

CIPFA FINANCIAL MANAGEMENT CODE - REVIEW 2026/27

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and assurance that authorities are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the Group Director, Finance & Corporate Resources (CFO) and colleagues on the leadership team. Complying with the FM Code helps strengthen the framework that surrounds financial decision making.

The code applies to all local authorities and by following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdiction.

The underlying principles that inform the Code will assist in determining whether a local authority is financially sustainable. They are as follows:

- Organisational **leadership**: demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability**: based on medium term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The FM Code is aligned with the *Prudential Code for Capital Finance in Local Authorities* and has links to the *Treasury Management in the Public Sector Code of Practice* and the annual *Code of Practice on Local Authority Accounting in the UK*. In this way, the FM Code reiterates the key elements of the statutory requirements of these other codes.

The FM Code sets out a number of financial management standards that it believes must be evidenced, and provides examples on each. Set out below is the Council's current assessment of how it believes it complies with the requirements and also highlights evidence of compliance and areas for further development.

In summary the review has found that we continue to demonstrate compliance with the principles set out in the FM code and can demonstrate that we are in compliance with all financial management codes and standards thereby giving assurance that we are managing resources effectively. During this year we addressed the areas for improvement identified in last year's review:

- 1) We have built on the enhanced budget monitoring arrangements already in place to respond to significant overspends we are facing especially from the demand for statutory services. Corporate Leadership Team (CLT) has set up enhanced governance arrangements to focus on the high spending areas including the establishment of the Budget Recovery Board, the Housing Revenue Account Finance Improvement Panel, the CLT Resources Approval Panel and the Adult Social Care Finance Improvement Panel.
- 2) We have developed a framework to track the impact of the investment in the Corporate Transformation Programme now that the work streams have been approved and delivery phased across the financial planning period.

As part of this year's review we have identified two improvement areas for further development as follows:

- 1) The Council continues to rely on the unplanned use of reserves to deliver services. The 2025/26 forecast outturn shows a £10.2m overspend. The General Fund reserve balances are forecast to reduce to £42m by the end of this financial year and the overspend will reduce this still further. It is imperative that we act decisively to reduce the level of spend and contain the draw down on reserves and actions already being taken are set out under relevant FM standards below.
- 2) There is a weakness in the governance of Housing Services as evidenced by the C3' grading from the Regulator of Social Housing (RSH) and a Housing Ombudsman investigation where some statutory safety checks could not be evidenced. The actions the Council is taking are set out below under the relevant FM standard.

Financial Management Standard A: The leadership team is able to demonstrate that the services provided by the authority provide value for money.

The achievement of value for money is the collective responsibility of elected members and senior officers, who together make up an authority's leadership team.

The Council seeks to ensure that it achieves value for money in the delivery of its services through its formal governance structures, its ongoing challenge of service costs through the budget setting cycle and performance management arrangements. Arrangements are summarised below.

Clear Governance Structures

The Council's Scheme of Delegation sets out decision-making responsibilities in relation to Full Council and committees, including Cabinet and those delegated to officers.

■ **Scheme of Delegation Refresh**

Where key decisions are made they require a business case in the form of a Cabinet, Capital Procurement and Insourcing Committee report or a delegated powers report (DPR). All reports are required to be considered by finance to determine financial implications and in the case of procurement decisions, compliance with procurement procedures. These reports also contain an assessment of whole-life costs and overall set out the value for money implications of decisions before they are made.

<https://hackney.gov.uk/council-business>

Scrutiny Arrangements

The Council has an effective Scrutiny function which leads scrutiny reviews in key areas of service delivery. An annual report is provided to Council, the report for 2024/25 went to Council in September 2025, link below.

[Overview & Scrutiny - Annual Report 2024/25](#)

The report summarises Scrutiny's role and responsibilities and the scope and outcome of work over the period, including Cabinet members and Mayor's Question Times.

Audit Arrangements

The Audit Committee has an explicit requirement through its terms of reference to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

It discharges this requirement through its receipt of regular reports from service areas, oversight of internal and external audit work (including the VFM audit opinion) and a specific Performance Report through which it scrutinises performance trends and performance against targets against a range of key indicators. From these reports the Committee determines areas for 'deep dive' reviews to gain further insight and assurance.

In addition, the Audit Committee has undertaken deep dive reviews into specific areas of Council business, including public interest reports and best value interventions and School Budgets and financial sustainability. As part of their work for 2025/26, the Audit Committee is undertaking a deep dive review into Revenues Collection.

Council boards

The Council establishes joint Member/officer boards to ensure there is appropriate oversight for key areas of business where there is significant risk and expenditure. For example:

- The Major Projects Board has been established under the overarching authority of Cabinet to provide oversight of the strategic direction and progress on major projects within the Council. This was initially set up to oversee the Britannia Masterplan, with Kings Hall Leisure Centre refurbishment project being subsequently brought under this governance. The Board provides a forum to escalate and address programme issues and review risks and financial aspects of the programme. The Board may also be used to consider other Major Projects, as may be required from time to time, given the expertise and oversight which the Board enables, e.g. 55 Morning Lane (55ML).
- A Corporate Parenting Board to provide oversight of the service and for Members to understand their corporate parenting responsibilities. The Board also has oversight of the 2023-25 Children's Parenting and Sufficiency Strategy as well as providing challenge to annual reports (e.g. LAC Health Annual Report)
- The Climate Programme Board was established to provide executive oversight and lead the strategic activity required to deliver the Council's organisational response to the climate emergency. This will include ensuring that climate implications and actions to meet our targets and ambitions are firmly embedded in our policies, processes and procedures, and ensuring the delivery of an annual work plan. The Council's Climate Action Plan was approved by Cabinet in May

2023 and the deliverables of the detailed action plan will be reported to and monitored by the Climate Programme Board.

- The Capital Asset Steering Board is a member and senior officer steering board which will review and agree any required decisions relating to capital investment and assets that are required to go to Cabinet for a decision. It has oversight of the delivery of the Capital Programme, Strategic Asset Management Strategy (including the HRA Asset Management Plan) and all decisions relating to capital investment.

Clear objectives and strategy based on local need

The Council's Community Strategy 2018-28 sets out our overarching vision for Hackney over the decade to 2028. It provides direction for all of the Council's decision making throughout this period and a focus for our work in partnership with residents, businesses, local organisations and community groups. The strategy was produced in partnership with local people and organisations in our community over a period of three years ensuring it is reflective of the lived experiences of residents in our borough.

<https://hackney.gov.uk/community-strategy>

Effective service and financial planning

The Council adopts, delivers and keeps under review a Strategic Plan (formerly the Corporate Plan) for each new four year local electoral term. The Strategic Plan is in line with the ten year Community Strategy, but it sets out how the Council will use its resources and its workforce to help achieve the Mayor's manifesto over the shorter elected period of office. Both the Community Strategy and the Strategic Plan and any related delivery plans or annual updates are publicly available.

The leadership team (Members and officers) are fully engaged in the financial planning process through Cabinet/Corporate Leadership Team (CLT) and CLT meetings at which the budget proposals are reported and fully discussed and challenged where appropriate. The expectation is that services continuously challenge the costs incurred to ensure services are delivered as efficiently, effectively and economically as possible with the leadership team challenging proposals in the context of Council objectives and service priorities.

Strategic Plan:

[HDS15714 Hackney Corp Plan Summary Short v8.pdf](#)

Progress on the delivery of the Strategic Plan outcomes are reported annual to Council - the latest update was to the July Council meeting.

[2025 Annual Update Strategic Plan - Cover Report for Full Council 23 July 2025](#)

Financial regulations

Part 4 of the Council's Constitution (May 2025) includes the Financial Procedure Rules which provide the framework for the financial administration of the Council with a view to ensuring that the Council's financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge to the Council. The Financial Procedure Rules are considered in conjunction with the Procurement Framework and the Scheme of Delegation.

[Council Constitution | Hackney Council](#)

Despite the growth that has been added to the budget for 2025/26 we are forecasting an overspend of circa £10m which, if not mitigated, will require a further draw down on reserves. The measures implemented in the latter part of 2024/25 to tighten control, implement management actions and reduce spend continue with the following additional measures:

- (a) Budget Recovery Board - Established in mid 2024 with an overall objective to mitigate the current year's financial position and improve the Council's ongoing financial sustainability. Following his review of the Board, the Group Director Finance & Corporate Resources has focused a refreshed Budget Recovery Board on tracking savings delivery, with an emphasis on management actions to get back on track, and cross Council initiatives to reduce spend, which includes a hold on non-essential spend, whilst separate targeted Financial Improvement Boards will focus on the overspending areas - as set out below.
- (b) CLT Resources Approval Panel - Agency expenditure remains high. Therefore CLT has agreed to the establishment of a Resources Approval Panel to maintain oversight and approval of all recruitment activity, both permanent and temporary, and all enhanced payment arrangements for permanent staff. This Board aims to ensure a consistency of approach in relation to employee remuneration to ensure that staffing costs are maintained within approved budgets and enhancements to pay are applied consistently across the Council.
- (c) Housing Revenue Account Finance Improvement Panel - established to interrogate the cost pressures within the service and introduce management actions to contain expenditure throughout 2025/26. This Panel has also overseen the development of savings proposals for the HRA as well as the review and refresh of the HRA Business Plan.
- (d) Adult Social Care Finance Improvement Panel - In light of the increased overspend since May, the Group Director Finance and Corporate Resources has set up a monthly improvement that focuses upon the financial sustainability of Adult Social Care. The first meeting took place at the end of November.
- (e) Additionally, CLT will continue the non essential spend controls which contributed over £3m of mitigations across the General Fund and HRA in 2024/25. It is continuing with the non-essential spending freeze that we introduced last year to mitigate the current overspend and to protect reserves.

Procurement regulations

All procurement activities must be carried out, in accordance with the Council's Contract Standing Orders as set out in Part 5B of the Constitution, but also in compliance with the Council's General Scheme of Delegation to Officers. The Contract Standing Orders set out procurement routes applicable to various levels of spend, and in addition a risk management framework is in place for procurements above £120k. The application of the risk framework and the estimated value of the requirement determine the governance arrangements which are applicable to individual procurements. All procurements assessed as medium or high risk go through the Council's procurement gateway process with decisions taken by the Cabinet Procurement and Insourcing Committee for high risk or Hackney Procurement Board for medium risk procurements.

Contract management arrangements

Contract managers are responsible for monitoring contracts to ensure that suppliers are delivering against specifications and maintaining records of supplier performance. Arrangements are proportionate to the value and risk of the contracts. Support is provided from the Procurement Team for the management of high risk and key strategic contracts

Risk management arrangements

Hackney's Risk Strategy clearly details the approach which the Council takes towards managing and reporting risk. The process is clearly outlined where risks are identified at service level, which are then considered (if relevant or serious enough) at a Divisional and then Directorate level. Then if appropriate, they may be categorised as Corporate risks - those which could potentially threaten the core objectives of the entire organisation. Leadership teams are involved in managing risks at all levels, whether at service level where management teams review risk registers, or at senior management level (Corporate Leadership Team) where the overall Corporate Risk Register is reviewed at least every six months. Audit Committee also plays an important role in ensuring effective risk management occurs throughout the organisation. Each Directorate presents their risk register to the Committee on an annual basis, and the Corporate register is reviewed at every other meeting (with a headline summary provided at every single meeting). This ensures a high level of scrutiny in order for Members to feel assured that the right arrangements are in place. These high level reviews also ensure that throughout the organisation, management teams are aware of the importance of considering their risks and how to effectively manage them.

Detailed risk registers are also maintained at a project level basis to ensure risks to outcomes are fully considered and mitigated appropriately.

The Risk Strategy (and Policy) are scheduled to be reviewed biennially and were last reviewed in 2024. The Audit Committee considered this review at their meeting in October 2024 and approved and ratified the Risk Strategy (and Policy). They will next be reviewed in October 2026.

Efficiency reviews

Services are expected to consider the efficiency of the services they deliver on an ongoing basis. Proposals for improved efficiency improve the bedrock of directorate budget savings proposals each year, including for 2026/27.

Benchmarking

The Council employs benchmarking at a range of levels including:

- reviewing performance compared to other local authorities to inform performance target setting and performance monitoring (for example, data sets reported through to the Children's Management team)
- benchmarking of costs to determine areas to consider for efficiency savings (for example, use of CIPFAStats+) and engage in formal cost benchmarking such as those initiated by London Councils (in areas including Children's Social Care and SEND).
- Adult Social Care benchmarking of unit costs facilitated by London Council's to ensure efficient use of resources and to ensure best practice in commissioning arrangements. This has been through the ASC-FR statistical returns and through

regular ADASS budget surveys as well as responding to ad hoc requests for benchmarking facilitates through the ADASS finance Leads group.

- Housing Services use the Housemark Benchmarking data to underpin Transformation work in Housing Services. Key performance indicators are set annually for each service area in Housing Services informed by this benchmark data and we aim to set targets that will improve our Housemark quartile ranking, thereby improving services to residents. We also regularly use Housemark in addition to other benchmarking activities to look at best practice across the sector when we undertake any service improvement project work.
- Environmental Operations use benchmarking data to assess the cleanliness of our streets. It uses the national Local Environmental Quality Indicator, to compare the cleanliness of Hackney's streets with other local authorities and to ensure continuous improvement in our performance. NI195 covers litter, detritus, graffiti and flyposting. It has been developed to measure the cleanliness of the local environment, as a member of the public would see it. The surveys produce information to help managers improve resource efficiency and the attractiveness of an area. This benefits visitors, residents, businesses and workers.

Peer reviews

The authority invites representatives of other authorities to review the delivery of specific services, to use their experience to assess how well these services are performing and to make recommendations for improvement.

During 2024/25 the Council held a Corporate Peer Challenge (CPC) facilitated by the Local Government Association (LGA). The Council agreed its Action Plan at Cabinet in March 2025. In October 2025, in line with standard practice, members of the peer team returned to Hackney for a progress review. Their final report was published in December 2025. This report recognised the 'significant progress' the Council has made over the last twelve months. The report recognised that the Council will need to continue to deliver on its plans to ensure 'long term financial sustainability'. We accept this and continue to monitor progress against the CPC action plan and our corporate transformation programme agreed in September 2025.

Monitoring of Performance Data

The Council has a suite of performance indicators which it collects on a regular basis as well as in a large number of services access to 'live' management data on current service performance (via Qlik). Performance is monitored at all levels of the organisation to ensure that the Council is delivering its objectives (as laid out in the Strategic Plan and statutory obligations).

Performance is monitored at local management level as well as Directors, Group Director, CLT and Cabinet members. CLT, Directors and all members have access to online performance dashboards which have PIs for the Council (grouped to three dashboards - Business Critical; Organisational Health and Strategic Plan outcomes) Regular review of these takes place at meetings of CLT and between CLT and Cabinet Members and the Mayor. The Council's Assistant Director responsible for performance also meets the Chief Executive monthly to update on performance issues and emerging issues and trends.

The Council's Scrutiny Panel has also compiled a dashboard of KPIs which are reported on each quarter to Scrutiny Panel with relevant Directors available to answer questions and address concerns.

[item 5 cover sheet Performance Reporting - new dashboards.docx](#)

User surveys

The authority undertakes a periodic survey of users of particular services, designed to assess the extent to which these services meet users' needs and to identify opportunities for improvement. This is in the form of a residents survey and more focused surveys where specific service changes are required or where specific feedback is required. In ASC, the annual service user survey and bi-annual carers survey are monitored by services and used to inform strategic decisions and service planning. Education Services uses a variety of forums to take account of stakeholder expectations including an annual customer survey with all schools and setting purchasing services through our traded offer. Schools' Forum is a statutory meeting that acts as a consultative body regarding school funding in the borough.

Current live consultations and surveys can be found via this link [Hackney Council](#)

External assessments

The authority engages with statutory and non-statutory external reviews of its services, such as Ofsted reviews of children's social care services, and seeks to use the results of these reviews to improve the operation and management of the services under review.

In July 2024 the Council received a 'Good' judgement following the inspection of Children's Services. The inspection report noted how services for vulnerable children and their families had greatly improved since the last inspection of children's services in 2019 and highlighted how professional and political leaders have responded successfully to significantly improving children's services. These improvements will continue and an action plan to take forward the report recommendations will be driven by the Children's Social Care Reform Board chaired by the Chief Executive to oversee a strategy to move Children's Services to 'Outstanding'.

At the time of writing the Council was awaiting the publication of the recent Ofsted and CQC joint SEND inspection. Strengths highlighted in the inspection include a strong strategic understanding of the local community, effective partnership working, meaningful engagement with families, robust early identification and help, and high-quality health and therapeutic services that contribute to good outcomes for many. Key next steps focus on improving system-wide consistency and impact by establishing clear KPIs, strengthening inclusive practice in secondary schools to reduce exclusions, accelerating the timeliness and quality of Education, Health and Care (EHC) plans, enhancing preparation for adulthood (PfA), and reducing health waiting times for assessments, and simplifying support processes for families. The inspection noted the publication of the recent Hackney Education Three Year Strategic Plan and encouraged the council to carry out planned activities.

In October 2024 the Council's Extra Care Service, provided by Adult Social Care, was inspected by the Care Quality Commission, and received a rating of Good in every domain. This is a service that has 16 schemes (14 in scope for inspection), up to 288 service users and operates 24hrs a day throughout the year. The inspectors noted the staff were commended by users of the service, and their families, for being knowledgeable and kind.

People felt safe and risk was well managed, with the service being well led and with a good culture of learning, support and quality focus.

In August 2024 the Housing Regulator issued a regulatory judgement for the Council to confirm a consumer grading of C3, that there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed. The judgement followed responsive engagement with the Council about the Safety and Quality Standard in the management of the Council's housing stock. This was the first time the Regulator had issued a consumer grade in relation to this landlord. Since the inspection improvements have been made in all the five areas and we are now compliant with the fire risk assessment of communal areas. Improvement plans are in place to ensure compliance and officers are working with the Regulator, Tenant and Resident Associations and residents on the improvement journey. The Housing Improvement Programme is overseen by the Transformation Board.

The Housing Ombudsman Service (HOS) also launched a special investigation into the Council's repairs delivery and complaints handling processes, publishing its final report in May 2025. The Council has accepted the HOS recommendations, integrating them into an updated Housing Improvement Plan. This plan includes workstreams for health and safety compliance, repairs, learning from complaints, knowledge and information management, oversight, workforce development, policy and procedure. The implementation of these recommendations is monitored by the HOS with quarterly advisory reports submitted to Cabinet and the Living in Hackney Scrutiny Commission with further challenge and oversight from the Housing Advisory Panel and the HRA Finance Improvement Board.

Equality Impact Assessments

The authority undertakes Equality Impact Assessments of policies, activities and services, to ensure that they do not – deliberately or inadvertently – discriminate against certain groups or individuals, especially those that are disadvantaged or vulnerable. Equality impacts considerations are embedded in decision-making processes - for example, decisions on budget proposals, the procurement impact assessment (PRIMAS), organisational change procedures all require the consideration of equalities impacts. As part of the work in developing budget proposals it was recognised that managers would benefit from a training refresh on carrying out Equality Impact Assessments to ensure a consistent approach in assessing the impact of decisions. Training has been delivered throughout 2024 and 2025, sessions have taken place and “Drop-In” sessions were also run throughout the year. An impact assessment on the training has been undertaken to ensure the expected outcomes are being achieved.

[Equality and diversity | Hackney Council](#)

Financial Management Standard B: The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer (CFO) in Local Government.*

The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest

The Group Director, Finance and Corporate Resources (GDFCR) is the CFO for the Council and is a key member of the Corporate Leadership Team (CLT), reports to the Chief Executive, is professionally qualified and is actively engaged on all matters of strategy direction and delivery. All key decisions require financial implications to be considered by a

representative of the CFO and the CFO personally signs off on all Level 1 Cabinet or Cabinet Procurement and Insourcing Committee decisions.

The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy

The GDFCR leads the Council's financial strategy to deliver against its objectives. This includes the development of the medium term financial plan and the annual budget cycle.

The Council has a strong track record of ensuring that a balanced budget is planned and delivered despite considerable reductions in Government funding and significant cost pressures. This is a result of a considered approach to resource allocation which reflects the impact demand-led services can have on expenditure and the volatility this can bring. For example, measured allocation of budget growth with earmarked reserves set aside to mitigate risk.

All key decisions require financial implications to be considered by a representative of the GDFCR and the GDFCR personally signs off on all Level 1 Cabinet or Cabinet Procurement and Insourcing Committee decisions. Beyond this the GDFCR has representation on directorate management teams which ensures there is an awareness of emerging issues and/or service developments and that financial impacts both long and short term are fully considered at an early stage in the process.

The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively

The GDFCR maintains a continuous review of the Financial Procedure Rules and financial schemes of delegation as set out in the Council's constitution. Furthermore, the GDFCR provides regular budget updates to meetings of senior managers, setting out financial performance, forecasts and the challenges ahead. As set out above the GDFCR has representation on directorate management teams which ensures that sound financial management remains at the forefront of operations.

The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose

The GDFCR leads a mix of qualified and non-qualified working professionals with the requisite skills to carry out their roles effectively.

The Council invests in CIPFA and other recognised training regimes to ensure staff have the appropriate skills and knowledge to deliver an effective service.

Additional skills, for example, tax advice where transactions are complex, will be bought in where it is considered necessary to enhance in-house skills and experience.

There are sufficient numbers in the finance teams - and the impact of any staff reductions on the ability to provide a robust level of service are always considered before any restructures are undertaken of finance teams. Teams have appropriate access to ICT and relevant software packages to support the work they do.

The CFO in a local authority must be professionally qualified and suitably experienced

Appointed in February 2025, the Group Director - Finance and Corporate Resources is a CIPFA qualified professional with over 20 years of experience in local government finance.

His credentials include serving as an elected Member of the CIPFA Council and a successful seven year tenure previously in Hackney from 2016–2023, where he demonstrated a consistent track record of sound financial management. Most recently, as EY's Local Government Financial Resilience Lead from 2023–2025, he provided strategic support to authorities nationwide facing significant financial challenges, further solidifying his expertise in fiscal sustainability, resilience and governance.

Financial Management Standard C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control

Establishing a clear framework for governance and internal control

The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that decisions are taken efficiently and transparently and that those who make the decisions are accountable to local people. Some of these procedures are legal requirements while others are how the Council has chosen to conduct its business.

The Council's governance structure is set out in the Constitution including the role of the Executive (Cabinet) and Overview and Scrutiny. All committees have formal, agreed terms of reference (also contained within the Constitution), setting out the scope of their responsibilities. Terms of reference are regularly reviewed and updated in line with good practice. They also have a defined membership and a suitable, pre-agreed schedule of meetings and work plan.

All meetings of the committees forming part of the authority's governance structure have a published agenda and have its proceedings and decisions recorded in formal, written minutes which are available on the Council website (with the exception of exempt information). Members of the committee, and others who may reasonably wish to address the committee, are given adequate notice of such meetings as set out in the Constitution.

The responsibility for Council and Executive functions are set out in Part 3 of the Constitution including Council functions which cannot be the responsibility of the Executive, Role and function of the elected Mayor, and the officers scheme of delegations.

The Council has an effective system of internal control in place which it reviews and reports on annually through the annual governance statement which is also subject to review by internal audit on an annual basis. Furthermore internal audit provides assurance through its programme of cyclical and annual reviews of elements of the control framework.

Financial Procedure Rule 19 clearly defines partnership arrangements and states that all Councillors and Officers currently involved in or considering 'partnership' working shall have regard to the Council's Partnership Code of Practice and ensure compliance with it.

[Council Constitution | Hackney Council](#)

Establishing clear arrangements for assurance and accountability

Internal Audit is an in-house service which conforms to the Global Internal Audit Standards. Conformity with these standards is verified by external assessment at least once every five years (most recently in November 2023) and an annual self assessment.

The Council ensures that the head of internal audit is able to fulfil their role effectively, in line with the responsibilities set out in the CIPFA Statement on the Role of the Head of

Internal Audit (2019). This includes direct lines of communication to the Chair of the Audit Committee and the Chief Executive if circumstances require.

Internal audit works to an agreed plan which is developed following a review of the authority's governance and internal control arrangements, the environment within which the authority operates and the risks and challenges that it faces. Internal audit is resourced adequately and reports to the Audit Committee. The Audit Committee approves the audit plan and receives regular progress reports against the plan.

Hackney's Risk Strategy details the approach which the Council takes towards managing and reporting risk. The process is clearly outlined where risks are identified at service level, which are then considered (if relevant or serious enough) at a Divisional and then Directorate level. Then if appropriate, they may be categorised as Corporate risks - those which could potentially threaten the core objectives of the entire organisation. Leadership teams are involved in managing risks at all levels, whether at service level where management teams review risk registers, or at senior management level (Corporate Leadership Team) where the overall Corporate Risk Register is reviewed at least every six months. The Audit Committee also play an important role in ensuring effective risk management occurs throughout the organisation. Each Directorate presents their risk register to Committee on an annual basis, and the Corporate register is reviewed at every other meeting (with a headline summary provided at every single meeting). This ensures a high level of scrutiny in order for Members to feel assured that the right arrangements are in place. These high level reviews also ensure that throughout the organisation, management teams are aware of the importance of considering their risks and how to effectively manage them.

There is a well established Audit Committee in place in accordance with the principles in CIPFA's Position Statement on Audit Committees in Local Authorities and Police (2018) and the supporting guidance publication. Its responsibilities include receiving reports on and monitoring the implementation of internal and external audit recommendations - receiving regular progress reports on a quarterly basis. The Audit Committee also has delegated responsibility in relation to oversight of the treasury management function (receiving update reports at each meeting) and risk management arrangements (receiving reports from each of the directorates on a cyclical basis). Based on the information received, it commissions and leads deep dive reviews in specific areas.

Espousing high standards of governance and internal control

The Council's Code of Conduct for officers provides a framework and outlines core behaviours. It forms part of the employment contract, is readily accessible on the intranet and is required to be read and understood by every Council employee.

Hackney Council has adopted a Councillor Code of Conduct, which applies to the Elected Mayor, Councillors and Co-Optees in accordance with the Localism Act 2011. The Code assists the Council in complying with its duty to promote and maintain high standards of conduct by the Elected Mayor, Councillors and co-optees and forms part of the Council's Constitution (Part Seven, Section A). The Councillor Code of Conduct was last adopted by Council, following a comprehensive review, in January 2022 and took effect following the elections in May 2022. The Code follows the Local Government Association's (LGA) model Code of Conduct, with local amendment. The Code was further modified during 2023. The Monitoring Officer is responsible for ensuring the proper operation of the Code and for recommending any amendments to the Council's Standards Committee for consideration and onward recommendation to Full Council.

The Council maintains a register of interests for senior officers and members. This is updated annually as a matter of course and declaration of interests is a standard item on the agenda at all Council meetings. Any potential conflicts are brought to the attention of the Director and steps put in place to ensure that the position of the Council is not compromised by any such conflict.

The Council is open to constructive challenge and consults openly with key stakeholders, staff and residents as part of the decision-making processes as evidenced in Cabinet and other committee reports. We regularly consult the public and other interested groups such as businesses about our plans. Outcomes of these consultations on our [Consultation Hub](#).

The Overview and Scrutiny Committees provide regular challenge through its work and this can lead to reports advising and making recommendations on policies and service delivery.

The Council's decisions are supported by a robust evidence base. This includes ensuring all options are explored, the consideration of impacts of decisions (for example, budget savings decisions) and use of options appraisals and consultation with relevant stakeholders. Where considered necessary, the Council will engage external experts to support decision making processes, for example treasury management advisors, tax advice and bespoke advice for major decisions on a project by project basis.

Creating, maintaining and nurturing a culture of governance and internal control

The Corporate Leadership Team demonstrates a high standard of governance and internal control at all times and embraces conscientiously the authority's governance and internal control processes - this is evidenced through transparent decision-making processes; attendance of the leadership team at meetings where performance is reviewed (Audit Committee, Scrutiny Committees), engagement in audit processes and follow up.

The Council reviews its Constitution on a regular basis, taking on board new developments in good practice. The Monitoring Officer is the officer under whose remit the Constitution falls and a Constitution Committee was established in January 2022, whose primary remit is to review areas in the Constitution to ensure that they are fit for purpose and propose appropriate changes.

During 2022/2023, the Council's Constitution was subject to a significant review and refresh. This review did not seek to change the balance of decision-making within the Council or how decisions are made generally, rather it aims to provide greater clarity for the public, elected Members and Officers as to the operation of the Council through improvements to the layout and format and a greater emphasis on the use of plain english.

Full Council adopted the revised Constitution in July 2023 and it became operational in September 2023.

A review of the operation of the new Constitution took place in Autumn 2024. Whilst the Constitution was considered to be working well, a number of changes to Council Procedure Rules and the Council's Petition Scheme were recommended by the Constitution Committee which were adopted by Full Council in May 2025.

The Council is proactive in its promotion of its values within its workforce - this is embedded through the 'Check In' processes, conducted at all levels of the organisation and rewarded through initiatives like the Hackney Stars awards.

Financial Management Standard D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

The Council adheres to the requirements set out within the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) as evidenced in the process for the completion of the annual governance statement (AGS) which provides a detailed and evidenced-based record of compliance.

The Code of Corporate Governance was reviewed in summer 2021 and subsequently updated to reflect how the Council best evidenced the CIPFA Framework. The updated version was reported to the Audit Committee in October 2021 for information and is now published online alongside the Council's Constitution:

[Council Constitution | Hackney Council](#)

In summary each Group Director is required on an annual basis to review the internal controls in operation in their directorate informed by:

- Review of completed Control Assurance Matrices for services within the directorate
- The performance management arrangements for services
- The risk management processes in place within services
- Other corporate management, monitoring and review processes, and
- Review work undertaken by internal audit, the external auditors and any other review agencies or assurance providers.

They are also required to confirm that:-

- Statutory obligations (where relevant) and objectives have been established
- Risks to the achievement of objectives have been identified
- Key controls have been identified and evaluated to manage risks,
- Mechanisms are in place to obtain assurance on the effectiveness of performance management as well as key controls.
- Declarations of interest are complete and up to date in respect of themselves, managers and where necessary for other staff in their directorate, and the related party disclosures are complete.

As part of the process the Group Director is required to highlight any areas of exception or non-compliance. The primary evidence base for the statement is the controls assurance matrix which records areas of assurance, required standards and compliance along with evidence at service level. Once complete the statement and supporting matrix is forwarded to Internal Audit for review and testing prior to aggregation as part of the preparation of the annual accounts.

Financial Management Standard E: The financial management style of the authority supports financial sustainability

The financial management style of the authority is reflective of the four dimensions reflected in the financial management code, namely Leadership, People, Processes and Stakeholders.

Leadership

Delivering Accountability:

The Group Director Finance and Corporate Resources (GDFCR) is a key member of the Corporate Leadership Team, reports to the Chief Executive, is professionally qualified and is actively engaged on all matters of strategy direction and delivery. Beyond this the GDFCR has representation on directorate management teams which ensures there is an

awareness of emerging issues and/or service developments and that financial impacts both long and short term are fully considered at an early stage in the process.

Part 4 of the Council's Constitution (May 2025) includes the Financial Procedure Rules which provide the framework for the financial administration of the Council with a view to ensuring that the Council's financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge to the Council. The Financial Procedure Rules are considered in conjunction with the Procurement Framework and the Scheme of Delegation. Compliance with these rules is mandatory and subject to cyclical review as part of the annual Internal Audit Plan.

Within the annual budget-setting process the Council's leadership team sets income requirements, including taxation income, and allocates resources to different activities in order to achieve its objectives. This is evidenced in the annual tax base report to Cabinet and the Annual Budget setting report to Cabinet and Full Council. The authority monitors its financial and activity performance in delivering planned outcomes through monthly reports to Cabinet - the OFP report provides an overview of financial performance at Council and individual directorate level.

[F S524 2025/26 Overall Financial Position Report - October 2025 PDF 714 KB](#)

Supporting performance

The authority has a developed Medium Term Financial Plan which is regularly updated to take account of new and emerging circumstances. This factors in forecast cost pressures, savings proposals and estimated impacts of future funding levels. In financial plans, resources are aligned to meet current and future objectives and priorities as evidenced in the Annual Budget Report.

The GDFCR leads a mix of qualified and non-qualified working professionals with the requisite skills to carry out their roles effectively. The Council invests in CIPFA and other recognised training regimes to ensure staff have the appropriate skills and knowledge to deliver an effective service. Additional skills, for example, tax advice where transactions are complex, will be bought in where it is considered necessary to enhance in-house skills and experience.

Enabling transformation

The Council's financial management approach supports the change agenda and service transformation. The Council has taken the decision to establish a corporate approach to transformation and has appointed a Director of Transformation reporting to the Chief Executive. In July 2024 Cabinet approved the Corporate Transformation Strategy which sets out the Council's ambitious and progressive approach to change, securing Hackney's future by solving problems and meeting challenges differently and creating an enabled, effective and efficient Council. The Strategy sets out to prioritise resources where demand is increasing but the means to deliver services are reduced.

[CED S353 Transformation Strategy PDF 170 KB](#)

In September 2025 Cabinet approved the Leading Hackney: Future Organisation plan which builds on the Transformation Strategy and sets out the progress made and outlines the next stage of work to reshape how the Council operates. The plan focuses on how we embed new ways of working that will improve outcomes for residents while strengthening financial sustainability. We want Hackney residents to experience services that are easy to

access, efficient, and designed to solve problems early, rather than responding at crisis points.

[CED S483 Leading Hackney: Future Organisation PDF 696 KB](#)

The Corporate Transformation programme is crucial to ensure the Council delivers on both the priorities for residents set out in the Strategic Plan and on the requirements of the MTFP to set and deliver a balanced budget over the medium term. The financial context for the authority is a key consideration for the programme and the transformation team is working in collaboration with both finance and services to develop robust business cases and put in place effective process and governance to ensure these are delivered. CLT will meet monthly as a Transformation Board to provide strategic oversight and direction.

People

Delivering accountability

The GDFCFR leads a mix of qualified and non-qualified working professionals with the requisite skills to carry out their roles effectively.

The Council invests in CIPFA and other recognised training regimes to ensure staff have the appropriate skills and knowledge to deliver an effective service.

Additional skills, for example, tax advice where transactions are complex, will be bought in where it is considered necessary to enhance in-house skills and experience.

Supporting performance

The Council has a long-established business partnering approach with finance staff reporting through to the GDFCFR officer but embedded in service management teams and structures. Directors of Finance attend DMTs and report on financial performance and this is replicated at divisional level and in individual Head of Service budget meetings. Finance staff also participate in induction training for staff and GDFCFR regularly provides finance update to senior managers - tiers 1-4 meetings.

Enabling transformation

See under 'delivering accountability' above - the Council invests in the finance function to ensure that it is equipped to deliver a service which supports change. This is evidenced in objectives set out in service reviews of the finance functions as well as in recruitment where the need to add value and support change is clearly articulated.

Stakeholders

Delivering accountability

The Council through its decision-making structures provides external stakeholders with evidence of the integrity of its financial conduct and performance, and demonstrates fiscal discipline including compliance with statutory, legal and regulatory obligations. In particular reference is made to standard Cabinet reports which evidence these considerations and the reports received by the Audit Committee on performance, treasury management, internal and external audits and deep dive reviews, all of which are in the public domain.

Supporting performance & Enabling transformation

The Council has a developed approach to stakeholder and consultation engagement which is evidenced in co-production and consultation across the range of services in respect of both business as usual processes to service transformation and more wide-ranging

customer insight exercises. From consultation and engagement with tenants and leaseholders, through wide-ranging consultation on the wider community strategy to focussed engagement pieces such as the Young Futures Commission and in relation to the Children & Family Hub proposals.

Hackney Council

Despite the growth that has been added to the budget for 2025/26 we are forecasting an overspend which, if not mitigated, will require a further draw down on reserves. It is imperative that the Council acts to reduce the level of spend and contain the draw down on reserves. The Corporate Leadership Team (CLT) in response to the financial situation will maintain oversight and focus on the budget and finances through enhanced governance arrangements as follows:

- (a) Budget Recovery Board - Established in mid 2024 with an overall objective to mitigate the current year's financial position and improve the Council's ongoing financial sustainability. Following his review of the Board, the GDFCR has focused a refreshed Budget Recovery Board on tracking savings delivery, with an emphasis on management actions to get back on track, and cross Council initiatives to reduce spend, which includes a hold on non-essential spend, whilst separate targeted Financial Improvement Boards will focus on the overspending areas as set out below.
- (b) CLT Resources Approval Panel - Agency expenditure remains high. Therefore CLT has agreed to the establishment of a Resources Approval Panel to maintain oversight and approval of all recruitment activity, both permanent and temporary, and all enhanced payment arrangements for permanent staff. This Board aims to ensure a consistency of approach in relation to employee remuneration to ensure that staffing costs are maintained within approved budgets and enhancements to pay are applied consistently across the Council. An automated, streamlined process has been designed and will be implemented in January 2026.
- (c) Housing Revenue Account Finance Improvement Panel - The GDFCR established the HRA Finance Improvement Board to interrogate the cost pressures within the service and introduce management actions to contain expenditure throughout 2025/26. This Panel has also overseen the development of savings proposals for the HRA as well as the review and refresh of the HRA Business Plan.
- (d) Adult Social Care Finance Improvement Panel - In light of the increased overspend, the GDFCR has set up a monthly improvement panel similar to the HRA Finance Improvement Panel that will focus upon the financial sustainability of Adult Social Care. The first meeting took place at the end of November.

Financial Management Standard F: The authority has carried out a credible and transparent financial resilience assessment

The GDFCR has undertaken a review of the financial resilience in fulfilling his duty to provide a Section 25 statement This is included as Appendix 12 to the budget report. Overall he concluded that estimates and balances are sufficiently robust and at the appropriate level with due regard to the risks set out in the Section 25 Statement. This is based on the assessment that the reserves we are forecast to have at the end of 2025/26 give us sufficient mitigation against risks we face for 2026/27. Given that our level of reserves are forecast to have reduced significantly over the past three years and that we used £10m of reserves to set the 2025/26 budget, our overall financial resilience has

declined. We have been able to set a balanced budget for 2026/27 without the use of reserves however, there is a significant level of savings to be delivered in-year. We will, therefore, need to continue to keep our overall financial position under ongoing close review.

In addition, the GDFCR led a review of the Council's reserves and balances which has been discussed with Cabinet members which included a comparison with other London boroughs. This information is being used to inform the review of reserves and balances undertaken as part of the budget development process for 2026/27. In the spirit of increasing the transparency and understanding on the level of the Council's reserves and the link to financial resilience a statement on the reserves position is included within the monthly OFP report to Cabinet.

The Council has effective financial management systems in place including:

- Monthly financial reporting at overall Council and service level through to Cabinet.
- Enhancing budget monitoring through the Budget Recovery Board arrangements chaired by the Chief Executive and GDFCR
- Regular finance reporting to directorate management teams and divisional meetings.
- Regular finance updates by the GDFCR to CLT, Cabinet/CLT and to managers tier 1-4 including the medium term financial strategy.
- Regular meetings with budget holders and finance support identifying significant budget variations.

As well as revenue reporting referred to above, Capital Update reports are reported on a monthly basis to Cabinet and the Capital Programme is subject to quarterly review.

There is a well established capital bid and approval process and the annual budget report contains the Council's capital strategy. Historically the Council has had very low borrowings but is cognisant that this is likely to change in the next few years if we are to maintain our estate and deliver against housing targets as well as the Council's wider capital ambition including in relation to climate change. The Council has robust governance arrangements to provide greater transparency and consistency over decision-making on capital investment as well as clearer linkages between the capital programme, the Strategic Plan and the MTFP. Two elements of the arrangements are now operational, the Capital Asset Steering Board and the Capital Strategy & Asset Management Group.

[Capital and Asset Steering Board Terms of Reference](#)

[CSAMG Terms of Reference](#)

Historically and in common with other authorities, the Council's capital programming has demonstrated significant optimum bias. As we move towards becoming a borrowing authority it becomes increasingly important that within realistic parameters that we improve on this. The Audit Committee led a deep dive review on this and a number of actions were taken. It is noted, however, that slippage has continued to be an issue especially as a result of external factors including construction inflation which has required further work to be undertaken on some schemes to ensure they remain viable and affordable. We continue to

review and challenge budgets and budget profiles within the capital programme to ensure they are as realistic as possible.

The Council is outward looking in terms of its performance monitoring and this includes financial performance and responds to benchmarking information requests both corporately and in service areas and reviews outputs to inform future planning. The Council also utilises cost benchmarking to determine areas to consider for efficiency savings (for example, use of the CIPFA benchmarking tool) and engages in formal cost benchmarking such as those initiated by London Councils (CSC benchmarking) and utilises professional networks to undertake more focussed and bespoke benchmarking exercises to inform service planning and change.

Financial Management Standard G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members

The Council reviews its Medium Term Financial Plan (MTFP) on a regular basis and reports this through to members. This has been reviewed throughout the year and updated as part of the Budget Report for 2026/27.

The MTFP clearly sets out assumptions made and the risks to those assumptions both internal (e.g. delivery of savings, unmanaged cost pressures) and external factors such as Government funding and the impact on other income sources such as NNDR and commercial rents from the general economic position.

The Council uses scenario planning where circumstances are considered highly volatile (for example, the 2026/27 budget was developed in this context) and this was reported to members. This is also used at a more granular level for specific volatile service areas, for example, Homeless Prevention, adults and children's social care.

As has been reported to Cabinet throughout the year the Council continues to rely on the unplanned use of reserves to deliver services. The 2025/26 latest forecast outturn shows a £10.2m overspend. The General Fund reserve balances are forecast to reduce by £42m by the end of this financial year and the overspend will reduce this still further. Through the development of the budget for this year a consideration of the Council's reserve position has been a key element of the development of the budget strategy. CLT and Cabinet recognise that it is imperative that we act decisively to reduce the level of spend and contain the draw down on reserves. To this end the following has been incorporated into the Council's budget strategy:

- Undertake a forensic review of cost drivers to establish what corporate growth is required.
- A review of £35m growth across the MTFP period - including the impact of the £7.4m to £13.1m demand management savings from IMPOWER business cases
- The council is no longer debt free and the MTFP assumes **£1m** each year (£3m across the MTFP) as a result of increased borrowing
- **A smaller capital programme** will reduce this requirement
- Review wider savings and transformation programme to identify if **savings can be delivered earlier** to reduce the pressures
- Expanding savings from transformation (stretched targets)
- Strategic review of agency placements (200 FTE reduction - £50k average = **£10m Full Year Effect**)
- Ensure the scale of investment is **strategically prioritised** to deliver the **maximum**

return on investment (ROI) e.g. “Invest to Save”, whilst completing key change requirements

- Plan for continued rationalisation of **capital assets post Election** in accordance with the Corporate Asset Management Strategy

The budget for the HRA, including the setting of rents for 2026/27 was approved by Cabinet in January 2026. The budget was recommended following an update and review of the 30-Year HRA Business Plan for 2026/27 onwards. The 30-Year Business Plan is a statutory requirement and demonstrates that the HRA is financially viable whilst continuing to deliver the Council’s Housing priorities. The budget was set taking into account decisions made in relation to HRA reserve levels designed to improve the resilience of the HRA. The financial strategy and approach to risk management within the HRA business plan ensures the financial sustainability of the HRA.

Financial Management Standard H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities

The Prudential Code for Capital Finance in Local Authorities (the Code) was originally implemented in 2004/05 and the latest version is 2021. This is a professional Code that sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable.

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. The Council sets these indicators as part of the budget setting process and these are set out in the annual budget report. Performance against these are reported through to the Audit Committee on a quarterly basis as part of the Treasury Management update report.

The latest iteration of the Prudential Code sees a further increase in focus on exposure to commercial investments in the local government sector. Central government has voiced its concern in recent years 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 exposures to commercial investment and subsequent risk management.

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 revenue income stream it drives is proportional to our wider revenue budget.

The Council has a capital strategy in place and this is reviewed on an annual basis and is approved as part of the budget setting process. As mentioned above, the Council has undertaken a capital management review and this has incorporated an indicative 10 year programme as part the review of the capital strategy for inclusion in the budget report for 2026/27.

Financial Management Standard I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans

The Council has a Medium Term Financial Plan (MTFP) which it reviews on a regular basis and reports this through to members. This has been reviewed and updated as part of the Budget Report for 2026/27.

The MTFP sets out the economic context and assumptions made and the risks to those assumptions both internal (e.g. delivery of savings, unmanaged cost pressures) and external factors such as Government funding and the impact on other income sources such as NNDR and commercial rents from of the general economic position.

Financial Management Standard J: The authority complies with its statutory obligations in respect of the budget setting process

The Council complies with its statutory obligations in respect of the budget setting process. This is set out and clearly evidenced in the annual budget setting report.

Budget development is led by the GDFCR in consultation and collaboration with the rest of the leadership including Members.

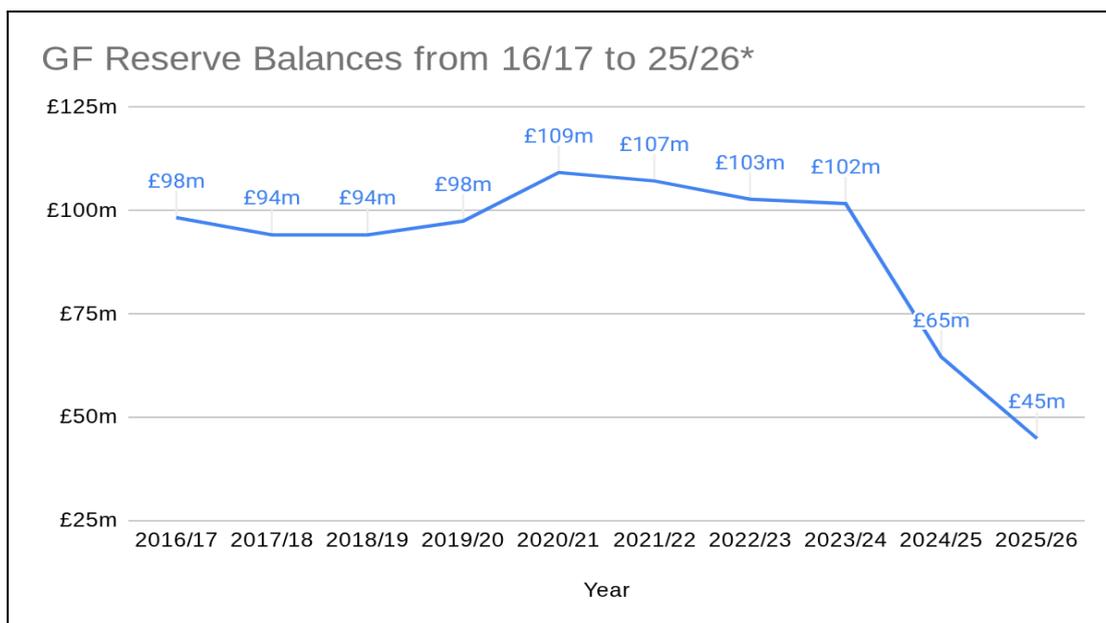
In accordance with the Local Government Finance Act 1992, the Council's budget includes the expenditure that the authority estimates it will incur in the year in performing its function, an allowance for contingencies in relation to this expenditure and the financial reserves that the authority estimates it will need to raise in the year to meet its estimated future expenditure such financial reserves as might be required to fund deficits generated in previous periods.

The Council has a sound track record of financial management and the current circumstances continue to test this. The 2026/27 budget sets aside additional contingencies in respect of demand-led pressures such as social care and temporary accommodation. The leadership team are clear about the main pressure areas which are a risk to financial sustainability and alongside the delivery of cost savings proposals the GDFCR sets aside reserves to mitigate against these risks. The GDFCR is fully aware of S114 responsibilities and the circumstances under which such a notice should be issued.

Performance against the budget is reported to Cabinet on a regular basis at Council-wide and service level. The GDFCR is aware of areas of cost pressure and their magnitude.

Financial Management Standard K: The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves

The chart overleaf shows the decline in the Council's usable reserves since 2016/17. We have experienced a dramatic reduction in reserves since 2023/4 which reflects the increase in demand led services and the use of reserve funding to meet these pressures. The reserves figure for 2025/26 is the forecast level of reserves we will have based on the OFP report to Cabinet in December.



An adequate level of reserves is essential to act as a safeguard against risks of a one-off nature and can only be replenished if in any one given year income exceeds expenditure. The Council holds a General Fund balance and a range of earmarked reserves for different purposes. The General Fund balance is the absolute last line of defence and a requirement to utilise this reserve would indicate severe financial difficulty.

The Council has taken a long term and strategic approach to managing the budget gap over a number of years and this has allowed and continues to allow proposals to be developed to cover a range of years to enable services to be properly and fully reviewed. The authority has had a high measure of financial stability. However, this has been tested significantly in recent years as a result of the significant cost pressures in social care and homelessness prevention which has reduced reserve levels markedly. There are several risks to the budget, and these are set out in the budget report including cost pressures in relation to demand-led services which have been increased as a result of the cost of living crisis and the inflationary pressures facing the sector along with the measures in place to mitigate these risks. However, the GDFCR is cognisant of the need to build Council's financial resilience is clear in his advice to increase the level of General Balances from the existing position of £18m to £22m in the medium term.

The budget report includes a statement by the GDFCR on the robustness of estimates and reserves. The GDFCR concludes that estimates and balances are sufficiently robust and at the appropriate level with due regard to the risks set out in the Section 25 Statement. This is based on the assessment that the reserves we are forecast to have at the end of 2025/26 give us sufficient mitigation against risks we face for 2026/27. The advice of the Group Director Finance & Corporate Resources is for the level of General Balances to increase these to at least 5% of our net revenue budget over time which would equate to £22m to improve our financial resilience over the medium term.

As the multi-year 2026-27 Local Government Finance Settlement allocates more resources to the Council than was estimated, consideration should be given to building in increases to our revenue reserves to improve the financial resilience of the Council in the medium term.

Financial Management Standard L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget

The Council's Community Strategy 2018-28 sets out our overarching vision for Hackney over the decade to 2028. It provides direction for all of the Council's decision making throughout this period, including budget setting and a focus for our work in partnership with residents, businesses, local organisations and community groups. The strategy was produced in partnership with local people and organisations in our community over a period of three years ensuring it is reflective of the lived experiences of residents in our borough.

The Council adopts, delivers and keeps under review a Strategic Plan (formerly the Corporate Plan) for each new four year local electoral term. The Strategic Plan is in line with the ten year Community Strategy, but it sets out how the Council will use its resources and its workforce to help achieve the Mayor's manifesto over the shorter elected period of office. Both the Community Strategy and the Strategic Plan and any related delivery plans or annual updates are publicly available. As set out in the budget report, the annual budget is a financial exposition of the Strategic Plan - providing that thread back through to stakeholder engagement.

In addition to this, at a day to day level, the Council has a developed approach to stakeholder and consultation engagement which is evidenced in its approach to co-production and consultation across the range of services in respect of both business as usual processes to service transformation (including those integral to budget decisions) and more wide ranging customer insight exercises. From consultation and engagement with tenants and leaseholders, through wide-ranging consultation on the wider community strategy to focussed engagement pieces such as the Young Futures Commission and in relation to the proposals for Family Hubs.

[Community strategy | Hackney Council](#)

Financial Management Standard M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions

The Council undertakes options appraisals in respect of difficult decisions. All Cabinet reports require the author to identify options considered and rejected.

At a more granular level decisions will be supported by recognised options appraisal techniques. These are particularly pertinent to complex capital schemes. Sensitivity analysis is considered on a routine basis where relevant, for example around key variables such as house prices and cost inflation. Where necessary the process will also call for the input of external expertise - particularly where schemes are high in value and risk.

The results of option appraisals are reported to members and where not commercially sensitive, will be contained within Cabinet reports. Reports are clear on risks around specific options and the mitigations to address these risks.

Financial Management Standard N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability

Regular and timely reports are provided to Cabinet and CLT on the budget position in the current year, including emerging risks and action taken to mitigate them, and on future risks.

At Directorate level the finance team provides regular updates to directorate management teams and supports third tier managers in understanding their budget, cost pressures and developing recovery actions. Information provided is accessible and understandable - with use of visuals where appropriate.

Financial Management Standard O: The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability

The Council is aware of and monitors the elements of the balance sheet which pose a significant risk to financial sustainability.

Long-term and short term investments

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. The Treasury Management Strategy fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Treasury Management Strategy is reviewed and approved on an annual basis as part of the budget setting process. This strategy includes security and liquidity indicators (i.e. credit rating and short term cash availability). Updates against this strategy are reported to the Audit Committee on a quarterly basis. At an operational level the Head of Treasury, Banking and Accounts Payable monitors the position on a day to day basis and provides weekly updates to the Director, Financial Management. Regular meetings are also scheduled with our Treasury Advisors and the GDFCR.

Debtors

The Council monitors the collection of debt from main income sources on a routine basis and has historically achieved the targets set. Performance is reported to the Scrutiny Panel on a quarterly basis. 2025/26 income collection continues to track upwards ahead of the 2024/25 collection rate and we are on track to achieve our target. The collection of debt continues to be challenging due to the continuing Cost of Living Crisis and some legacy issues related to systems particularly concerning debt chasing activities but plans are in place to address these. Bad Debt Provisions, now referred to as Expected Credit Loss, are robustly reviewed and increased specifically for areas where impacts are expected to continue into 2026/27. 2026/27 budgets are set in the context of risk around collection rates particularly in relation to the Cost of Living crisis and the impact this could have on residents/businesses ability to pay.

Cash

The Council maintains an up to date cash flow forecast which is updated on a daily basis. The Council maintains a prudent head room and ensures it operates within the treasury management indicators set within the Treasury Management Strategy.

Current liabilities

The cash flow forecast includes regular payments (for example, payroll, precepts, loan repayments) where payment dates are known and also estimates for other outgoings and regular income sources. As above this is monitored and updated on a daily basis. The Treasury Management Strategy also includes liquidity indicators. Additionally, payments against targets are reviewed. The Council is confident that it maintains sufficient liquid balances such that it can meet liabilities as they become due.

Provisions and Reserves

The Council makes appropriate provisions for bad debts and other known liabilities which are reviewed in light of changed circumstances in setting its budget. The Council also sets aside earmarked funds for areas where there is risk to the annual budget. There has in recent years been a decline in the level of earmarked reserves which we hold against specific risks as those risks have materialised and reserves drawn down. To mitigate further decline in our reserves the GDFCR will undertake a further review of earmarked revenue reserves ring-fenced for both revenue and capital purposes to increase the General Fund Balance to £22m and ensure that reserves are appropriately prioritised against the biggest risks the Council faces.

Pension liabilities

The Council has a liability to fund part or all of the future pensions which are payable to retired employees. The measurement of these liabilities is reflected on the balance sheet, but we are not required to fund them (i.e. reduce usable reserves) when the liabilities are incurred. These liabilities are managed in the longer term, including adjustments to the employer's annual contributions to the LGPS based on actuarial review.

There is a Pensions Committee in place which oversees the Pension Fund which receives regular updates on the performance and administration of the fund from officers and our pension fund advisors. This provides further assurance that pension liabilities are appropriately managed.

Long term borrowing

The Council sets its prudential indicators in line with the Code of Practice on an annual basis and provides regular updates against these in its Treasury Management updates to the Audit Committee.

The Council has historically a comparatively low level of long-term external borrowing and the impact on the revenue budget of interest payments is offset by interest from investments which keeps our debt servicing costs relatively low. However, since 2024/25 our plans for capital investment are increasingly reliant on borrowing and as internal balances decrease a greater proportion of this investment will be from external borrowing (£247m of borrowing as at December 2025) and we will have further financial exposure in this regard. Furthermore, this increased reliance on borrowing will increase the proportion of our budgets which we are required to set aside to repay debt principal (the 'minimum revenue provision') and to service that debt ('interest'). In order that these trends are fully reflected in our revenue budgets, capital and revenue expenditure plans are aligned and routinely cross-checked to ensure provisions set aside in the MTFP are prudent.

The Council has an ambitious capital programme going forward and further borrowings are required, as reflected under Financial Management Standard 'H'. The revised governance arrangements put in place following the Capital Management Review is supporting decision

making for capital investment and reiterating to decision makers the clear link between capital investment decisions and the MTFP.

Financial Management Standard P: The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom

The GDFCR is aware of responsibilities in terms of the preparation of the annual financial standards and these are routinely produced in line with the statutory deadline and in accordance with the Code of Practice on Local Authority Accounting in the UK.

The statements themselves are of course subject to external audit and are routinely given a clean opinion in line with the audit deadline. The Audit Committee have oversight of this process including any recommendations arising from the audit and the external auditors have confirmed they are satisfied with the Council's processes in place.

For 2024/25, the draft accounts deadline of 31 May was successfully adhered to and we are on course to receive an unqualified audit opinion in February 2026. As has been reported nationally, the ongoing audit process has encountered delays attributed to well-established resourcing challenges in the external market, impacting not only our organisation but also affecting our peers and it is due to this that the Government announced statutory backstop dates which included setting backstop dates for financial years 2023/24 to 2027/28 to enable the local audit system to recover. If the backstop date is not met, the auditors will issue a 'disclaimed' or 'modified' audit opinion on the statement of account. For the 2024/25 accounts the backstop date is 28th February 2026 and as stated above the Council anticipates the issuance of an unqualified audit opinion in advance of the backstop date.

Financial Management Standard Q: The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions

A final outturn against the budget report is presented to Cabinet which identifies the main variance against the budget.

In reality this tends to reflect very little movement from the February forecast position which provides a detailed analysis of spend against budget and sets out main cost pressure areas.