
CABINET

Subject Heading:

**Budget Monitoring Report - Period 4
July 2023 and MTF5 Finance Update**

Cabinet Member:

**Councillor Chris Wilkins (Cabinet
Member for Finance and
transformation)**

SLT Lead:

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Policy context:

The report provides an update on the Financial monitoring position of the Council at the end of Period 4 2023-2024. The report also sets out the latest 4 year medium term financial strategy and an update on the 2024/25 budget

Financial summary:

This report includes:

- Projected Outturn at Period 4
- Projected Capital spend as at Period 3 (Shown in Appendix 1)
- Update on progress towards delivering the 2023/24 savings
- Update on the progress towards setting the 2024/25 budget
- Update on the Medium Term Financial Strategy for 2024-28

Is this a Key Decision?

No

1. Executive Summary

- 1.1. This Report sets out the monitoring position for the Council for 2023/24 based on figures to period four (31st July).
- 1.2. The table below shows the net service budgets, spend and variances and actuals to date.

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
Resources - Strategic Directorate	4.624	3.301	1.608	3.383	0.082
People - Strategic Directorate	122.183	131.979	48.365	151.902	19.923
Place - Strategic Directorate	6.703	8.347	(10.098)	12.237	3.890
A7000B-oneSource Shared Total	2.812	3.834	6.206	6.051	2.217
A8000B-oneSource Non-Shared LBH Total	4.808	4.885	3.814	4.865	(0.020)
Total Service Budgets	141.129	152.346	49.895	178.438	26.092
Corporate budgets and provisions	14.739	13.569	3.358	13.569	0.000
Concessionary Fares	5.076	4.865	1.199	4.865	0.000
Treasury Management and Capital Financing	9.452	9.149	0.094	6.149	(3.000)
Service Growth held corporately	18.483	10.439	0.000	10.439	0.000
Contributions to the Pension Fund	12.086	12.086	3.160	12.086	0.000
Corporate Finance Total	59.835	50.108	7.811	47.108	(3.000)
A5590E-Contingency	1.000	1.000	0.000	1.000	0.000
A5710E- Unringfenced Service Grants	(38.493)	(39.983)	(12.952)	(39.983)	0.000
A5720E-Levies Total	18.535	18.535	6.205	18.535	0.000
A9001B-Corporate Total	40.877	29.660	1.064	26.660	(3.000)
A0000A-Total	182.006	182.006	50.960	205.098	23.092

- 1.3. Further details of the reported variances are set out in Section 4 of this report. This section also sets out the steps taken to address the reported overspend. There are then sections setting out the Corporate outturn position, including Treasury management. The report then has a section setting out the outturn position on the Housing Revenue Account (HRA) and Capital.
- 1.4. The report includes an update on the 2024/25 budget setting process and the latest 2024-28 medium term financial strategy. The report sets out the pressures behind the reported position and the sets the Council is taking to address the budget position

2. RECOMMENDATIONS

- 2.1. Cabinet are asked to note the revenue and Capital financial positions at Period 4 as set out in section 4 of this report

- 2.2. Cabinet are asked to note the progress towards setting the 2024/25 budget as set out in section 9 of this report
- 2.3. Cabinet are asked to note the Quarter 1 Capital Programme update as set out in Appendix one to this report.

3. BACKGROUND

- 3.1. Havering is an efficient well run authority which has managed its budgets carefully over many years. Over the last decade the Government has reduced the amount of funding the authority has received both in cash terms and through an inequitable funding formula which does not reflect the demographic pressures the Council faces.
- 3.2. In the same time the Council has faced increased demographic demand and complexity in Social Care at a time when high inflation is also driving up the costs charged by providers. The Government has failed to adequately provide grant funding for Havering for these large increases leaving the authority in the difficult financial situation set out in this report through no fault of its own. Havering has increased Council Tax in line with Government expectations and has identified over £160m of savings and efficiencies over the last ten years. Even this extra funding has not been enough to meet the additional demands the Council is facing.
- 3.3. Havering spends its money carefully and has low unit costs compared to most other authorities as shown in recent benchmarking in paragraph 9.12.4 of this report. Havering was badly affected by the COVID pandemic and unlike many other authorities spent all the Government grant allocated at the time. The authority has overspent over the last two years firstly due to continued care costs in the aftermath of the pandemic followed by sharply rising costs due to inflation. This has resulted in a reduction of general fund balances to £8.1m which is amongst the lowest levels in London.
- 3.4. Havering has been disadvantaged over many years by Government policy regarding grant allocation. The current formula used for central grant distribution is over 10 years old and does not reflect current demand. This has penalised Havering through underfunding as its population has grown disproportionately to other authorities.
- 3.5. Havering is also facing pressures through Government policy in other areas. This includes the Government's stance on the Private Rented Sector (PRS), which has led to less properties being available for local authorities to meet Housing demand. The inconsistency and lack of direction regarding the Fire Safety Regulations (2022), has led to Havering not being able to deliver much needed affordable housing in the Borough. This in turn, has led to pressures on housing demand making Havering more reliant on expensive temporary accommodation to meet our statutory Housing duties.
- 3.6. There are a number of other authorities across the country experiencing similar pressures to Havering and it is generally recognised that unless the Government identifies new funds a number of these authorities will shortly fall into significant financial difficulties.

- 3.7. In March 2023 Havering agreed a balanced budget for 2023/24 as part of the Council Tax setting process. As part of building the budget the Council considered the various pressures services were facing and made assumptions based in the latest information at that time on client numbers and demand. This exercise identified that over £19m of growth needed to be built into the budget to support service pressures. The Council balanced this additional need through a combination of additional grant, savings and an increase in Council Tax.
- 3.8. The early months of 2023/24 has seen significant pressures increase in the following areas:
- 3.8.1. *Housing Demand* - The increase in cost of living has had a resultant impact on the cost of Housing provision across London. Demand has increased and the Council has been forced to use high cost temporary accommodation on an increasing basis. The number of PSL's available has also decreased over the last couple of years again increasing the use of hotels and B and B.
- 3.8.2. *Looked after Children with Complex need* - The numbers of Looked After Children requiring Council support has increased over the last few years. In the last year however the number of Children requiring complex support through residential placements has risen from 16 up to 29 placements. These placements are high cost resulting in a significant pressure on the budget. The Council has a statutory duty to support these Children and will regularly review each placement to ensure the best outcomes for each individual.
- 3.8.3. *Uncertainty over continued Health Funding and the rising unit cost of Adult placements* - The number of Adults in Social care continues to rise but more significantly the unit cost of provision driven by inflation has significantly increased. The Council was expecting these increases and over £9m was built into the Adults budget to cover these costs. In 2022/23 over £37m of Health Funding underpinned the Adult Social Care budgetary position. At this stage there is no certainty that these funds will be ongoing in 23/24 and so this report recognised that as a pressure for both 2023/24 and 2024/25. People Services will continue to work closely with Health partners to recognise the Council's pressures and to secure funding where it is due.
- 3.9. These pressures have resulted in a significant gap in the Council's forecasted budget position. Services will continue to work hard to both contain demand and reduce costs to improve this position through the remainder of the year. It should be noted that the Council is not alone in facing these pressures. Many other boroughs are reporting similar positions with rising costs driven by inflation and rising demand.

4. PERIOD 4 REVENUE MONITORING REPORT

4.1. This section sets out the service reported position at the end of July and the directorates view on the potential outturn position from all known information. The paragraphs below set out department commentary on the current variances.

4.2. RESOURCES

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A3000B-Resources - Public Health Total	(1.650)	(1.650)	(4.383)	(1.650)	0.000
A3100B-Resources - Communication Total	(0.055)	(0.055)	0.284	(0.055)	0.000
A3200B-Resources - Customer Services Total	0.402	0.590	2.200	0.469	(0.121)
A3300B-Resources - Finance Total	1.844	0.309	0.578	0.246	(0.063)
A3400B-Resources - Havering Place Based Partnership Total	0.884	0.884	1.857	1.146	0.262
A3500B-Resources - Public Health - HRA Total	1.217	1.242	0.288	1.242	0.000
A3600B-Resources - Public Health - Non Grant Total	1.982	1.982	0.785	1.986	0.004
Resources - Strategic Directorate	4.624	3.301	1.608	3.383	0.082

4.2.1. Customer Services are projecting an improvement in underspend of £0.121m in period 4 following a review of vacant posts. This position will be revised in period six when the levels of call wait times (demand) at the contact centre is reviewed.

4.2.2. Bereavement & Registration are projecting an overspend of £0.098m at P4 as a result of an underachievement in Crematorium income due to seasonal demand, which tends to fluctuate. There is also a forecasted overspend of £0.163m within Commissioning due to agency staff covering vacant posts. The current forecast assumes that the service will not be in receipt of previous year one-off funding, however, should the service be notified of any such funding during the course of the year the forecast will be updated accordingly.

4.3. PEOPLE

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A4000B-People - Starting Well Total	50.718	53.023	16.646	62.068	9.045
A4600B-People - Ageing Well Total (includes Living Well Social Care)	67.485	74.024	31.410	81.838	7.814

A9000B-People - Living Well (Housing Demand) Total	2.649	3.602	(0.072)	6.587	2.985
A9100B-People - Living Well - HRA Total	1.330	1.330	0.382	1.330	0.000
People - Strategic Directorate	122.183	131.979	48.365	151.823	19.844

4.3.1. **Starting Well**

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A4100C-Education Total	12.033	13.613	3.957	13.613	0.000
A4200C-Children's Social Care Total	36.944	37.669	12.495	46.714	9.045
A4250C-Principal Social Worker Total	1.741	1.741	0.194	1.741	0.000
A4000B-People - Starting Well Total	50.718	53.023	16.646	62.068	9.045
Education- DSG Total	0.000	0.000	(23.698)	0.000	0.000
A4100B-People - Starting Well - DSG Total	0.000	0.000	(23.698)	0.000	0.000

4.3.1.1. *Children's Social Care*

4.3.1.2. Future growth on Children in Care (CIC) & Leaving Care (LC) placements has been forecast at a prudent 5%. CIC placement expenditure rose from £9.6m in 2021/22 to £12.5m in 2022/23 (an increase of 31%). Whilst there was an overall fall in CIC numbers, residential placements increased from 16 in April 2022 to 29 in March 2023, an 85% increase in the costliest placements.

4.3.1.3. As in previous years, growth on Children with Disabilities (CWD) placements and transport has been based on the increase in the number of Education Health Care Plans plans, which amounts to 13%. The number of clients approved for transport for the 2023/24 academic year has also risen by the same percentage. A proportion of these increases has been incorporated into the period 4 forecast, with the balance being held as contingency for further changes in the new school year.

4.3.1.4. Unaccompanied Asylum seeking children (UASC) growth has been estimated at 10%, as currently Havering is significantly below the 1% quota for accepting asylum seekers. This growth amounts to approximately another 40 asylum seekers.

4.3.2. **Ageing Well**

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A4600C-Adult Social Care Total	66.209	72.748	31.067	80.565	7.817
A4650C-Adult Safeguarding Total	1.276	1.276	0.343	1.273	(0.003)
A4600B-People - Ageing Well Total	67.485	74.024	31.410	81.838	7.814

4.3.2.1. Adult Social Care

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A4600E-Transforming Health and Social Care Total	0.000	0.000	0.108	0.000	0.000
A4620E-Strategy and Commissioning Total	2.690	2.665	1.563	2.693	0.028
A4621E-Mental Health - Section 75 Total	2.244	1.637	0.084	1.409	(0.228)
A4622E-Mental Health - Non Section 75 Total	1.783	2.628	1.216	3.435	0.807
A4625E-ASC Covid Spend Total	0.000	0.002	(0.000)	0.002	0.000
A4630E-Adult Community Team Total	34.008	38.062	16.274	41.238	3.176
A4645E-Hospital Discharge Total	0.107	0.107	0.222	0.002	(0.105)
A4650E-Learning Disabilities Total	25.179	27.450	12.134	31.477	4.027
A4660E-Health & Social Care Other Total	0.198	0.198	(0.547)	0.310	0.112
A4671E-Disabled Adult Services-Dummy Total	0.000	0.000	0.015	0.000	0.000
A4600C-Adult Social Care Total	66.209	72.748	31.067	80.565	7.817

4.3.2.2. The period 4 reported position for the Adults Social Care Service area is an overspend of £7.817m.

4.3.2.3. The outturn position for 22/23 was an overspend of £1.650m, the period 4 forecast position is an increase of £6.104m against the 22/23 outturn position. The main reason for this increase is due to substantial one off health funding being applied to the 22/23 budget which amount to £7.511m and although £9.486m inflationary and demographic growth funding has been allocated to Adult Social Care for 23/24, once the one off funding has been taken into consideration, the net increase to the Adult Social Care budget for 23/24 is £1.975m.

4.3.2.4. There is also an additional £0.230m which has been applied to the forecast which is the ICB element of the discharge fund which is over and above the amount that was included within the growth figure. There is also an additional £0.450m Better Care Fund (BCF) funding which has been applied to the forecast, this is the inflationary increase of the BCF.

4.3.2.5. The pressure is mainly due to the high inflationary increases that were applied for the 23/24 rates, the estimated forecast of the inflationary increases are in the region of £6.500m. Even with large inflationary increases being paid to providers, it is still proving difficult to place clients at Havering's usual rates and most providers are not currently accepting Havering's rates, resulting in higher weekly costs for most placements which is adding to the forecast overspend. Work is being undertaken by commissioning and brokerage with the market to understand the current pressures. The table below sets out the significant increase in rates paid on average over the last year:

SERVICE	RATE	22/23 Rate	% UPLIFT	New rate	ESTIMATED ANNUAL COST OF UPLIFT
					(£)
RESIDENTIAL CARE	STANDARD WEEKLY	£620.00	13.00%	£700.60	105,000
	ENHANCED WEEKLY	£695.00	11.00%	£771.45	502,000
	VARIABLE 1 WEEKLY	variable	6.00%	variable	169,000
	VARIABLE 2 WEEKLY	variable	8.00%	variable	864,000
	1 to 1 HOURLY	variable	0.00%	variable	0
NURSING CARE	STANDARD WEEKLY	£632.00	13.00%	£714.16	87,000
	ENHANCED WEEKLY	£678.00	11.00%	£752.58	345,000
	VARIABLE 1 WEEKLY	variable	6.00%	variable	211,000
	VARIABLE 2 WEEKLY	variable	8.00%	variable	111,000
	1 to 1 HOURLY	variable	0.00%	variable	0
SUPPORTED LIVING	VARIABLE WEEKLY	variable	8.00%	variable	1,109,000
HOMECARE	STANDARD HOURLY	£19.68	11.00%	£21.84	1,239,000
	VARIABLE HOURLY	variable	6.00%	variable	9,000
	VARIABLE WEEKLY	variable	6.00%	variable	18,000
LIVE-IN CARE	VARIABLE WEEKLY	variable	9.00%	variable	81,000
	1 to 1 HOURLY	variable	9.00%	variable	14,000
ESTIMATED COST OF PROVISION UPLIFTS					4,864,000

4.3.2.6. There is also increasing placement pressures in both Community Teams and Learning Disabilities as well as increasing demand in Mental Health with an increase in complex packages and an increase in the number of service users being supported.

4.3.2.7. The period 4 position also saw a high number of self-funders that we are brokering care for, although this does not impact on the forecast as the income from the self-funders are also included within the forecast, this appears to be an unusual trend and the reason for this is currently being investigated

4.3.2.8. Progress on Aging Well savings - The 23/24 savings applied to the Ageing well budget was £3.245m. The forecast assumes that these savings will be achieved in full by year end although further work is currently being undertaken to review the achievability of some of these savings. £0.457m of the Better Living savings have been achieved and the teams continue to work to continue to deliver better living savings, Senior managers and the Learning Disabilities resource panel are scrutinising all requests for appropriateness and proportionality. £0.427m of the Targeted reviews savings have been achieved and the teams are continually working on scoping what other cases could be targeted to achieve the saving

4.3.3. Living Well

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A2100C-Culture & Leisure Total	(1.756)	(1.434)	(0.330)	(1.355)	0.079
A4300C-Housing Demand Total	4.405	5.036	0.258	8.021	2.985
A9000B-People - Living Well Total	2.649	3.602	(0.072)	6.666	3.64

4.3.3.1. Housing Demand

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A4386E-Housing Demand Service (GF) Total	4.355	4.986	0.258	7.971	2.985
A4387E-Supported Housing (GF) Total	0.000	0.000	0.000	0.000	0.000
A4388E-GF Support Charges Total	0.050	0.050	0.000	0.050	0.000
A4300C-Housing Demand Total	4.405	5.036	0.258	8.021	2.985

4.3.3.2. The Period 4 budget pressure is a £4.012m overspend but the service is working to reduce this pressure by mitigating the costs as shown in the table below and with other measures, reducing the overspend to just under £3m. The forecast includes the additional hotel costs for homeless families and singles, increased landlord rents and the associated shortfall in rental income, as well as Private Sector Landlord (PSL) repairs and maintenance costs that include £230k brought forward from the last year.

4.3.3.3. The table below demonstrates the increase in temporary accommodation costs and demand over the first four months of the year

		Apr-23	May-23	Jun-23	Jul-23
FAMILIES	Total days cost in month	2591	2934	3353	3824
	Total cost in month (M)	0.211	0.234	0.255	0.282
SINGLES	Total days cost in month	1557	1727	1915	2136
	Total cost in month (M)	0.109	0.125	0.137	0.149

4.3.3.4. The mitigations being mobilised to reduce the impact of the hotel costs however, the winter period could add additional pressures to the service:

Sites	Number of units	Timeframe	In year impact £m
Royal Jubilee Court	60 units	Oct-23	(0.674)
Notting Hill Housing Genesis	9 units	Dec-23	(0.030)
National Housing Group	8 units	Dec-23	(0.021)
Chalkhill PAPP	50 units	Mar-24	(0.078)
Total			(0.803)

4.4. PLACE

Directorates	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A5000B-Place - Environment Total	8.219	9.921	0.999	12.481	2.560
A5100B-Place - Planning & Public Protection Total	4.092	4.024	1.536	4.902	0.878
A5500B-Place - Housing & Property Total	(3.060)	(3.025)	0.612	(2.575)	0.450
A5700B-Place - Housing & Property HRA Total	(2.548)	(2.573)	(13.245)	(2.573)	0.000
Place - Strategic Directorate	6.703	8.347	(10.098)	12.235	3.888

4.4.1. Environment

4.4.1.1. Environment are projecting an overspend position of £2.560m at P4; The main reasons for the overspend are as follows:

4.4.1.2. Parking – A pressure of £1.351m. The overspend mainly as a result of a shortfall in the base budget for Penalty Charge Notices and Moving Traffic Contraventions and reduced income from the new school street offer (inability to implement the level of School Street camera's as previously planned by the previous administration, a reduction from 11 schools to only 3 schools going ahead)

4.4.1.3. Public Realm – an over spend of £0.640m. The over spend is mainly as a result of procurement, consultancy and ongoing Legal support costs relating to the deferral of the integrated Public Realm Contract. The service has now identified pressures resulting from the transfer to the new waste contract, these additional costs are included within the forecast projection. These costs are one off costs for this financial year. It is anticipated that there will be an increase in the Household waste and recycling collection cost as a result of the post extension contract cost with SERCO including enhanced staff cost (drivers supplements), 50:50 vehicle cost share and the increased agency spend due to staff leaving during the transition period. Initial thoughts in April 2023 assumed that the additional costs arising from the waste contract extension would be £0.248m, and this would be managed within the 2023/24 Service budget. Further detailed analysis carried out in P4, has shown that despite all the mitigating factors taken into consideration to reduce pressures, Public Realm are reporting an overall overspend position of £0.640m.

4.4.1.4. Highways – an over spend of £0.807m This is mainly as a result of the unachievable income target within DSO. In addition, the scheme's budget is under pressure due to under recovery in staff capitalisation cost. A strategy is now in place for a wider procurement of highways services to include expected cost efficiencies by outsourcing the DSO, any benefits to be realised in 2024/2025.

4.4.1.5. The P4 forecast position includes Directorate under spends of £0.238m predominantly as a result of staffing under spend within Business Support.

4.4.2. **Planning & Public Protection**

4.4.2.1. Planning & Public Protection are projecting an over spend position of £0.878m at P4. Potential pressures within Planning and Public Protection are as a result of under achievement of the planning application fee income, building control fee income, local land charges and business licensing fee income. In addition to, unbudgeted legal costs in relation to upcoming Public Inquiries within planning and costs for Terraquest, the external service provider for planning application validation. There are cost pressures in connection with the Local Plan and Lower Thames Crossing Development Consent Order programme, also mortuary contract cost pressures.

4.4.2.2. These over spends are slightly offset by salary underspends across the Service.

4.4.3. **Housing and Property**

Directorates at Activity level	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A2850C-Regeneration & Place Shaping Total	0.447	0.411	0.279	0.411	0.000
A4880C-Housing Property and Assets Total	(4.050)	(4.016)	(0.672)	(3.566)	0.450
A6000C-Inclusive Growth Total	0.544	0.580	1.005	0.580	0.000
A5500B-Place - Housing & Property Total	(3.060)	(3.025)	0.612	(2.575)	0.450

4.4.3.1. Romford Market has experienced a decline in income over a number of years due to reduced traders and reduced footfall within the area. There is a pressure estimated in this financial year of £0.150m.

4.4.3.2. The Mercury House decant is unlikely to be concluded until 2024/25, therefore the associated savings target will not be fully achieved this financial year whilst business rates and small running costs are still being incurred. The residual net pressure being forecast is £0.3m.

4.5. **ONESOURCE SHARED**

Directorates	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A7100C-oS Finance Total	0.180	0.243	1.029	0.232	(0.011)
A7131C-Procurement Total	(0.007)	(0.007)	0.177	(0.007)	0.000
A7200C-oS Business Services Total	0.103	0.067	(0.593)	0.250	0.183

A7300C-oS Exchequer & Transactional Services Total	2.305	3.066	1.133	3.871	0.805
A7500C-oS Legal & Governance Total	(0.030)	0.136	1.270	0.251	0.115
A7600C-oS ICT Services Total	0.276	0.301	1.818	1.487	1.186
A7700C-oS Asset Management Services Total	0.010	0.053	0.367	(0.008)	(0.061)
A7800C-oS Strategic & Operational HR Total	(0.025)	(0.025)	1.005	(0.025)	0.000
A7000B-oneSource Shared Total	2.812	3.834	6.206	6.051	2.217

4.5.1. Prior years undelivered savings targets are causing an overspend on business services of £0.2m; it is anticipated that these will be addressed as part of the oneSource split.

4.5.2. The Exchequer and Transactional Service is forecasting an overspend of £0.8m. Enforcement fees are set by statute at £75 for a letter and £235 for an enforcement officer visit, therefore the ability to deliver against target is predicated on a significant increase in the volume of successful cases. The service continually aims to secure new contracts and increase caseloads wherever possible. As and when new contracts are secured, the income forecast will be updated accordingly.

4.5.3. ICT Services are reporting a £1.1m overspend largely comprised of a combination of undelivered savings of £0.6m (£0.4m for 22/23 and £0.2m prior year) and increases in costs including Microsoft Enterprise Licences, data and connectivity costs, security costs and Dynamics

4.6. ONESOURCE NON SHARED

Directorates	Original Budget £m	Revised Budget £m	Actual To Date £m	Year End Forecast £m	Current Forecast Variance £m
A5200C-Exchequer Services Total	(1.621)	(1.621)	(0.596)	(1.513)	0.108
A5350C-Business Services Total	0.002	0.002	0.000	0.002	0.000
A5750C-oS non Shared Finance Total	1.184	1.122	1.220	0.913	(0.209)
A5800C-Asset Management Total	2.965	3.104	2.109	3.154	0.050
A5850C-Strategic HR & OD Total	(0.024)	(0.024)	0.429	0.033	0.057
A5900C-Legal & Democratic Services Total	2.101	2.101	0.652	2.075	(0.026)
A5950C-ICT Services Total	0.200	0.200	0.001	0.200	0.000
A8000B-oneSource Non-Shared LBH Total	4.808	4.885	3.814	4.865	(0.020)

- 4.6.1. Exchequer Services is forecasting a £0.1m overspend which relates to a reduction in the amount of allowable contribution from the collection fund to the general fund in recognition of the cost of collection. The allowable contribution is determined by central government and is based on a formula including the number of hereditaments, aggregate rateable value and the 'area cost factor' for the authority. The current budget assumes a contribution of £0.368m against an actual contribution of £0.272m.
- 4.6.2. Finance is forecasting an underspend of £0.209m in relation to staffing vacancies.
- 4.6.3. Asset Management have reduced all non essential spend in order to mitigate the income pressures they are experiencing and are now forecasting an overall net pressure of £0.050m. They have a high number of vacant properties within the Hilldene area owing to current development plans, however, they are actively being marketed, which will hopefully result in new income, bringing the overspend back within budget.
- 4.6.4. Legal and Democratic Services are forecasting an underspend of £0.140m mainly on staffing vacancies. Legal non-shared are forecasting an over spend of £0.114m which is a combination of slippage on the delivery of a £0.055m savings target relating to reducing the cost of external legal spend in wider council budgets coupled with income pressures of £0.095m resulting from a reduction in school appeal income.

5. HOUSING REVENUE ACCOUNT

- 5.1. **Living Well – HRA** Whilst there are additional costs being incurred to convert Royal Jubilee Court into temporary accommodation, this will be recovered from the additional rental stream once the units are occupied
- 5.2. **Housing & Property HRA** Housing Operations – HRA - £144k underspend. The introduction of ULEZ has resulted in the existing vehicle fleet having to be replaced, to ensure compliance. This has resulted in a £93k pressure. This has been offset by underspends on salaries as a result of an AD post being deleted from the structure and vacant posts in the Telecare and Income Management Services. There has also been income received from recovered court costs and legal fees
- 5.3. Housing, Property & Assets – HRA - £42k underspend.

6. SAVINGS DELIVERY

6.1. In setting the 2023/24 budget the Council identified £9.626m of savings proposals which would need to be delivered in order to balance the budget. These proposals were partially offset by a £2.0m budget provision recognising that some proposals might not be fully realised. Departments worked collectively to achieve savings wherever possible. The tables below show progress towards delivery of those savings split into the new Departments and also rag-rated.

6.2. The table below shows progress of delivery by Directorate

Savings	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	4 Year Plan
People	5.289	4.562	7.456	6.580	23.887
Place	2.796	0.493	0.000	0.000	3.289
Resources	0.791	0.130	0.000	0.000	0.921
Corporate	8.135	1.600	1.600	1.600	12.935
TOTAL	17.011	6.785	9.056	8.180	41.032

6.3. Table showing achievement of savings rag-rated:

Savings	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	4 Year Plan
Green	(5.575)	(2.668)	(2.220)	(2.220)	(12.683)
Amber	(4.007)	(4.117)	(6.836)	(5.960)	(20.920)
Red	(2.194)	0.000	0.000	0.000	(2.194)
Staffing Saving	(5.235)	0.000	0.000	0.000	(5.235)
TOTAL	(17.011)	(6.785)	(9.056)	(8.180)	(41.032)

6.4. The Council will continue with the aim of delivering all savings set out in the budget. The majority are on track but there are a number which are classified as red (not on track). These savings are listed below and either relate to difficulties associated with the demand pressures set out in this report or through decisions not to proceed with certain items. The Council has a provision built into its base budget and in the event of a service not being able to contain their costs the provision will be used to balance the budget. The current savings classified as red are shown in the table below:

Fund Climate Posts from CIL rather than base budget	(0.150)
Targeted Reviews - Living Well	(0.500)
Assistive Technology - Ageing Well	(0.250)

Develop integrated commissioning function to support the Havering Borough Partnership	(0.250)
Better Living (part of saving)	(0.800)
Saving on Permits	(0.220)
Closure of Corbets Tey toilets	(0.024)
TOTAL RED SAVINGS £Ms	(2.194)

6.5. In addition to the £17m above, the Council committed to delivering £7.0m of staffing savings. £1.8m has been delivered through a voluntary redundancy scheme with a further £5.2m of savings that are yet to be identified. The Council is fundamentally reviewing its staff base and structures to modernise services and improve efficiency.

6.6. Further work will continue to identify how the remaining £5.2m saving will be met. This savings target is not currently included in the projected budget gap and so if proposals are not identified there is a risk that this will add to the Council's overspend at year end.

7. CORPORATE BUDGETS AND CONTINGENCY

7.1. The Council holds a central contingency of £1m each year. This is held for unforeseen events and the Council would only use this as a last resort if no other funding is available.

7.2. The Council also holds a number of budgets centrally mostly pending allocation to departments. These budgets have been reviewed, on a monthly basis, by the Section 151 Officer, as part of the monitoring cycle.

Corporate Items	Budget £m	Forecast £m	Outturn (Under)spend £m	Period 3 (Under)spend £m
Corporate Contingency	1.000	1.000	0.000	0.000
Treasury Management	9.452	6.452	(3.000)	(3.000)
Other Corporate Budgets	19.579	19.579	0.000	0.000
Total	30.031	27.031	(3.000)	(3.000)

7.3. Treasury Management - The Council sets its treasury budgets based on the assumed Capital programme and forecasted level of cash balances each year. There are fluctuations on these budgets due to slippage and changes to the Capital programme, prevailing interest rates and borrowing decisions and the level of cash balances held by the Council. The Period 3 Capital monitoring position below shows significant slippage from the anticipated programme at the start of the financial year. This slippage has resulted in the Council not needed to externally borrow in the first half of the year. This generates a short term underspend although it should be noted that costs in future years will go up when schemes do progress. The Council has also benefitted from increased interest receivable from its deposits. Interest rates have continued to rise and the Council

is lending at an overnight rate of over 5%. This has generated additional income on the Councils short term investments. These factors have resulted in an underspend on the treasury budget of £3.0m. There will also be a year end charge to the Housing Revenue Account reflecting the benefit that fund has received from utilisation of cash balances rather than external borrowing. This will be included in the Period 4 forecast and is currently being estimated.

- 7.4. Whilst the Council has benefitted financially in the short term through the slippage on the Capital Programme these delays have not been through the Councils choice. The re-profiling of the Regeneration programme has largely been caused by legislative changes outside the Council's control and will delay the development of much needed Housing to ease the Councils demand pressures

8. EARMARKED AND GENERAL RESERVES

- 8.1. The Council holds general balances to mitigate against unforeseen risks. At the end of 2022/23 The Council held £8.154m in General Balances. This is significantly lower than the Council's self set target of £20m of unallocated balances. The Council does budget each year for a £2m contribution to general balances but the financial position set out in this report will make increasing general balances very difficult in the short term.
- 8.2. The Council also holds Earmarked reserves which are set aside for specific time limited projects in the future. These reserves are reviewed regularly and if the reserves are no longer required they are either transferred to revenue or added to general balances.

The table below shows the 2022/23 year end position on Earmarked reserves:

Reserves	Balance 1st April £m	Total Use £m	Closing Balance £m
Corporate Reserves	-27.3	13.8	-13.5
Capital Reserves	-6.5	0.5	-6.0
General Reserves	-23.1	5.8	-17.3
Public Health Reserve	-2.7	-0.2	-2.9
Total	-59.6	19.9	-39.7

9. MEDIUM TERM FINANCIAL PLANNING AND BUDGET PROCESS UPDATE

- 9.1. The increases in Social Care costs the Council is facing has placed the Council in a very difficult financial position. Havering is a well-managed, efficient, low cost council. However the external funding the Council receives from the Government has reduced from over £75m in 2013/14 to around £33m and in the same period goods and services and other inflationary costs have risen by over 30%.
- 9.2. Havering is a well run authority with a history of sound financial management. The Council has identified over £160m of savings and efficiencies over the last 10 years in

order to finance increased demographic demand and balance its budget. The authority also has one of the highest Council Tax collection rates in London despite having the 5th highest Council Tax in the Capital due to many years of underfunding.

- 9.3. The Council has statutory duties to support vulnerable people and in the last few years the number of people needing support has risen significantly. High inflation has also driven up weekly unit costs for social care placements over the last two years and the level of support needed by those is increasing in complexity and cost. Havering's children population is the fourth fastest growing in the UK and the highest in London.
- 9.4. Havering also has the 2nd oldest population in London, resulting in a significant number of elderly and vulnerable people requiring home care, residential and nursing placements. Homelessness combined with a shortage of available Housing has resulted in the Council having to use expensive temporary accommodation to fulfil its statutory duty. The Council is working hard to identify additional Housing sites in order to manage this pressure but are having to place vulnerable families in hotels as there is simply not enough housing to meet the demand.
- 9.5. Havering has approximately £48m of General Balances and Earmarked reserves left and with a projected overspend in 2023/24 of £23m as set out in this report this figure is likely to reduce further at year end. The Government is not offering solutions and the Council is faced with some tough decisions. The Council will be putting in place recruitment and spending controls in order to reduce the forecast overspend.
- 9.6. Havering has been heavily disadvantaged by central Government's continued use of a funding formula based on population numbers from 2011. Our Borough's population has grown significantly and yet the funding formula is calculated using outdated data that is over a decade old. The Council will continue to lobby central Government and keep pushing for a fairer share of central funds.
- 9.7. The process to set the 2024/25 budget and Medium term financial strategy has been the most challenging the Council has faced in years. Cabinet was provided an update on the Medium Term Financial position in July at which it was estimated there was a potential gap of £14.1m for 2024/25 rising to £51.8m over a four-year period to 2028.
- 9.8. Since the July report was published the Council has undertaken a comprehensive review of all budgets to identify and update all the assumptions in the medium term financial strategy. This is a process that all Councils undertake during the summer months and particularly for People Services involves mapping service user numbers and unit costs to project potential future demand and cost. The results have confirmed that Havering is facing future pressures that significantly exceed the previous projections in Service areas. The additional pressures are partially offset by changes to the Corporate projections and additional assumed grant streams following recent Government announcements.
- 9.9. The net updated position is a potential budget gap before savings proposals and Council Tax decisions of £31.2m in 2024/25 rising to £77.1m over the four-year period to 2028.

	2024/25	2025/26	2026/27	2027/28	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures	4.4	9.8	7.1	2.7	23.9
Demographic and Service Pressures	34.9	9.3	8.4	5.5	58.0
Pay Award and other Inflation	8.5	5.0	5.0	5.0	23.6
Assumed Savings previously built into the strategy	-6.8	-9.1	-8.2	-1.6	-25.6
Additional Government Funding	-9.8	1.0	6.0	0.0	-2.8
Budget Gap	31.2	16.0	18.3	11.6	77.1

9.10. Updated projected Service Budget pressures

9.10.1. The main change to the forecast budget position has been the level of Demographic and Service pressures that needs to be built into the plan. The current period 4 monitoring position shown earlier in this report shows a projected service overspend of £26.1m. The Council is currently forming action plans to mitigate this overspend in 2023/24 but it is clear that the underlying issues that have caused the overspend will continue into future years. Inflation has reduced through 2023 but is still projected to be at 4% by the bank of England in April 2024. As such future year assumptions also recognise that inflation (which partly drives placement costs) also need to be adjusted.

9.10.2. Starting Well

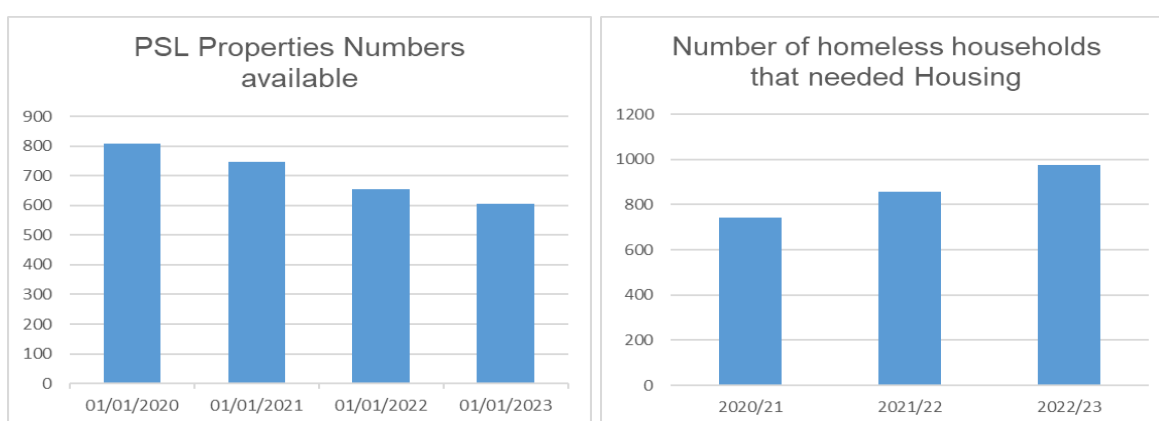
9.10.3. The Starting Well base budget pressure in 2023/24 of £9m is largely driven by the numbers and unit cost of Children in Care placements. The number of children in residential placements rose from 16 in April 2022 to 29 by March 2023 and has remained at the same level over the summer. The medium term financial strategy assumes placement numbers will stabilise but there is a risk with a rising child population in the borough that there will be further pressures. The Council is working hard through early intervention to control the number of children coming into social care but has a statutory duty to protect children in the borough

9.10.4. Starting Well also have experienced pressures in home to school transport, rising UASC cases and increased costs of short break respite packages. These pressures are described in further detail in the monitoring section of this report but are adding to the overall pressure the service is facing.

9.10.5. There is no sign of demographic demand reducing and as such it is now expected that the pressures in this area in 2023/24 are all ongoing and therefore need to be reflected in the updated MTFS. The table below sets out the most likely pressures the Council is expecting to face in this area.

24/25 Assumption	Best (m)	Likely (m)	Worst (m)
Ongoing 23/24 Base Budget Pressure	7.2	9	10
UASC Pressure	0.1	0.1	0.6
Transport costs (actions being taken)	0	0	0.6
Inflation assumption	-4.50%	-5%	-10%
Placement additional inflation	0.7	0.9	1.8
Additional Care Numbers	0.5	1	2
Additional Budget required	8.5	11	15

9.10.6. Living Well (Housing Demand)



RISING NUMBERS IN HOTEL / B and B ACCOMMODATION				
	2020/21	2021/22	2022/23	Total
Singles	90	82	131	303
Families	3	43	257	303
Total	93	125	388	606

9.10.7. Living well has pressures driven by an increase in the number of people and families requiring housing support coupled with a decrease in the number of Housing placements available. The attached graphs exemplify the trends the authority has been experiencing over the last few years.

9.10.8. Ageing Well

9.10.9. The costs of placement costs within ageing well have increased markedly as providers seek inflationary uplifts in order to pay their staff and meet rising energy and running costs. The underlying pressure in ageing well from 2023/24 is expected to be £8.7m with further inflationary uplifts required in future years. The table below sets out a breakdown of the projected pressures in this area.

24/25 Budget Assumption Ageing Well	Best (m)	Likely (m)	Worst (m)

Ongoing 23/24 Base Budget Overspend	5	8.7	11
Increased in Service Users	0.4	0.6	0.8
Transition cases from Children's	1	2	2.5
Inflation assumption	-4.50%	-5%	-6%
Placement additional inflation	4.1	4.5	5.4
Additional Service user income	-1.4	-1.5	-1.6
Additional Budget required	9.1	14.3	18.1

9.10.10. The main demographic pressures the Council is facing are within People Services and are described in the tables above. There are however ongoing pressures in other services which are largely reflected in the budget monitoring section of this report. Most of these pressures are addressing historical budget issues and so once funded are not expected to increase in future years. The table below sets out the updated demographic pressures which have been built into the latest medium term financial plan

Demographic Pressures	2024/25	2025/26	2026/27	2027/28	4 Year Plan
	£m	£m	£m	£m	£m
Starting Well	11.0	2.0	2.0	2.0	17.0
Living Well	3.9	0.5	0.0	0.0	4.4
Ageing Well	14.3	3.5	3.5	3.5	24.8
Other service pressures	5.6	1.0	2.0	0.0	8.6
TOTAL	34.8	7.0	7.5	5.5	54.8

9.11. Next Steps and approach to Consultation on the budget

9.11.1. In order to close the budget gap the Council is considering all savings and efficiency proposals including the level of fees and charges for its services. These proposals will be presented as part of a further report to cabinet in November.

9.11.2. The Council is fully committed to consulting on its budget proposals. The November cabinet paper will set out these proposals and the Council is planning to conduct a six-week consultation with the public and key stakeholders following the publication of that report

9.11.3. The Council has a number of communication plans to raise awareness of the Council's budget position including:

- Launch a document setting out our position for sharing with key stakeholders.
- Engagement with the media and press setting out Havering's position
- Joint work with other councils with similar pressures.
- Meetings with DLUHC and appropriate officials at the Government.
- Engagement with the national political parties and local MP's to raise awareness Havering's position
- Work with London Councils and LGA on funding gaps.

9.12. Risks to setting a balanced budget for 2024/25

- 9.12.1. The Medium Term Financial Strategy has identified a net budget gap of £31.2m for the financial year 2024/25 as set out in paragraph 9.8. This position is before any decision on further savings and Council Tax is taken. The Council has a number of options available to close this gap and it is proposed that a further report to cabinet in November is produced to set these options out in more detail.
- 9.12.2. The Council strongly believes that the grant system frozen in 2013/14 has resulted in Havering being underfunded by central Government over a period of at least 10 years. The Council is in dialogue with central government and will continue to push for a fairer grant settlement
- 9.12.3. It is clear however that even with further savings and a Council Tax increase within the referendum limits there currently will still be a significant gap to close. The Council is fully committed to closing the budget gap and will look at all options to achieve that. The Council has been systematically underfunded by central government for over 10 years and the budget difficulties and low levels of reserves are reflective of that.
- 9.12.4. Havering is an efficient well run Council with low unit costs in comparison to its neighbours This is shown in a recent LG Futures analysis of 2023/24 budgets against costs per resident for its services compared to 125 other authorities in as shown in the table below. The current budget gap is caused by the rising cost of social care coupled with a Government funding formula which does not reflect Havering's rapidly increasing demand. The Council will do everything it can to contain the 2023/24 overspend and set a balanced budget for 2024/25.

Table 6 - Unit costs compared to England average

Service Area	Budget 2023/24 (£m)	Unit cost		Difference from England average		Rank out of 125 (1=high)	Units
		Your authority (£ per unit)	England average (£ per unit)	Difference from England average (%)	Band		
Education (exc. schools)	23.201	79.58	77.51	2.7%	●	51st	Residents (all)
Adults' Social Care	79.964	243.95	325.08	-25.0%	●	120th	Residents (18+ weighted)
Children's Social Care	48.799	747.44	1,085.64	-31.2%	●	113th	Residents (0-17)
Public Health	12.001	41.91	71.77	-41.6%	●	114th	Residents (all)
Highways & Transport	4.283	3,382.76	3,218.47	5.1%	●	89th	Road length
Housing (General Fund)	7.962	27.66	39.31	-29.6%	●	65th	Residents (all)
Cultural & Related Services	2.667	9.26	40.05	-76.9%	●	124th	Residents (all)
Environmental & Regulatory Services	10.998	38.21	90.36	-57.7%	●	124th	Residents (all)
Planning & Development Services	-0.054	-0.19	19.20	-101.0%	●	117th	Residents (all)
Central Services	16.692	57.98	49.89	16.2%	●	37th	Residents (all)
Other Services	10.287						
Total (excluding schools)	216.800	756.64	1,048.64	-27.8%	●	123rd	Residents (all)

9.12.5. Local authorities have a statutory duty to set a balanced budget each year and ultimately if this is not possible the only alternative is to issue a S114 notice. A S114 notice would bring additional costs through external Commissioners who would be appointed by the Government. Havering is not in that position at the moment but unless the imbalance between the funding it receives and the demand it faces changes then ultimately the Council will not be able to balance its budget.

10. CAPITAL PROGRAMME 1ST QUARTER MONITORING UPDATE

10.1 The Capital monitoring 1st quarter update is presented in Appendix 1 of this report

11. IMPLICATIONS AND RISKS

11.1. Financial Implications and Risks

The financial implications of the Council's MTFs are the subject of this report and are therefore set out in the body of this report. The risks to the 2023/24 budget are set out in the report. The report also sets out the difficulties being faced in setting the 2024/25 budget and the implications if the Council is unable to reduce its pressures in order to deliver a balanced budget.

11.2. Legal Implications and Risks

11.2.1. The Council is required under S151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs.

11.2.2. Under S 28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget.

11.2.3 In accordance with section 3(1) of the Local Government Act 1999, the Council has a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (This is "the best value duty".) The monitoring of the financial position assists the Council in meeting that duty.

11.3. Human Resource Implications and Risks

11.3.1. There are no immediate Human Resource implications or risks arising from the report at this stage and any specific workforce impact is difficult to assess at the present time. However, any current or future savings proposals or changes to the funding regime that impact on staff numbers or job roles, will be managed in accordance with both statutory requirements and the Council's Organisational Change policy and associated procedures.

11.4. Equalities and Social Inclusion Implications and Risks

There are no immediate Equalities and Social Inclusion implications arising from the report

APPENDIX 1 – CAPITAL MONITORING UPDATE Quarter 1

1. CAPITAL MONITORING

1.1. The Capital programme for 2023/24 through to 2026/27 was agreed at Council in February 2023. Since then slippage from 2022/23 has been added as per the capital outturn report and there have been some additions to the programme resulting in a summary programme as set out in the table below.

Summary of Existing Approved Capital Programme	Previous Year's Budget £m	2023-24 Budget £m	2024-25 Budget £m	2025-26 Budget £m	2026-27 + Budget £m	Total Budget £m
Ageing Well	5.254	7.596	0.000	0.000	0.000	12.850
Living Well	33.452	1.300	4.552	0.000	0.000	39.304
Starting Well	0.796	4.201	0.000	0.022	0.000	5.019
People	39.502	13.097	4.552	0.022	0.000	57.173
Environment	7.985	23.920	7.750	7.182	14.000	60.836
Housing & Property (GF)	68.917	236.409	141.681	62.267	75.464	584.739
Housin & Property (HRA)	308.688	215.041	95.335	100.729	329.500	1,049.293
Planning & Protection	0.169	1.561	0.000	0.000	0.000	1.730
Place	385.758	476.931	244.766	170.178	418.964	1,696.598
Customer Services	6.759	0.666	0.000	0.000	0.000	7.425
Finance	0.000	9.291	0.000	0.000	0.000	9.291
Place Based Partnership	11.494	22.611	9.514	4.222	1.180	49.021
Resources	18.254	32.567	9.514	4.222	1.180	65.736
Grand Total	443.514	522.595	258.832	174.422	420.144	1,819.507

1.2. Financing - The Council finances its capital expenditure through a combination of resources both internal and externally generated. Each funding stream is considered in terms of risk and affordability in the short and long term. The current and future climates have a significant influence on capital funding decisions. As a result the planned disposals and borrowing costs are kept under regular review to ensure timing maximises any potential receipts or reduces borrowing costs.

GF / HRA Split	Previous Budget Amount £m	2023- 24 Budget £m	2024- 25 Budget £m	2025-26 Budget £m	2026-27 + Budget £m	Total Budget £m
General Fund	134.827	307.554	163.497	73.693	90.644	770.214
Housing Revenue Account	308.688	215.041	95.335	100.729	329.500	1,049.293
Grand Total	443.514	522.595	258.832	174.422	420.144	1,819.507

1.3. Excluding previous years spend of £443.514m (shown for information in the table above), the total capital programme for 2023/24 and beyond is £1,375.993m split between the GF

(635.388m) and HRA (740.605m). Funding for the planned capital expenditure for both the GF and HRA is set out in the two tables below.

General Fund Financing	2023/24 Financing Budget	2024/25 Financing Budget	2025/26 Financing Budget	2026/27 + Financing Budget	Total Financing Budget
Capital Receipts	96.946	39.578	28.000	56.000	220.524
Revenue & Reserves	4.511	0.000	0.022	0.000	4.533
Grants & Other Contributions	44.105	6.761	17.000	19.000	86.866
Borrowing	161.992	117.158	28.671	15.644	323.466
Total GF Financing	307.554	163.497	73.693	90.644	635.388

HRA Financing	2023/24 Financing Budget	2024/25 Financing Budget	2025/26 Financing Budget	2026/27 + Financing Budget	Total Financing Budget
Capital Receipts	45.549	24.673	14.692	102.979	187.894
Revenue & Reserves	11.827	21.676	13.965	21.590	69.059
Grants & Other Contributions	2.694	0.000	16.954	3.731	23.379
Borrowing	154.970	48.986	55.117	201.200	460.274
Total HRA Financing	215.041	95.335	100.729	329.500	740.605

2. Capital Achievements as at 30th June 2023

2.1. Capital expenditure as at the 30th June is £21.809m to date.

- £5.858m on the 12 estates project to improve housing across the borough
- £4.868m spent on enhancing and increasing our existing housing stock
- £1.251m on improving the quality of our roads and infrastructure
- £2.390m on purchase of refuse vehicles
- £1.484m on Central Depot Expansion

3. 2023/24 Capital Programme

3.1. The report below sets out the Period 3 position for the Council's capital programme for the 2023/24 financial year.

	Budget 2023/24	2023/24 Forecast Period 3	2023/24 Variance
	£m	£m	£m
Starting Well	4.201	0.150	(4.051)
Living Well	1.300	1.300	0.000

	Budget 2023/24	2023/24 Forecast Period 3	2023/24 Variance
	£m	£m	£m
Ageing Well	7.596	3.395	(4.201)
People	13.097	4.844	(8.253)
Housing & Property (GF)	236.409	35.848	(200.561)
Housing & Property (HRA)	215.041	134.742	(80.299)
Planning & Public Protection	1.561	1.451	(0.111)
Environment	23.920	22.490	(1.430)
Place	476.931	194.530	(282.401)
Finance	9.291	0.000	(9.291)
Place Based Partnership	22.611	20.595	(2.016)
Customer Services	0.666	0.666	0.000
Resources	32.567	21.261	(11.306)
Total	522.595	220.635	(301.960)

General Fund/HRA Split	Budget 2023/24	2023/24 Forecast Period 3	2023/24 Variance
General Fund	307.554	85.894	(221.660)
Housing Revenue Account	215.041	134.742	(80.299)
Total	522.595	220.635	(301.960)

3.2. The forecast expenditure for 2023/24 is £220.635m with actual expenditure at the end of Period 3 of £21.809m. Whilst most project budgets are on track to be spent over the full MTFS period there are a number of projects where expenditure has slipped back into future years, the explanations for the main programmes that contribute towards the slippage provided below:

3.3. PEOPLE

3.3.1. **Schools – slippage of £0.858m** - 0.800m of the slippage relates to Harris Academy ARP. The project is delayed with the planning application is still to be submitted.

3.3.2. **Children Services - Other – variance of £3.193m** -There are a number of schemes in Children's services which are now not expected to take place in 2023/24

3.3.3. **Living Well** - There were no slippage variances from programmes within Living Well.

3.3.4. **Adults – DFG – Slippage of £2.880m** -The slippage of £2.880m is based on current lower activity levels.

3.3.5. **Adults – Other – Slippage of £1.322m** The £1.322m of the slippage relates to Adults Learning Disabilities Provision Build scheme. Mowbrays build phase is due to start in November 2023.

3.4. RESOURCES

3.4.1. **Transformation – Slippage of £2.016m** - £1.314m of the slippage relates to the Organisational Data Capability and Borough Wide Connectivity and Digital Inclusion budgets. These digital capital budgets are being re-profiled to align with the new Digital Strategy and the activity to bring the IT function into Havering from OneSource.

3.5. PLACE

3.5.1. Housing and Property – General Fund

Programme Directorate	Area /Service/	Budget 2023/24 £m	2023/24 Forecast Period 3 £m	2023/24 Variance £m
	Mercury Land Holdings	103.393	2.497	(100.896)
	Rainham & Beam Park	54.245	16.186	(38.059)
	Regeneration - Other	34.206	1.026	(33.180)
	Regeneration - TFL	3.341	0.070	(3.272)
	Regeneration & Place Shaping	195.185	19.778	(175.407)
	Asset Management - Other	4.261	0.791	(3.470)
	Corporate Buildings	8.275	6.000	(2.275)
	Health & Safety	0.214	0.050	(0.164)
	Pre Sale Expenses	0.356	0.000	(0.356)
	Schools Building Maintenance	4.860	4.860	0.000
	Schools Expansions	21.258	4.268	(16.990)
	Vehicle Replacement	1.999	0.100	(1.899)
	Housing, Property and Assets	41.224	16.070	(25.154)
	Housing & Property (GF)	236.409	35.848	(200.561)

3.5.1.1. **MLH – Slippage of £100.896m** The main elements of the slippage are due to the following issues:

- £58.400m of the slippage relates to the Reactive Acquisition Fund. Allowances have been made in 2023/24 for the drawdown of equity at around £0.500m for the purchase of land for a development site, this is currently going through the executive decision process. The acquisition fund loans budget has been re-profiled at Period 2 to reflect expenditure in later years. The overall budget will offset the additional requirement at the Quarles scheme, changes will be regularised as part of the current Business Plan refresh exercise, expected to be approved in the 2nd quarter of 2023.
- £37.017m of the slippage relates to the Waterloo scheme. The budget has been re-profiled at Period 2 due to a recent decision to pause the Waterloo Estate development due to emerging regulation changes that will affect design. Forecast have been moved back to reflect possible spend in later phases of work.

- £3.688m of the slippage relates to The MLH Quarles PRS budget. The budget has been re-profiled to reflect the Bellway JV's latest cashflow forecasts.

3.5.1.2. **Rainham & Beam Park – Slippage of £38.059m** The slippage relates to the Rainham & Beam Park Housing Zone – CPO's and Grant. The budget forecast has been re-profiled to reflect a pause on CPO activity due to uncertainty around delivery of Beam Park station, there is no expenditure anticipated in 2023/24.

3.5.1.3. **Regeneration - Other – Slippage of £33.180m** - £28.000m of the slippage relates to the Provision for Future Regen Opportunities budget - This budget acts as a contingency for regeneration opportunities, no expenditure is currently expected in 2023/24 as at Period 3, budget has been re-profiled for later years. £4.180m of the slippage relates to Farnham & Hilldene - Medical Centre. The medical facility is attached to the Family Welcome Centre hostel project, which is currently in the demolition phase. The main contract is expected to start at the end of 2023, with preparatory works taking place between December 2023 to March 2024, a £200k contingency has been allowed for this financial year. £1.000m of the slippage relates to the Liveable Neighbourhood Romford Ring Road. The project team have estimated a current year requirement of £200,000 in order to progress the project through the design stage. Further requirement for works falls into later financial years.

3.5.1.3.1. **Regeneration – TfL – Slippage of £3.271m** - The slippage of £3.271m relates to the Beam Parkway Major Scheme, which is part funded by TfL. The majority of major works on the Beam Parkway project are delayed due to the uncertainty around TfL funding and delivery of Beam Park Station, which impacts the scheme's design. Forecast has been revised at Period 2 to reflect no expenditure in 2023/24.

3.5.1.4. **Asset Management - Other – Slippage of £3.470m** -£2.934m of the slippage relates to the planned acquisition of Hornchurch Police Station. This project is currently on hold, while the acquisition is reviewed.

3.5.1.5. **Corporate Buildings – Slippage of £2.275m** -The slippage relates to a number of schemes. Awaiting results of quotes for some major works relating to roofs and windows.

3.5.1.6. **School Expansions – Slippage of £16.990m** The Schools expansions slippage comprises of a number of schemes, which have been deferred and awaiting decisions. Unallocated basic need funding yet to be agreed on use.

3.5.1.7. **Vehicle Replacement – Slippage of £1.899m** The purchase of the remaining 19 buses is on hold until next financial year still under discussion due to ULEZ deadlines.

3.5.2. Housing & Property (HRA)

Programme Directorate	Area /Service/	Budget 2023/24 £m	2023/24 Forecast Period 3 £m	2023/24 Variance £m
	Bridge Close Acquisitions	41.774	25.658	(16.116)
	Bridge Close Regeneration	0.464	0.585	0.122
	HRA Regeneration	89.823	47.424	(42.399)
	Regeneration & Place Shaping	132.060	73.668	(58.393)
	HRA	49.659	38.592	(11.067)
	HRA Stock Adjustments	33.322	22.482	(10.840)
	Housing, Property and Assets	82.980	61.074	(21.907)
	Housing & Property (HRA)	215.041	134.742	(80.299)

3.5.2.1. **Bridge Close Acquisitions – Slippage of £16.116m** - The 2023/24 forecast is based on completion of a number of acquisitions totalling £21.200m plus professional fees paid via the LLP for £1.700m.

- 2023 and March 2024. A £0.500m contingency has been allowed for in 2023/24.

3.5.2.2. **HRA – Slippage of £11.067m**

The main elements of the slippage are discussed below -

- £1.693m of the slippage relates to HRA Stock Upkeep - Careline Equipment. The project for digital transformation is at the procurement stage and expected to start in January 2024 so majority of spend will carry forward.
- £3.233m of the slippage relates to Decent Homes Works Internals. Cash flow forecasts indicate slippage of £0.100m in electrics due to access issues, £0.600m on communal boilers until new schemes are identified and £2.500m on lifts.
- £2.909m of the slippage relates to Decent Homes Works External. Forecast £2.000m slippage on Highfield Towers cladding as project is still in feasibility, budget to be carried forward. Underspend of £0.910m on Hilldene and Farnham as budget was over-estimated, not to be carried forward.
- £1.972m of the slippage relates to Energy Saving works. Currently forecasting full spend on retrofit but variance of £2.000m on Highfield Towers heating systems as project is still in feasibility, budget to carry forward.
- £1.260m of the slippage relates to Sheltered schemes lifts project. Currently forecasting variance of £1.260m due to late revision to plans at Beehive Court, but more detailed planning required. Slippage to be carried forward.

3.5.2.3. **HRA Stock Adjustments – Slippage of £10.840m** - £10.000m of the slippage relates to the Affordable Housing budget. The slippage is due to delays with negotiations, however projects are now moving forward.

- 3.5.2.4. **Planning & Public Protection** - There were no significant slippage variances from programmes within Planning & Public Protection.
- 3.5.2.5. **Environment – Highways – Slippage of £0.900m** - The slippage is made up of a number of schemes. £0.372m of the slippage relates to the Traffic CCTV Cameras. Some of the projects within this scheme are still in concept stage. £0.164m of the slippage relates to the Infrastructure verges for parking, two sites have dropped out of the scheme.