfolios, Assets of Community Value activity and provide real estate advice of all types to the wider Council's functions. The department sets the Corporate Strategic Asset Management Plan and as the accountable Corporate Landlord, it owns and administers the Council's governance over determining long term use of assets, including acquisitions and disposals. It has a skilled capital projects delivery capability, technical and commercial expertise to manage the maintenance of the estate, and sets and

applies the Corporate Health & Safety Policy and Strategy which is applied to each portfolio. It uses policy and strategy objectives combined with specific asset data to set out investment plans. It advises the wider Council on matters of valuation, feasibility, development, tenancy, planning, asset performance, ownership and Health & Safety compliance. It has a specific duty to advise the Planning Department on Planning Viability.

ICT, Digital, and Customer Services form a cohesive unit dedicated to delivering effective, innovative, and user-centric solutions. ICT establishes the essential technology infrastructure, systems, and security required for seamless operations and communication. Digital spearheads transformation by developing modern, accessible platforms and tools that enhance efficiency and the overall user experience. Customer Services ensures a positive, personalised experience by addressing user needs, resolving issues, and collecting feedback to enhance service quality. Working together, these areas enable the organisation to provide reliable, state-of-the-art services that meet the evolving expectations of users.

- 12.3 In addition to the above there is also the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; NWLA Levy, Corporate contingencies, Superannuation, Concessionary Fares, Minimum Revenue Provisions, and Revenue Contributions to Capital Outlay. The GFA also includes the estimated pay award budget for 2026/27 which will be transferred to the directorates upon the conclusion of the 2026/27 pay negotiations.

### 13. LEVIES

- 13.1 The Council receives levies from a variety of other bodies, which it must meet from within its total budget requirement. The levies include those from the North London Waste Authority (NLWA), the Environment Agency (EA), the Lee Valley Regional Park Authority (LVRPA), and the London Pensions Fund Authority (LPFA). In addition, the Council also pays into the London Borough Grants Scheme (LBGS).
- 13.2 Other than the NLWA levy, which is apportioned on a different basis, the levies are apportioned on shares of the Band D taxbase. As mentioned at Paragraph 11.6 above, the taxbase for Hackney for 2026/27 was agreed at 80,163.35 Band D equivalent properties and this figure has been used for apportionment of the applicable levies. The number of Band D equivalent properties can be thought of as the average number of properties liable to pay council tax.
- 13.3 The following table summarises the 2026/27 levies and the 2025/26 levies for comparison.

Levying Authority	* 2026/27 £m	2025/26 £m
North London Waste Authority	10.67	10.46

Levying Authority	* 2026/27 £m	2025/26 £m
London Pensions Fund Authority	1.05	1.05
Lee Valley Regional Park	0.21	0.21
Environment Agency	0.19	0.19
London Borough Grants Scheme	0.20	0.20
<b>TOTAL</b>	<b>12.32</b>	<b>12.11</b>

\*Provisional

## 14. PRECEPTS

- 14.1 The only body which issues a precept to the Council is the Greater London Authority (GLA). Payments to the GLA will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of Council Tax this equates to. The precept will be net of government support. The amount of Council Tax required, as calculated by the GLA, is added to the Council's own calculation to give the total Council Tax to be charged.
- 14.2 The draft GLA budget proposal was considered by the London Assembly at its budget plenary meeting on Thursday 29 January. The final draft budget will be considered at the Assembly plenary meeting scheduled for Thursday 26 February. The final consolidated budget requires a precept of £510.51 per Band D property, which is a 4.1% increase from 2026/27. The total GLA precept for Hackney will be £40.924m. In the unlikely event that the Assembly makes changes to the precept or council tax income; we have included a recommendation that Cabinet authorises the Group Director, Finance and Corporate Resources to update the content of this report for any changes to the GLA's band D council tax and related GLA council tax income, by way of a written addendum, for the approval of Full Council at its meeting on 4 March 2026.
- 14.3 The table below shows the increase in Hackney's and the GLA's Band D council tax compared to the 2025/26 values

	2026/27 £	2025/26 £	Change £	Change %
<b>Hackney Council</b>	£1,549.79	£1,476.13	£73.66	4.99%
<b>GLA</b>	£510.51	£490.38	£20.13	4.10%
<b>Total</b>	£2,060.30	£1,966.51	£93.79	4.77%

## 15. HACKNEY'S COUNCIL TAX FOR 2026/27

- 15.1 A description of the Council Tax regime is set out in **Appendix 4** as background information for Members. The Council Tax figures set out below are based on a 4.99% increase in the Council Tax and a collection rate of 94.5%. The collection rate is in line with the Council's MTFP and assists the Council to continue to deliver high quality services, financial stability and first-class local facilities.

**Table 3: Council Tax Income**

<b>COUNCIL TAX TO BE RAISED</b>	<b>2026/27 £m</b>
<b>Net Budget Requirement</b>	<b>424.117</b>
External Support	224.578
Retained Business Rates and Local Business Rates Pool Surplus	70.703
Council Tax Collection Fund Surplus	4.600
<b>Council Tax requirement for Hackney</b>	<b>124.236</b>
<b>Council Tax requirement for the Greater London Authority (GLA)</b>	<b>40.924</b>
<b>Overall Council Tax Requirement</b>	<b>165.161</b>

No. of Band D equivalent properties (the Council's Taxbase)	80,163.35
<b>Basic amount of Council Tax for Hackney</b>	<b>£1,549.79</b>
<b>Basic amount of Council Tax for GLA</b>	<b>£510.51</b>
<b>Total Basic amount of Council Tax (per Band D property)</b>	<b>£2,060.30</b>

- 15.2 Members should note that decisions around the level of Council Tax increase must be made with reference not only to local political and financial considerations but also taking into account the Government's controls over Local Government spending such as the use of local referendum powers. In addition, the Council has to formally consult with representatives of the local business community. Local business representatives were invited to a consultation meeting held on the 23 February 2026 to discuss the final budget proposals.
- 15.3 The amount of the Council's General Fund revenue expenditure to be funded from Council Tax is £124.236m.
- 15.4 The formal resolutions by Council to agree the budget and Council Tax rate are set out in the recommendations to this report. These can only be agreed by Council. The decisions cannot be delegated.

## **16. FUTURE YEARS COST PRESSURES AND BUDGET PLANNING**

- 16.1 The finance strategy underlying the budget is unchanged from previous years such that the budget is not looked at solely in isolation of the year in question but also in terms of the issues that may affect the budget in future years.
- 16.2 The Council produces its MTFP and the Group Director Finance and Corporate Resources also updates CLT and Cabinet on the future year's indicative budgets on a regular basis throughout each year.
- 16.3 The Council is experiencing significant cost pressures in Adult Social Care, Children's Services, Temporary Accommodation and Environmental Services. These pressures which have been highlighted in our budget monitoring reports to Cabinet for 2025/26, are set out at a service level below.

### **16.4 Adults, Health and Integration**

- 16.4.1 In Adult Social Care the budget pressure reflects both the growth in client activity and the escalating complexity of commissioned care provision. Since 2020 there has been a 45% surge in the total number of individuals receiving care and support, with certain services such as home care experiencing an even more pronounced increase of 93%. In addition to rising demand, unit costs have risen markedly since 2020 due to inflationary pressures, including the London Living Wage (LLW), compounded by the greater intricacy of care within care packages.
- 16.4.2 Despite the allocation of significant increases in budget growth over the past six years to support provider inflation uplifts (including LLW) and demographic growth and a £27m increase in grant funding for Social Care (inclusive of the Discharge and MSIF grants) over the same period; the Adult Social Care budget continues to grapple with mounting financial challenges.
- 16.4.3 Through working with a delivery partner (Newton Impact), Adult Social Care have identified opportunities to transform the way they work to deliver financial benefits over the next few years, whilst maintaining a focus on delivering better outcomes for our residents. The service is also working to make savings in other areas. It is working with mental health partners to bring expenditure back in line with the budget through the use of the Care Cubed tool to assess the cost of care, reviewing the highest cost care packages to ensure people have opportunities to maximise independence, as well as reviewing specific cohorts to ensure the right care in the right place. We are also carrying out a service wide review of double handed care packages to determine whether manual handling changes and/or equipment can reduce the provision and cost of care delivered.
- 16.4.4 In Public Health, we are negotiating with the providers to agree either a reasonable and affordable increase in funding or an appropriate cost-reduction approach that minimises disruption to service delivery and protects the most vulnerable residents and patients; and are recommissioning contracts with fixed

pricing over an extended period.

## 16.5 Children and Education

16.5.1 The Looked After Children and leaving care services continue to face financial challenges despite an in-year underspend being predicted in 2025/26. A sustained increase in the number of children and young people entering care since 2021/22, significant rises in the cost of individual residential placements, and an unfavorable ratio between independent and in-house foster care placements has led to this budget overspending in previous years. However, in a shift from previous trends, the Corporate Parenting Service anticipates a forecast underspend of approximately £1.6 million in 2025/26, this is driven by a reduction in the number of residential placements and expensive care packages this financial year and indicates success in the implementation of our prevention strategies. It is important to note that this forecast is inherently volatile because the service is demand-led and that new, complex cases can introduce considerable costs, this represents a risk to the budgetary position. Furthermore, the budget has historically experienced spikes in demand and pressure during the summer and winter holiday periods when care arrangements are more likely to break down.

16.5.2 Management actions have been developed and these include: - a forensic analysis of residential placements, the service is targeting a reduction through a process of continual review, particularly for the highest cost placements; and all children under the age of 16 are to be offered a foster placement as first option and more expensive residential and semi-independent placements are to be agreed only in exceptional circumstances.

16.5.3 The cost of services in respect of young people with Special Educational Needs and Disabilities (SEND) has increased significantly primarily due to the increase in young people with Education and Health Care Plans. The forecast SEND deficit is predicted to remain at £19.1m at the end of 2025/26, the High needs funding block is expected to remain at 2025/26 levels and if so will not allow us to materially address the SEND deficit. At the time of writing this report the Government has confirmed that the School's White Paper, to be published early in the new year, will include plans for reform of special educational needs provision. It has been announced that the statutory override for SEND DSG deficits will end after 2027/28. The Government have announced that all local authorities with SEND deficits will be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025/26. This grant will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. Although there may be some flexibility in when we have to clear the residual deficit, it looks likely we will have to do this by 2027/28. We have therefore put an amount to reflect this in the MTFP.

## 16.6 Housing, Climate and Economy

- 16.6.1 The ongoing pressures of the housing crisis and cost-of-living crisis continue to increase demand (and costs) for temporary accommodation and homelessness prevention support for residents. Factors driving these pressures include increasingly constrained supply of housing; landlords of affordable rented accommodation and temporary accommodation exiting the market; increasing complex needs of residents presenting as homeless requiring specialist support provision; more residents being affected by rising living costs and the financial impacts of welfare reform; and the Renters Rights Act 2025 which is likely to further restrict access to private rented accommodation to those on low incomes. Along with this, the amount that the Council can claim back in Housing Benefit for temporary accommodation remains limited to the Local Housing Allowance rates from 2011, and the costs of temporary accommodation currently exceed these rates. This leaves a significant subsidy loss when calculating the Net Cost of Benefit subsidy from the DWP.
- 16.6.2 The service has developed a series of management actions to address the pressures it faces by targeting supply, demand, and cost. In broad terms, the service aims to reduce spend by increasing the number of households prevented from becoming homeless, increasing the number of households who move on from temporary accommodation into long-term accommodation and by reducing the net cost of temporary accommodation placements. The management actions outlined below are aimed at containing spend and implementing cost-reduction/avoidance measures, although they will take time to impact the forecast/budget, though we are seeing some reduction in cost pressures in the current financial year.
- 16.6.3 Management is continuing to explore all options to increase the supply of temporary accommodation, including leveraging the Local Authority Housing Fund (LAHF) grant and match funding with an increased level of Council capital investment to deliver a significant quantity of properties. An acquisition of 34 specialist supported housing units in Hackney is 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. Additionally, the Council is establishing the Council Housing Acquisition Programme (CHAP), supported by the Greater London Authority, to acquire 125 homes for temporary accommodation. This initiative aims to reduce reliance on expensive, nightly-paid units. Relocating existing families into these more suitable homes will yield tangible cost reductions, while assigning new families directly to these properties will prevent the use of high-cost alternatives, resulting in substantial cost avoidance as an improved quality of accommodation for homeless households.
- 16.6.4 The Environmental Operations service continues to face cost pressures in maintaining standards of cleansing given the increased footfall and number of properties in the borough as well as increasing costs in operating the vehicle fleet for cleansing and waste/recycling. The service experiences high costs in frontline

services that are primarily driven by the need to maintain continuous operations. When staff are absent due to leave, sickness, parental leave, requirements to fill other roles or when vacancies exist, staff must be employed to ensure essential services are delivered without interruption.

## **16.7 Finance and Corporate Resources**

- 16.7.1 Strategic Property Services manages the Council's non-housing estate, which comprises civic offices, depots, community buildings, commercial premises, and investment properties. Many of these are legacy assets from earlier decades, now facing challenges around condition, accessibility, and efficiency. The Council's estate represents both a critical enabler and a significant financial pressure. Without a long-term plan, the costs of maintenance, compliance, and carbon reduction will continue to rise unsustainably.
- 16.7.2 The Corporate Asset Management Strategy (CAMS), approved by Cabinet in October 2025 sets out the strategic direction to manage the Council's assets, support financial resilience, and deliver on corporate priorities. It also supports the delivery of the Council's MTFP and Capital Programme. It provides the framework for managing and maintaining the estate to reduce costs, realise capital receipts, and reinvest in priority assets. A key aim of the CAMS is to reduce annual maintenance costs and until the strategy is fully implemented the cost pressures relating to the Council's property assets which include responding to national policy changes on building safety, energy efficiency, and financial sustainability, will continue to rise.
- 16.7.3 In ICT, future cost pressures are expected to come from: the need for further investment in maintaining current software and equipment; implementation of enhanced functionality and integrations across systems; and continued investments to defend against the escalating threat of cyber-attacks. These pressures will inevitably lead to increased running costs, particularly as cloud storage costs rise and the necessity for advanced cyber defence grows.
- 16.7.4 The Digital Strategy is a crucial foundation for delivering the comprehensive transformation programme aimed at improving the resident experience and achieving both efficiencies and financial savings. This strategy goes beyond focusing solely on the technology and innovation needed to future-proof the organisation and service delivery. It also emphasises new ways of working, strengthening Hackney as a 'Digital Place,' and ensuring we have the correct infrastructure to adapt to the evolving goals and changes we are currently experiencing. While many actively wish for new digital ways of accessing council services, we respect the needs of those that are not able to use this technology and will also provide support and maintain more traditional routes of access. This approach means we will initially evaluate and invest in technology to achieve long-term savings.

## 16.8 Summary approach to cost pressures

16.8.1 The above highlights what are potentially significant future demand and cost pressures. Further budget growth has been factored into our MTFP to meet some of these risks however as far as possible officers need to work to contain these pressures in order for the Council's financial plans to be sustainable. Although the Council also retains some capacity in its reserves to mitigate some of these risks, reserves are one-off, once they are gone they are gone and this is therefore not a long-term solution.

## 17. ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

17.1 Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer (the Group Director Finance and Corporate Resources) to report on the robustness of the estimates and the adequacy of the proposed financial reserves.

17.2 The Group Director Finance and Corporate Resources has reviewed the budget proposals recognising the ongoing challenges, particularly those set out in Section 16 to this report alongside the current level of earmarked reserves which act as a mitigation to these challenges. This review is recorded in the Section 25 statement included at **Appendix 12** to this report. The review considers:

- The macroeconomic context and in particular future funding prospects.
- The Council's track record in financial management and governance
- Compliance with codes and standards
- Robustness of estimates including the adequacy of budget growth and income collection assumptions
- Savings plans and risks around delivery
- Adequacy of reserves taking account of the CIPFA resilience index and historical reserve drawdowns
- Capital programme with particular regard to capacity to repay borrowings and meet debt servicing costs.

17.3 In summary, the Group Director Finance and Corporate Resources (S151 officer) considers the estimated balances and reserves to be sufficiently robust and at an appropriate level for 2026/27, providing adequate mitigation against identified risks (as detailed in the Section 25 Statement). However, it is noted that the overall financial resilience of the Council has decreased. Our level of reserves have reduced significantly over the past two years and are forecast to drop still further to fund the forecast overspend in the current year. We will, therefore, need to continue to keep our overall financial position and its impact on reserves under ongoing close review. Once we have a clear view of the forecast for 2026/27 we will determine if we need to take further action in preparation for setting the 2027/28 budget, over and above that already planned to close the Medium Term Financial Plan gap.

- 17.4 In relation to our General Fund Balance, it is the clear advice of the Group Director Finance and Corporate Resources that the current level of General Balances should be held at the existing position of £19m which is in line with our current policy to not allow the general balance to drop below £19m. Cognisant of the significant savings plans and risk of non delivery, together with the ongoing nature of some of the risks set out, the aim is to increase these to £22m - £24m over the medium term period.
- 17.5 Attention is also drawn to **Appendix 5** of this report which sets out the Medium Term Financial Plan (MTFP) for 2027/28 to 2029/30 within which we estimate a budget gap of £10.2m. We must ensure that we deliver the approved savings plans and continue the work we have already begun to close this gap and deliver a year on year balanced position, and seek to build in increases to our revenue reserves to improve our financial resilience over the medium term.

## 18. HOUSING REVENUE ACCOUNT

- 18.1 Formal proposals for the Housing Revenue Account (HRA) Budget including Tenants Rent and Service Charges for 2026/27 were agreed at January Cabinet.
- 18.2 The rent increase of 4.8% in the 2026/27 budget is in line with the Government's policy for social rent, which is CPI (as at September)+1%. A 4.8% rent increase will result in an average weekly rent of £135.37, an average increase of £6.50 a week. The Indicative Rents for 2026/27 are set out below.

<b>Beds</b>	<b>Average 2025/26 Rent</b>	<b>Average 2026/27 Rent</b>
0	101.09	105.69
1	114.31	120.63
2	126.09	132.55
3	143.61	151.08
4	168.43	178.19
5	194.56	205.73
6	199.46	210.82
7	224.75	245.69
<b>Average</b>	<b>128.56</b>	<b>135.37</b>

- 18.3 Service charges for tenants are based on a pooled cost approach, where all tenants receiving a service are charged the same amount. The proposed charges will ensure that the income recovered matches the level of expenditure on these services. The proposed service charges for 2026/27 are as follows and are all uplifted by circa 3% to reflect the estimated increase to staffing costs and other

inflationary factors.

	<b>2026/27 Charge £ week</b>	<b>2025/26 Charge £ week</b>
Grounds Maintenance	2.32	2.25
Block Cleaning	6.59	6.40
Estate Cleaning	2.87	2.79
Landlord Lighting	3.52	3.42
CCTV Monitoring	0.55	0.53

- 18.4 For those blocks with a concierge service, Cabinet approved in January 2018 that increases to charges for the concierge service will include a requirement for the service provider to pay London Living Wage. This year's increase is in line with contract price inflation which is linked to the increases to London Living Wage of 6.9%. There are 823 households across 13 blocks receiving a concierge service and the proposed charges which are the same for all tenants and leaseholders for 2026/27.
- 18.5 The Housing Service continues to invest in tenant sustainability services and work collaboratively across the Council, and in partnership with the Department for Work and Pensions (DWP), advice providers, and other partners to co-design ways to boost benefit take up and income maximisation (involving the local Universal Credit Partnership), prevent debt, as well as consolidating approaches to debt collection and preventing evictions. The service is committed to working with tenants by providing crisis support, income maximisation and debt support. We continue to work with partners to support the delivery of the Council's Poverty Reduction Strategic priorities.

## **19. RECHARGES**

- 19.1 The budgets shown at paragraph 14.1 are before central recharges. The majority of central services cost centres will be fully or partially recharged to front line services in accordance with CIPFA Service Reporting Code of Practice.
- 19.2 This will be carried out in March 2026, after consideration of the budget by full Council but this has no impact on the Council's overall budget.

## **20. CAPITAL**

- 20.1 This report sets out an indicative three year programme which is designed to deliver an ambitious Capital Programme in order that the Council strategic objectives are met. It also details the impact of reduced supported funding for the Capital schemes and that the Council will need to borrow in order to ensure it has sufficient resources to deliver the Plan. Having a longer-term outlook of the Capital programme, as presented here, will allow for better financial management of the

resources as this captures requirements over the life of the projects which can then effectively be fed into the Council's Treasury Management activities. To address the growing long-term impact on revenue budgets, our future planning now extends to a 10-year period. More information is available in the Capital Strategy **Appendix 9**.

- 20.2 Due consideration continues to be given, through the governance structures already in place, to how the UK's changing economic position is impacting on key parts of the capital programme as it currently stands. Adjustments to plans will be made where it is deemed in the best interests of the borough's long term financial sustainability.
- 20.3 This section and **Appendix 6** present the Council's indicative three-year capital budget, for 2026/27 to 2028/29, although it should be noted that formal resource approval is sought only for 2026/27. The annual profiling of capital spend will change, as schemes are developed more fully. The three year programme is included to inform the calculation of our prudential indicators, which are required for the next three financial years. The current year's (2025/26) forecast capital outturn position is included, to provide better understanding of the whole capital programme and put into context the capital investment of the following years.
- 20.4 The Council's capital programme for the current financial year, 2025/26, is budgeted at £493.6m. This includes £183.7m allocated to Housing and Regeneration projects and £309.9m for non-Housing schemes. For the four years from 2025/26 to 2028/29, the programme budgets as a whole total £2.0bn. There are of course risks associated with the capital programme. A significant proportion requires substantial upfront investment financed by increased borrowing, to be repaid as capital receipts are realised from the sale of assets developed within mixed-use schemes (in the General Fund) and our substantial housing regeneration programme.
- 20.5 Since 2016, the UK Government has permitted local authorities to utilise capital receipts generated from the sale of assets (excluding those from Right to Buy sales) to fund revenue expenditure associated with service reform and transformation projects. Initially limited to the 2019/20 financial year, this flexibility has been repeatedly extended and is now valid until 2030. The Flexible Use of Capital Receipts Strategy for 2026/27, detailed in **Appendix 10**, seeks approval for expenditure up to a maximum of £19.3m. It is crucial to understand that approving this strategy does not automatically obligate the Council to implement it. Furthermore, this report requests that authority be delegated to the Group Director Finance and Corporate Resources, the Section 151 Officer, to authorise the implementation of the Flexible Use of Capital Receipts Strategy at the conclusion of the financial year. This decision will be contingent upon a comprehensive assessment of the Council's overall financial standing.
- 20.6 As of March 2025, our external long-term borrowings amounted to £158m. This increased to £248m by December 2025. The expectation is that we will require

more external borrowing over the medium-term window of 2026/27 to 2028/29, to temporarily cashflow significant parts of the capital programme being presented here but also as a longer-term funding source as capital receipts are depleted/redirected to Flexible Use of Capital Receipts Strategy and other funding sources (e.g. grants) are limited.

### Schemes

- 20.7 A granular analysis of the three-year indicative Capital Programme is presented in **Appendix 6**. The programme provides a breakdown for each directorate with a further summary of the Housing and Non-Housing requirements. Details of the new resource approvals being sought as part of this budget setting process are included in the schedules at **Appendix 6**.
- 20.8 The indicative programme incorporates schemes that will deliver the following:
- An ongoing and ambitious Housing Delivery programme which will bring homes of different tenures to the market helping make Hackney a fairer place with genuinely affordable homes, resulting in the delivery of over 1,000 new council homes.
  - Continued investment in the Britannia mixed used development in Shoreditch, The current phase of the development will deliver 370 new homes, 81 of which will be affordable homes, including 51 social rent homes.
  - Regeneration, place shaping, and inclusive growth in the borough's town centres and regeneration areas, ensuring that the opportunity for growth in our town centres and regeneration areas delivers on community priorities such as cleaner, greener and safer town centres and more affordable homes and workspace.
  - £144m to address the homelessness crisis, focusing on expanding and maintaining our Temporary Accommodation supply.
  - We will continue to invest in our school estate to ensure it is maintained to a high standard, which is key to giving our young people the best start in life.
  - Investment in expanding in-borough SEN provision to support some of our more vulnerable young people with new facilities close to home.
  - We will be investing in transforming Kings Hall Leisure Centre, which is a well-used and important social and historical landmark. This investment secures the future of this Grade II listed asset, which was in extremely poor condition, will provide much improved facilities and means we can continue to support the health and wellbeing of our residents.

- Ensuring residents have spaces for exercise, health, and access to quality local facilities through the maintenance of the Council's parks, green spaces, and libraries.
- Maintaining the corporate property estate and ICT infrastructure is crucial. The Digital Strategy is central to our comprehensive transformation, driving improved resident experience, and delivering efficiencies and savings. This strategy focuses on technology, new working methods, establishing Hackney as a 'Digital Place,' and ensuring our infrastructure is adaptable.
- A highways maintenance programme and associated schemes.
- An ongoing commitment towards delivering on our zero carbon target, including decarbonisation of non-housing building stock, LED street lighting and cycle hangers.

20.9 The HRA 3 Year Capital Programme has been set in line with the resources available in the HRA Business Plan which sets out how the Council will manage the range of services delivered under the HRA, using the income raised locally through council rents and other sources of HRA income for revenue and capital purposes. It has been developed with due regard to the Housing Asset Management Strategy approved by Cabinet in March 2019 which sets out the Council's long-term objectives for investing in our homes and provides an overarching framework for investment decision-making across the Council's homes and estates. The proposals in the HRA budget that went to Cabinet in January 2026 allows for the depreciation charge of £41.5m to be used along with the relevant grant contributions, contributions from leaseholders for Major Works, and sales receipts from completed Regeneration properties (outright sale and shared ownership).

20.10 There is a net borrowing requirement over the 3 Year Capital Programme of £617.5m predominantly to fund the Housing Regeneration Programmes, Estate Regeneration Programme, Housing Supply Programme and Woodberry Down, until capital receipts are realised through sales of residential properties becoming available through these developments. The capital receipts will be realised once developments are complete and private for-sale and shared ownership units are marketed. Some of the programmes will not complete until after 2033/34 when the capital receipts will be realised. The residual borrowing from the schemes, which equates to circa 30% of the build costs for the social housing units delivered, will be repaid from the rental income streams from the new social housing units over a fifty year period. This residual borrowing for the new social rented homes, as well as interest costs, has been factored into HRA business planning. The borrowing will be funded and repaid with future rental income from HRA and sales receipts from regeneration properties.

Non-Housing	25/26 Forecast £m	26/27 Estimate £m	27/28 Estimate £m	28/29 Estimate £m	Total £m
Adults, Health and Integration	2.1	2.1	1.9	0.0	6.1
Children and Education	14.8	23.8	9.3	4.0	51.9
Finance/Corp Resources – mixed use schemes	104.2	36.8	0.3	0.0	141.3
Finance/Corp Resources - other	35.5	38.5	9.6	3.7	87.2
Housing, Climate & Economy	153.3	205.8	50.9	32.3	442.3
<b>Total Non-Housing budget</b>	<b>309.9</b>	<b>307.0</b>	<b>71.9</b>	<b>40.0</b>	<b>728.8</b>

Housing	25/26 Forecast £m	26/27 Estimate £m	27/28 Estimate £m	28/29 Estimate £m	Total £m
AMP Capital Schemes HRA	66.4	49.5	49.5	52.2	217.6
Council Capital Schemes GF	13.9	23.5	2.3	2.3	42.0
Estate Regeneration	54.4	96.0	235.6	129.4	515.4
Housing Supply Programme	26.3	45.8	58.3	82.2	212.7
Woodberry Down Regeneration	15.8	8.9	13.3	7.3	45.4
New Homes	6.8	68.8	143.3	33.5	252.4
<b>Total Housing budget</b>	<b>183.7</b>	<b>292.5</b>	<b>502.4</b>	<b>306.8</b>	<b>1,285.4</b>

<b>Total Capital Programme</b>	<b>493.6</b>	<b>599.5</b>	<b>574.4</b>	<b>346.7</b>	<b>2,014.2</b>
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The increases in 2026/27 budgets are due to a number of housing projects moving into the construction phase of developments along with the significant investment in Temporary Accommodation to increase supply to alleviate the demand pressures within the service.

### Resources

20.11 The Capital Programme is funded through various sources including;

- 1) Specific & non-specific government grants
- 2) Capital receipts
- 3) Council reserves
- 4) Revenue contributions to capital
- 5) Other one off funding sources e.g. CIL/S106 developer contributions
- 6) Borrowing (internal - against our balance sheet - and external)

20.12 The indicative resources available for each year of the Capital Programme are set

out below. It is important to note that these are based upon the work done as part of the development of the Capital Strategy, taking account of the progression of various negotiations with Developers and other External Parties. They are therefore best estimates using the information currently available and will be subject to change. Any change in resources available will result in changes to the associated expenditure and/or financing plans in order that a net balanced position for the capital budget is maintained.

Resourcing of the non-housing side of the programme is as follows.

Non-Housing	25/26 Forecast £m	26/27 Estimate £m	27/28 Estimate £m	28/29 Estimate £m	Total £m
Grants	68.8	64.7	15.3	16.3	165.1
S106/HCIL	7.4	2.7	0.0	0.0	10.2
RCCO	0.0	0.0	0.0	0.0	0.0
Capital Receipts	12.6	10.8	0.3	0.0	23.7
Reserves	0.0	0.0	0.0	0.0	0.0
Borrowing	221.1	228.8	56.3	23.7	529.8
<b>Total</b>	<b>309.9</b>	<b>307.0</b>	<b>71.9</b>	<b>40.0</b>	<b>728.8</b>

\* Subject to review at year end finances

20.13 The detailed resource position reflects the following:

- The borrowing line includes expenditure in the programme on the Britannia scheme that is funded by sales of dwellings, and which in a large part will happen post-construction. Capital receipts will therefore arise after construction, meaning there will be a short to medium term borrowing requirement. Further, where actual sales are lower than anticipated, and/or where they are later than expected, there may then become expenditure that needs to be financed by other means.
- The figures under Grants & Contributions include resources confirmed by the Government for 2026/27. Our forecasts for the subsequent two years are based on initial agreements with various Government departments. This funding primarily supports the education programme, with anticipated Government contributions for ongoing maintenance and Special Educational Needs (SEN) provision, as well as grant funding for temporary accommodation.

20.14 The resources available to finance the Housing capital programme are summarised in the table below.

Housing	25/26 Forecast £m	26/27 Estimate £m	27/28 Estimate £m	28/29 Estimate £m	Total £m
Grants	8.2	95.1	68.3	29.0	200.6
S106/HCIL	0.0	1.3	1.4	0.2	3.0
RCCO	47.0	47.5	48.5	50.2	193.2
Capital Receipts	52.9	73.8	42.8	101.6	271.1
Reserves	0.0	0.0	0.0	0.0	0.0
Borrowing	75.6	74.8	341.4	125.8	617.5
<b>Total</b>	<b>183.7</b>	<b>292.5</b>	<b>502.4</b>	<b>306.8</b>	<b>1,285.4</b>

\* Subject to review at year end finances

20.15 The detailed resource position reflects the following:

- The borrowing line includes cash flowing requirement of the regeneration programme, which will be recouped via capital receipts from private for sale dwellings from various current and future schemes including Woodberry Down and Colville Estate.
- The revenue contribution is mainly the Major Repairs Reserve (MRR), which is the depreciation calculation on the housing stock recycled to create resources for re-investment.
- The Capital Receipts line incorporates residential sales from Housing Regeneration projects and also reimbursement costs relating to Woodberry Down. The application of Right to Buy (RTB) receipts and GLA grant can be seen under Grants. A decrease in Right to Buy (RTB) sales is anticipated in the coming years as a result of the discount being withdrawn.
- With the allocation of all expected and known resources, the Housing Capital Plan is projecting a significant and rising borrowing requirement through this three year programme. A surplus in capital receipts is anticipated in the years after the medium term window to 2028/29, which will reverse the trend and repay borrowing, however long term affordability of the Housing programme remains the focus.

#### Financial exposure within the programme

20.16 The primary financial risk to Hackney's capital programme over the medium term stems from capital expenditure reliant on private for-sale housing receipts. Planned regeneration schemes and the Britannia short-term borrowing requirement are projected to increase our capital financing requirement (our underlying borrowing need) by an additional £1.1 billion between 2025/26 and 2028/29. Although we anticipate receiving capital receipts in the years following 2028/29 to fund this outlay, a funding shortfall will occur if receipts do not reach the levels assumed during the planning stage. This risk is considered high due to the

current adverse economic climate driven by geopolitical conflicts (Ukraine and the Middle East), high inflation, and increased interest rates which is expected to negatively impact the housing market.

- 20.17 This risk is being closely monitored through the housing regeneration gateway process and the Major Projects Board (Britannia and Kings Hall). For Britannia the financial business case is regularly revisited to test assumptions and sensitivity modelling around cost inflation and house price forecasts are kept under ongoing review. We have incorporated Minimum Revenue Provision (MRP) charges into our calculations, taking into account the most recent estimates for the Britannia model. Regeneration schemes must demonstrate financial viability (which would take into account risk around sales) before being permitted to commence to the next stage of the gateway process.
- 20.18 The capital programme for the non-housing sector is currently fully funded by existing capital receipts, with no significant future receipts anticipated. Any new receipts will be allocated to the Flexible Use of Capital Receipts Strategy, subject to necessary approvals. The non-housing capital programme relies on a significant increase in revenue budgets to fund it, rising from 4.1% to 7.5% of the net general fund budget by 2028/29. Notably, borrowing is anticipated to become an even more substantial funding source for the capital programme in the period following this medium-term plan.

## **21. PRUDENTIAL CODE**

### Background

- 21.1 The Prudential Code for Capital Finance in Local Authorities (the Code), initially implemented in 2004/05 with the latest version in 2021, establishes a professional framework for the self-regulation of capital spending. Essentially, the Code allows local authorities to fund capital projects through borrowing without an externally imposed limit, provided the investment is deemed affordable, prudent, and sustainable. However, the Government maintains reserve powers to restrict overall local authority borrowing for national economic purposes or to intervene and restrict an individual authority's borrowing.
- 21.2 The Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators which for housing authorities are separated into HRA and non-HRA elements. These indicators are mandatory but can be supplemented with local indicators if this aids interpretation.
- 21.3 The indicators are purely for internal use by the Council because any comparisons with other Councils would not necessarily be meaningful. However, comparing the level of the indicators over time does add value to the capital and treasury management process. The codes require projections for the next three financial years up to 2028/29.
- 21.4 The Prudential Code in recent years has focussed more on exposure to

commercial investments by local authorities. This follows Central Government voicing its concern over local government's involvement in property deals and other more esoteric investments and, on the back of this, CIPFA has moved to reinforce the principle within the Prudential Code that local authorities cannot invest purely for commercial gain/borrow in advance of need. It has also bolstered requirements so that boroughs must demonstrate both exposure to commercial investment and subsequent risk management.

- 21.5 There was an additional prudential indicator emanating from the latest review, covering net income from commercial and service investments (ie non treasury investments) against net revenue stream. Hackney's exposure in this area is deemed low. There are no instances where we have externally borrowed specifically for commercial investments, in the main our commercial property portfolio is one that has accumulated over a long period of time, and the income stream is proportionate to our wider revenue budget.

#### Capital Expenditure and the Capital Financing Requirement

- 21.6 The Prudential Code requires local authorities to calculate the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow for a capital purpose. Movement between years will be influenced by in-year capital expenditure and provision for repayment of debt.
- 21.7 The Prudential Code allows local authorities to undertake unsupported borrowing so they can deliver projects such as spend to save schemes (which may have previously been limited by the credit approval system) or take decisions to direct resources from revenue to capital to enable service enhancements. However, before using unsupported borrowing the authority must be satisfied that the additional borrowing costs can be afforded within future year's revenue budgets, for both the General Fund and HRA.
- 21.8 Once again, the Council anticipates the potential need to undertake unsupported borrowing to fund both its Housing and non-Housing capital programme, given the nature of the programme set out, particularly in respect of the provision of new social infrastructure and housing projects that will require forward funding before realisation of capital receipts.
- 21.9 The capital expenditure presented in this report is based on the level of capital resources that can be realistically estimated over the next three years. Decisions on the actual financing of capital expenditure are taken each year during the year-end closure of accounts process on the basis of all the relevant information available at that time. It is therefore possible that the balance of the resources used in a particular year, for example, between capital receipts and Major Repairs Reserve (MRR), may change, although the totals over the three year period are expected to remain broadly the same.
- 21.10 Following the introduction of HRA self financing in 2012 the Council adopted the HRA Voluntary Code of Practice which covers six Principles that describe what the

sector considers as essential elements for the continued sustainability of a self-financed HRA. The finance Principle is that the housing authority puts in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability. The capital programme for housing presented in this report covers the investment in HRA stock and assets managed by Housing Services, the housing regeneration programmes, and investment in HRA hostels and private homes through housing grants. The HRA Capital Programme has been set in line with the resources available in the HRA Business Plan which sets out how the Council will manage the range of services delivered under the HRA, using the income raised through council housing rents and other sources of HRA income for revenue and capital purposes. There is a borrowing requirement over the planning period which has been factored into HRA business planning.

21.11 The tables below summarise the proposed level of capital expenditure, the means of funding that expenditure and projections of the CFR over the next three years. The Council is asked to approve these projections.

### **Capital Expenditure and Financing 2025/26 to 2028/29**

	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>	<b>2028/29 Estimate £m</b>	<b>Total Estimate £m</b>
<b>Capital Programme:</b>					
Non-Housing	309.9	307.0	71.9	40.0	728.8
Housing	183.7	292.5	502.4	306.8	1,285.4
<b>Total spend</b>	<b>493.6</b>	<b>599.5</b>	<b>574.4</b>	<b>346.7</b>	<b>2,014.2</b>
<b>Financed by:</b>					
Capital Receipts	65.5	84.6	43.1	101.6	294.8
Government Grants	77.0	159.8	83.6	45.3	365.7
Reserves	0.0	0.0	0.0	0.0	0.0
RCCO	47.0	47.5	48.5	50.2	193.2
S106/CIL	7.4	4.1	1.5	0.2	13.2
Borrowing	296.7	303.6	397.7	149.4	1,147.3
<b>Total Financing</b>	<b>493.6</b>	<b>599.5</b>	<b>574.4</b>	<b>346.7</b>	<b>2,014.2</b>

### Capital Financing Requirement and External Debt 2025/26 to 2028/29

	31/03/25 Actuals £m	31/03/26 Estimated £m	31/03/27 Estimated £m	31/03/28 Estimated £m	31/03/29 Estimated £m
<b>Capital Financing Requirement At Year End</b>					
CFR – Non Housing	487	686	833	815	763
CFR – Housing	139	215	290	631	757
<b>Total CFR</b>	<b>626</b>	<b>901</b>	<b>1,123</b>	<b>1,446</b>	<b>1,520</b>
Net CFR movement		275	222	323	74
<b>External Debt</b>					
Borrowing	158	262	203	184	145
Other long term liabilities	60	46	38	30	25
<b>Total Debt 31 March</b>	<b>218</b>	<b>308</b>	<b>241</b>	<b>214</b>	<b>170</b>

21.12 The above table is produced based on CIPFA guidance and analyses the Council's expected borrowing requirement over time, driven by an increasing Capital Financing Requirement, and compares this with existing debt and available balance sheet resources. The resulting position indicates the Council's projected net borrowing requirement, which supports strategic borrowing decisions. The level of external borrowing reduces in the table because existing loans are repaid and no assumption is made about taking on new borrowing, which is consistent with CIPFA guidance.

#### Limits to Borrowing Activity

21.13 A primary financial control for the Council is to ensure that, over the medium term, new debt is only incurred for capital purposes. The Council must manage its total external debt (which includes both borrowing and other long-term liabilities) so that it does not exceed the total of the Capital Financing Requirement (CFR) from the previous year, plus the estimated increases in the CFR for the current and the subsequent two financial years. This rule permits some limited, early borrowing to provide flexibility for future years' needs.

### Gross Debt Compared to Capital Financing Requirement

	31/03/25 Actuals £m	31/03/26 Estimated £m	31/03/27 Estimated £m	31/03/28 Estimated £m	31/03/29 Estimated £m
CFR	626	901	1,123	1,446	1,520

	31/03/25 Actuals £m	31/03/26 Estimated £m	31/03/27 Estimated £m	31/03/28 Estimated £m	31/03/29 Estimated £m
Gross Debt	218	308	241	214	170

21.14 The Group Director Finance & Corporate Resources confirms that the Council will comply with the requirement to keep gross debt below the Capital Financing Requirement over the next 3 years. The estimated movement in gross debt and the CFR is set out in the table above and takes into account current commitments, existing plans, and the proposals in the budget report. The increase in gross debt over the period reflects both the anticipated increase in the CFR and prudent assumptions on the future movement of revenue reserves and balances.

21.15 A further two Prudential Indicators assist in exercising control of the overall level of borrowing which supports capital investment. These are:

- **Authorised limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing needed with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003.
- **Operational boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

21.16 The authorised limits and operational boundary need to be set at a level which will allow for borrowing to support the delivery of the capital programme as set out earlier in this report. Increases in the HRA CFR arise from HRA Unsupported Borrowing undertaken to support the HRA Business Plan. The increases in the General Fund CFR arise from GF Unsupported Borrowing undertaken to fund the capital programme as reserves and cash balances held by the Council reduce, and shorter term cash flowing of our mixed-use schemes, where there is a lag in the receiving of capital receipts from residential sales.

21.17 The Council is asked to approve the following Authorised and Operational Limits, which have been calculated in the case of the Operational Limit on the basis of anticipated cash flow and the potential increase in the Capital Financing Requirement, and in the case of the Authorised Limit allowing a margin for unlikely (but possible) scenarios affecting the timing of grant receipts, Council Tax collection and capital receipts:

### Authorised Limit and Operational Boundary

	2025/26	2026/27	2027/28	2028/29
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Authorised limit for external debt</b>				
Borrowing	1,046	1,173	1,496	1,570
Other long term liabilities	13	68	60	55
<b>Total</b>	<b>1,059</b>	<b>1,241</b>	<b>1,556</b>	<b>1,625</b>
<b>Operational limit for external debt</b>				
Borrowing	1,016	1,143	1,466	1,540
Other long term liabilities	13	53	45	40
<b>Total</b>	<b>1,029</b>	<b>1,196</b>	<b>1,511</b>	<b>1,580</b>

### Affordability Prudential Indicators

21.18 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

- Actual and Estimates of the ratio of financing costs to net revenue stream**  
 This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream, separately for housing and non-housing services. The higher ratio for the HRA reflects the high depreciation charges which are included as financing costs in the HRA and represent a significant proportion of the HRA revenue budget. The increase in the Non-HRA indicator is largely the result of the requirement to replace internal borrowing with external as cash reserves reduce in future years. The estimates of financing costs allow for the level of borrowing set out in the capital expenditure plans.

### Ratio of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	4.1%	5.4%	6.5%	7.5%

HRA	27.4%	25.2%	26.0%	26.4%
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Estimates of net income from commercial and service investments to net revenue stream

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>Net income from Commercial/ Service investments</b>	1.7%	1.7%	1.6%	1.6%

Minimum Revenue Provision (MRP) Statement

- 21.19 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017 place a duty on local authorities to put aside resources to repay debt that has been used to finance capital expenditure in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision most recently issued in April 2024 .
- 21.20 The broad requirement of the MRP regulations is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, although it does not preclude other prudent methods.
- 21.21 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities
- 21.22 The MRP Statement must be submitted to Council before the start of the relevant financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.
- 21.23 Hackney uses Asset Life Method for its capital expenditure. The following statement incorporates options recommended in the Guidance:

- 1) For capital expenditure incurred before 1 April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets.
- 2) For capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational using the 'annuity' approach for calculating repayments. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- 3) For assets acquired by finance leases or Private Finance Initiative (PFI), MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 4) Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.
- 5) For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value of any repayments of loan principal received during the year, with the capital receipts so arising applied to finance the expenditure instead.
- 6) For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.
- 7) For capital loans made on or after 7 May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- 8) For capital loans made before 7 May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.
- 9) Proceeds from the sale of capital assets are classed as capital receipts, and

are typically used to finance new capital expenditure or transformation. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
  - Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
  - Capital receipts arising from other assets which form an identified part of the Authority's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
  - Any other capital receipts applied to repay debt will be used to reduce MRP starting in the year after receipt is applied.
- 10) No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

## **22. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES**

22.1 The Group Director's comments are set out in Section 2 of this report

Financial comments prepared by Naeem Ahmed, Group Director Finance & Corporate Resources,  
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Date: 3rd February 2026

## **23. COMMENTS OF THE DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES**

- 23.1 Under the Local Government Act 2003 calculation of the Council Tax and adoption of an annual budget is the responsibility of Full Council following recommendations from the Elected Mayor and Cabinet.
- 23.2 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is explained

in more detail at **Appendix 1**. When considering the budget, Council must take into account this report from the Chief Finance Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget and, on the advice of the Director of Finance, adoption of the recommendations in this report would fulfil its obligations in this regard.

- 23.3 The Council's Constitution details the procedure that is to be followed with regards to the setting of the Council's budget / council tax at Part 4, Section C entitled "Budget and Policy Framework Procedure Rules". The rules also detail the procedure to be followed in the event that there is a conflict between the Elected Mayor Cabinet and the Council with regards to the setting of the budget / council tax. This procedure complies with the requirements set out in the Local Authorities (Standing Orders) (England) Regulations 2001.
- 23.4 Section 149 of the Equality Act 2010 provides that when exercising its functions to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimisation and other conduct prohibited under the Equality Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. This is known as the public sector equality duty. Compliance with this statutory duty is dealt with via the specific cumulative equality impact assessment undertaken for this decision.
- 23.5 There is a requirement to publish notice of the amount set for Council Tax in at least one local paper within 21 days of the Council's decision under section 38(2) of the Local Government and Finance Act 1992.

Legal comments prepared by the Director of Legal, Democratic and Electoral Services  
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Date: 6 February 2026

## **24.0 COMMENTS OF THE DIRECTOR OF HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT**

- 24.1 This report sets out the Council's budget for 2026/27 and an indicative three year programme which is designed to deliver an ambitious Capital Programme in order that the Council strategic objectives are met. Aligned with the budget, the organisation must change in size and shape to be fit for the future, and we will drive the design and implementation of the optimum organisational structure, as well as culture change, alongside new ways of working. This will inevitably involve

changes to the Council's structure and roles within the Council, however, the council will seek to ensure that training and development are prioritised, as well as protect jobs, minimising the risk of compulsory redundancies, wherever possible. The People and Organisation Development (OD) Strategy underpins the delivery of the Council's Transformation Programme and has been designed to set out how the Council will strengthen and support our workforce so that we continue to deliver high-quality services for Hackney's residents.

HR/OD comments prepared by Director of Human Resources and Organisational Development  
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Date: 09 February 2026

## Appendices

Appendix 1	Legal framework governing budget decisions 2026/27
Appendix 2	Gross and Net budgets by Directorate 2026/27
Appendix 3	Treasury Management Strategy 2026/27
Appendix 4	The Council Tax regime 2026/27
Appendix 5	Medium Term Financial Plan 2027/28 to 2029/30
Appendix 6	Proposed Capital Schedules 2025/26 to 2027/28
Appendix 7A	Proposed Fees and Charges 2026/27
Appendix 8	Referendum Calculation 2026/27
Appendix 9	Capital Strategy 2026/27 to 2028/29
Appendix 10	Flexible Use of Capital Receipts Strategy 2026/27
Appendix 11	Financial Management Code Review 2026/27
Appendix 12	Statement by the S151 officer on the robustness of estimates and the adequacy of proposed reserves (Section 25 statement)
Appendix 13	Cumulative Equality impact assessment - Council Budget

2026/27

Appendix 14 Budget Scrutiny Report on the Council Budget 2026/27

Appendix 15 Executive Response to the Budget Scrutiny Report 2026/27

### **EXEMPT Appendix**

Appendix 7B **Exempt** Proposed Fees and Charges 2026/27

### **Reason(s) for exemption**

By Virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **Background documents**

None