

Executive Response to Budget Scrutiny Report 2026/27

Introduction

Firstly, in this response to the Budget Scrutiny Report, the Mayor and Cabinet would like to thank the Budget Scrutiny Task & Finish Panel, Chairs of the Scrutiny Panel and Scrutiny Commissions and all other Scrutiny Commission members who took part in this year's Budget Scrutiny process alongside Scrutiny officers. Scrutiny's role as a critical friend to the executive is an important part of the budget development process.

Drawing on lessons from previous years, this year's budget scrutiny process adopted a more streamlined approach. Central to this refresh was the establishment of a dedicated Budget Scrutiny Task & Finish Panel (BSTFP). This shift was driven primarily by recommendations from the Independent Review of the Scrutiny Function, which sought to strengthen financial oversight within the Council.

In establishing the BSTFP a distinction was drawn between the two roles of the budget scrutiny and financial governance, 1) "budget monitoring" which focuses on ensuring day-to-day adherence to the budget and 2) "budget scrutiny" which provides a broader evaluative framework to ensure alignment to strategic priorities and accountability.

The purpose of the BSTFP is to focus on budget scrutiny and its first and immediate task was to scrutinise cost savings proposals the administration considers essential for the 2026/27 budget as they emerged during the summer of 2025.

As detailed in our Budget Report, the Council is tackling unprecedented financial pressures caused by a sharp rise in service demand and delivery costs. We are meeting these challenges head-on by directing an increasing portion of our budget for statutory services, specifically adult and children's social care and homelessness support. While this year's budget process was particularly demanding, with our Scrutiny Commissions playing a vital role, we are presenting a plan that maintains our long-term ambition for a better Hackney.

This executive response does not attempt to go through the response to individual comments from BSTFP and next steps but addresses those comments raised in respect of the overarching themes and cross-cutting issues, as well as lessons learnt for future years. We thank all the Members of BSTFP for their considerations which will help in framing the implementation of budget decisions as well as the budget process generally. The aim in this response is to be as constructive as possible and feed into the ongoing development and improvement of Budget Scrutiny in this immensely challenging time for the Council.

Overarching themes and cross-cutting issues

General and overarching comments

BSTFP Comment - Greater transparency on Business Cases

The Panel stressed the importance of robust business cases and due consideration of consultation and lead times to ensure savings proposals are realistic. The proposals we consider come to us following a business case process and we would welcome greater transparency and sight of key documents that underpin these proposals. We would argue that the greater the transparency around the business cases, the easier it will be for relevant Scrutiny committees to check the assumptions and to support monitoring of their delivery. Such a process would also contribute to earlier identification of what might later become barriers to delivery.

Executive Response

During the Budget Scrutiny Task & Finish Panel (BSTFP) session on 3rd November 2025, the Group Director of Finance & Corporate Resources emphasised that robustness of business cases, incorporating realistic lead times and thorough consultation, are vital to ensuring that savings proposals are deliverable. This level of detail is essential for finance and the Corporate Leadership Team (CLT) to assess the viability of proposals before they are recommended for formal approval. A comprehensive business case ensures all stakeholders maintain a clear understanding of project goals, potential risks, and the resources required for success.

The savings templates provided to Members summarise these business cases, highlighting key issues and risks. The depth of information presented reflects the complexity of each proposal and its potential impact on the community, providing a foundation for Scrutiny to effectively challenge and probe. We remain committed to reviewing our presentation methods and, incorporating the feedback within this report, will work to improve the consistency of information provided to Scrutiny. These business proposals are then further developed by services to include detailed timeframes to ensure effective delivery, and are monitored closely throughout the year.

BSTFP Comment - Financial Clarity and Deliverability

The Panel acknowledged the officers' efforts to be creative on savings proposals however there was a general concern too about a lack of supporting evidence from officers on some of the proposals. We request that in future the data backing up

proposals needs to always be presented at the proposal stage otherwise that proposal needs to be postponed.

Concern was expressed too about a lack of clarity at times regarding upfront costs and the short-term net impact of proposals, relating for example to investment and redundancy costs. We also would like to stress the need for close monitoring to address issues of deliverability and slippage early on, adding that maximum effort should be put into implementing all available saving measures now to avoid future regrets about decisions not taken. Panel Members commented that some "invest to save" measures could have been implemented earlier and therefore with less of an impact.

Executive Response

We are committed to the principle of continuous improvement for the budget development process, as demonstrated over the last few years, and will work to improve financial clarity and information of deliverability of the Savings Proposals.

As outlined above we will work to improve consistency and quality of business cases which reflects that we are moving towards being a data driven and evidenced based decision making organisation. We will work to improve the section on investment in the savings template; ensuring it is being clear about the investment upfront to deliver savings and how this is going to be quantified to justify any future year investment.

In respect of redundancy costs this is difficult to estimate as the value is dependent on a number of variables. As part of the organisational development policy there is a strategy to minimise compulsory redundancy situations which includes holding positions vacant, redeployment opportunities, and voluntary redundancy. All of these will impact the cost of redundancy within the individual proposals.

There is a need for close monitoring of savings delivery and we will enhance the monitoring as part of the budgetary framework going forward.

BSTFP Comment - Public Engagement and communications

The Panel suggested that there needs to be great clarity as we move forward on exactly how imminent a Section 114 declaration might be and the consequent need to enter into EFS (Exceptional Financial Support). This needs to build on the communications already done, explaining the cuts that had to be made. There is a need now to move to the next step and provide greater clarity to residents on the risks associated with entering EFS and the steps that need to be taken to avoid this. We suggest a communications plan which would engage the public earlier on

the steps that would be taken should we enter into EFS and subsequently require S.114 declaration, this would help lessen the frustration or shock should a financial crisis occur. The communications with residents would need to be transparent about typical consequences based on what has happened elsewhere - closure of services, end of anything that is not statutory etc.

Executive Response

In light of the Provisional Local Government Finance Settlement, the risk to the Council of having to seek Exceptional Financial Support from Government has reduced. The Council is committed to setting a 2026/27 budget without the use of reserves. Our focus remains steadfast on the delivery of approved savings and the transformation agenda.

As part of our financial reporting through the Overall Financial Position (OFP) monthly reports to Cabinet we include a strategic refocus of budget recovery actions toward high-risk areas to mitigate overspend and ensure robust financial monitoring. The Council is pivoting toward greater management oversight and accountability to deliver a solid, sustainable financial position. By reducing our reliance on reserves and focusing on transformational change, we are ensuring the authority's long-term financial resilience.

The budget setting process for 2026-27 is supported by a proactive, multi-channel communications campaign to inform residents of the budget and Council Tax being approved at Full Council.

This will aim to raise awareness of key financial changes and their impact on residents, increase understanding of budget challenges and how we are responding, and work to improve the Council's financial position.

BSTFP Comment - A "one council" approach and the cultural shift required

A key challenge with ongoing cost savings programmes is the need to avoid silo working by Directorates and departments which is inevitable when they are being continually asked to offer up savings. For these savings plans to be effective however, they need to take a holistic or 'one council' approach, where impacts on other directorates or on partners or impacts down the line, have to be considered in the business case for each proposal. We'd also point out that because this process has been ongoing for a few years, Directorates need to be on the front foot with proposals and to be learning as they go along. The learning cannot be left until the end of the process. Accompanying this there is a need for a wider cultural shift among the Executive and staff, at all levels, to be conscious of the financial challenge in everything that they do. With each passing year the options for

savings are fewer so hoping that an area can remain untouched in the medium term can no longer be tenable.

Executive Response

We recognise the need to work as one Council and acknowledge the cultural shift that we need to make to deliver our Transformation Programme successfully.

As part of the Corporate Transformation programme embodied in the Leading Hackney: Future Organisation report to Cabinet in September which outlines the work to reshape how the Council operates, focusing 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

The new ways of working aim to create a culture that puts the resident at the centre of everything we do. We also need to review our structures to align our leadership, management and staff at all levels with our new model of working. We will work closely and in collaboration with the community and partners to enable delivery despite reduced resources. We need to modernise systems and processes so it is easy for residents to access services and easier for our staff to do their jobs. Importantly, we need to work as one Council to maximise the impact of the resources we have. We need to intervene early to tackle problems and to provide effective services where they are most needed.

In terms of the wider cultural shift we will always engage our staff with openness, honesty and transparency about changes that are needed and how they are implemented. Whilst change is challenging this is the right way forward; we will work with colleagues and partners to deliver our vision of being a place for everyone, a place where our residents and staff can feel valued, be proud of our diversity, and proud of our services.

Lessons learned for next year

BSTFP Comment - A dedicated 8-member Task & Finish Panel

On balance we welcomed the new budget scrutiny process adopted this year with the creation of a dedicated Panel under SP. We concluded that developing a core group of 8 councillors for the Task and Finish Panel was probably the better approach for continuity, despite the concern about the lack of more general Member input. It was noted that Finance and Scrutiny officers supported the specialist group approach, noting that having more consistent Panel Membership

this year allowed for greater focus, faster learning, easier compilation of comments, stronger group questioning, and greater engagement compared to previous struggles to get consistency across the meetings and attendees. Some felt that input from the knowledge and experience of the wider cohort of Scrutiny Panel Members could have helped the process, as the work was quite demanding on a small group over a relatively short period. The Chair noted that the process has now been refined every year since dedicated budget scrutiny began and this practice of reflection and continuous improvement would continue.

Executive Response

For many years now the scrutiny of proposals has been an integral and essential part of the budget development process which provides a valuable critique of savings proposals. We welcome the establishment of the dedicated Task & Finish Panel approach. We value the role of Scrutiny in supporting the Council to make the right decisions to deliver our budget strategy and ensure the financial sustainability of the Council.

We also support the principle of learning, reflection and continuous improvement to ensure the process adds value for the Council.

BSTFP Comment - More work to be done on understanding the modelling and prioritisation processes

The Panel greatly appreciates the constructive attitude of the Finance officers in helping us to refine the process each year so that it can be more streamlined and effective. This has resulted in better quality scrutiny work with each passing year.

There remains however a few ongoing concerns from the Panel:

- 1) Although we appreciate these are moving targets, there was often a lack of explanation and rigour on underlying assumptions in the modelling process for many of the proposed savings. Often there was little context provided on the numbers.
- 2) A concern about the weight given to Transformation Savings in the process when it is largely unproven in practice and therefore the risk for the Council is to keep ploughing more spend into the Transformation function, including external consultants, to function almost as a comfort blanket, because it allows higher savings to be modelled (but probably not met), potentially at the expense of frontline services.
- 3) A lack of detail in some cases where the saving proposal was not properly explained or outlined or was incomplete or incoherent in the papers (e.g. a

couple of sentences in a slide), particularly in the early sessions. We appreciate the work done on the template already and where these were fully completed they were very helpful indeed.

Executive Response

For many years now the scrutiny of proposals has been an integral and essential part of the budget development activity. Scrutiny has contributed and provided useful input and continual learning to our process. We welcome the establishment of the dedicated BSTFP, providing a focused group of Scrutiny Commission Members and enabling this group to have an overview of the budget strategy. We are committed to the budget scrutiny process and will strive to continually improve for the benefit of our residents.

In respect of the three points raised above:

- 1) As outlined in our response above we commit to improve the consistency of the information provided on individual savings proposals based on the comments received from BSTFP.
- 2) The Corporate Transformation Programme represents just over 40% of the Council's savings programme over the medium term. As such investment in this Corporate programme is essential to deliver the step change we need to adapt and change in the way it delivers its services in the face of considerable and growing financial and other challenges. The level of investment we have made and are planning to make is commensurate with the outcome we are seeking and is fully set out in an appendix to the Council's 2025/26 budget report approved by Council in February 2025.
- 3) We have addressed the issue of information presented to Scrutiny in our response above and we commit to work to improve the quality and consistency of the information presented to Scrutiny on budget proposals.

BSTFP Comment - A more robust feedback loop to Scrutiny Panel

There is a need to be able to demonstrate our input and to close the loop back to the Panel, so that we can see which of our comments were taken on board and learned from and whether our suggestions were helpful or not. We would suggest in future that an additional column is added to this comments table to capture your response.

Currently, for proposals which progress to Cabinet early in the year, our comments are sent to Cabinet after each round but the Cabinet report just notes that our input was taken on board and gives no details. We would ask therefore that Scrutiny

Panel Members, after each meeting, receive some written feedback from Finance on the comments we have submitted. These will be collated and included in the final report to Full Council.

Executive Response

We accept that there is a need to feed back to BSTFP on the comments made on individual proposals and are committed to provide executive responses from Group Directors and their Leadership teams to the comments raised to demonstrate how their comments are being addressed in the implementation of the proposals.

BSTFP Comment - Final Comments from the Chair

We would like to stress the need for regular updates to Scrutiny on the implementation of savings, and "growth" areas of spend, to prevent budgetary shocks and to maintain an ongoing understanding of the financial direction.

We would like to emphasise a need for smarter use of Council resources, including work on innovation, analysis, and research for the whole system, to better understand cost drivers and find innovative ways to support residents through this very challenging period.

We were somewhat disappointed that, often, SP and the Commissions' recent significant work and recommendations on service improvement, across a range of areas, were not being sufficiently utilised by the Transformation Programme, and we question why the Council first looks outside for service transformation examples when some work has already been done in our past reviews. The Transformation Programme therefore needs to look at what insight we already hold internally and then establish where the evidence gaps are before going outside.

We appreciate that the scrutiny process this year was intensified, as it had to be, but we would welcome a discussion with the Mayor and Cabinet on the process and how backbench Members generally can be included in budget setting going forward, outside of the internal party Group meetings, and whether our very reactive scrutiny model is delivering most for our residents.

Executive Response

We acknowledge your request for regular updates to Scrutiny on the implementation of savings, and "growth" areas of spend and point to the quarterly finance updates to Scrutiny Panel throughout the year which captures the financial position of the Council. These updates include a section on delivery of the savings plans. We are looking to enhance the reporting relating to the delivery of the Council's savings plan to ensure we pick up on management actions and mitigations.

A key strand of the Corporate Transformation Programme and in particular the new ways of working is focus on the smarter use of resources and innovation. This is embodied in our Digital Strategy, approved by Cabinet in October 2025, which sits alongside and is shaped by the Council's overall transformation strategy. We will use our digital strategy to support a fundamental transformation of how we operate as an organisation - recognising that equipping our staff with the right tools and information will only ever improve the service we offer residents and businesses. By committing to invest in and implement this strategy, we are seeking to develop as both a digital place and a digital council.

In delivering our transformation programme we are committed to ensuring that we learn from the capacity, experience and expertise we have in Hackney. Proposals developed have been informed by the Council's insight and performance data. Whilst we have sought external capacity and insight from other areas we have also invested in in house capacity. Member scrutiny and insight play an important role and the development of the programme was informed by engagement with Scrutiny Panel at its April 2025 meeting as well as through the Budget Scrutiny process. We understand Scrutiny Panel members were specifically keen to ensure that work from the 2018 review of fostering recruitment and retention informs future work in this area and can confirm that the report and recommendations have been shared with the project team. The delivery process is agile and iterative and we would be happy to look again at any previous reports and recommendations Scrutiny may wish to highlight as well as to bring delivery updates to Scrutiny Panel.

In the interest of transparency and continuous improvement, we invite the Scrutiny Committee to engage in further dialogue to refine the budget setting processes going forward.

Conclusion

In this document the Executive has looked to provide an objective and practical response to the detailed report of the Budget Scrutiny Task & Finish Panel. The focus and depth of the work undertaken this year is very much welcomed. It is

pleasing to note that BSTFP members have commented positively on the development of the savings templates for presenting the information on the savings proposals but have highlighted the need for improvements to enable a more robust process. 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.