

<b>Title of Report</b>	2025/26 Overall Financial Position - January 2026	
<b>Key Decision No</b>	F S527	
<b>For Consideration By</b>	Cabinet	
<b>Meeting Date</b>	23 March 2026	
<b>Cabinet Member</b>	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
<b>Classification</b>	Open	
<b>Ward(s) Affected</b>	All Wards	
<b>Key Decision &amp; Reason</b>	Yes	Result in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service / function
<b>Implementation Date if Not Called In</b>	31 March 2026	
<b>Group Director</b>	Naeem Ahmed, Group Director, Finance & Corporate Resources	
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## 1. Cabinet Member's Introduction

- 1.1 This is the Council's ninth Overall Financial Position (OFP) for 2025/26 . As at January, the Council is forecast to have an overspend of £9.667m. I am pleased to report that this is a reduction of £583k from the December forecast.
- 1.2 There has been a significant reduction in the HCE overspend (£773k) and small reductions in the Chief Executive and F&CR overspends, with the Children and Families forecast being broadly unchanged from last month. However, the overspend on Adults, Health and Integration continues to increase, this month by £208k.
- 1.3 Overall, this improvement is very welcome and demonstrates that the mitigation measures outlined below are having effect. Taken with the increase in government support for 2026/27 and future years as (set out in previous OFP reports) this means that, although significant work remains,

we can take a more optimistic view of the Council finances. The continuing pressure on the Adult Social Care budget remains a concern.

1.4 I commend this report to Cabinet

## **2. Group Director's Introduction**

2.1 The OFP shows that the Council is forecast to have an overspend of £9.667m after the application of reserves. This is a decrease of £0.583m from the December forecast which is welcome news demonstrating that CLT's focus on the budget and finances through enhanced governance arrangements has had some success in that the overspend has plateaued and has dropped slightly over the last couple of months. The overspend for Adults, Health and Integration (AH&I) has continued to increase (£208k) but in other directorates, there has been a £773k decrease in the Housing, Climate and Economy (HCE) overspend, a £10k decrease in that of Finance and Corporate Resources (F&CR) and a £15k decrease in that of the Chief Executive. The overspend in Children and Education (C&E) is £7k higher than in December.

2.2 Cabinet will recall that we added a significant amount of growth to budgets in 2025-26 - £45.640m (primarily in Adult Social Care £20.858m and £21.300m in Temporary Accommodation) excluding growth for the pay award). There was also a £9.15m increase in social care grants, and a £3.4m increase in Homeless Prevention Grant. However, as this report demonstrates, we still have a significant overspend.

2.3 It remains concerning that despite the significant increase in the Adult Social Care (ASC) budget and grant income for 2025/26, the directorate's overspend continues to increase - by another £208k this month and by £2.5m since May. In light of the increased overspend since May, the Group Director Finance and Corporate Resources has established an Adult Social Care Finance Improvement Board to focus upon the financial sustainability of Adult Social Care. Following the publication of the Care Quality Commission report on ASC, the Board will now widen its scope to become the Adult Social Care Improvement Board, focusing on service delivery and practice. It will continue to enhance the collective understanding of the underlying causes of key cost drivers and determine mitigating measures for short to medium-term cost control. Furthermore, it will develop long-term strategic measures to address the root causes of increasing demand and costs. The first meeting in this revised format will take place in March 2026.

2.4 Full details on the overall position is set out in sections 6 to 12 below and the report also contains a proposal to extend the current Voluntary and Community Sector (VCS) Infrastructure grant arrangements for a further 3 months. This is discussed in 6.9 below.

## **3. RECOMMENDATIONS**

**3.1 To note the overall financial position of the Council as at January 2026 and in particular the overspend and the initiatives set out to mitigate this.**

**3.2 To extend existing seven Voluntary and Community Sector Infrastructure grants into the first quarter of 2026/27**

**4. Reasons for Decision**

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

4.2 On the VCS proposal, a VCS Infrastructure Grants programme was planned to be launched in December 2025 with awards to be made in April 2026. However, meeting the high level of demand presented with the Core Grants programme in Autumn 2025, along with the restructure of the Policy & Strategic Delivery team, means more time is required to take into account learning from the Black & Global Majority Infrastructure Pilot (which commenced in October 2025), alongside feedback from the sector as part of the grants programme. We would like therefore, to extend current VCS Infrastructure funding arrangements for 3 months (Q1 of 2026/27) in order to give appropriate time to get a new grants programme in place to provide funding from July 2026. A continuation in funding the present organisations would ensure stability in support available for the sector in the interim period, as well as stability for the funded organisations.

**5. Background**

5.1 The report is primarily an update on the Council's financial position. It also includes the VCS proposal discussed at 6.9

Strategic Policy Context

5.2 This report describes the Council's financial position as at the end of January 2026. Full Council agreed the 2025/26 budget on 26 February 2025.

Options Appraisal

5.3 This budget monitoring report is primarily an update on the Council's financial position. On the VCS proposal, due to the reasons outlined above, it is not possible to run a Grants Programme in the timeframe originally envisaged in the Cabinet Report of July 2025. One option would be to not award any additional funding and to wait until the new grants are awarded, however this would cause instability in the sector as it would mean no VCS Infrastructure provision for 3 months. VCS Infrastructure refers to the network of support services, which enables local charities, community groups, and volunteers to operate effectively.

Equality, Diversity and Belonging

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

On the VCS proposal, the Council's support for the voluntary and community sector is one of the ways that the Council continues to express its commitment to making social inclusion and community cohesion a

reality. This is demonstrated by the diversity of organisations recommended for funding and the inclusion of ring-fenced small grant funding to support local project activity. Each application has demonstrated its contribution to meeting at least three of the grant programme's equality aims and this is to ensure that the grant investment is focused on improving life chances, and increasing prosperity and equality for all. An Equality Impact Assessment was carried out recently as part of the Grants Redesign and VCS Strategy refresh and a further Equality Impact Assessment will be carried out on the grants programme later in the year when more decisions have been made.

### Sustainability and Climate Change

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

With regards to the VCS proposal, the Council will continue to administer the programme electronically through the use of the Blackbaud Grant Making (BBGM) software, which eliminates the need for paper applications, thus contributing to the Council's commitment to reducing carbon. The VCS in Hackney plays an important role in the local economy, supporting both individuals and groups and makes a significant contribution to the community and civil life. Continuing to nurture and support the sector is fundamental to achieving sustainable communities in the borough

### Consultations/Engagement

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

With regards to the VCS proposal, consultation was undertaken between Autumn 2024 - Summer 2025 which included a number of online and in-person workshops alongside a formal written Consultation. Engagement with the VCS has enabled the Council to develop a better understanding of the sector's resilience and their views on intervention and strategic support needed. The Council has also considered its own strategic objectives and associated actions with regards to its relationship with the VCS and the future direction of any strategic support and investment, driven by wider corporate and community priorities, including the need to find further savings, to redesign services and to re-set expectations with residents.

### Risk Assessment

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

## 6. Overall Financial Position

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

**Table 1: Overall Financial Position (General Fund) January 2026**

Revised Budget £000	Service Area	Forecast Variance Before Reserves £000	Appropriation to Reserves £000	Reserves Usage £000	Forecast Variance After Reserves £000	Change in Variance from last month £000
100,623	Children and Education	7,482	1,045	-5,061	3,466	7
160,996	Adults, Health and Integration	7,027	677	-2,706	4,998	208
93,864	Housing, Climate and Economy	1,264	154	-395	1,023	-773
1,857	Finance & Corporate Resources	1,311	25	-949	388	-10
8,056	Chief Executive	400	27	-635	-208	-15
60,493	General Finance Account	0	0	0	0	0
425,889	SUB TOTAL	17,484	1,928	-9,746	9,667	-583

6.2 The main areas of overspend are:

**Children's and Education** - £3.5m primarily in Hackney Education (HE) resulting from the increase in our Education Health and Care Plan (EHCP) costs for the necessary staffing support needed within the assessment of our EHCPs; a pressure in Early Years largely due to not meeting savings in respect to the reconfiguration of our Children Centres in previous years; and a pressure on Home to School SEND Transport. The service is working to implement in-year mitigations for SEND Transport including implementing independent travel training. The staffing support needed in respect to the assessment of EHCP applications has to be balanced against the requirement to assess applications within the statutory timeframe of 20 weeks. Future years MTFP projections include a review of staffing structures which will also include these service areas. Excluding HE, the service has an underspend of £1.03m.

**Adults, Health and Integration** - £5m primarily in the areas of Care Support Commissioning and Mental Health.

**Housing, Climate and Economy** - £1m primarily in the Environmental Services and a shortfall of income in Streetscene.

**Finance & Corporate Resources** - £0.4m primarily in Revenues Administration

6.3 It must be noted that within this broad description of the overspends, we do have elements such as staff over establishment and agency premiums, which we expect services to address through proactive reviews in the remainder of the year. In terms of staff over establishment, there are a number of reasons that this occurs such as - responding to increased

demand in the service, e.g. social workers dealing with increased caseload, operatives dealing with increased level of repairs, providing cover for sickness in frontline services such as waste operations and providing support to manage the transition to new IT systems.

#### 6.4 Initiatives to Mitigate the Overspend

6.4.1 Despite the growth that has been added to the budget for 2025/26 we are forecasting an overspend which, if not mitigated, will require a further draw down on reserves. It is imperative that we act decisively to reduce the level of spend and contain the draw down on reserves.

6.4.2 The Corporate Leadership Team (CLT) in response to the financial situation will maintain oversight and focus on the budget and finances through enhanced governance arrangements which has some success in that the overspend has plateaued and has dropped slightly. The ongoing mitigations are as follows:

- **Budget Recovery Board** - Established in mid 2024 with an overall objective to mitigate the current year's financial position and improve the Council's ongoing financial sustainability. Following his review of the Board, the Group Director Finance & Corporate Resources has focused a refreshed Budget Recovery Board on tracking savings delivery, with an emphasis on management actions to get back on track, and cross Council initiatives to reduce spend, which includes a hold on non-essential spend, whilst separate targeted Financial Improvement Boards will focus on the overspending areas - Adult Social Care, agency and staff spend, and the Housing Revenue Account as set out below.
- **CLT Resources Approval Panel** - Agency expenditure remains high. There are recruitment restraints in place and currently Group Directors and budget managers are required to provide approval for resources to deliver services. In addition, 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 from March 2026.
- **Housing Revenue Account Finance Improvement Panel** - As we have reported the HRA is in a precarious financial position and we had to draw on reserves to fund the overspend in 2024/25 and will need to do so again for 2025/26. The Group Director Finance and Corporate Resources established the HRA Finance Improvement Board to interrogate the cost pressures within the service and introduce management actions to contain expenditure throughout 2025/26. The spend controls implemented so far are showing a positive effect, and if this trend continues throughout the year, the

overspend could be reduced by £3.41m compared to last year's figures. This Panel has also overseen the development of savings proposals for the HRA as well as the review and refresh of the HRA Business Plan.

- **Adult Social Care Improvement Board** - In light of the increased overspend since May, the Group Director Finance and Corporate Resources has established an Adult Social Care Finance Improvement Board to focus upon the financial sustainability of Adult Social Care. Following the publication of the Care Quality Commission report on ASC, the Board will now widen its scope to become the Adult Social Care Improvement Board, focusing on service delivery and practice. It will continue to enhance the collective understanding of the underlying causes of key cost drivers and determine mitigating measures for short to medium-term cost control. Furthermore, it will develop long-term strategic measures to address the root causes of increasing demand and costs.

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

6.4.4 As at the end of January 2026, the non-essential spend in-year savings were £2.2m. This reflects the financial discipline of budget holders throughout the year in holding unspent budgets to mitigate the Council's overspend and are taken account of in the forecast

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

## 6.5 2025-26 Savings

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

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

## 6.6 Reserves

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

**Table 2: Forecast Reserves 2025/26**

	£m
<b>Overall General Fund Reserves as at 31 March 2025</b>	<b>111.6</b>
Less: General Fund Balance	19.0
Less: Schools balances	5.9
<b>GF Reserves (excl GF balance &amp; Schools Balances)</b>	<b>86.7</b>
Less Forecast Net Reserves usage 2025/26 (note, this is an estimated figure which is subject to change depending on variations to the current year forecast)	17.8
Less Committed Reserves (main elements are the PFI, the Insurance Fund & elections reserves)	12.5
Less Third Party Agreement (S256 agreements with health and other joint balances)	7.0
Less Grant reserves (Adult Education, Homes For Ukraine, and other grants)	4.0
<b>Other Earmarked reserves</b>	<b>45.4</b>

6.6.2 The final overspend position for 2025/26 will reduce this reserve balance. In addition, we need to factor in the impact of any shortfall on our capital receipts planned to be used for transformation. In simple terms if we were to do nothing and we were to continue to overspend at the current rate our reserves will be exhausted within 2-3 years, faster if spending continues to grow. It must also be recognised that it is likely that additional cost pressures will negatively impact the budget gaps further in future years.

## 6.7 Agency Staff Expenditure

6.7.1 The following tables show the trend and expenditure on agency staff. Table 1 below shows the change in General Fund Agency Spend. In this context, General Fund agency spending excludes agency staff funded from other sources such as grants, the HRA, Capital and Reserves. There has been a small decrease since December of £3k.

**Table 3: Trend in Agency Spend**

Directorate	General Fund Agency Spend Forecast	Change from Agency Spend forecast from last month	Agency Spend forecast as a % of total staff budget 2025/26	Agency Spend outturn as a % of total staff budget 2024/25
	£k	£k	%	%
<b>CHILDREN &amp; EDUCATION</b>	<b>8,918</b>	-61	12	16
<b>ADULTS, HEALTH AND INTEGRATION</b>	<b>7,002</b>	93	21	22
<b>HOUSING, CLIMATE AND ECONOMY</b>	<b>11,403</b>	-37	12	13
<b>FINANCE &amp; CORPORATE RESOURCES</b>	<b>5,866</b>	9	12	17
<b>CHIEF EXECUTIVE</b>	<b>1,003</b>	-7	5.1	8.6
<b>TOTAL</b>	<b>34,192</b>	<b>-3</b>		

6.7.2 As the table shows the forecast has decreased by £3k. The focus of CLT's control of agency spend is through the CLT Resources Approval Panel which will be critical to controlling our spend going forward.

The next table shows a breakdown of these costs

**Table 4: Breakdown of Agency Spend**

Directorate	General Fund Agency Spend Forecast	Over Establishment	Filling Vacant Permanent Posts	Covering Maternity or Long-term Sick
	£k	£k	£k	£k
<b>CHILDREN &amp; EDUCATION</b>	<b>8,918</b>	1,423	6,892	602
<b>ADULTS, HEALTH AND INTEGRATION</b>	<b>7,002</b>	738	5,980	284
<b>HOUSING, CLIMATE AND ECONOMY</b>	<b>11,403</b>	1,231	6,461	3,711
<b>FINANCE &amp; CORPORATE RESOURCES</b>	<b>5,866</b>	323	5,543	0
<b>CHIEF EXECUTIVE</b>	<b>1,003</b>	0	912	91
<b>TOTAL</b>	<b>34,192</b>	<b>3,715</b>	<b>25,788</b>	<b>4,688</b>

6.7.3 The total agency spend for each directorate (i.e. agency staff funded from all sources) and the change in total agency staff numbers is shown below. Whilst the spend on agency remains high the spend compared to last year has reduced by £4.7m a reduction of 10%. This reduction is greater when the pay award is factored in as the pay award is passed on to many agency workers particularly on lower grades.

**Table 5: Total Agency Spend**

Directorate	Agency Staff Forecast (£k)	2024/25 Actuals (£k)
Children and Education	9,921	11,778
Adults, Health & Integration	9,568	8,766
Housing, Climate and Economy	13,450	14,675
Finance & Corporate Resources	8,195	9,344
Chief Executive	1,803	3,080
<b>Total</b>	<b>42,937</b>	<b>47,643</b>

**Table 6: Agency Staff Numbers**

Directorate	FTE Agency Staffing Numbers December	FTE Agency Staffing Numbers January	Difference
Children and Education	224	252	28
Adults, Health & Integration	145	138	-7
Housing, Climate and Economy	209	201	-8
Finance & Corporate Resources	97	99	2
Chief Executive	27	25	-2
<b>Total</b>	<b>702</b>	<b>715</b>	<b>13</b>

#### 6.7.4 Children's and Education

Hackney Education has an agency forecast of £3.214m of which £0.448m is attributable to the DSG, leaving a general fund cost of £2.767m. £1.173m of the agency forecast relates to children's centres. This service is currently undertaking recruitment activity, however it must on all occasions meet the statutory staff to child ratios and as such agency staff sometimes remain necessary. The SEN transport service has an agency forecast of £0.789m, the service is seeking to fill vacant roles to reduce the use of agency staff. In addition this service has two assistant managers hired through an agency to create more capacity in the service.

Children's Services has an agency forecast of £6.706m as at January 2026, of which £6.151m is related to the General Fund.

Over-established (£0.990m : 16% of Total GF Funded):

33 posts are categorised as over-established, of which, 22 are Social Worker posts (£0.649M, 66%).

Filling Vacant Permanent Posts (£4.669m : 76% of Total GF Funded):

£2.695m [58%] of the agency costs are related to filling vacant permanent posts which are for front line services where competition for social workers make permanent and agency recruitment challenging. £0.573m [12%] of these costs are for Specialist Clinical Practitioners used by the Clinical Services, the cost of these staff is more expensive as it is difficult to attract to the roles due to comparatively higher NHS rates.

Maternity & Long Term Sick (£0.492m : 8% of Total GF Funded):

Nine posts are used to support maternity cover £0.338m [69%] and seven posts are used to support long term sick cover £0.154m [31%] across the Children's directorate.

### 6.7.5 Adults, Health & Integration

The Adults, Health & Integration (AH&I) agency forecast for January 2025 is £9.5m, with the General Fund responsible for £7m of this total. This is an adverse movement of £0.1m compared to the last forecast. However, the permanent staff forecast has been reduced by £0.3m due to service-wide recruitment delays.

- Over-established positions account for 5 Full-Time Equivalents (FTEs), representing £0.3M, or 4.83% of the Total General Fund (GF) Funded amount.
- Invest to Save initiatives comprise 8 FTEs, totaling £0.4M, or 5.7% of the Total GF Funded amount.
- The filling of vacant permanent posts represents £5.98M, or 85.4% of the Total GF Funded amount.
- Covering Maternity or Long-term Sick represents £0.28M, or 4% of the Total GF Funded amount.
- The Agency Full-Time Equivalent (FTE) figures in Table 4 are based on actual agency staff numbers across the service. An exception is made for Provided Services, specifically Housing with Care (HwC), where FTEs are an **estimate** based on the number of vacancies. This estimation is necessary because HwC locum arrangements use bulk orders, which are not easily converted into a standard FTE metric.

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

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

### 6.7.6 Housing, Climate & Economy

The majority of agency spend within Environment and Climate Change is in Environmental Operations. High agency costs in frontline services are primarily driven by the need to maintain continuous operations, which differs from other services. When staff are absent due to leave, sickness, parental leave, requirements to fill other roles or when vacancies exist, agency staff must be employed to ensure essential services are delivered without interruption. It should be noted that the Service does have a continuous turnover of staff as operatives leave the service for one reason or another. For this reason recruitment only takes place periodically to avoid managers constantly being in recruitment cycles.

There was a £37K favourable movement between December and January in the forecast mainly due to small forecast revisions.

Within the Benefits and Homeless Prevention Service, there has been a favourable £16k movement, driven by agency staff moving to permanent roles. Overall, the agency spend is being used to cover critical vacancies and provide temporary support for implementing the new ICT system. For many administrative roles with high turnover, using agency staff has proven more cost-effective than repeated recruitment. Despite a difficult recruitment market, we are actively managing this expenditure through regular reviews to ensure value and reduce costs wherever feasible.

#### 6.7.7 Finance and Corporate Resources

The Finance and Corporate Resources directorate is currently carrying 7 over-establishment agency staff within the Revenues service to support council tax collection and queries. While these positions cost approximately £323k, they provide essential operational resilience during periods of high demand. This investment has already contributed to an increased collection forecast and if current performance is maintained throughout the remainder of the year, it is projected to generate an additional £0.5m in revenue. Although this demonstrates a positive return, the overall collection rate expected in-year remains below the 94% target, reinforcing the need for this temporary support to maintain service continuity and minimise income loss.

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

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

#### 6.7.8 Chief Executive

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

### 6.7.9 Housing Revenue Account

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

**Table 6: Trend in Agency Spend**

	HRA Agency Spend Forecast	Change from Agency Spend forecast from last month	Agency Spend forecast as a % of total staff budget 2025/26	Agency Spend outturn as a % of total staff budget 2024/25
	£k	£k	%	%
HRA	3,616	-23	6.10%	10.25%

**Table 7: Breakdown of Agency Spend**

Directorate	HRA Agency Spend Forecast	Over Establishment	Filling Vacant Permanent Posts	Covering Maternity or Long-term Sick
	£k	£k	£k	£k
HRA	3,616	954	2,626	36

**Table 8: Agency Staff Numbers**

Directorate	FTE Agency Staffing Numbers December	FTE Agency Staffing Numbers January	Difference)
HRA	41	24	-17

6.7.10 The total agency spend for the HRA staff funded from all sources is £3.616m (in 2024/25 the total spend was £5.2m). January sees a reduction in the total forecast of £23k. There are currently 24 live placements for Agency staff within the HRA. The forecast links directly to the Service Review and the planned end dates of current agency staff, the recruitment of permanent staff along with refinement of the forecasts.

#### 6.7.11 Over Establishment

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

#### 6.7.12 Filling Budgeted Posts

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

#### 6.7.13 Covering Maternity and Long term sick

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

6.7.14 The HRA Agency Staff Cost Forecast for January 2026 indicates an overall decrease in agency staff spending compared to the previous year. The use of Agency staff is likely to decrease over the second half of the financial year as the Housing Service undergoes a service review with the aim of establishing staff into permanent roles within the new structure

### **6.8 Cost of Living Response**

6.8.1 The impact of the cost of living crisis is still ongoing. As we have seen in previous years' OFPs, the Council has responded positively to the cost of living crisis with a range of initiatives, many of which are continuing in 2025-26. As well as responding to material needs, our initiatives continue to focus on developing a more coordinated emergency support and advice network, with more preventative help, linking emergency support with income maximisation and advice. This includes working better with frontline services and community partners on the ground who are often best placed to support residents. We have also funded a range of activities to assist vulnerable adults in accordance with the Council's Poverty Reduction Framework utilising funding from the Government's Household Support Fund. Here to Help continues to tackle benefits under-claiming in the borough and contributes to income maximisation and reduction in financial distress for some of Hackney's most vulnerable residents. These are discussed below but before considering these, mention is now made of the measures that the Government took to cut the cost of living in its Budget published on 26 November. The key measures include:

- (a) Removal of the two child benefit cap in full from April 2026
- (b) The Universal Credit Standard Allowance for a single person aged 25 or over will increase by around £295 per year (£110 more than if uprated by inflation alone). For couples, where one partner is aged 25 or over, it will increase by £465 a year (£180 more than if uprated by inflation alone)
- (c) Other measures include: - taking off levies from energy bills, a significant increase in the minimum wage and national living wage, the freezing of regulated rail fares, continuation of the pension triple lock and a freeze on prescription fees.

6.8.2 Hackney Here To Help (HH2H) is an easily accessible, multi-disciplinary service that brings together some benefits assessment support with assessment for a range of discretionary grants managed by LBH, in a delivery model with data-led, active outreach at its heart. The core goal of Here To Help (H2H) is tackling benefits under-claiming in the borough; it is estimated that residents are missing out on £28 million in financial support they are entitled to. Here To Help contributes to income maximisation and

reduction in financial distress for some of Hackney’s most vulnerable residents.

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

<b>Tasks Here To Help undertakes:</b>
<p>Receive applications via its online application form and outreach events for help with:</p> <ul style="list-style-type: none"> <li>● benefits check (general &amp; disability)</li> <li>● council tax bill or debt</li> <li>● rent arrears</li> <li>● imminent eviction</li> <li>● cost of living support</li> <li>● home goods</li> <li>● transport</li> <li>● removals</li> <li>● storage</li> <li>● money management</li> </ul> <p>Lead the analysis of Council-held data to inform and shape proactive outbound information campaigns to tackle lack of awareness of eligibility for specific benefits</p>
<b>Specifically, this means:</b>
Check for take up of benefits entitlement
Assess eligibility for and administer food and fuel vouchers funded via the Household Support Funds
Assess eligibility for and administer Hackney Discretionary Crisis Support Scheme, which provides household goods
Assess eligibility for and administer Discretionary Housing Payments, which provides grants towards rent arrears and rent deposit in advance
Assess eligibility for and administer Council Tax Reduction Discretionary Scheme
Assess eligibility for and administer transport costs
Assess eligibility for and administer removals costs
Assess eligibility for disability benefits, support application and lead mandatory reviews and challenges, including taking cases to tribunal
Sign post to additional support (food banks; debt advice; immigration advice etc)
Complex case work
Reviews and complaints

6.8.3 The latest activity figures, for the end of **January 2026** show that, since its commencement in November 2022, the Here To Help distributed £6.62m of discretionary funds including: -

Discretionary Housing Payments - £3.5m

Household Support Fund - £2.42m

Hackney Discretionary Crisis Support Scheme - £0.5m

CTRS discretionary hardship scheme £0.2M

6.8.4 The team also achieved £6.91m worth of increased incomes through benefits uptake work. This is an increase of £290k since December 25. January 26 saw:

- An extra £100k from the Thames Water Campaign taking uptake for that campaign to £971k
- £43k from a small campaign related to the over accommodated Housing benefit residents
- Over £42k in Here to Help officer benefit uptake

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

## 6.9 **Voluntary and Community Sector Grants**

6.9.1 Cabinet approved a 2025/26 grants programme in July 2025. The grants recommended in this report will support Voluntary and Community Sector (VCS) organisations to continue their vital work reaching residents that often do not engage with Council services. Item 3.9 of the Cabinet Report of July 2025 agreed to delegate authority to the Director of Corporate Strategy & Transformation to launch a new VCS Infrastructure grants programme for awards in April 2026.

6.9.2 This programme has been delayed and we are seeking an extension of the current VCS Infrastructure grant arrangements for a further 3 months in order to provide continuity until the new programme is in place. This would mean an extension of the grants awarded in 3.4, 3.6 and 3.8 of the Cabinet Report of July 2025 and it would extend grants to 7 organisations for the first quarter of 2026/27 at a total of £98,500. The details are set out in

Appendix 2. The funding would come out of the existing VCS Infrastructure budget which is set at £300,000 for the 26/27 financial year.

## 7. Children and Education

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
100,623	Children and Education	3,466

7.1 Children & Education have a forecast overspend before reserves of £7.5m and £3.47m after reserves for 2025/26.

7.2 **Children and Families Services (CFS)** is predicted to underspend by £1.03m after the allocation of specific ring-fenced reserves and the application of 50% of the Social Care Grant that the Council receives which totals £20.4m. The main areas of overspend relate to the Directorate Management Team (£0.6m), Looked After Children & Leaving Care Services (£0.3m) and Disabled Children Services (£0.3m). In previous years Corporate Parenting has experienced pressures from an increase in the profile of more expensive placements linked to the complexity of care for children and young people. In 2025/26, additional budget growth of £0.7m and social care grant of £3.3m has been applied to Corporate Parenting and the service is currently predicting an underspend of £1.4m based on current placement costs and the number of children and young people in our care. It is to be noted that the forecast is susceptible to variation during the course of the year, holiday periods during the summer and winter in particular have historically experienced increases in demand and pressure on the budget due to care arrangements breaking down, although this risk recedes as we get closer to the end of the financial year. Two Children's Homes are also currently under development within the borough and are anticipated to open during 2026/27. These homes are expected to help mitigate the costs associated with our most expensive external care packages in future years.

7.3 **Hackney Education (HE)** is forecast to overspend by £4.496m on the general fund and be balanced on the Dedicated Schools Grant (DSG). The overspend on the general fund includes the increase in our EHCP costs for the necessary staffing support needed within the assessment of our EHCPs, including Education Psychologists (£1.456m). The SEND Transport Service is also continuing to experience budgetary pressures relating to home to school transport for children with SEND (£1.222m). Plans are being implemented to resolve this. In addition there is £1.234m pressure in Early Years, largely due to not meeting savings in respect to the reconfiguration of our Children Centres in previous years. A series of options are being formulated to address this.

7.4 In addition to budgeted savings further cost reduction measures have been developed for 2025/26. For CFS, management actions of £1.5m had been

identified and these are included in the predicted outturn position. These include reductions in the number of high cost placements (£0.5m); review of the top 30 high cost placements (£0.3m); a Foster First Approach (£0.5m); and review of agency spend through maximising permanent recruitment and greater challenge through the workforce development board (£0.2m).

7.5 For Hackney Education, the focus of cost reduction measures this year will be through further development of in-borough SEND provision and early engagement work, that will allow more children with SEND to have their needs met in local provision including in school themselves, often mainstream settings with access to specialist provision through the work of additional resource base provision (ARP). Detailed plans continue to be developed for these proposals, in particular the development of in-borough SEND provision has been factored into our SEND deficit recovery plans which have been developed with the DfE and CIPFA.

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

## 8. Adults, Health and Integration

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
160,996	Adults, Health and Integration	4,998

8.1 The **Adult Social Care (ASC)** is forecasting a £4.998m overspend for 2025/26, a significant reduction from the £20m overspend reported in 2024/25. This shift is attributable to a £20.8m increase in the budget allocation and the full utilisation of the £21.1m Social Care Grant. The current forecast indicates a £0.2m adverse movement this month compared to the December 2025 reported position, primarily attributed to care demand pressures.

8.2 **The Care Support Commissioning** budget is forecasting an overspend of £4.9m on its total budget of £68.5m. The current position shows an adverse £0.5m movement compared to last month. This adverse movement is primarily attributed to increases in the complexity of cases for existing service users across Learning Disabilities and Physical Support.

8.3 **The Mental Health** budget is forecasting an overspend of £0.6m on its total budget of £11.5m. This is primarily due to rising demand for Mental Health care services and increase in complexity of cases. The current position shows a favourable movement of £0.4m compared to last month. This favourable movement is however primarily due to staff vacancies across the service, and changes in care package activity during the period.

- 8.4 **Provided Services** budget is forecasting a net £0.7m underspend on its £13.4m budget. The position is driven by a £1.3m underspend in Day Services, including savings from vacant posts at Oswald Street, where operating levels are currently not at full capacity. This underspend offsets a £0.6m overspend in Extra Care schemes due to the increased staffing requirements for residents with complex needs. Since the last reported period, the overall position has improved by £0.05m, largely due to continued vacancies across the service.
- 8.5 **Other ASC services** budgets are forecasting an overspend position of £0.15m on its total budget of £26.2m.
- 8.6 The overspend is primarily driven by a sustained increase in client activity and the rising complexity of commissioned care. Adult social care demand has grown steadily over five years, with budget uplifts failing to fully match service pressures.
- 8.7 Despite a £20.8m budget increase and a £3.3m boost in Social Care grants (including the Market Sustainability and Improvement Fund - MSIF), the ASC budget continues to face substantial challenges. Unit costs have significantly increased due to inflationary factors, notably the London Living Wage (LLW) and the MSIF has not been uplifted for 2025/26, further exacerbating resource strain.
- 8.8 **The Public Health (PH)** is forecasting a breakeven position, with planned £1m of savings on track. Hackney received an uplift of £2.1m in 2025/26 through the national Public Health Grant, which must be used in line with the ring fenced grant conditions. These include meeting service demand pressures, funding inflationary costs, and supporting workforce pay increases within public health commissioned services.
- 8.9 In addition to the 2025/26 ASC planned budgeted savings of £2.1m, the service has implemented cost reduction measures under invest-to-save initiatives. These management actions will be rigorously monitored and tracked monthly, and will be included in the forecast once realised. The cost reduction strategies include:
- Continuation of the high-cost placements review work being undertaken by the commissioning review team, anticipated to achieve at least £0.2m in cost reductions. Anything achieved beyond the initial £0.2m in cost reductions will contribute towards the £0.3m budgeted savings target for 2025/26
  - Joint Funding Reviews: With a projected saving of £0.3m identified
  - Monitoring direct payments accounts, projected to save £0.4m.

## 9. Housing, Climate and Economy

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
93,864	Housing, Climate and Economy	1,023

- 9.1 The directorate is showing a £1.023m overspend after use of £0.395m in reserves. There are material overspends currently reported in the Climate, Sustainability & Environmental Services and the Streetscene service is forecasting significant income shortfalls.
- 9.2 **The Homelessness Prevention Service** reports an underspend of £3.811m for 2025/26, a favourable movement of £0.7m compared with the previous period, driven by reductions to the rental and staffing forecasts along with delays in establishing support for our supported accommodation.

The forecast for net rental expenditure has been reduced by £0.44m. This reduction is primarily due to a lower-than-anticipated cost of new Temporary Accommodation (TA) placements, despite an increase in new households (31 this month). While TA continues to trend upwards, only one of the 31 households required expensive nightly-paid accommodation. The original forecast had assumed that new service users would require nightly-paid accommodation, as the supply of other accommodation types cannot meet demand. However, current trend data indicates this expectation has not materialised, resulting in a significantly lower net cost. Additionally, the fact that we are nearing the end of the financial year means new placements will only incur a partial-year cost, allowing for a further reduction in the forecast. The staffing forecast has also seen a favourable £0.1m movement. This is driven by the service holding considerable vacancies and recruitment taking notably longer than anticipated. Additionally, there have been delays in setting up support for supported accommodation within TA. These delays have produced a £0.14m favourable in-month movement.

It must be noted that demand for temporary accommodation has been rising more slowly than in 2024/25, allowing the service to manage its expenditure within the 2025/26 budget and growth allocations. The shift from Housing Benefit to Universal Credit is expected to increase the risk of non-payment, potentially requiring a corresponding increase in the bad-debt provision. This necessity stems from the inherent unpredictability of Universal Credit, introducing new risk factors not yet accounted for in the existing financial forecast.

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

- 1) The acquisition of the Ridley Villas hostel will protect and expand our supply of suitable temporary accommodation, helping shield us from further cost increases. This has now closed for refurbishment, which will improve the facility's accommodation.
- 2) Management is exploring options to increase the supply of temporary accommodation, including leveraging the LAHF3 grant to deliver 59 properties. To date, 27 properties have been acquired, with an

additional 23 currently under consideration. It is projected that once all properties are delivered, an annual cost saving of approximately £1.5m will be achieved by housing residents rather than accommodating them in the nightly paid market.

- 3) Acquisition of 34 specialist supported housing units in Hackney, scheduled for completion in September 2026. This strategic acquisition aims to alleviate the substantial financial burden of expensive, nightly-paid temporary accommodation and provide improved support for homeless adults with complex needs.
- 4) The Council is establishing the Housing Acquisition Programme (CHAP) to acquire 125 homes for use as temporary accommodation. Supported by the Greater London Authority, the programme aims to reduce the Council's reliance on expensive, nightly paid units. This acquisition is projected to deliver an annual cost avoidance of approximately £3.3m compared to housing residents in the nightly-paid market.

- 9.3 **Benefit administration** reports an overspend of £2.665m for 2025/26, a favourable movement of £10k since the last period, driven by a minor improvement in the benefit administration team's staffing forecast. The subsidy loss forecast within Net Cost of Benefits (NCOB) entirely drives the benefits overspend, while all other cost centres are forecast to be within budget or show minor underspends. The NCOB position faces a risk of further deterioration. This is due to an anticipated increase in residents transitioning to Universal Credit, which will subsequently diminish our capacity to recover historical overpayments.
- 9.4 **Streetscene** is forecasting an underachievement of income of £0.649m. Traffic Orders Road Closure fees and income from issuing Highways Act licenses are forecast to be significantly lower than budgeted. This line of income is wholly dependent on third parties and largely tracks the economy as well as third party investment in infrastructure (such as fibre optic cabling or other utilities).
- 9.5 **Community Safety, Enforcement, and Business Regulation (CSEBR)** is forecasting an overspend of £0.006m (£0.078m last period). The overspend relates to pressure on staffing budgets and a projected shortfall in income from fixed penalty notices; this has been offset by other income to bring the service in a better position.
- 9.6 **Climate, Sustainability & Environmental Services (CSES)** is forecasting a combined overspend of £2.103m (£2.114m last period). Environmental Operations are forecast to overspend by £2.269m. The primary drivers are (a) £1.069m service and operational pressures, (b) £0.741m - increased costs of operation and maintenance of the vehicle fleet and (c) £0.460m savings from the Commercial Waste company that will not be achieved in 2025/26; partially offset by an underspend of £0.166m in the Climate and Sustainability Team.

- 9.7 **Planning and Building Control** is forecasting a £0.166m overspend (balanced last period) due to a couple of very old dangerous structure debtors that will not be recovered in full. The Planning service has also reduced some income forecasts as time constraints will carry forward the income as receipts in advance.
- 9.8 **Culture, Libraries and Heritage** service is forecasting an overspend of £0.083m (£0.080m last period). The pressure relates to contributing issues across other services and additional security costs at Stoke Newington library.
- 9.9 **Housing (General Fund)** reports an underspend of £0.072m (£0.052m last period) driven by primarily by rent income forecast being greater than budgeted, increasing by £0.034m, and staffing underspends of £0.022m in the Travellers delegated cost centre.
- 9.9 Other services are forecasting broadly to budget at this stage in the financial year or to underspend.

## 10. Finance and Corporate Resources

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
1,858	Finance & Corporate Resources	388

- 10.1 Finance and Corporate Resources project an overspend of £388k, a favourable movement of £10k compared to the last reporting period, inclusive of a reserve drawdown of £949k.
- 10.2 The **Audit and Anti-Fraud** reports an underspend of £146k, no movement from the last reporting period. The overall underspend is due to the service holding vacant posts.
- 10.3 **Customer Services, Digital, and Data** reports an underspend of £41k, a favourable movement of £1k from the last reporting period. The overall underspend is due to the service holding vacant posts with recent leavers taking on secondment opportunities across other Council departments.
- 10.4 **Education Client Services** reports no variance to budget, no movement from the last reporting period. Included within the service are ongoing fees related to the management companies' overheads and void charges of the unoccupied units at one of the sites.
- 10.5 **Financial Management and Directorate Finance Support** reports no variance to budget after a reserve drawdown of £324k, no movement from the last reporting period. The reserves usage is specifically for one-off expenditure related to development advice for the 55 Morning Lane project.

- 10.6 **ICT and Workplace** reports an overspend of £189k after reserves drawdown of £152k - no movement from the last reporting period. The overspend is primarily attributable to the Education ICT Management Information System (MIS) team's not achieving its income target from traded services, thereby limiting its capacity to cover operational costs. Increased market competition has had a detrimental impact, as educational institutions, including schools and academies, that are facing budgetary constraints, are increasingly seeking more cost-effective MIS support options. The cessation of the service was approved by Hackney Education Senior Leadership Team.
- 10.7 **Registration Services** reports an underspend of £107k, with a favourable movement of £9k compared with the last reporting period. The overachievement of income targets drives the underspend.
- 10.8 **Procurement and Energy Services** reports an underspend of £124k, no movement from the last reporting period. The overall underspend is due to the service holding vacant posts.
- 10.9 The **Revenues service** reports an overspend of £617k, no movement from the last reporting period. The overspend reflects increased debt-recovery costs due to a rise in resident calls to the service centre, as well as rising costs of supplies and services. Despite the current overspend, the service has increased its collection forecast. If the current performance level is maintained for the rest of the year, an additional £0.5m in the Collection Fund is projected.
- 10.10 **Soft Facilities Management** reports an overspend of £229k, an adverse movement of £3k from the last reporting period. The overspend is primarily driven by increased security costs associated with our main campus buildings. A comprehensive review is underway to look at alternative security measures which could alleviate some of this pressure.
- 10.11 **Strategic Property Services** reports an underspend of £229k, after reserves drawdown of £473k, a favorable movement of £3k from the last reporting period. The service continues to review agency assignments, adherence to a recruitment freeze, where it is safe to do so. The Commercial Property portfolio continues to experience financial pressure due to the under-recovery of income, which remains a key budgetary risk. The Assistant Director of Commercial Estates has expressed concerns regarding the elevated risk of income deficits and potential tenant defaults, reflecting the current climate of market uncertainty. While a continuous monitoring framework is in effect, it is projected that these financial challenges will continue into the forthcoming financial year. Furthermore, periods of vacancy are generating additional financial strain, as non-recoverable void costs, such as security costs and business rates are being incurred in the absence of rental revenue. If void levels increase or persist for longer than anticipated, the cumulative impact of these costs could significantly exacerbate the budgetary pressures.

- 10.12 It should be noted that some of these financial pressures will be alleviated through the utilisation of reserves allocated in previous years, specifically to manage fluctuations in commercial property income and void costs.
- 10.13 **Fleet Maintenance** also continues to forecast an overspend which is primarily related to fleet growth and an increase in statutory maintenance obligations. The demand for repairs and rising inflation have significantly escalated the costs of materials and labour for vehicle repairs. This is partially offset by several vacancies held across the service.
- 10.14 It is essential to highlight that the Directorate is actively taking steps to mitigate the current overspend by maintaining several vacant positions. Management has committed to reviewing service requirements and, where feasible, deferring recruitment to ease budgetary pressures for the remainder of the financial year.

## 11. Chief Executive

Revised Budget	Service Area	Forecast Variance After reserves
£000		£000
8,055	Chief Executive	-208

- 11.1 The Chief Executive's Directorate position is forecasting an underspend of £208K, a £15K reduction from the previous period. The forecast includes the planned use of £635k of reserves.
- 11.2 Legal, Democratic & Electoral Services are forecast to underspend by £60k based on reduced forecast for Members allowances. Corporate Strategy & Transformation overall is forecast to underspend by £148k due to early achievement of savings within the policy and strategy team. Within this there is a cost pressure from Communications and Engagement associated with printing and distribution for Love Hackney publication where the service plans to provide 8 editions this year. There are further pressures relating to storage costs, subscriptions and software licence fees across the directorate.

## 12. Housing Revenue Account (HRA)

- 12.1 The HRA is required to identify significant mitigations in order to breakeven for 2025/26. The HRA is forecasting to overspend on Operations expenditure by £8.962m, a positive movement of £609k on the December position. In order to address this overspend and to balance the HRA in year for 2025/26 the following mitigations have been taken and included in the forecast:
- The budgeted contribution to reserves of £2.059m in 2025/26 has not been forecast.

- A drawdown from earmarked reserves of £1.982m has been forecast to partially offset the overspend. This will completely deplete all balances available in earmarked reserves for the HRA.
- With effect from April 2025 the rents charged on HRA Dwellings being used for Temporary Accommodation have been restructured as part of the Council's overall TA rent policy. This has generated additional income for the HRA whilst HRA Dwellings are being used for this purpose. This is not a base budget adjustment and is directly linked to the availability and use of void and regeneration properties for Temporary Accommodation purposes. The additional income forecast for 2025/26 is £4.3m.
- A drawdown of £1.548m from general reserves is required to balance the HRA in 2025/26 a reduction of £628k from December.

12.2 The key risk to the HRA in 2025/26 continues to be repairs and maintenance expenditure which has continued to be forecast above budget. The forecast for 2025/26 is below the outturn for 2024/25 by £2.414m. Management action has been taken to contain expenditure which includes that all work should be ordered on repairs hub with a clear commitment to aid budget monitoring / management and that expenditure is limited to the 'musts' i.e. the legal requirements. These instructions set out the need to work within set budgets during 2025/26 as well as reviewing and setting authorisation limits to improve financial controls. Bi-weekly spend review meetings will review all works raised via the surveying function and all follow-on works requested by the DLO.

12.3 The current financial position and depletion of earmarked reserves places the HRA budgets under significant financial pressure and the current level of spend is not sustainable within the HRA MTFs and 30 Year Business Plan. The newly created HRA Finance Improvement Board will continue to oversee and monitor the financial sustainability of the HRA and recommend appropriate action.

12.4 The main under and overspends are as follows: -

***Home Ownership - £502k underspend***

The recent Internal Audit of Leasehold Major Works Debt Recovery recommended that a provision for the write-off of Major Works bad debt should be promptly raised in the financial records for current and future debt write-offs. A provision for £1.5m will be set up in 2025/26. This is offset by the impact of the 2024/25 actuals on the income due from Leaseholders for 2025/26 which results in an increased forecast of £1.3m along with a review of the rents charged and due from Housing Associations which results in increased income of £1.2m.

***Housing Management - £5.240m underspend***

With effect from April 2025 the rents charged on HRA Dwellings being used for Temporary Accommodation have been restructured as part of the Council's overall TA rent policy. This has generated additional income for

the HRA whilst HRA Dwellings are being used for this purpose. This is not a base budget adjustment and is directly linked to the availability and use of void and regeneration properties for TA purposes. The additional income forecast for 2025/26 has been reviewed at Quarter 3 and has been revised to £6.5m. An increase of £2.1m gross, however this is offset within the Central HRA Budgets by an increase to the required top up to the Bad Debt provision of £1m. Additional income offsets the forecasts for the Cleaning recharge from the General Fund which is £261k more than budget along with a forecast increase of £197k in Business rates.

***Alternative Dispute Resolution (ADR) - £3.062m overspend***

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

***Building Maintenance Salaries - £1.244m overspend***

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

***Direct Labour Organisation (DLO) - £5.000m overspend***

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

***Legal Disrepair - £5.439m overspend***

The forecast for January has increased by £516k to reflect the increase in the number of cases that progress through the courts in 2025/26, as there are more resources in place. As a consequence legal costs, court costs and compensation costs will rise significantly. Thus, the actual year end forecast on legal charges is significantly higher than budget as more cases are expected to go through courts for final settlements in order to reduce the overall number of cases.

***Repairs and Maintenance - £5.534m underspend***

Overall the full year forecast has reduced by £5.534m to take into account capitalisation and the spend controls imposed to manage the overall repairs and maintenance spend. The impact from the spend controls will be monitored closely, the impact continues to be assessed. The building maintenance team continues to face high demand for reactive repairs and

damp and mould works together with additional pressure from the Awaab's law going live in October.

### 13. **Financial Implications**

- 13.1 The Group Director Finance and Corporate Resources financial considerations in respect of the Overall Financial Position are included throughout the report.

Financial comments prepared by Naeem Ahmed, Group Director Finance & Corporate Resources,  
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Date: 5 March 2026

### 14. **HR & OD Implications**

- 14.1 The financial report's forecast **£9.667m overspend** has significant implications for HR & OD, demanding a strategic response focused on stringent cost management, proactive workforce planning, and sustained employee wellbeing support.

#### 14.2 **Workforce Cost Management:**

- **Agency Reduction:** The top priority is controlling the substantial General Fund agency spend, which is forecast at **£34.192m (707 FTEs)**. This will primarily be managed through the newly established **CLT Resources Approval Panel**, ensuring rigorous scrutiny and approval of all recruitment activity, both permanent and temporary. Efforts will focus on transitioning agency workers to permanent roles via service reviews (HRA, Housing), or to C2H where there is a saving/income to be made from reduction of agency rate.
- **Staffing Levels:** Regular star chambers have commenced with Group Directors to address agency reduction and over-establishment across multiple directorates to align staffing with approved budgets, in line with the work of the **Budget Recovery Board**.
- **Spend Freeze:** Define and communicate a clear, sensitive policy for any re-introduced non-essential workforce spending freeze, ensuring it is applied consistently and does not impede front-line service delivery or critical, cost-saving recruitment.

#### 14.3 **Workforce Planning & Change:**

- **Recruitment/Retention:** The Resourcing & Talent Acquisition team will develop targeted strategies (potentially including competitive remuneration) to fill persistent 'hard-to-fill' permanent specialist roles, particularly **Social Workers, Specialist Clinical Practitioners (Children's), and roles within Adult Social Care**, to reduce the high reliance on premium-rate agency staff.

- **Organisational Change:** Supported by the workforce transformation projects, the HR function will provide expert HR advice (TUPE, consultation, employee relations) to manage forthcoming change projects and restructures, including the **HRA Service Review** aimed at reducing its £3.395m agency spend by establishing permanent roles within the new structure. This support will also manage potential increases in casework stemming from grievances and complaints.
- **Governance Support:** HR & OD will provide embedded support to the **ASC Finance Improvement Panel** and **HRA Finance Improvement Panel** to ensure workforce implications are central to their financial sustainability plans.

#### 14.4 **Employee Wellbeing:**

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

14.5 In summary, HR & OD will focus on stringent financial control of the workforce budget, leveraging the new governance panels to manage agency spend and over-establishment, while simultaneously driving necessary organisational change and supporting long-term recruitment efforts to achieve financial sustainability.

HR/OD comments by Sandra Farquharson, Director of Human Resources and Organisational Development  
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 Date: 11 March 2026

### 15. **Legal Implications**

- 15.1 Cabinet is reminded of the fiduciary duty owed by elected members as trustees of the Council's assets including the need to apply those assets in the public interest and thus the need to ensure prudent use of the Council's resources both in the short, medium and long term; striking a balance between the interests of the council tax/rate payers and the community's interest in adequate and efficient services; and acting in good faith in compliance with its duties.
- 15.2 Under the Council's Constitution, although Full Council sets the overall budget, it is Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Council's decisions. Cabinet must take decisions in line with the Council's overall policies and budget.

- 15.3 The Group Director of Finance and Corporate Resources is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.
- 15.4 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:
- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.
  - (ii) Determine the accounting records to be kept by the Council.
  - (iii) Ensure there is an appropriate framework of budgetary management and control.
  - (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.
- 15.5 Paragraph 2.9 of FPR2 Financial Planning and Annual Estimates states that each Group Director in charge of a revenue budget shall monitor and control Directorate expenditure within their approved budget and report progress against their budget through the Overall Financial Position (OFP) Report to Cabinet. This Report is submitted to Cabinet under such provision.
- 15.6 Article 13.6 of the Constitution (Part Two) states that key decisions can be taken by the Elected Mayor alone, the Executive collectively, individual Cabinet Members and officers. Under the Mayor's Scheme of Delegation financial matters are reserved to Cabinet, therefore, this report is being submitted to Cabinet for approval.
- 15.7 The recommendations in this Report concern the Council's Voluntary and Community Sector Grants Programme. Agreeing the award of grant aid from the voluntary sector grants programme is reserved to the Mayor and Cabinet under the Mayor's Scheme of Delegation (January 2017) so the awards in this Report will need to be approved by Cabinet.
- 15.8 The award of a grant is a discretionary function. Details of the grant programmes and payments proposed in this Report are set out in Appendix 2. It will be important to ensure that all grant payments made to grant recipients under this Report are consistent with the subsidy control principles and other requirements under the Subsidy Control Act 2022.
- 15.7 All other legal implications have been incorporated within the body of this report.

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## **Appendices**

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

Appendix 2: VCS Infrastructure Budgets

## **Background documents**

None.