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CABINET

7.30 pm	Wednesday 12 June 2024	Council Chamber - Town Hall

Members 9: Quorum 3

Councillor Ray Morgon (Leader of the Council), Chairman

	Cabinet Member responsibility:
Councillor Gillian Ford	Lead Member for Adults & Wellbeing
Councillor Oscar Ford	Lead Member for Children and Young People
Councillor Paul McGeary	Lead Member for Housing & Property
Councillor Paul Middleton	Lead Member for Digital, Transformation & Customer Services
Councillor Barry Mugglestone	Lead Member for Environment
Councillor Natasha Summers	Lead Member for Housing Need
Councillor Christopher Wilkins	Lead Member for Finance
Councillor Graham Williamson	Lead Member for Regeneration

Zena Smith
Head of Committee and Election Services

For information about the meeting please contact:
Bernadette Lynch tel: 01708 434849
e-mail: bernadette.lynch@havering.gov.uk

Webcast

Please note that this meeting will be webcast.
Members of the public who do not wish to appear in the webcast will be able to sit in the balcony, which is not in camera range.

Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

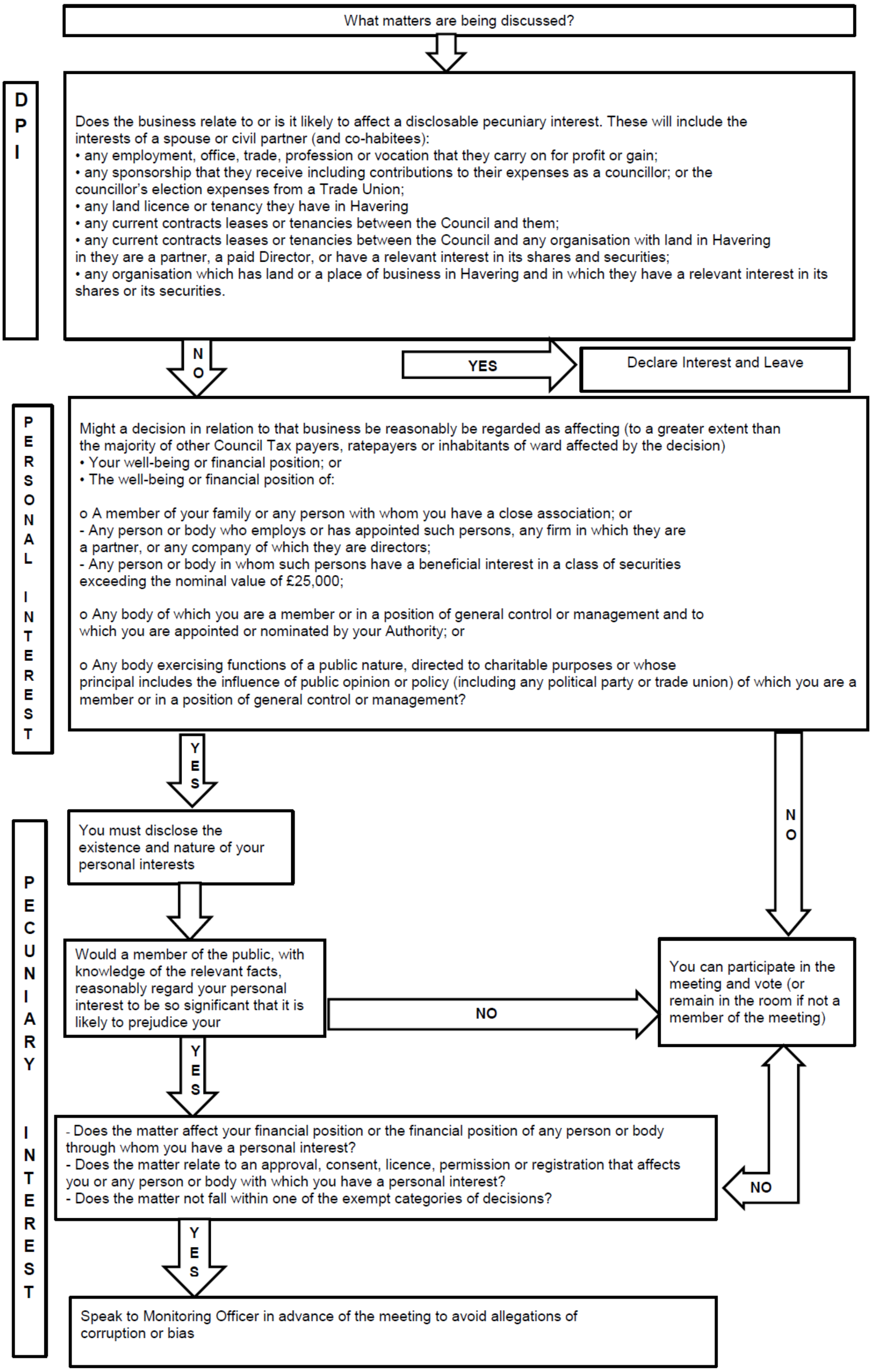
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA

1 ANNOUNCEMENTS

On behalf of the Chair, there will be an announcement about the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE

Apologies received from Councillor Barry Mugglestone.

3 DISCLOSURES OF INTEREST

Members are invited to disclose any interests in any of the items on the agenda at this point of the meeting. Members may still disclose an interest in an item at any time prior to the consideration of the matter.

4 MINUTES (Pages 5 - 8)

To approve as a correct record the minutes of the meeting held on **15th May 2024**, and to authorise the Chair to sign them.

5 USE OF THE LBLA BARRISTERS FRAMEWORK AGREEMENT AS AND WHEN SERVICES ARE REQUIRED (Pages 9 - 16)

6 ESTABLISHMENT OF A JOINT VENTURE COMPANY TO MANAGE THE PROPERTIES LEASED IN PARTNERSHIP WITH CHALKHILL (Pages 17 - 34)

7 INSURANCE ARRANGEMENTS FROM 1ST JULY 2024 (Pages 35 - 46)

8 COUNCIL REVENUE AND CAPITAL OUTTURN REPORT 2023/24 (Pages 47 - 74)

9 REPORT OF OVERVIEW & SCRUTINY BOARD - PARKING ENFORCEMENT TASK & FINISH GROUP (Pages 75 - 86)

MINUTES OF A CABINET MEETING
Council Chamber - Town Hall
Wednesday, 10 April 2024
(7.40 - 8.45 pm)

Present:
Councillor Ray Morgon (Leader of the Council), Chairman

	Cabinet Member responsibility:
Councillor Keith Darvill	Lead Member for Climate Change & Housing Need
Councillor Paul McGeary	Lead Member for Housing & Property
Councillor Paul Middleton	Lead Member for Digital, Transformation & Customer Services
Councillor Christopher Wilkins	Lead Member for Finance
Councillor Graham Williamson	Lead Member for Regeneration

In attendance: Councillor Keith Prince (Con); Councillor Martin Goode (EHRG)

Also, in the Chamber, Councillor Matt Stanton (Lab)

176 **ANNOUNCEMENTS**

On behalf of the Chair, there was an announcement about the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

177 **APOLOGIES FOR ABSENCE**

Apologies received from Councillor/s Gillian Ford, Oscar Ford and Barry Mugglestone.

178 **DISCLOSURES OF INTEREST**

Disclosure of interests: Councillor Christopher Wilkins declared an interest in relation to item 5 on the agenda (Private Sector Housing Enforcement Policy Revision) as a landlord in the borough, and left the Chamber for the duration of the discussion.

179 **MINUTES**

The minutes of the meeting held on **13th March 2024**, were agreed as a correct record and the Chair signed them.

180 **PRIVATE SECTOR HOUSING ENFORCEMENT POLICY REVISION**

Report: **Private Sector Housing Enforcement Policy Revision**

The original Private Sector Housing Enforcement Policy was approved by Cabinet in December 2017 following the decision taken at Cabinet to establish a property licensing scheme in October 2017.

The policy has been reviewed and updated to keep pace with changes to legislation, enforcement options and updated fees and charges to ensure that it remains current and fit for purpose. This Cabinet Report seeks approval for those updates.

The Private Sector Enforcement team is a small team with only three staff and is a net cost to the general fund.

The proposed new policy does slightly increase the scope of the team and so may create additional work. However, it is expected that it will be possible to absorb this within the team, so no additional resources are required.

The Cabinet:

1. **Agreed** to the revised Private Sector Housing Enforcement policy in Appendix 1.

181 **LAND HAVING FRONTAGE TO NORTH STREET (AKA SAINSBURY'S BILLET LANE CAR PARK) LEASE RENEWAL**

Report: Land having frontage to North Street (aka Sainsbury's Billet Lane Car Park), Hornchurch, RM11 1TS – Lease Renewal

Introduced by: Councillor Paul McGeary – Cabinet Member for Housing & Property

This report seeks Cabinet approval to agree and complete a new lease with Sainsbury's for the land having frontage to North Street (aka Sainsbury's Billet Lane Car Park), Hornchurch, RM11 1TS.

The previous lease expired on 14th November 2021 and terms have been agreed with the tenant for a new lease on the terms set out in Exempt Appendix A.

Cabinet:

1. **Approve**d the grant of a new lease to Sainsbury's Supermarkets Ltd, for the subject land on terms as set out in Exempt Appendix A.
2. **Authorised** the Deputy Director of Legal & Governance Services to undertake all relevant measures to implement the proposed grant.

182 **HAVERING CLIMATE CHANGE ACTION PLAN 2024-27**

Report: Revised Havering Climate Change Action Plan (HCCAP) 2024-27

Introduced by: Councillor Keith Darvill, Cabinet Member for Climate Change

This report presents the revised Havering Climate Change Action Plan (HCCAP) 2024-27 which is attached as Appendix 1. It builds on the actions introduced in the HCCAP in 2021 and provides a framework for the Council's actions to deliver on its target of becoming carbon neutral by 2040 or sooner. This is an evolving framework, and the Council will continue to update the approach over time; as targets change, new data becomes available, and following major Government decarbonisation strategies. Havering Council has a solid data base and a robust intelligence hub which leads the coordination and development of applied data.

The HCCAP is primarily focussed on actions to reduce greenhouse gases, but interlinks closely with a range of other Council strategies such as:

- Local Plan.
- Parks and Open Spaces Strategy.
- Health & Wellbeing Strategy.
- Cycling and Walking Strategy.
- Air Quality Action Plan.
- Electric Vehicle Charging Strategy.
- Reduction & Recycling Plan.

Cabinet:

Approved and **adopted** the revised HCCAP 2024-27 in Appendix 1.

183 **CORPORATE PLAN 2024-2027**

Report: Corporate Plan 2024-2027

Introduced by: Councillor Ray Morgon, Leader of the Council

This report presents a draft Corporate Plan for 2024 onwards, which has been aligned to the Council's current Vision and the three corporate priority themes upon which our new operating model is based: People, Place and Resources.

The Corporate Plan sets out the Council's key outcomes, actions / deliverables and the metrics required to monitor progress against each of these.

Cabinet:

Approved the updated Corporate Plan including the proposed key performance indicators and metrics.

184 **POVERTY REDUCTION STRATEGY**

Report: Poverty Reduction Strategy

Introduced by: Councillor Keith Darvill: Cabinet Member for Climate Change on behalf of Councillor Gillian Ford, Deputy Leader, Cabinet Member for Health and Adult Social Care

The report includes 'our vision for poverty reduction in Havering'

1.1 The Havering Place based Partnership will work together to collectively address the underlying causes of poverty, facilitate community action and build resilience to alleviate the effects of poverty. Partners will seek to embed this approach across all programmes of work.

Cabinet:

Approved the Havering Poverty Reduction Strategy 2024 attached at Appendix 1.

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Chairman

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CABINET	12th June 2024
Subject Heading:	London Boroughs Legal Alliance, Barristers Framework
Cabinet Member:	Councillor Chris Wilkins. Lead Member for Finance
ELT Lead:	Kathy Freeman
Report Author and contact details:	Joanna Swinton-Bland one source Legal Services 1000 Dockside Road Newham Phone: 020 3373 3744 Email: jo.swintonbland@onesource.co.uk
Policy context:	Commission services in a way that provides the best possible value for money
Financial summary:	Estimated spend over 3 years + 1 (based on previous usage) is £1.5m
Is this a Key Decision?	Expenditure or saving (including anticipated income) of £500,000 or more
When should this matter be reviewed?	12th June 2024
Reviewing OSC:	Overview & Scrutiny Board

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well
Place - A great place to live, work and enjoy
Resources - Enabling a resident-focused and resilient Council x

SUMMARY

1. This report seeks Cabinet approval to access a multi-provider London Boroughs Legal Alliance (LBLA) framework agreement (the "Framework") for the provision of services by barristers to the Council providing significant savings on the cost of these services instructed through Legal Services.

2. The Council gains access to the Framework as a member of the London Boroughs Legal Alliance (LBLA) of 28 boroughs and the new agreement replaces the current framework utilised by the Council. The London Borough of Ealing has acted as lead authority for the LBLA for the re-procurement. Using the Framework, Legal Services are able to deliver corporate savings to the Council when representation or advice from counsel is required.

RECOMMENDATIONS

3. For the reasons set out in the report, Cabinet is recommended to agree to enter into the London Boroughs' Legal Alliance (LBLA) Barristers Framework to call off services as and when required until 31st December 2026 (plus a further 1 year, in the event that the London Borough of Ealing exercises the option to extend the Framework).

REPORT DETAIL

4. Background

4.1 The London borough of Havering is a member of the London Boroughs' Legal Alliance (LBLA) which is a network of 28 London boroughs' legal services. The LBLA procures framework agreements for solicitors and barristers services obtaining significant cost savings. The services are provided on a call off basis so the councils are not obliged to instruct barristers from the Framework.

4.2 In practice, Legal Services use the LBLA Barristers framework to save on costs, when the internal legal department does not have in house specialist expertise, where the matter is particularly complex or where there is not sufficient in house capacity, with the permission of the Director or Deputy Director of Legal and Governance.

4.3 The Framework comes with additional value added benefits described below.

5. Key Considerations and Proposals

5.1 The Framework commenced on 1 January 2024 and will continue for a period of three years, subject to the London Borough of Ealing's option to extend the Framework for a further period of one year. Cabinet approval is sought to access the agreement until 31st December 2026.

5.2 An officer non-key decision has been made authorising the Legal Service to call off the Framework for the interim period between January 2024 to May 2024, pending a report to Cabinet for a decision.

5.3 The services from barristers are divided between the following lots with the chambers identified in Appendix A appointed to each Lot:

Lot 1 - Adult Social Services

Lot 2 - Children's Services

Lot 3 - Governance & Public Law

Lot 4 - Criminal Litigation & Prosecutions

Lot 5 - Housing

Lot 6 - Planning

Lot 7 - Property

Lot 8 - Civil Litigation

Lot 9 – Employment

Lot 10 – Education

Lot 11 – Licensing

5.4 The Council's annual Framework spend on counsel over the past 3 years is as follows:

2021/22 - £340k

2022/23 - £431k

2023/24 - £390k (forecast)

5.5 Costs can vary with the complexity and number of cases in any one year. The largest area of spend is child protection, but this year there's been an increase in spend in areas like adult social care advice for court of protection and judicial review matters, licensing and enforcement with regards advice on complex and private sector housing matters advice.

5.6 The estimated cost for last year shows indicates a slight decrease to the previous year. This reflects the improvements that have taken place in the capacity of the legal service over the last year, which has included less reliance on external expert advice as part of staff undertaking more complex work in-house.

5.7 In addition to cashable savings, the bidders have agreed to provide a range of Value Added and Social Value Benefits. Mandatory requirements are a minimum of 1 training session for each Lot to which they are appointed, monthly management information and 20 minutes' free advice for each potential new instruction. Bidders have also offered a range of additional free benefits which include additional training sessions and seminars, legal updates, legal research facilities, access to Chambers' conference rooms, secondments, legal surgeries, Pro Bono legal advice, supporting local charities, and providing work experience to state school children and those from ethnic backgrounds.

REASONS AND OPTIONS

6. Reasons for the decision:

6.1 The use of the Framework will deliver value for money when the Council has to use external barristers for specialist expert advice and advocacy in court. Legal Services often undertakes its own advocacy but the in-house solicitors do not have rights of audience in the High Court and it is often more cost effective to use junior counsel. Under the Framework, chambers have agreed significant discounts on their standard rates and offer both fixed and hourly rates dependant on the nature of the work.

6.2 Compliance with the Framework is monitored by a specialist company engaged by the LBLA that checks bills from Chambers, deals with disputes and provides information on the overall spend on the Framework, together with estimated savings achieved, broken down by lot. This provides valuable management information for planning and managing future spend. For the period 1 January 2020 to 31st December 2023 savings for Havering are estimated to be £588k against a total spend from the Framework of £1.5m.

7. Other options considered:

The Council may:

7.1 Undertake an individual procurement exercise for the provision of services by barristers. This is not recommended as it is unlikely to benefit from the discounted rates that chambers are prepared to give to a group within a framework.

7.2 Procure barristers on a "case by case" basis so far as this is compliant with the Council's procurement rules. This is not recommended as the Council would not receive any discount save through individual negotiation on cases. (NB the LBLA framework is a "call off" contract and so the Council may instruct "non-Framework" barristers where this is appropriate or desirable such as a specialism not covered by the Framework).

7.3 Join a different Framework. There are no competitive alternatives and the Council has paid for free access to the Framework through its membership of the LBLA.

IMPLICATIONS AND RISKS

8. Financial implications and risks:

8.1 The amount of annual spend will vary based on usage, however, based on recent data, is estimated to be up to approx. £430k per year. The spend is accommodated within council wide legal services budgets. Rates achieved via the framework are favourable compared to off-framework equivalents. There is no cost associated with accessing the framework. Use of the framework avoids costs associated with running a procurement.

9. Legal implications and risks:

9.1 The Council has the general power of competence under Section 1 of the Localism Act 2011 to do anything that individuals generally may do, subject to statutory limitations. The recommendation in this report is compatible with the above statutory power.

9.2 Services covered by this report are above threshold and subject to Public Contract Regulations 2015 (as amended) and therefore competition is required. A procurement process was conducted by the London Borough of Ealing on behalf of all boroughs in the London Boroughs Legal Alliance. The Procurement process conducted by the London Borough of Ealing appears to be a fully compliant procedure.

9.3 There is no form of exclusivity or volume that is guaranteed under the Framework Agreement and the Council will be entitled to enter into other contracts with Chambers /Barristers outside of this Framework.

10. Human Resources implications and risks:

10.1 There do not appear to be any HR implications or risks arising directly that impact on the Councils workforce.

11. Equalities implications and risks:

11.1 No Equalities implications have been identified. The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the council, when exercising its functions, to have due regard to: the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and to foster good relations between those who have protected characteristics and those who do not.

11.2 The protected characteristics' are: age, gender, race and disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

11.3 The council is committed to demonstrating these principles in the application of its decision-making processes and the provision, procurement and commissioning of services.

12. Health and Wellbeing implications and Risks

12.1 There do not appear to be any Health and Wellbeing implications or risks arising directly that impact on the Councils workforce.

13. ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

N/A

BACKGROUND PAPERS

14 Financial information on the overall total of external chambers spend and estimated savings for Havering through the current framework for years 2020 to 2023 from the London Boroughs Legal Alliance.

Appendix A – List of participating chambers by Lot

Lot	Chamber	Lot	Chamber
Adult Social Services	Cornerstone Deka Chambers 39 Essex Chambers Field Court Chambers 11 KBW 4-5 Grays Inn's Sq. Landmark Chambers	Children's Services	4 Brick Court 2 Dr. Johnson's Buildings 33 Bedford Row 42 Bedford Row New Court Chambers The 36 Group Coram Field Court Deka Chambers 1 Crown Office Row 5 Pump court
Governance and Public Law	11KBW 39 Essex Chambers 4-5 Grays Inn's Sq. Cornerstone Field Court Landmark Chambers	Criminal Litigation & Prosecutions	4-5 Grays Inn's Sq. Cornerstone Drystone Foundry Chambers Three Raymond Buildings
Housing	42 Bedford Row 4-5 Grays Inn's Sq. 5 Pump Court Cornerstone Field Court Five Paper	Planning Building	39 Essex Chambers 4-5 Grays Inn's Sq. Cornerstone Francis Taylor Landmark Six Pump Court
Property	42 Bedford Row 4-5 Grays Inn's Sq. 5 Pump Court Cornerstone Field Court	Civil Litigation	42 Bedford Row 4-5 Grays Inn's Sq. 5 Pump Court Cornerstone Field Court The 36 Group
Employment	42 Bedford Row 4-5 Grays Inn's Sq. Doughty Street Field Court The 36 Group The Barrister Group	Education	11 KBW 39 Essex Chambers Landmark The 36 Group

Licensing	Cornerstone Francis Taylor Building Three Raymond Buildings	

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Appendix A to this report is exempt by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

CABINET	**12 June 2024**
Subject Heading:	Establishment of a company to manage leased properties
Cabinet Member:	Cllr Keith Darvill, Cabinet Member for Climate Change and Housing Demand
ELT Lead:	Barbara Nicholls, Strategic Director of Place
Report Author and contact details:	Darren Alexander, Assistant Director, Housing Demand Patrick Odling-Smee, Director of Living Well
Policy context:	The demand for accommodation from homeless households has remained high since the end of the pandemic. The cost of accommodating those households has increase putting pressure on the Council's homelessness budget. Alternative arrangements are needed to increase the supply of affordable properties.
Financial summary:	The overspend in the homelessness budget for 2023/24 was £6.2m. As a result, the Council has sourced the provision of a number of properties through a contractual agreement with Chalkhill for 150 properties. The contract will run over ten years. The paper proposing the creation of a CIC company to take the underlease of these properties. This arrangement will reduce the cost to the Council by £0.5m by the end of 25-26, and up to £13m over the course of the 10-year contract compared to the Council managing the properties received from Chalkhill themselves.

Is this a Key Decision?	Indicate grounds for decision being Key: (c) Significant effect on two or more Wards
When should this matter be reviewed?	June 2025
Reviewing OSC:	People Overview and Scrutiny Sub-Committee

The subject matter of this report deals with the following Council Objectives:

People - Things that matter for residents **X**
Place - A great place to live, work and enjoy **X**
Resources - A well run Council that delivers for People and Place. **X**

SUMMARY

1. Cabinet agreed in June 2023 to acquire 150 properties on 10 year leases from Urban Impact Plumpton Ltd (the "Fund"), a real estate investment trust established by Chalkhill Partners. The acquisition programme is about to commence as the Council has entered into the Portfolio Agreement with the Fund under which it will accept leases from the Fund of properties which satisfy specified criteria. This will increase the supply of affordable housing in the borough.

1.1 The Cabinet report in July 2023 recommended that, once the Council had taken the lease from the Fund, then an underlease would be signed with Mercury Land Holdings (MLH), the council's wholly owned management company. They would be able to let the properties on an assured shorthold tenancy, which is financially advantageous compared to the Council letting the properties on a licence.

1.2 Following lengthy negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing another company to take on the underleases for the stock. The report sets out the business case for establishing the wholly owned company contained in the Exempt appendix 1.

RECOMMENDATIONS

2. To approve the establishment of a wholly owned company to manage private sector leased housing (the SPV).

3. In the event that the establishment of a wholly owned company by LBH to manage private sector leased housing (the SPV) does not proceed approval to establish a joint venture with an appropriate entity that meets all our requirements.

4. To delegate to the Director of Living Well, in consultation with the Monitoring Officer and the Lead Member for Climate Change and Housing Demand the establishment and form of the SPV.

5. To delegate to the Director of Living Well, in consultation with the Strategic Director of Resources, the Monitoring Officer and the Lead Member for Climate Change and Housing Demand the final forms of the following agreements:
   5.1 SPV Portfolio Agreement
   5.2 SPV Underleases
   5.3 SPV Management Agreement

5.4 Assured Shorthold Tenancy Agreement
5.5 Nominations Agreement
5.6 Deficit Funding Agreement

Each of these agreements are more particularly described in Section 7 of this report.

REPORT DETAIL

6. Cabinet agreed in June 2023 to acquire 150 properties on 10 year leases from the Fund and agreed that once the Council had taken the lease from the Fund, then an underlease would be signed with Mercury Land Holdings (MLH), the council's wholly owned management company.

7. MLH would be able to let the property on an assured shorthold tenancy, which is financially advantageous compared to the Council letting the property on non-secure tenancy. The Council is legally restricted from issuing an assured shorthold tenancy and is required to issue a non-secure tenancy under the Housing Act 1985 as a discharge of duty to homeless households.

7.1 Following negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing the SPV to take on the under leases for the stock.

7.2 The report sets out the business case for establishing the SPV contained in the exempt appendix 1. The assumptions on costs have been based on previous experience in the management of the council PSL stock.

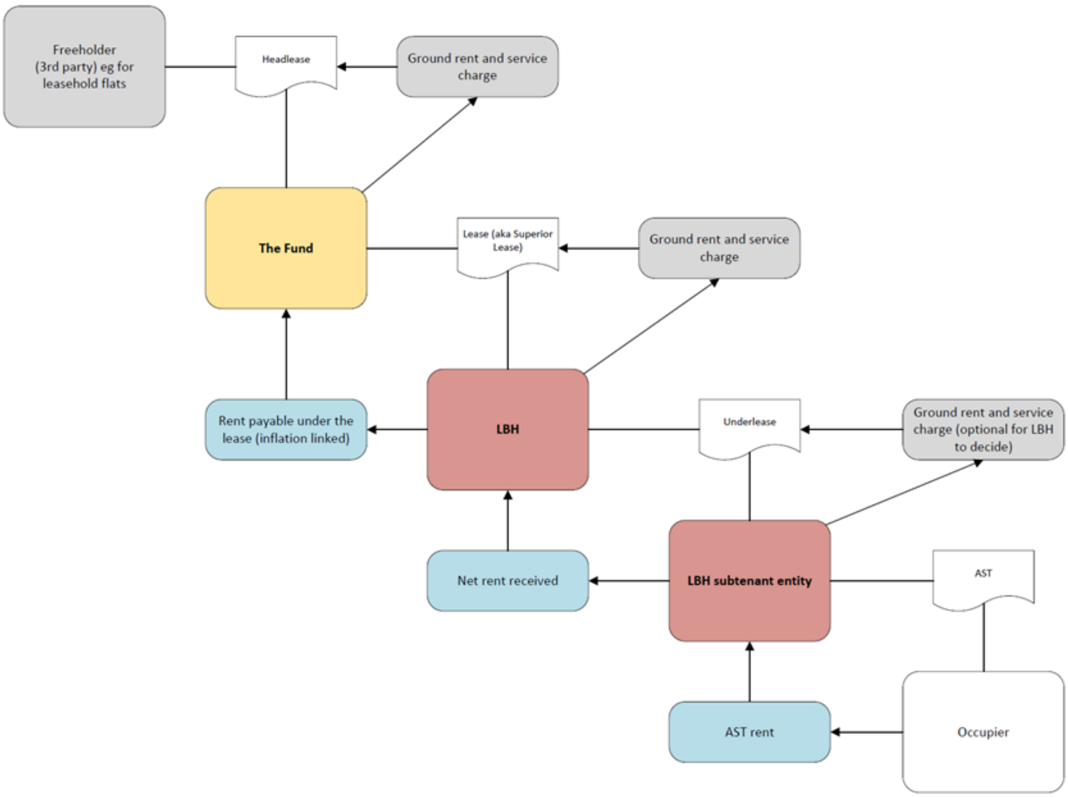
7.3 The Council's contractual counterparty in the property acquisition structure is the Fund. The Fund is a UK domiciled entity. Corporate entities of this kind are typical holding vehicles for real estate in general, reflecting their tax benefits which, in turn, lower the cost of capital.

7.4 The Fund will acquire properties (on a freehold or long leasehold basis) from the open market and lease those individually to the Council (in each case for a term of 10 years) pursuant to a "Portfolio Agreement". The properties acquired will conform with agreed property selection criteria which pertain to locality and bedroom numbers. The rent payable by the Council to the Fund will be at the April 2020 LHA rate less a fixed sum for the management and maintenance of the properties (subject to subsequent annual increases in lease rental charges which will be based on the Consumer Price Index (CPI)). There is no cap and collar.

7.5 The housing benefit rules relating to temporary accommodation to are defined as '**Non Housing Revenue Account'** placements set out in HB Circular

S5/2017: [Housing Benefit Circular S5/2017: Removal of temporary accommodation management fee in Housing Benefit subsidy from 1 April 2017]. The rules stipulate that housing benefit is limited to 90% of the relevant Local Housing Allowance (LHA) rate in the applicable Broad Rental Market Area (BRMA) that was in place in January 2011. This is approximately 30% lower than the 2024 LHA rates allowed under an AST issued by the company. See para 5.4 below.

7.6 The structure of the arrangement is set out below:



7.7 The SPV recommended in this report will take the role of the “LBH subtenant entity”.

7.8 Properties will be acquired on the open market and brought up to an agreed and specified lettable standard required by the Council at no extra cost. The Council will then be granted a lease (in each case for a term of 10 years) by the Fund and will enter into an underlease with the newly formed SPV who will issue Assured Shorthold Tenancies (ASTs) for tenants nominated by the Council. Rents will be set at the maximum LHA level (April 2024) for the area.

7.9 In order to not fall foul of the SS24 and 25 of the LGA 1988 the Council needs to charge the SPV a "market rent" for the underleases. Similarly, the Council will need to charge a market rent payment for its management services. The SPV was then going to retain any money from the ASTs and use this to pay the market rent under the underlease. To the extent there is a deficit between the money coming into the SPV and going out of the SPV, the Council would then plug the gap using the Deficit Funding Agreement.

7.10 The SPV will let each property (subject to nominations rights in favour of the Council) on a Assured Shorthold Tenancy (AST) subject always to the residual term on the Council's head lease from the Fund. The Council, through a nominated discharge of duty protocol, will discharge its main duty to the household and relinquish responsibility as per the Housing Act 1996 (as subsequently amended by the Localism Act 2011). The Council will manage the properties on behalf of the SPV through a management agreement.

7.11 Officers will send a letter to the applicant when making an offer of private rented accommodation, setting out the following:

- the duty under which the offer is being made
- possible consequences of refusal or acceptance
- the right to request a review of the suitability of accommodation
- that the Council is satisfied that the accommodation is suitable
- that the Council regards itself as ceasing to be subject to its homeless duty.
- during the first 2 years of a tenancy, the Council will provide support to the applicant to help sustain the tenancy.

Form of Company

7.12 The options in relation to wholly owned companies are:

- Company Limited by Shares
- Company Limited by Guarantee
- Company limited by Guarantee or shares also designated as a community interest company

7.13 Any form of SPV which is wholly owned by the Council (be it a company limited by shares, guarantee or a CiC) will likely benefit from being a "Teckal" company (depending on its detailed governance arrangements), allowing Council to directly award public contracts to it, and vice versa, the SPV may directly award public contracts to the Council.

7.14 However, the Council may decide on a Community Interest Company (CIC) as this allows the SPV to benefit from the ability to provide supported housing under the housing benefit "exempt accommodation" arrangements.

7.15 The arrangement for the leases and the payments will be as follows:

	Year 1	Year 2	Year 3	Total over life of contract
	2024-25	**2025-26**	**2026-27**	
Number of properties	60 by 31/3/25	150 by 31/3/26	150	150
	£	**£**	**£**	**£**
Total net income	- 525,977	- 2,160,324	- 2,986,474	- 29,365,583
Total lease cost	442,413	1,871,615	2,665,110	28,122,027
One-off start up costs	88,000	132,000	-	220,000
Other costs	124,908	528,420	752,450	7,939,788
Total Net cost to LBH	129,344	371,711	431,086	6,916,232
Equivalent cost without the REIT arrangement	149,322	841,275	1,760,281	19,818,263
Equivalent cost of using Hotels	855,900	3,620,862	5,155,974	54,405,419

Assumptions: 60 properties by 31/3/2025, 150 properties by 31/3/26
Start up costs are spread over the first two years, until we get to 150 properties

7.16 Estimated cost reductions compared to Private Sector Lease and Hotels.

	Year 1	Year 2	Year 3	Year 10	Total over 10 years
	2024-25	2025-26	2026-27		
	£	£	£	£	£
Cost reduction compared to LBH managing the properties directly	19,661	468,262	1,329,195	1,316,181	13,248,493
Cost reduction compared to Hotel usage	726,239	3,247,849	4,724,888	4,983,365	48,111,893

REASONS AND OPTIONS

Reasons for the decision:

8.0 For residents in receipt of benefits the Local Housing Allowance (LHA) rates have significantly reduced the number of properties within affordable reach.

8.1 LHA is the level at which Housing Benefit and Universal Credit is paid to private renters. LHA rates are calculated for every local area based on local rents. For Havering, those areas are Outer North East London (the majority of the borough) and South West Essex. The maximum amount of support a household can claim will depend on where they live, the number of bedrooms they need, and their income. Most private renters that need their income topped up by housing benefit will face a monthly shortfall between the actual cost of their rent and the support available.

8.2 The Government announced that it would increase the LHA rates from April 2024 based on the lowest 30% of January 2024 market rates.

8.3 For households accommodated in properties leased directly by the council, or Private Sector Leases, as they are classified as temporary accommodation by the Department for Work and Pensions (DWP), the amount of Housing Benefit subsidy the Council can receive is capped at the January 2011 LHA rate less 10%. Rental charges paid to a landlord for a PSL is related closely to the market rent and therefore a significant gap is created which, on average, is in the region of £5,000 per property per year. The government has provided Homeless Prevention Grant (HPG) (Formerly known as Flexible Homelessness Support Grant (FHSG) to meet this shortfall however there is no certainty that this will be provided in the future, and with the rising rent levels the gap is increasing.

8.4 The table below shows the differences for the Outer North East London area between the 2024 weekly rates, and the 2011 weekly rate less 10%.

Bed size	2011 LHA less 10%	April 2024 LHA Rate
1 bed	£140.19	£230.14
2 bed	£176.54	£287.67
3 bed	£218.08	£345.21
4 bed +	£290.77	£414.25

8.5 Properties let through an assured shorthold tenancy (AST) are classified as private rented accommodation by the DWP and the benefit is paid for through Universal Credit at the 2024 LHA rate. The proposed property acquisition and leasing structure described in this report seeks to minimise the risk of such a funding gap and provide alternative accommodation that does not have this funding shortfall. This could save the council £12m over the 10 years of the lease.

8.6 A property management and letting company as proposed could also carry out other functions. For example the provision of supported housing. Residents of supported housing are not permitted to transfer to UC and the support they receive in eligible for payment through the HB. A CIC would be able to take advantage of this exemption to provide supported housing. This is a practice that is commonly used by the private sector. Any decision to proceed down this route would be subject to a separate business case and decision.

8.7 Other options considered:

8.8 This report is being considered due to the alternative options not being viable.

8.9 Following negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing the SPV to take on the under leases for the stock.

8.10 Negotiations have also taken place with Capital Letters to take on the under-leases. While Capital Letters are keen to take the under leases, they also wanted to manage the properties, and take a surplus to fund their other activities. There have also been delays in agreeing the terms of the arrangement that have meant the recommendations in this report have been taken forward. They have also tried and failed to enter into similar arrangements with other boroughs.

IMPLICATIONS AND RISKS

Financial implications and risks:

9.0 The estimated total cost over the ten-year life of the scheme is £6.920m. The funding for this scheme is to come from the Homelessness Prevention Grant. This funding is secured for 2024/25 at £3.302m.

9.1 There is a risk that this funding stream may be reduced or discontinued during the ten-year life of the lease. In the event of this happening alternative funding will need to be identified as the Council is contractually committed to this scheme. To get best value from this scheme the Council needs to establish a Company arrangement for the management of the 150 properties.

9.2 There is a risk of the total net cost being higher or lower than the expected amount. This figure was calculated on a ‘basket’ of properties in terms of property sizes and areas of purchase. If the final mix of properties is spread over significantly different areas, the final amount will change. However, the cost to us and the income receivable from tenants will both move in the same direction, substantially mitigating any fluctuations. However, we do need some leeway on total cost, in case of fluctuations. As an example, if we swapped

20% of the cheapest properties in the initial calculation for 20% at the most expensive price, it would cost a further £80k per year.

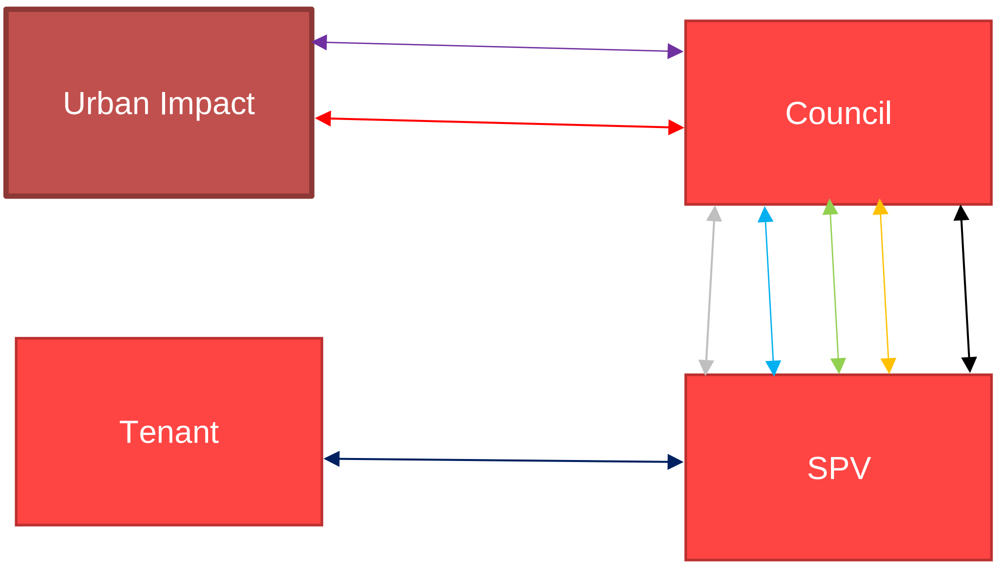
9.3 Inflation rates for the ten-year period have been taken from the HRA Business Plan.

9.4 The costs of providing temporary accommodation by other means, if we don't proceed with this scheme, are significantly higher: £19.82 million over the ten-year period if we were to manage the properties provided by Chalkhill without setting up a company, or £54.40 million if we need to use hotel accommodation (see table 5.14).

9.5 There is an option to use a company set up by Chalkhill's Community Benefit Society, in a Joint Venture with Chalkhill, if setting up our own company is not possible. Chalkhill would run this company at cost as this arm of their business is non-profit-making, so it shouldn't increase the costs, as all costs are already built in to the price. In practice, there may be a small amount extra costs if we were to choose this option as we may be charged for some functions that would otherwise be subsumed into the normal work of LBH employees.

10 Legal implications and risks:

10.1 The below diagram and key set out the key legal agreements which will be entered into:



KEY

10.2 **Portfolio Agreement:** This is an agreement between the Council and the Fund which regulates how the Fund will source suitable properties, bring those properties up to the required standard, and then the process under which the Council will take a Lease of the properties from the Fund.

10.3 **Leases:** This is the form of Lease which will be entered into between the Fund and the Council for each property sourced by the Fund pursuant to the terms of the Portfolio Agreement.

10.4 **SPV Portfolio Agreement:** This agreement is between the Council and SPV and broadly mirrors the terms of the Portfolio Agreement. It sets out the processes to be followed by both the Council and SPV in order to enter into underleases for the properties sourced by the Fund.

10.5 **SPV Underleases:** This is the form of Underlease which will be entered into between the Council and the SPV for each property. This will need to be for a market rent.

10.6 **SPV Management Agreement:** The Council will manage the properties on behalf of the SPV so an agreement will be put in place to govern the provision by the Council of these services to the SPV. Under this agreement the Council will need to provide the services to the SPV at a market rate and on market terms.

10.7 Assured Shorthold Tenancy (AST): The SPV will let the properties out to end tenants using an assured shorthold tenancy agreement.

10.8 **Nominations Agreement:** The Council will have a nominations agreement with the SPV under which it will have the ability to nominate end tenants to the SPV who will then take an Assured Shorthold Tenancy from the SPV for a property.

10.9 **Deficit Funding Agreement:** In essence this is an agreement under which the Council agrees to fund any deficit the SPV would sustain as a result of the difference in funding received under its ASTs and the amount paid to the Council under the Underleases and the SPV Management Agreement.

10.10 The Council has obtained detailed legal advice from Browne Jacobson regarding the transaction structure.

11 <u>Vires</u>

11.1 There is a reasonably strong argument that the properties acquired by the Council via leases from the Fund fall outside of the Housing Revenue Account. Therefore the appropriate disposal power for the Council to rely upon in order to grant underleases to the SPV is S123 of the Local Government Act 1972, which imposes an obligation on any disposal to be for the "best consideration reasonably obtainable". Furthermore, S25(1) of the Local Government Act 1988 (LGA 1988) prohibits the Council from disposing of the properties to the SPV for less than a market rate. In short, the Council has the vires to dispose of the properties to the SPV provided it charges it a market rent.

11.2 The Council has the vires to enter into all of the other agreements contemplated as between the Council and the SPV. The Council will need to charge the SPV market rates for the management services it provides to the SPV because of the restriction contained within s24 and s25 of the LGA 1988.

11.3 The Council has the vires to provide the financial support contemplated by the Deficit Funding Agreement under Consent C issued under S25 of the LGA 1988.[1]

11.4 The Council has the vires to establish the wholly owned SPV (irrespective of whether it is a company limited by shares, guarantee or a CiC) under the general power of competence outlined in S1 of the Localism Act 2011.

12 Procurement

12.1 As indicated earlier in this report, it is likely that the SPV will satisfy the "teckal criteria" set out in Regulation 12 of the Public Contracts Regulations 2015, depending on the detailed governance arrangements put in place. This means the Council can directly award contracts for goods, services or works to the SPV without running a procurement process, and similarly the SPV can award such contracts directly to the Council.

13 Subsidy Control

13.1 It is likely that the funding provided by the Council to the SPV through the Deficit Funding Agreement will constitute a "subsidy" under the Subsidy Control Act 2022 (SCA). Therefore, the Council will conduct an assessment against the subsidy control principles set out in the SCA prior to entering into the Deficit Funding Agreement to ensure that the support being contemplated is compliant with those principles. This may also require a referral to the Competition and Market Authorities' Subsidy Advice Unit, depending on the value of the subsidy being given, which the Council is currently calculating.

14. Human Resources implications and risks:

[1] The general consents under section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) 2010 (publishing.service.gov.uk)

14.1 The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

14.2 However, there is recognition that staff in the Homeless Accommodation team will likely see their FTE split across this area with 20% of their roles funded through the leasing arrangements and this will looked to be reflected in their job profiles once approved through the normal channels.

14.3 It is anticipated that the extra revenue generated from this proposal will ease some of the financial burden within the existing budgets.

15 Equalities implications and risks:

15.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

15.1 The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

15.2 The need to advance equality of opportunity between persons who share protected characteristics[2] and those who do not, and;

15.3 Foster good relations between those who have protected characteristics and those who do not.

15.4 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce.

15.5 In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. The scheme will benefit households at risk of homelessness by providing good quality, affordable housing. Households with protected characteristics are over-represented as homeless and therefore this scheme will have a positive impact on those groups.

16 Health and Wellbeing implications and Risks

16.1 It is anticipated that the implementation of this proposal and its subsequent delivery of better quality properties will generate positive health and wellbeing benefits directly to households who have a need to be accommodated by the Council.

16.2 Havering council is committed to improving the health and wellbeing of its residents. The provision of good quality and affordable housing is an important determinant of health and wellbeing as housing impacts both our physical and

[2] 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

mental health and wellbeing. Inadequate housing and poorly designed housing is associated with increased risk of ill health including cardiovascular and respiratory diseases, depression and anxiety as well as risk of physical injury from accidents.

16.3 Housing conditions, quality, affordability and tenure (particularly for women due to safety issues) plays an important part in pathways long term sustainability as well as well as means through which people living in Havering can build a new life (e.g. access to employment, identity, living practices, creation of social networks etc.).

16.4 There is an impact for families placed outside of the borough but the risks of remaining in insecure accommodation particularly for children weigh higher.

16.5 A full Equalities Impact Assessment will be prepared where appropriate as part of the delegated decision process to enter into the arrangements contemplated by this report.

17.0 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

17.1 The acquisition of the properties will involve the improvement in the environmental performance. All the properties will be brought up to at least EPC C Standard and the energy performance of the properties will be monitored during the course of the letting, subject to the consent of the tenant. Tenants will be encouraged to apply for “Green Tariff” energy supply contracts, where this will not increase their level of fuel poverty.

17.2 Tenants will also be provided with facilities and information to improve their recycling.

BACKGROUND PAPERS

Havering
LONDON BOROUGH

Appendix A to this report is exempt by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Exempt Appendix 1. Business Plan for a joint venture company for the management of private sector leased accommodation.

Full model of costs for Chalkhill Properties													
Projected inflation	**3%**	**3%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Total for life of contract**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Number of properties	**60 by 31/3/25**	**150 by 31/3/26**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150 to 90**	**83 to 0**	
Rent income at maximum LHA rate	- 571,715	- 2,348,179	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 2,133,560	- 898,151	- 28,890,533
Void loss costs	28,586	117,409	162,317	162,317	162,317	162,317	162,317	162,317	162,317	162,317	106,678	44,908	1,444,527
Bad debt provision	17,151	70,445	97,390	97,390	97,390	97,390	97,390	97,390	97,390	97,390	64,007	26,945	866,716
	- 525,977	- 2,160,324	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 1,961,692	- 825,801	- 26,578,090
Lease cost (payable to Urban Impact)	442,413	1,871,615	2,665,110	2,718,412	2,772,781	2,828,236	2,884,801	2,942,497	3,001,347	3,061,374	2,052,243	881,198	25,188,586
LBH Mgt & repairs costs	80,803	341,836	486,762	496,497	506,427	516,556	526,887	537,425	548,173	559,137	374,827	160,944	4,600,504
One-off start up costs	88,000	132,000											
Pass through rechargeable costs	32,217	136,293	194,077	197,958	201,918	205,956	210,075	214,276	218,562	222,933	149,447	64,170	1,834,266
Insurance costs	11,888	50,290	71,611	73,043	74,504	75,994	77,514	79,064	80,645	82,258	55,143	23,678	676,810
											-	-	
Total net cost to LBH	129,660	373,012	431,086	499,438	569,156	640,268	712,803	786,789	862,254	939,228	669,968	304,189	**5,943,695**
Cumulative	129,660	502,672	1,217,536	1,716,974	2,286,130	2,926,398	3,639,201	4,425,990	5,288,244	6,227,472	6,897,440	7,201,629	
Cost pa per property	864.40	2,486.75	2,873.91	3,329.58	3,794.37	4,268.46	4,752.02	5,245.26	5,748.36	6,261.52	4,466.45	2,027.93	
Total net cost without the REIT arrangement	276,340	1,203,112	1,776,194	1,843,113	1,911,371	1,980,993	2,052,008	2,124,443	2,198,327	2,273,689	1,524,205	654,468	**17,639,591**
Extra cost without the REIT arrangement	**146,680**	**830,100**	**1,345,108**	**1,343,676**	**1,342,215**	**1,340,725**	**1,339,205**	**1,337,655**	**1,336,073**	**1,334,460**	**854,237**	**350,279**	**11,695,896**
Further comparisons													
Equivalent cost of using Hotels	855,900	3,620,862	5,155,974	5,259,093	5,364,275	5,471,561	5,580,992	5,692,612	5,806,464	5,922,593	3,970,309	1,704,783	**48,730,327**

Notes: each property will have a ten-year lease. Due to acquiring the full number of properties over the first two years, this means that LBH's relationship with Chalkhill will extend over twelve years.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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CABINET	**12 June 2024**
Subject Heading:	Insurance arrangements from 1st July 2024 – Contract Extension.
Cabinet Member:	Councillor Chris Wilkins - Finance and Transformation
ELT Lead:	Kathy Freeman - Strategic Director of Resources
Report Author and contact details:	Paula McLoughlin, 01708 432116, paula.mcloughlin@havering.gov.uk
Policy context:	Insurance/Risk Management – Extension of insurance policy covers for 36 months under the Main Insurance Contract Award – Decision 13/6/2018
Financial summary:	The contract extension is estimated to be worth £7.5m over the full available contract extension term up to three years. The recommended award of this contract amounts to an anticipated first annual premium of £2.233m.
Is this a Key Decision?	Yes: (a) Expenditure or saving (including anticipated income) of £500,000 or more

When should this matter be reviewed?	**June 2027**
Reviewing OSC:	O&S Board

The subject matter of this report deals with the following Council Objectives

People **-** Supporting our residents to stay safe and well
Place - A great place to live, work and enjoy
Resources **-** Enabling a resident-focused and resilient Council **X**

SUMMARY

The report seeks Cabinet approval to extend the main insurance contract following expiry of the initial six-year period on 30th June 2024 based on an indication of terms. The contract commenced on 1st July 2018 and awarded by Cabinet on 13th June 2018 with an option to extend for up to three years from 1st July 2024.

There are three suppliers across the main insurance contract of four lots, Lot 1) Property, Lot 2) Casualty & FG, Lot 3) Motor and Lot 4) PA Group Travel. Revised terms and an indication of premium cost, based on the risk exposure at 1st Jul 2023 renewal has been provided to inform the contract extension decision.

RECOMMENDATIONS

1. Agree the extension of the Main Insurance Contract with the existing suppliers for 1+1+1 years based on the indicative terms as set out in the report detail.

2. **Delegate** authority to the Insurance Manager in consultation with the Strategic Director of Resources to agree final terms and agree the extensions on an annual basis during the 36-month extension period.

3. **Note** the progress made in identifying and compiling available property risk information and the need to invest in improving the level of detail available including surveys and valuation programme.

REPORT DETAIL

An indication of terms have been received to utilise the option to extend the Main Insurance Contract for 1+1+1 years from 1st July 2024 with the existing suppliers.

The existing suppliers are:

Lot	Supplier
1) Property excluding terrorism	Zurich
2) Casualty & FG	Zurich
3) Motor	Zurich
4) PA Group Travel	AIG via RMP
Terrorism	Lloyd’s via Marsh Ltd – Bowring Marsh/PACE

Property (excl. terrorism), Casualty & FG and Motor Lines

In view of the hardening insurance market, inflationary factors, limited suppliers and the premium increases experienced in 2023 early indications were sought to extend the contract for 1+1+1 years as set out in the original tender. Focussing on the main, lines of Property, Casualty & Motor. The initial terms received for Lot 1) Property were indicating over 200% increase when applying the inflationary indexation for increased building reinstatement values.

The property terms have been the main concern and priority focus of the negotiations. Housing stock risks are currently not well received in the market and are an on-going concern for insurers.

The concern around the housing stock risk has been the main driver leading the current insurer to revaluate Havering's property risk exposure which has had a knock on effect across the wider portfolio. 40% of the initial proposed increase related to the housing stock risk. The insurer's rationale highlighted this concern as well the impact of flood and weather related events being a major concern.

The pressures on the insurance market and HRA risks had a clear impact on the leasehold buildings insurance tender outcome in 2023 and were highlighted in the award decision.

Terms were closely scrutinised and insurer's rationale challenged which resulted in considerable concessions on the terms offered and in part offset against an increase in the property deductible as well as extending this to include HRA properties. Analysis of the terms also included commissioning a Risk Finance Optimisation Study (RFO) to assess the potential impact on the insurance fund and determining an optimal risk based premium level. It was appropriate to reassess the deductible level after six years, particularly taking into account inflationary and supply chain factors impacting claims inflation in the intervening period. The revised deductible level is generally in line with minimum levels utilised by other London Authorities.

Negotiation were widened to include the Casualty and Motor lines where further concession was achieved to maintain the proposed increases on those lines at a level below the anticipated inflation/claims inflation anticipated increases.

The financial analysis of the terms is set out in **EXEMPT** Appendix **A** Terms Analysis - Insurance Arrangements from 1st July 2024.

PA Group Travel and Terrorism

These lines make up a small proportion of the contract value, 5.7% of the current annual premium. Indications are that these lines are offered at current rates with the annual permitted inflationary increases and adjustment for base changes such as pupil numbers and property acquisitions/disposal.

REASONS AND OPTIONS

It is recommended that the negotiated indication of terms provided by insurers is accepted and the Council extend the contract on the basis of these terms and in addition consider further programme adjustments eg deductible level, perils, risks insured at renewal point in 2025 and 2026.

This is to include the covers provided by all three suppliers across the four original Lots set out in the report detail.

Reasons for the decision:

Insurance needs to be in place to protect the council's assets and liabilities from the contract extension point of 1st July 2024. The contract is at extension point so insurers can offer revised terms including rate increases which do not constitute a contractual breach.

Any increase in pricing is disappointing, particularly given the financial burdens the Council faces, and the continued pressures on budgets, however the broker advises that the much improved position following negotiation is in line with what other insurers are doing.

At contract break point insurers have the opportunity to review terms and effectively "re-write" the risks. There has been significant pressure on the insurance market leading to a much hardened market than when the contract was tendered in 2018. Factors impacting the property market include inflation, claims inflation and supply chain challenges as well as worsening effects of climate change leading to more severe and frequent weather events and claims.

There is still much concern in the market around social housing risks, including tower blocks and cladding issues.

The indicative premium for the 2024 year is much improved from the initial proposal and the RFO study indicated that once the increased claims exposure is factored in, the premium level sits within the optimal level available within the market. These revised terms however are very much in line with renewal terms being offered in the market where insurers remain bound by an LTA currently. It is considered that the indicative terms are comparable or better than would be achieved if the contract were to be tendered in the current market.

In addition it is recommend to consider further programme adjustments in relation to upcoming claims performance and risk exposure. Further reviewing property deductible levels at renewal in 2025 and 2026 in light of the updated claims experience and risk exposure may ameliorate the impact of the further rate increases indicated in those years or enable them to be managed at the proposed level of increase.

The PA Travel & terrorism lines maintained rates continue to provide best value in the current market.

Options considered are.

a) Accept the negotiated indication of terms provided by existing insurers and look to enter into contract extension on the basis of these terms.
b) Tender the Property insurance line as standalone contract (Lot1)
c) Tender the full contract for all lines of insurance under the main contract (Lots 1-4)
d) Consider further programme adjustments e.g. deductible level, perils, risks insured.

The broker has provided comprehensive advice on the merits and weaknesses of each option taking into account the increased premium levels, the consistency of cover and the strength of the offering being in line with the tender in 2018. This has been balanced against the risks of tendering in an uncertain market that demands much improved risk and construction information as well as being more discerning on the extent and level of cover offered.

Tendering could provide a premium reduction which would have been the strong recommendation based on the original terms offered however it is unlikely that a lower contract price will be achieved based on the negotiated terms.

There may be a degree of uncertainty in the market in relation to Havering's financial standing following the capitalisation loan which could have a detrimental impact on market interest and terms.

Tendering is not considered a strong option currently. The market requires comprehensive underwriting information to enable a competitive process; whilst some progress has been made in compiling available information, it will take time to compile fully and obtain further detailed information required where gaps have been identified. The property portfolio offering would also benefit from property surveys and valuations which insurers are expecting to see as standard when evaluating such risks. Scheduling the tender for 2027 allows time, subject to funding being made available, for these projects to be completed, thus encouraging the best available outcomes.

There will be some uncertainty in the market around casualty lines as we await the imminent review of the discount rate for personal injury claims as well as the recent leaked announcement of a 22% increase in the level of damages to be awarded under the Judicial College Guidelines. These are all predicted to have a detrimental impact on the cost of claims under Casualty lines. This impact has not yet been realised under the Havering's current casualty line losses or extension terms but any prospective bidder would need to factor in the long term impact of these changes.

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial analysis of the indicative terms and implications are set out in **EXEMPT** Appendix A Terms Analysis - Insurance Arrangements from 1st July 2024.

It is to be noted that:

The indicative premiums are based on the like for like position as at renewal 2023 for comparison purposes. The premiums are subject to final adjustments for staffing/pupil numbers and property changes etc.

There is a risk that deterioration in the risk or claims experience could detrimentally impact the terms. The proposals are indications, rather than formal, contract-certain quotations. This means that they could yet be altered due to unexpected factors outside of our control. It is anticipated that insurers would not renege from the positions arrived at thus far however other factors such as large-scale losses for London Borough of Havering, might prompt reconsideration.

The terms include property rate increases in 2025 and 2026, smoothing out the impact of a higher rate increase in 2024 included in the estimated contract value.

The analysis highlights the potential impact on the insurance fund and sets out the financial implications for the HRA. It provides options on funding losses within the deductible going forward either from the increased premium saving or by contribution of the saving to the insurance fund (Insurance Premium Tax at 12% is the net "saving" on the increase).

Aggregate stop levels are in place to limit the Council's overall exposure within the insurance fund in any one year across different lines of business. These will be revised to take into account the increased deductible (first part of each and every loss) on the property exposure and extension of this to include HRA losses.

Property Valuations & Surveys

To be best placed to achieve interest in the market and acceptable terms with minimum restrictions it is necessary to provide more detailed property risk information, including up to date accurate rebuild values, construction information and risk surveys.

Investment is required to provide a programme of property valuations/surveys and indication of costs have been received as follows:

- Housing property from £8,000 (leasehold) to £23,650 (stock) with varying options around a mix of selection of onsite surveys and desktop valuations.
- Heritage Buildings £12,000 – based on survey of 8 key properties/sites rebuild valuations.
- Key sites flagged as enhanced insurer concern/interest - £7,500.
- Programme - ongoing rolling programme of 16 sites per year - £30,000 per annum.
- Survey – indication of price for 10 key high value or high risk properties £48,400.

The Council was aware of the likely increase in premium and included provision within the 2024/25 budget for the general fund for the extension to the contract and the ongoing programme of works required.

The one off investment listed above if approved will be met from corporate reserves. The Housing element of these costs will be met from the HRA.

Legal implications and risks:

The Council has the power to procure a contract for these services under Section 111 of the Local Government Act 1972, which allows the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Council also has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual can do, subject to any statutory constraints on the Council's powers. None of the constraints on the Council's Section1 power are engaged by this decision.

When procured, the value of the contract was above the threshold for services under the Public Contracts Regulations 2015 (PCR). The contract extension is therefore caught by the full PCR regime.

The addition of rates upon which the premium is calculated was provided for in the initial procurement documents in clear, precise and unequivocal review clause which stated the scope and conditions in which rates might be introduced. The modification does not alter the overall nature of the contract. The rate variation therefore is permissible under PCR 2015 Regulation 72(1)(a). Additionally, the extension is provided within the initial Long Term Agreement (LTA) and it is equally permissible under Regulation 72(1)(a).

The Council is a best value Authority. As set out in this report, officers consider acceptance of the rate increase represents value for money best value.
For the reasons set out above, the Council may proceed to extending the contract.

Human Resources implications and risks:

There are no HR implications or risks arising directly that impact on the Councils workforce from this report.

Equalities implications and risks:

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the council, when exercising its functions, to have due regard to:

I. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
II. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
III. Foster good relations between those who have protected characteristics and those who do not.

The insurance contract extension is not considered to have any equality or social implications and an Equality Impact Assessment is not considered necessary in the context of this financial services contract extension.

Health and Wellbeing implications and Risks

The insurance contract extension is not considered to have any health and wellbeing implications and risk in the context of this financial services contract extension.

Environmental and Climate Change Implications and Risks

The recommendations made in this report do not appear to give rise to any identifiable environmental and climate change implications.

BACKGROUND PAPERS

none

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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CABINET	**12 JUNE 2024**
Subject Heading:	**Council Revenue and Capital Outturn Report 2023/24**
Cabinet Member:	**Councillor Chris Wilkins (Cabinet Member for Finance)**
SLT Lead:	**Kathy Freeman** Strategic Director of Resources
Report Author and contact details:	Richard Tyler Head of Financial Strategy and Business Intelligence 01708 433 957 Richard.Tyler@Havering.gov.uk
Policy context:	The report provides detail of the outturn position on Capital and Revenue for 2023/24 including the funding of the outturn and impact on reserves and balances
Financial summary:	This report includes: • 2023/24 Revenue Outturn Position • Analysis of Service overspends and mitigating corporate items • Update on savings delivery • Financing and impact on reserves and balances • Capital Outturn position for 23/24

Is this a Key Decision? No

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1. Executive Summary

1.1. This Report sets out the revenue outturn position for the Council and includes commentary on the variances to budget by service. The report also includes explanation of mitigating corporate items and explains how the outturn position will be financed.

1.2. The report also sets out the Capital outturn for 2023/24 compared to revised budget and explains the variances and slippage on the budget.

1.3. The table below sets out the final revenue outturn position of the Council which is a £18.1m overspend. This table also provides a comparison to the Period 9 forecast which was submitted to cabinet in March

Revenue Outturn 2023/24

Directorates at Activity level	Original Budget £m	Revised Budget £m	Final Actual £m	Final Variance £m	Period 9 Variance £m
Resources - Strategic Directorate	**12.650**	**15.770**	**16.220**	**0.450**	**0.000**
People - Strategic Directorate	**111.960**	**133.490**	**157.570**	**24.080**	**22.890**
Place - Strategic Directorate	**9.280**	**12.220**	**16.670**	**4.450**	**2.960**
OneSource Shared	**7.220**	**8.670**	**9.960**	**1.290**	**1.580**
OneSource Non-Shared LBH	**0.030**	**0.100**	**0.710**	**0.610**	**0.110**
Total Service Budgets	**141.140**	**170.250**	**201.130**	**30.880**	**27.540**
Corporate budgets and provisions	14.740	7.900	7.890	(0.010)	**0.000**
Concessionary Fares	5.080	4.870	4.870	0.000	**0.000**
Treasury Mgt. & Capital Financing	9.450	9.150	5.450	(3.700)	**(3.000)**
Service Growth held corporately	18.480	0.000	0.000	0.000	**0.000**
Contributions to the Pension Fund	12.080	12.080	12.080	0.000	**0.000**
Corporate Mitigations	0.000	0.000	0.000	(8.030)	**(5.450)**
Corporate Finance Total	**59.830**	**34.000**	**22.260**	**(11.740)**	**(8.450)**
Contingency	**1.000**	**1.000**	**0.000**	**(1.000)**	**0.000**
Un-ringfenced Service Grants	(38.490)	(41.770)	(41.770)	(0.000)	**0.000**
Levies	18.530	18.530	18.530	0.000	**0.000**
Corporate Total	**40.870**	**11.760**	**(0.980)**	**(12.740)**	**(8.450)**
Total	**182.010**	**182.010**	**200.150**	**18.140**	**19.090**

1.4. Further details of the reported variances are set out in Section 4 of this report. There are then sections setting out the Corporate position, including Treasury management.

2. RECOMMENDATIONS

2.1. Councillors are asked to note the revenue outturn position for the Council and the financing of the overspend (section 8 of the report)

2.2 Councillors are asked to approve the Capital Outturn position for 23/24 as set out in section 9 of this report

2.3 Councillors are asked to note the outturn position for the Council's earmarked reserves and General balances as set out in section 7 of this report

3. BACKGROUND

3.1. There has been significant pressures on the Council's budget throughout 2023/24. The largest increases have been in People Services in the following areas:

3.1.1. *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 Private Sector Leased properties (PSLs) available has also decreased over the last couple of years again increasing the use of hotels and Bed & Breakfast (B and B).

3.1.2. *Looked after Children with Complex need* - The numbers of Looked After Children requiring Council support has increased over the last few years. The number of Children requiring complex support through residential placements has doubled since April 2022 and there is a steady increase in the overall number of looked after children. The Council has a statutory duty to support these Children and will regularly review each placement to ensure the best outcomes for each individual.

3.1.3. Havering has also seen increasing numbers of users of adult services during 2023/24. The Council provided for this increase when setting the budget but provider costs have risen sharply during the year which has largely resulted in the pressure in ageing well.

3.1.4. The Council has recognised the ongoing nature of these pressures and in preparing the 2024/25 budget the full impact of these demographic pressures and further expected growth has been taken into account. The Council has a statutory duty to provide care for these vulnerable people but will do everything it can to contain these costs moving forward whilst still fully supporting these users

3.2. The Council realised the financial pressures on the budget at an early stage of the financial year which enabled mitigations and spending controls to be put in place to control the outturn overspend. These measures included:

- Reviews of all high-cost social care placements to ensure the placement is both appropriate for the service user and represents best value for the authority
- Recruitment panel put in place to oversee all staffing recruitment
- Regular reviews of agency levels and all positons covered by agency staff
- All managers to take responsibility to only spend where absolutely necessary and to hold vacancies and internally cover posts where possible
- Ensure the Public Health Grant is utilised effectively to deliver strategic health aims of the Council
- Joint work with Health and hospitals to ensure better outcomes for adults leaving hospital and costs for continuing care are shared appropriately

3.3 A review of the Corporate budget also identified some initiatives that could on a time limited basis support the budget position. These are set out in more detail in section 6 of this report

3.4 The Council also recognised at an early stage that due to the existing level of reserves and balances and the emerging overspend that even with robust management action the Council was likely to need support from the Government. Senior Council officers and Councillors met with both ministers and officials from DLUHC to set out the Councils financial situation and make it very clear that the position is as a result of underfunding rather than any inefficiency. Havering is a well-run Council with low unit costs and compares favourably with other similar authorities in benchmarking studies. The Councils position has been caused by years of underfunding partly caused by the Governments refusal to update its distribution formula to reflect current demographics.

4. REVENUE OUTTURN POSITION – SERVICE EXPENDITURE

4.1. This section sets out the service reported outturn position for 23/24. The paragraphs below set out department commentary on the current variances.

4.2. RESOURCES

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Actual £m	Final Outturn Variance £m	Period 9 Forecast Variance £m
Public Health	(1.930)	(0.170)	(0.170)	0.000	0.000
Communication	1.260	1.220	1.100	(0.120)	(0.020)
Customer Services	3.370	3.910	3.820	(0.090)	(0.200)
Finance	4.730	5.170	5.230	0.060	(0.130)
Partnership Impact & Delivery	2.530	2.120	2.630	0.510	0.320
Public Health - Non Grant	1.010	1.170	1.170	0.000	(0.090)
HR & OD	1.670	2.350	2.440	0.090	0.120
Resources - Strategic Directorate	**12.640**	**15.770**	**16.220**	**0.450**	**0.000**

4.2.1. There is an overall outturn overspend of £0.450m across Resources. The majority of the £0.450m overspend an undelivered saving of £0.250m within the Partnership Impact and Delivery service, predicated on the delivery of an integrated commissioning function with health. The organisational restructures required to deliver this new model completed at the end of 2023/24 and will enable the delivery of this saving in 2024/25 instead. The majority of the remaining overspend in this area is due to agency pressures. It should be noted that now the new structures are in place and posts can be recruited to permanently this pressure ought to resolve in 2024/25.

4.3. PEOPLE

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Final Outturn Variance £m	Period 9 Forecast Variance £m
People - Starting Well Total	45.160	55.110	64.250	9.140	9.140
People - Ageing Well Total	64.770	75.500	84.160	8.660	8.600
People - Living Well (Housing Demand)	2.030	2.880	9.160	6.280	5.150
People - Strategic Directorate	**111.960**	**133.490**	**157.570**	**24.080**	**22.890**

4.3.1. As shown in the table above the People Directorate has experienced pressures across all three of its areas due to the unprecedented level of demand and increase in unit costs across the service. The tables and sections below provide a commentary on these variances and the pressures surrounding them.

4.3.2 Starting Well

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Final Outturn Variance £m	Period 9 Forecast Variance £m
Education	4.530	9.610	11.000	1.390	1.030
Children's Social Care	39.160	43.670	51.170	7.500	7.750
Principal Social Worker	1.470	1.830	2.080	0.250	0.360
People - Starting Well Total	**45.160**	**55.110**	**64.250**	**9.140**	**9.140**

4.3.2.1 Starting Well have reported a final outturn variance of £9.140m

4.3.2.2 As identified throughout the year, there were significant budget overspends in LAC Placements (£+5.57m), SEN Home to School Transport (£+1.26m) and Leaving Care (£+1.01m).

4.3.2.3 Expenditure on LAC Placements increased by £6.13m, from £12.57m in 2022/23 to £18.7m in 2023/24. This was mainly due to additional high cost residential placements and increases in unit costs. The number of residential placements rose from 16 at the start of 2022/23 to around 30 at the start of 2023/24. Numbers have remained at around 30 through 2023/24 and so the increase in cost in comparison to 2022/23 is partly explained by the full year effect of those placements. The number of LAC Placements overall continues to rise although the authority has been successful in recruiting new foster cares to help meet this demand.

4.3.2.4 SEN Home to School Transport increased by £1.37m, from £5.52m in 2022/23 to £6.89m in 2023/24. The demand for travel assistance is still rising due to a continuing increase in EHCPs, which has resulted in increased applications for transport support.

4.3.2.5 Expenditure on the Leaving Care Service rose by £0.88m, from £3.64m in 2022/23 to £4.52m in 2023/24 due to rising numbers of care leavers and those in semi-independent accommodation.

4.3.2.6 The remaining overspend of £1.3m is largely attributable to staffing costs and reliance on Agency workers. The Council is currently developing new staffing structures as part of its response to the recent OFSTED judgement and will actively aim to recruit permanently to this structure in order to minimise dependency on agency staff moving forwards

4.3.2.7 There is a national shortage of skilled social workers and Havering is no different to many other authorities in having to rely on more expensive agency workers. The Council is working hard to increase permanency as this will provide a more stable environment for the children in care as well as reducing costs.

Mitigations to the Starting Well Budget Position

4.3.2.8 The service is demand driven and so in most areas it cannot delay or cease services. The service has a staff shortage but is working hard to recruit permanent staff and ultimately reduce the number of agency workers. The service has and continues to review all packages to ensure they provide both the best outcome for the child and the most cost effective solution.

4.3.2.9 A review of Home to School transport is underway and proposals were presented to September cabinet. Further updates on this will be presented to future cabinets. The service continues to promote short breaks as a cost effective solution to allow more children to remain at home rather than be placed elsewhere

4.3.3 Ageing Well

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 Forecast Variance £m
Adult Social Care Total	63.643	74.330	83.010	8.680	8.616
Adult Safeguarding Total	1.129	1.169	1.149	(0.020)	(0.019)
People - Ageing Well Total	**64.772**	**75.499**	**84.159**	**8.660**	**8.597**

4.3.3.1 The Ageing Well Department has an outturn position of £8.664m overspent. The main driver of the overspend is Adult Social Care, which is 11.5% over budget due to increased unit costs and increased numbers of packages. This is a slight increase of £0.067m since the period 9 reported position which is mainly due to new clients having higher cost packages than those clients leaving the service.

Adult Social Care

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 Forecast Variance £m
Transforming Health & Social Care	0.000	0.000	0.000	0.000	0.000
Strategy and Commissioning	2.688	2.781	3.381	0.600	0.416
Mental Health - Section 75	1.637	1.684	1.374	(0.310)	(0.291)
Mental Health - Non Section 75	1.783	2.390	2.980	0.590	0.689
Adult Community Team	33.130	37.624	41.594	3.970	3.604
Hospital Discharge	0.086	0.112	(0.008)	(0.120)	(0.112)
Learning Disabilities	24.325	28.865	32.655	3.790	4.200
Health & Social Care Other	(0.006)	0.874	1.034	0.160	0.110
Adult Social Care Total	**63.643**	**74.330**	**83.010**	**8.680**	**8.616**

4.3.3.2 The outturn reported position for the Adults Social Care Service area is an overspend of £8.680m. This is a £0.070m increase from the period 9 reported position of £8.616m which is mainly due to new clients having higher cost packages than those clients leaving the service.

4.3.3.3 The 23/24 financial year has seen increasing placement pressures in both Adult Community and Learning Disabilities in terms of the number of clients being supported and the complexity of packages. Mental Health has also seen an increase in demand with an increase in complex packages and an increase in the number of clients being supported.

4.3.3.4 The 23/24 financial year also saw large inflationary increases applied to the rates paid for the cost of packages, the cost of these increases was in the region of £6.5m. Even with these large inflationary increases, it has still been difficult to place clients at Havering's usual rates which has led to higher weekly costs for placements, this is a large contributor to the overspend.

4.3.3.5 £3.245m of savings were applied to the Ageing Well Directorate in 23/24 and of this £2.713m of the savings were delivered.

4.3.4 Living Well (Culture and Housing Demand)

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 Forecast Variance £m
Culture & Leisure	(1.910)	(1.670)	(1.590)	0.080	0.000
Housing Demand	3.940	4.550	10.750	6.200	5.150
People - Living Well	**2.030**	**2.880**	**9.160**	**6.280**	**5.150**

4.3.4.1 The final outturn position for Living Well is a £6.280m overspend. This is comprised of a small overspend on Culture and Leisure with the main area of pressure being Housing Demand which was £6.200m overspent. This is an increase of £1.1m on the Period 9 variance and reflects the continued pressure on this budget.

4.3.4.2 The overspend reflects the significant ongoing increase in the numbers of people presenting as homeless to the authority together with a squeeze on the number of properties available. The numbers of PSL's have decreased through the year and the Council has also incurred significant costs as part of that handback process. The Council has been successful in identifying new accommodation to partly mitigate the pressure. Significant growth has been added to the 2024/25 budget to help mitigate the homelessness pressure moving forward.

4.3.4.3 The movement since period 9 was due to extended stays in hotels and nightly rate units - £0.2m, higher repair costs on handback's - £0.2m, higher Private Sector Leased (PSL) properties void rent loss. – £0.5m and £0.1m carried forward from the Rough Sleeper Initiative Grant (RSI).

4.3.4.4 A total of £5.3m was spent on emergency hotel accommodation and nightly charged properties with £4.3m for families and £1.0m on singles for the year. Although there has been a reduction in the average spend per unit for the hotel or nightly charged accommodation, the need for hotel accommodation particularly chain hotels remains a risk to the council with the low levels of supply from the private rented sector unable to help mitigate demand. The increased repairs and maintenance costs for PSL and Shared Supported Housing properties resulted in a £0.9m overspend.

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4.3.4.5 The PSL cost centre also saw a significant overspend of £0.7m. This in part was due to the shortfall in rental income from the 500+ properties, as well as the rent loss through voids. There was also the addition of incentive payments given to landlords to prevent them taking their properties back.

4.3.4.6 These overspends were marginally offset by monies from the Homes4Ukraine Scheme and the Homeless Prevention Grant. The PSL property numbers available to rent, continue to reduce, with a further 72 taken back by Landlords this year.

Decrease in PSL Numbers by year:

Dates	Apr-20	Apr-21	Apr-22	Apr-23	Mar-24
PSL Properties Numbers	809	747	656	592	520

4.3.4.7 The table below demonstrates the increase in temporary accommodation costs and demand over the year.

		2023-24											
		Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
FAMILIES	Total days in the month	2636	2935	3350	3461	3913	4111	4255	4166	4196	4477	4355	4497
	Estimated cost in the month (£)	215,101	239,913	289,212	309,117	361,340	372,507	376,152	344,618	381,420	404,949	396,007	410,079
SINGLES	Total days in month	1399	1562	1647	1707	1549	1479	1820	2065	2215	2378	2336	2512
	Estimated cost in the month (£)	94,194	106,387	113,785	119,758	108,467	102,597	153,551	134,460	158,421	175,064	172,398	185,582

4.3.4.9 There were some mitigations which were actioned to reduce the impact of hotels, with Royal Jubilee court opened during the winter to relieve the pressure on temporary accommodation.

Sites used to mitigate Hotel pressures	Number of units	Timeframe	In year budget impact £m
Royal Jubilee Court	71 units	Feb 2024	(0.674)
National Housing Group	15 units	Mar-24	(0.029)
Total			**(0.703)**

4.4. PLACE

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Outrun Variance £m	Period 9 Forecast Variance £m
Place - Environment	5.490	8.270	11.050	2.780	2.170

Place - Planning & Public Protection	2.830	2.570	3.290	0.720	0.350
Place - Housing & Property	0.960	1.380	2.330	0.950	0.440
Place - Strategic Directorate	**9.280**	**12.220**	**16.670**	**4.450**	**2.960**

4.4.1. **Environment**

4.4.1.1. The final outturn position for Environment is a £2.780m overspend. This is comprised of overspends on Highways, Waste and Parking:

4.4.1.2. Parking Services reported a £2.170m overspend caused by the underachievement of PCN/MTC Income, the reversal of permit charges and reduced income from the new school streets offer (inability to implement the level of school street camera's as previously planned). In addition, under achievement in off-street parking and non-staff permit income, offset by an over achievement in on-street parking income. This is an increase of £0.350m on the period 9 variance and reflects the continued pressure on the PCN/MTC income budget. Growth has been added to the 2024/25 budget to help mitigate this pressure moving forward.

4.4.1.3. There is a £500m overspend within Public Realm mainly due to legacy transformation costs. This is as a result of procurement, consultancy and Legal support costs relating to the integrated Public realm Contract. The extension agreement with SERCO, resulted in an increase in the Household waste and recycling cost and overall contract prices increase, based on indexation. There was an increase of £0.350m on the period 9 variance due to the adjustment on the Urbaser contract true up cost, increased Vehicle hire cost due to delays on delivery of purchased vehicles from suppliers.

4.4.1.4. Highways have reported an overspend of £0.510m. This is due to a historic, unachievable income target within DSO, underachievement of the crossover income due to reduced volumes and pressure in network management (street works) also due to reduced volumes of licence applications and the subsequent reduction of licence and permit income. This is a reduction of £0.090m on the reported period 9 variance.

4.4.1.5. The impact of the above overspends was mitigated by a £0.400m underspend in Business Support & Divisional Overheads. Predominantly as a result of reduced Staffing and Consultancy costs. These reductions were as a result of the service holding posts and reducing agency costs as part of the overall spending controls put in place during the year. The Service will continue with these tight controls moving into 2024/25

4.4.2. **Planning & Public Protection**

4.4.2.1. The final outturn position for Planning & Public Protection is a £0.720m overspend:

4.4.2.2. Planning reported an overspend of £1.090m, was as a result of underachievement of the planning application fee income, building control fee income, local land charges and business licensing fee income. There were cost pressures in connection with the Local plan and Lower Thames Crossing Development Consent Order programme. The pressure was partly mitigated by Public Protections maintained forecast outturn underspend of £0.370m. Growth has been added to the 2024/25 budget to help mitigate this pressure overall moving forward.

4.4.3 **Housing and Property**

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 Forecast Variance £m
Regeneration & Place Shaping	0.210	0.110	0.320	0.210	(0.300)
Housing Property and Assets	(3.670)	(3.760)	(3.310)	0.450	0.230
Asset Management	4.080	4.680	4.980	0.300	0.510
Inclusive Growth	0.340	0.350	0.340	(0.010)	0.000
Place - Housing & Property	**0.960**	**1.380**	**2.330**	**0.950**	**0.440**

4.4.3.1 The transport service which is within regeneration budgets closed 2023/24 with an overspend of £0.2m owing to delays in the procurement of new home to school transport buses which resulted in increased maintenance costs and hire costs.

4.4.3.2 The overspend within Asset Management is due to two main pressures both of which are expected to resolve in 2024/25 being slippage on the Mercury House decant saving and pressures on corporate landlord budgets. Furthermore, commercial property budgets within Housing Property and Assets closed with a £0.45m overspend due to a combination of bad debt provision adjustment of £0.3m and unbudgeted presale expenses costs in relation to the council's asset disposal efforts of £0.3m offset by underspends in other areas.

4.5 **ONESOURCE SHARED**

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Actual £m	Outturn Variance £m	Period 9 Forecast Variance £m
Finance	0.220	0.140	0.110	(0.030)	(0.020)
Exchequer & Transactional Services	2.100	3.160	2.940	(0.220)	0.410
Legal & Governance	0.870	1.120	1.160	0.040	0.060
ICT Services	4.030	4.250	5.750	1.500	1.130
OneSource Shared Total	**7.220**	**8.670**	**9.960**	**1.290**	**1.580**

4.5.1 Exchequer and Transactional Services delivered an underspend of (£0.220m) against a period 9 forecast of £0.410m. The change in forecast was partially due to the receipt of grant income within the NNDR team and the council tax and benefits team. The improvement from period 9 was a combination of an especially strong performance by the enforcement team in the last three months of the year, the receipt of business rates maximisation grant income relating to prior years and a reduction in agency costs against forecast.

4.5.2 The large overspend of £1.510m within ICT Services comprises of a combination of undelivered savings of £0.6m, increases in costs including Azure data and connectivity, Microsoft Enterprise and Dynamics Licences and security costs offset in part by underspend on salaries. The 2024/25 budget proposes growth in order to resolve the structural and intransigent budgetary pressures which have adversely impacted the ICT service's outturn for a number of years and as a result this pressure will not continue into next financial year.

4.6 ONESOURCE NON SHARED

Directorates at Activity level (Controllable Budgets Only)	Original Budget £m	Revised Budget £m	Final Actual £m	Outturn Variance £m	Period 9 Forecast Variance £m
Exchequer Services	(1.610)	(1.610)	(1.360)	0.250	(0.210)
Business Services	0.070	0.020	0.190	0.170	0.110
Legal & Democratic Services	0.680	0.680	0.860	0.180	0.180
ICT Services	0.890	1.010	1.020	0.010	0.010
OneSource Non-Shared LBH	**0.030**	**0.100**	**0.710**	**0.610**	**0.110**

4.6.1 The Exchequer Services operationally was largely as per the period 9 forecast across housing benefit subsidy and NNDR and Council tax court summons income, however, the inclusion of an adjustment to the bad debt provision as part of year end processes resulted in an adverse movement of £0.430m. In 2024/25 monitoring processes will include a regular review of debt collection rates and the associated impact of providing for debt on the revenue position.

4.6.2 The outturn for Legal and Democratic Services non-shared was as per the forecast at period 9. The overspend related to a combination of unmet savings targets in connection with driving down the cost of externally provided legal services coupled with an income target for schools appeals which is no longer deliverable since the service was outsourced.

4.6.3 The overspend within the Business Services area relates to prior years oneSource savings targets. This is a one-off pressure which will resolve in 2024/25 by virtue of this service being removed from the oneSource partnership arrangement as all the staff in this area were Newham employees and the service has not been continued in a sovereign form.

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5 HOUSING REVENUE ACCOUNT

HRA at Directorate level	Original Budget £m	Revised Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 Forecast Variance £m
Public Health - HRA	0.819	0.843	0.688	(0.155)	(0.260)
Housing & Property HRA	(2.149)	(2.006)	(1.813)	0.193	(0.380)
Living Well - HRA	1.330	1.163	1.126	(0.038)	(0.080)
People - Living Well	**0.000**	**0.000**	**0.000**	**0.000**	**(0.720)**

5.1 Public Health - HRA

The £155k underspend in this Service was due to vacancies throughout the year.

5.2 Housing & Property – HRA

5.2.1 Housing Property & Assets - HRA

This Activity came in on budget. However, there was some movement between the Period 9 forecast and the outturn due to void works costing less than was originally anticipated.

5.2.2 Housing Operations - HRA

This Activity came in level spent. There was some movement between the Period 9 forecast and the outturn position due to a late negotiated Internal Audit recharge for fraud investigation work and a higher than expected Enforcement Service recharge.

5.2.3 Housing Services - HRA

There were a number of year end items which resulted in a transfer to reserves of £5.8m. This included application of the £193k underspends in Public Health and Living well to balance the HRA overall. The transfers are listed below

The HRA interest charge was lower than originally budgeted by £1.6m. A £1.1m interest payment was received from Wates in relation to the Joint Venture loans. There was £2.2m received from leaseholders as a contribution to capital works. The council tax budget was underspent by £370k, as a result of shorter void periods and greater occupancy levels. There were also underspends on the leasehold insurance charge, the customer services recharge and the Capita IT licences, which will now be purchased in 2024/25.

5.3 Housing Demand – HRA

The £38k underspend was due to the Housing Choice and Applications Service carrying vacancies and the implementation of the Capita Open Housing Online Application being delayed until 2024/25. This was partially offset by the security costs incurred at Royal Jubilee Court prior to opening.

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LONDON BOROUGH

6 CORPORATE BUDGETS AND CONTINGENCY

6.1 The Council had a number of Corporate items which were reported during the year and by outturn had mitigated the service overspend by £12.7m. These items are shown in the table and paragraphs below

Corporate Items	Budget £m	Final Outturn £m	Outturn Variance £m	Period 9 (Under)spend £m
Corporate Contingency	1.000	0.000	(1.000)	0.000
Treasury Management	9.150	5.450	(3.700)	(3.000)
Other Corporate Budgets	1.610	1.600	(0.010)	0.000
Corporate Mitigations	0.000	(8.030)	(8.030)	(5.450)
	11.760	**(0.980)**	**(12.740)**	**(8.450)**

6.2 **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. There was significant slippage on the Capital programme from the anticipated programme at the start of the financial year. This slippage has resulted in the Council not needed to externally borrow resulting in a general fund underspend. This generates a short term underspend although it should be noted that costs in future years will go up when schemes do progress.

6.3 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 £3.7m. There is also a year end charge of around £3.3m to the Housing Revenue Account reflecting the benefit that fund has received from utilisation of cash balances rather than external borrowing. This is shown in the Corporate mitigations table below.

6.4 The Corporate position has also improved by mitigations identified as part of the budget review exercise undertaken during the year. The table below sets out the mitigations and their financial impact.

Havering LONDON BOROUGH

Corporate Adjustments	Final Outturn Underspend
Redirect agency levy in 23/24 from the pension fund to assist the General Fund Budget	1.760
Review of outstanding insurance claims against provisions and reserves set aside	0.450
Business Rates revaluation technical adjustment (Announced by DLUHC in September 2023)	0.520
Treasury adjustment to reflect HRA benefit of using General Fund internal borrowing to fund the capital programme	3.300
Underspend on the Corporate risk budget following all year end entries	2.000
TOTAL CORPORATE MITIGATIONS	**8.030**

6.4.1 The Council maintains a Corporate Risk budget to safeguard against inflationary increases and other Corporate costs such as bad debt provisions, energy costs and restructuring and redundancy costs. After all the year-end entries had been made this budget had £2m remaining and it is recommended that this underspend be applied to the general fund outturn position.

6.5 **Update on Delivery of Savings**

The 23/24 budget included £9.6m of savings proposals. The majority of these savings were delivered as planned but £1.86m were outstanding at year end. Some of these savings will be delivered in 2024/25 and these have been retained in the Council budget. This position was widely expected and has been reported through the financial year which has allowed the Council to write out the remaining savings in a timely fashion as part of the budget setting process for 2024/25.

The undelivered savings are shown in the table below:

Saving not delivered 23/24 Outturn	£m	Update Notes
Targetted Reviews (Adults)	0.500	Pressure included in budget setting - but saving is an ongoing process with a further delivery target in 24/25
Assistive Technology - review subsidy levels	0.250	Will be delivered in 24/25
Develop integrated commissioning function as to support the Havering Borough Partnership	0.250	Will be delivered in 24/25

Shared Supported Housing	0.070	Saving not delivered and written out as part of 24/25 budget process
Increase the charge on crossovers	0.135	Fees were increased but volume is reducing so budget under further review
Saving on street parking through new technology	0.220	New machines now in place and saving expected to be delivered in 2024/25
Remove some School Crossing Patrols	0.063	Saving delivered in spring 24
Public Realm restructure	0.200	Will be delivered in 24/25
Review of toilets	0.024	Saving written out as part of 24/25 budget process
Climate Change Posts to be funded by CIL	0.150	Base funding built in for these posts instead of CIL funding
TOTAL UNDELIVERED SAVINGS 2023-24	**1.862**	

7 EARMARKED AND GENERAL RESERVES

7.1 The Council holds general balances to mitigate against unforeseen risks. At the start of 2023/24 The Council held £8.2m in General Balances. The Council's budget included a £2m planned contribution to reserves which has resulted in general balances increasing to £10.2m. This is still well below the Council's target of £20m and even this small increase has only been possible due to the Council being able to utilise the capitalisation directive as discussed in Section 8 of this report

7.2 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 2023/24 outturn position on Earmarked Reserves:

RESERVE	23/24 Opening Balance £m	Drawdown during 23/24	23/24 Outturn Balance £m
Risk Mitigation Reserves	(16.727)	(3.247)	(13.480)
Contractual Reserves	(12.443)	(1.876)	(10.567)
Internally Earmarked Projects	(10.542)	0.542	(11.084)
TOTAL	**(39.712)**	**(4.581)**	**(35.131)**

8 **FINANCING THE COUNCILS REVENUE OUTTURN POSITION**

8.1 The Council realised at an early stage of 23/24 that the significant demographic pressures set out in this report were going to lead to a large overspend. The first quarter report on the budget presented to October 2023 cabinet forecasted a £23.1m overspend. The Council has taken proactive action to mitigate the overspend and as a result despite costs such as temporary accommodation continuing to rise it has been able to bring the final outturn position down to £18.1m overspent.

8.2 As the Council was fully aware of the pressures it was facing at an early stage it was able to develop a robust medium term financial plan that fully embraced the underlying nature of the budget pressures it has been facing in 23/24. As part of this process the Council recognised that it would need to request exceptional financial support from the Government to help both the 23/24 and 24/25 position.

8.3 The Council requested and was granted a capitalisation directive of £21.2m for 23/24 and a further £32.5m for 24/25. The directive for 23/24 will allow the Council to maintain general balances at £10.2m and Earmarked reserves at a manageable level. The Council will therefore utilise £18.1m of the capitalisation directive for 23/24 in order to mitigate the reported overspend

8.4 The Council has been able to utilise Capital receipts it has already received to finance the revenue to be capitalised. This has meant the Council will not need to borrow to finance the 23/24 capitalisation directive. A proportion of the receipts however had previously been earmarked for future planned capital spend and so the Council will need to either replenish receipts during 24/25 or identify alternative financing for this planned capital expenditure.

8.5 The Council will review the Capital programme during the first few months of 24/25 to ascertain whether the programme is on track or whether there is slippage. Part of that review will also consider the capital receipts that are likely to be achieved during the year. The Council is aware of the risk relating to the financing of the Capital programme and reviews its reserves regularly to ensure there is additional funding to support the position should it be needed.

8.6 The Council has balanced the 24/25 budget using a further capitalisation directive and it under no illusion that if that if the majority of that directive were required then the Council will need to borrow to finance it. The Council has made a provision in its revenue budget for borrowing for the directive but will continue to work with the Government closely in order to secure more favourable loan terms. The Council will also maintain tight spending controls to minimise spend and keep the budget under control.

9 **THE CAPITAL PROGRAMME OUTTURN POSITION**

9.1 In 2023/24 The Capital outturn showed a final spend of £126m against a planned programme of £231m. Further details of the Capital spend and slippage can be found at **Appendix 1** to this report.

9.2 In 2023/24, there was £126.4m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- The new Rainham Leisure Centre has been completed. The new facility opened in 1st July 2023.
- £4.1m on Central Depot Expansion.
- £8.0m on improving the quality of our roads and infrastructure.
- £8.2m on purchase of refuse vehicles.
- In Housing, 91 new properties and 75 buyback properties (previous owned by Council) have been added to the Council's housing stock and £35.4m has been spent on improving the existing housing stock.
- £1.2m spent on the Rainham & Beam Park regeneration project.
- £1.3m spent on improving parks and open spaces across the borough.
- 7 schools have had capital works totalling £1.0m.
- £0.9m has been spent on enhancing ITC Infrastructure.

10 IMPLICATIONS AND RISKS

10.1 Financial Implications and Risks

The financial implications of the 23/24 Outturn position are the subject of this report and are therefore set out in the body of this report. The underlying elements of the overspend have been fully incorporated into the 24/25 budget but it should be noted that that budget is underpinned by a capitalisation directive of £32.5m. The report also sets out the final Capital Outturn position and the end of year position on Balances and reserves

10.1.2 The overspend has been financed by utilising the Capitalisation directive agreed with the Government for 23/24. This has been financed using capital receipts. This has reduced the capital receipts available for future capital works and the Council will need to either replenish receipts through sales or identify reserves and revenue funding in the future in order to minimise the amount of future borrowing that is required

10.2 Legal Implications and Risks

10.2.1 Under S151 of the Local Government Act 1972 a local authority must make arrangements for the proper administration of its financial affairs.

10.2.2 The Council is required under s28 of the Local Government Act 2003 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 position.

10.2.3 Section 3 of the Local Government Act 1999, imposes a continuing obligation on the Council 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). Monitoring the Council's financial position and reviewing performance information on a regular basis assists the authority in fulfilling that duty.

10.3 Human Resource Implications and Risks

10.3.1 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.

10.4 Equalities and Social Inclusion Implications and Risks - There are no immediate Equalities and Social Inclusion implications arising from the report

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LONDON BOROUGH

APPENDIX 1 – CAPITAL OUTTURN POSITION

The Capital programme for 2023/24 through to 2026/27 was agreed at Council in February 2023. The table below sets out the overall Capital Programme budgets by Directorate.

Summary of Existing Approved Capital Programme	Previous Years Budget £m	2023- 24 Budget £m	2024-25 Budget £m	2025-26 + Budget £m	Total Budget £m
Ageing Well	1.993	3.902	5.931	0	11.826
Living Well	33.452	1.352	1.587	3.453	39.843
Starting Well	38.309	6.968	26.260	36.000	107.537
People	**73.754**	**12.222**	**33.778**	**39.453**	**159.206**
Environment	7.907	23.181	14.402	22.080	67.570
Housing & Property (GF)	49.467	33.422	113.220	276.889	472.998
Housing & Property (HRA)	296.091	143.735	140.679	463.105	1,043.610
Planning & Public Protection	0.169	1.427	0.084	0.000	1.680
Place	**353.634**	**201.765**	**268.385**	**762.074**	**1,585.858**
Customer Services	6.784	0.636	0.030	0	7.450
Finance	0.000	0.240	0.048	0	0.288
Partnership Impact and Delivery	11.435	15.492	14.297	5.344	46.568
Public Health	0.000	0.201	0.101	0	0.302
Resources	**18.219**	**16.569**	**14.476**	**5.344**	**54.608**
Grand Total	**445.607**	**230.556**	**316.639**	**806.871**	**1,799.672**

General Fund/HRA Split	Previous Years Budget	2023- 24 Budget	2024-25 Budget	2025-26 + Budget	Total Budget
General Fund	149.516	86.820	175.960	343.766	756.062
Housing Revenue Account	296.091	143.735	140.679	463.105	1,043.610
Total	**445.607**	**230.556**	**316.639**	**806.871**	**1,799.672**

Capital Outcomes

1.1. In 2023/24, there was £126.384m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- The new Rainham Leisure Centre has been completed. The new facility opened in 1st July 2023.
- £4.056m on Central Depot Expansion.
- £7.978m on improving the quality of our roads and infrastructure.
- £8.166m on purchase of refuse vehicles.
- In Housing, 91 new properties and 75 buyback properties (previous owned by Council) have been added to the Council's housing stock and £35.431m has been spent on improving the existing housing stock.
- £1.216m spent on the Rainham & Beam Park regeneration project.
- £1.333m spent on improving parks and open spaces across the borough.
- 7 schools have had capital works totalling £0.982m.
- £0.934m has been spent on enhancing ITC Infrastructure.

2. 2023/24 Capital Outturn

2.1. The table below is a summary of the final outturn position for 2023/24 financial year.

Directorate / Service	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance to Period 9 £m
Starting Well	6.968	6.740	1.283	(5.457)
Living Well	1.352	1.468	1.517	0.049
Ageing Well	3.902	3.931	2.733	(1.198)
Schools Expenditure	0.000	0.000	1.582	1.582
People	**12.222**	**12.139**	**7.115**	**(5.023)**
Housing & Property (GF)	33.422	39.944	13.528	(26.416)
Housing & Property (HRA)	143.735	98.263	82.970	(15.293)
Planning & Public Protection	1.427	0.037	0.012	(0.025)
Environment	23.181	21.370	18.209	(3.161)
Place	**201.765**	**159.614**	**114.719**	**(44.895)**
Partnership Impact and Delivery	15.492	7.590	4.096	(3.494)
Customer Services	0.636	0.566	0.338	(0.228)
Finance	0.240	0.000	0.104	0.104
Public Health	0.201	0.030	0.012	(0.018)
Resources	**16.566**	**8.186**	**4.550**	**(3.636)**
Total	**230.556**	**179.938**	**126.384**	**(53.554)**

Havering
LONDON BOROUGH

2.2. Of the £230.556 approved Capital programme, capital expenditure in 2023/24 was £126.384m and Senior Officers/Members are asked to approve the carry forward request of £104.172m. This will allow the completion of 2023/24 agreed projects in the 2024/25 financial year. Once agreed these ongoing projects will be added to the 2023/24 capital programme agreed by Members as part of the Medium Term Financial Strategy (MTFS) in February 2024.

2.3. 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.

2.4. The table below provides how the 2023/24 capital expenditure was funded:

		Financing				
Services	**2023/24 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**CIL and S106 £m**	**Grants £m**	**Borrowing £m**
Ageing Well	2.733	0.000	0.000	0.000	2.301	0.432
Living Well	1.517	0.112	0.000	0.013	0.000	1.392
Starting Well & Schools	2.865	0.069	0.797	0.000	1.712	0.287
People	7.115	0.181	0.797	0.013	4.013	2.111
Place - Environment	18.209	9.406	0.000	0.000	1.459	7.344
Place - Housing & Property (GF)	13.528	0.025	0.078	1.054	6.378	5.993
Housing & Property (HRA)	82.970	14.848	6.595	0.457	11.207	49.863
Planning & Public Protection	0.012	0.012	0.000	0.000	0.000	0.000
Place	114.719	24.291	6.673	1.511	19.044	63.200
Customer Services	0.338	0.013	0.059	0.000	0.000	0.266
Resources - Finance	0.104	0.104	0.000	0.000	0.000	0.000
Partnership Impact and Delivery	4.096	3.097	0.999	0.000	0.000	0.000
Public Health	0.012	0.000	0.000	0.000	0.012	0.000
Resources	4.550	3.214	1.058	0.000	0.012	0.266
Grand Total	**126.384**	**27.686**	**8.528**	**1.524**	**23.069**	**65.577**

2.5. It should be noted that there was a significant variance between the Period 9 forecasts and the final outturn of £53.554 million. Full details of which can be found later in the report. SLT are asked to review the explanations behind the variances and note the reasons.

2.6. PEOPLE

2.6.1. Starting Well

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
Children's Social Care Programme	1.435	1.368	0.338	(1.030)
Education - Other	0.018	0.011	0.000	(0.011)
Schools	4.949	5.361	0.945	(4.416)
Wraparound Child Care Grant	0.567	0.000	0.000	0.000
Education	**6.968**	**6.740**	**1.283**	**(5.457)**
Starting Well	**6.968**	**6.740**	**1.283**	**(5.457)**

2.6.1.1. Children's Social Care Programme – Slippage of £1.030m

The slippage relates to one SEND Residential provision and one Semi Independent scheme that have experienced delays.

2.6.1.2. Schools – Slippage of £4.416m

This slippage is made up of a number of schemes that have been delayed due to planning approvals and conditions, these works are now planned to commence in 2024/25.

2.6.2. Ageing Well

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
Adults Social Care - DFG	2.541	2.570	2.301	(0.269)
Adults Social Care - Other	1.361	1.361	0.432	(0.929)
Adults Social Care	**3.902**	**3.931**	**2.733**	**(1.198)**
Ageing Well	**3.902**	**3.931**	**2.733**	**(1.198)**

Havering LONDON BOROUGH

2.6.2.1. Adults Social Care – Other – Slippage of £0.929m

The slippage relates to Adults Learning Disabilities Provision Build – Mowbray scheme. The slippage is due to the delay in the commencement of the project. The original start date for the building works on the project was due to be in November 2023, but the actual start date slipped into January 2024. This has meant that the project was pushed back and more spend will materialise in 2024/25.

2.7. PLACE

2.7.1. Housing and Property – General Fund

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
Mercury Land Holdings	1.494	13.086	0.158	(12.928)
Rainham & Beam Park	15.700	14.203	1.216	(12.987)
Regeneration - Other	1.133	0.600	0.418	(0.182)
Regeneration - TFL	0.209	0.070	0.070	0.000
Regeneration & Place Shaping	**18.536**	**27.959**	**1.862**	**(26.097)**
Asset Management - Other	0.142	0.000	0.000	0.000
Corporate Buildings	4.785	4.785	4.616	(0.169)
Health & Safety	0.159	0.209	0.181	(0.028)
Pre Sale Expenses	0.391	0.332	0.200	(0.132)
Schools Building Maintenance	4.379	3.926	4.209	0.283
Schools Expansions	3.052	2.411	2.139	(0.272)
Vehicle Replacement	1.978	0.321	0.321	0.000
Housing, Property and Assets	**14.886**	**11.984**	**11.666**	**(0.318)**
Housing & Property (GF)	**33.422**	**39.942**	**13.528**	**(26.416)**

2.7.1.1. MLH – Slippage of £12.928m

The Mercury Land Holdings forecast was based on a number of asset disposals occurring between the Council and it's subsidiary MLH. These disposals were delayed through the governance process and were not authorised until April 2024, the disposals will progress in 2024/25 subject to final scrutiny.

2.7.1.2. Rainham & Beam Park – Slippage of £12.987m

The Rainham and Beam Park forecast included the acquisition of Member Interests in the joint venture with Notting Hill Genesis, which was approved at Cabinet in July 2023, but has suffered delays due to an external financial review taking longer than anticipated. The transaction is expected to happen in Q1 2024/25 subject to final governance.

Havering LONDON BOROUGH

2.7.2. **Housing & Property (HRA)**

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
Bridge Close Acquisitions	25.939	5.489	3.470	(2.019)
Bridge Close Regeneration	0.644	0.617	0.624	0.007
HRA Regeneration	41.178	28.170	21.174	(6.996)
Regeneration & Place Shaping	**67.761**	**34.276**	**25.268**	**(9.008)**
Capital HRA	41.870	39.453	35.431	(4.022)
HRA Stock Adjustments	18.391	8.836	9.961	1.125
Housing HRA	15.713	15.698	12.310	(3.389)
Housing, Property and Assets	**75.974**	**63.988**	**57.702**	**(6.286)**
Housing & Property (HRA)	**143.735**	**98.264**	**82.970**	**(15.294)**

2.7.2.1. Bridge Close Acquisitions – Slippage of £2.019m

The slippage is made up of two elements; £0.500m relates to residential acquisitions, as one planned acquisition slipped into 2024/25 due to stalled negotiations. The remaining £1.5m relates to a commercial property acquisition which now expects to complete in May 2024, instead of the original planned date in March 2024, which was due to late queries raised by the seller.

2.7.2.2. HRA Regeneration – Slippage of £6.996m

The main elements of the slippage are discussed below –

- £3.500m of the slippage against the 12 sites affordable housing programmes from Period 9. This is due to changes in cash flow requirements for the joint venture against the Waterloo Estate scheme and allowances made for the Park Rise final account were not required in 2023/24 as these items are in dispute.

- £2.1m of the slippage against regeneration acquisitions, activity levels have slowed in this area as staff capacity was directed toward other grant-funded acquisition programmes. The regeneration acquisitions will continue in 2024/25.

- £1.15m of the slippage against the Quarles affordable housing budget as the developer has not required cash payment toward affordable housing yet. This is expected in 2024/25 as the construction works progress.

2.7.2.3. Capital HRA – Slippage of £4.022m

£2.3m of the slippage is due to smaller and less expensive property being purchased for the DLUHC LAHF round 2, whilst grant target was still met. This change of activity has reduced costs to grant funders and the HRA. £1.7m of slippage was on the professional fees budget. The majority of this was due to the re-direction of staffing costs to refugee/DLUHC projects. The forecast on these projects was also factoring in the salary costs, which meant there was a double count.

2.7.2.4. HRA Stock Adjustments – Acceleration of £1.125m
The acceleration of £1.125m is due to properties not being transferred to the DLUCH Refugee Housing Programme Funding (Round 2), as they did not meet the criteria for match funding. These will remain as expenditure on the Acquisitions Budget and budgets will be re-profiled.

2.7.2.5. Housing HRA – Slippage of £3.389m
£3.3m of the slippage is due to the funding being extended to July 2024 for acquisitions using GLA funding. The remainder will be spent by July 2024, so the budget will be rolled over to 2024/25.

2.7.3. Environment

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
Environment TFL	2.028	1.695	0.825	(0.870)
Highways & Street Lighting	8.735	8.849	7.978	(0.871)
Parking	0.315	0.315	0.227	(0.088)
Public Realm - Grounds Maintenance	0.150	0.001	0.000	(0.001)
Public Realm - Parks	1.763	1.169	0.999	(0.170)
Public Realm - Waste	10.190	9.341	8.180	(1.161)
Environment	**23.181**	**21.370**	**18.209**	**(3.161)**
Environment	**23.181**	**21.370**	**18.209**	**(3.161)**

2.7.3.1. Enviroment TfL – Slippage of £0.870m
The slippage relates to various TfL schemes which have been delayed. Works will continue and are expected to complete by end of July 2024.

2.7.3.2. Highways & Street Lighting– Slippage of £0.871m
The slippage relates to the Highways Improvement Programme including structures, street lighting, s106 and developer work. Works continue with some carry forward from 2023/24 to 2024/25.

2.7.3.3. Public Realm – Waste – Slippage of £1.161m
This slippage relates to the Waste contract vehicle project. The slippage is due to supplier delays in delivery, currently still awaiting delivery of some items.

2.8. RESOURCES

2.8.1. Partnership Impact and Delivery

Programme Area /Service/ Directorate	Budget 2023/24 £m	2023/24 Forecast Period 9 £m	2023/24 Outturn £m	2023/24 Variance £m
ICT Infrastructure	9.548	1.800	0.934	(0.866)
Transformation	5.944	5.790	3.162	(2.628)
IT, Digital & Transformation	**15.492**	**7.590**	**4.096**	**(3.494)**
Resources - Partnership Impact and Delivery	**15.492**	**7.590**	**4.096**	**(3.494)**

2.8.1.1. ICT Infrastructure – Slippage of £0.866m

The slippage relates to delays to the programme to modernise ICT, which will deliver the return of services from shared OneSource arrangements to sovereign control whilst both boroughs determine the most appropriate course of action for them as an authority. The previous plans to deliver via a joint procurement have now been replaced with a more bespoke and agile Havering-only approach, which started at the end of 2023/24 and will result in spend taking place in 2024/25 and 2025/26.

2.8.1.2. Transformation – Slippage of £2.628m

The Transformation capital slippage is due to projects being put on hold as the digital capital programme budgets are reviewed to align with the new Digital Strategy and the activity to bring the IT function into Havering from OneSource. Additionally, early release of agency workers on some delivery projects to facilitate more cost effective resource profile.

Havering
LONDON BOROUGH

CABINET	12 June 2024
Subject Heading:	**REPORT OF OVERVIEW AND SCRUTINY BOARD - PARKING ENFORCEMENT TASK AND FINISH GROUP**
Cabinet Member:	Councillor Barry Mugglestone
ELT Lead:	Neil Stubbings, Strategic Director of Place
Report Author and contact details:	Anthony Clements, Committee Services Manager, anthony.clements@onesource.co.uk, Tel: 01708 433065
Policy context:	The Overview and Scrutiny Board has the power under the Overview and Scrutiny Procedure Rules in the Constitution to refer Task & Finish Group reports to Cabinet for response.
Financial summary:	There are no direct financial implications of the report itself. Any measures adopted by Cabinet would require the financial implications of doing so to be assessed.
Is this a Key Decision?	No.
When should this matter be reviewed?	April 2025.
Reviewing OSC:	Overview and Scrutiny Board

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well
Place - A great place to live, work and enjoy **X**
Resources - Enabling a resident-focused and resilient Council

SUMMARY

The report of the Parking Enforcement Task and Finish Group is attached for consideration by Cabinet.

RECOMMENDATIONS

That, in accordance with the Overview and Scrutiny Procedure Rules, Cabinet considers the report and whether to adopt the recommendations within it. The Cabinet is further requested to give its reasons for not adopting any of the report's recommendations.

REPORT DETAIL

The full report of the task and finish group is attached.

REASONS AND OPTIONS

Reasons for the decision:

The consideration by Cabinet of a task and finish group report adopted by the Overview and Scrutiny Board is a requirement of the Council's Constitution.

Other options considered:

If Cabinet were not to consider the report of the Overview and Scrutiny Board Task and Finish Group, this would be in breach of the Overview and Scrutiny Procedure Rules laid down in the Constitution.

IMPLICATIONS AND RISKS

Financial implications and risks:

None of this covering report.

Legal implications and risks:

None of this covering report.

Human Resources implications and risks:

None of this covering report.

Equalities implications and risks:

None of this covering report.

Health and Wellbeing implications and Risks

None of this covering report.

Environmental and Climate Change Implications and Risks

None of this covering report.

BACKGROUND PAPERS

None.

Appendix – Report of Overview and Scrutiny Board – Parking Enforcement Task and Finish Group.

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REPORT OF OVERVIEW AND SCRUTINY BOARD - PARKING ENFORCEMENT TASK AND FINISH GROUP

BACKGROUND

1. In mid-2023, the Overview and Scrutiny Board agreed to establish a task and finish group to review parking enforcement in Havering. This followed a number of issues encountered by Members covering areas such as knowledge and experience of Civil Enforcement Officers (CEOs) consistency in the application of policies and the parking appeals process.

2. The Topic Group consisted of Councillors Gerry O'Sullivan (Chairman) Mandy Anderson, Laurance Garrard, Martin Goode, Keith Prince, Phil Ruck, Matt Stanton and Katharine Tumilty.

3. The Group met regularly between July 2023 and January 2024 and has now concluded its review; identifying findings and recommendations which are detailed in this report.

THE SCOPE OF THE REVIEW

It was agreed that the primary focus for this review would be on the following areas:

- To review the relevant parking enforcement policies and regimes adopted by the Council.
- To make recommendations regarding the Council's parking enforcement policies and regimes going forward with a particular focus on:

    - Improving customer experience
    - Maximising compliance
    - Reducing any confusion
    - Improve communications
    - Digital enabling

METHODOLOGY

The Group met and held discussions with the following colleagues and wishes to place on record its thanks to all these officers for their support with the review. Members would particularly like to record their thanks to the three CEOs who allowed Councillors to accompany them on their rounds and gave invaluable insights into the day to day challenges faced.

Mark Hodgson – Head of Highways, Traffic and Parking
Jo Anne Green – Parking Manager
John Everett – Operations Team Leader

Daniel Onyewuenyi – Senior Civil Enforcement Officer
Craig Wates – Process and Debt Recovery Officer
Civil Enforcement Officers on duty in Elm Park, Harold Hill and Hornchurch.

MEETINGS

The Task and Finish Group met on four occasions conducting the review between July 2023 and January 2024:

31st July 2023 – Initial discussions with parking management officers

7th August 2023 – Observation of CEO pre-shift briefing

27th November 2023 – Discussions with officers of reviews of parking challenges and associated issues

8th January 2024 – Further discussions with parking management officers

Additionally, three Members of the Task and Finish Group met with CEOs in different parts of the borough to observe their work and the challenges they faced.

FINDINGS

1. **Training of CEOs**

1.1 The task and finish group were very pleased to observe a pre-shift briefing for CEOs but were concerned at the level of facilities available for these staff and felt that these may not be fit for purpose. There were no video screens available for example which could have allowed for discussion of recent parking issues and footage (see recommendation 1).

1.2 Members had concerns that the briefing given was not sufficiently in depth and that daily issues in the borough were rushed through with little time to ensure the understanding of staff. It was felt that handouts or other aids should be given to staff where appropriate (see recommendations 2 and 3).

1.3 It was noted that CEOs often had to refer to either the Civil Enforcement Handbook or the Havering Parking Rules & Regulations document. Both these publications were however very detailed and Members felt that consideration should be given to providing these to CEOs electronically (see recommendation 4).

1.4 During their visits with CEOs on the beat, Members noted inconsistencies in the approach to certain issues with one example being a lack of a clear procedure around the reporting of faded parking bay markings. Performance issues were a concern in cases such as this and it is suggested that more regular audits of CEO performance could be introduced (see recommendations 5 and 18).

2. Operational Issues

2.1 It was explained that the standard policy was to rotate CEOs around different parts of the borough. This was to avoid any potential reprisals should a CEO have suffered abuse etc. when issuing a Penalty Charge Notice and also to allow staff to become familiar with other parts of the borough. Whilst of course appreciating and supporting the importance of the health and safety of staff, the task and finish group nevertheless felt that the consistency of approach resulting from keeping CEOs in the same areas for longer was something that should be considered, where it was safe to do so (see recommendation 6).

2.2 CEOs confirmed that there was no direct way for them to communicate with managers while working on street, other than to use their own mobile telephones. Members were concerned at this as it would seem difficult for staff to receive updates of recent incidents etc. during their shift or to summon assistance in emergency situations. Consideration should therefore be given to implementing an electronic communication system for CEOs (see recommendation 7).

2.3 During the periods spent in the field with CEOs, it was noted that there were sometimes differences between operating hours etc. shown on main car park signage and on the parking machines themselves. Similarly, it was noted that there were sometimes variations in times and tariffs between on and off street parking areas, even when these were positioned adjacent to each other. It was therefore felt that both these issues could cause confusion and frustration for car park users, as could poor lighting in the areas where parking machines are located. (see recommendations 8 – 10).

2.4 The issue of parking machines continued to be something that was regularly reported to Members by residents. It was observed that it was unclear what residents should do if a parking machine was not working and/or they were unable to use the RingGo parking app. It was also important that residents were made more aware of alternative payment facilities that may be available in nearby shops etc. (see recommendations 11 and 12).

2.5 A further area of confusion observed was where resident and pay & display parking were located in the same area. Again, the group felt that clearer signage should be available in these areas (see recommendation 13).

3 Policy Issues

3.1 Discussions during the review revealed some uncertainty around how several policies were applied in Havering. These included the use of the discretionary parking policy, the position with motor cycle parking, particularly on yellow lines and whether the free 30 minutes parking concession could be extended to small shopping areas on the outskirts of Romford (see recommendations 14, 16 and 21).

3.2 There was a standard amount of time by which people could respond to a PCN at the formal letter stage. Members were concerned however that this could lead, in some circumstances, to appeals being received too late to be considered, especially as appeals at this stage were required to be submitted by post, rather than on line. Whilst elements of the timescales were set by legislation, the group felt that these should be extended where possible (see recommendation 15).

3.3 It was accepted that agency workers were employed both as CEOs and to assist with appeal backlogs etc. The task and finish group felt however that, particularly in light of the Council's current financial difficulties, efforts should be made to recruit permanent staff where possible (see recommendation 17).

3.4 Members are aware from discussions with residents about the difficulties that can present to car park users when the parking tariffs change from day to night rates. This has caused considerable confusion and misunderstandings among residents and the group therefore feels this area should be reviewed as a matter of urgency. It is suggested that if a resident purchases a parking ticket for several hours just prior to the night time tariff commencing it should run over into the night session (see recommendation 19).

3.5 The task and finish group was very grateful for the opportunity to be taken through with officers the reasoning behind parking appeals being accepted or rejected. Members remain unclear however of the process applied when they have supported residents with rejected appeals which were in some cases allowed. The group hence feels that the appeals process should be more transparent with perhaps grounds for appeal being published on the Council's website. Additionally, it is felt it would be highly beneficial if a small cross-party working group of Members could meet with officers regularly to audit, on a random basis, recent parking appeals and the reasons for whether or not they were upheld (see recommendations 20 and 22).

RECOMMENDATIONS

1. That training for CEOs to be delivered in more fit for purpose facilities. The facility should have video screens so that information can be seen by CEOs.
2. That a more in-depth daily briefing be given at the start of shifts so that CEOs are made more fully aware of all current issues.

3. The structure of the briefing needs to be improved. Handouts of useful information should be provided where appropriate.
4. The civil enforcement handbook and Havering Parking Rules & Regulations document are very detailed. They are too large for CEOs to carry with them. It would help if the information was carried electronically.
5. The service should ensure more consistent advice is given to CEOs whether from service management or shift supervisors.
6. Whilst noting potential safety concerns, that consideration be given to keeping CEOs working for a longer period in the same area of the borough.
7. That an electronic system be implemented to ensure quicker communication with staff in the field, both in response to emergency situations and to give updates during their shifts.
8. The service should ensure that car park signage matches the details for operating hours etc. displayed on machines.
9. On and off-street parking should have the same times and tariffs in areas where these are positioned adjacent to each other.
10. If an off-street parking area is adjacent to a council car park both locations should have the same location number. For example, Fentiman Way in Hornchurch has a council car park and an on-street parking area within 2 metres of each other. This will then stop confusion for residents and reduce the amount of appeals that parking receive. Finally, consideration needs to be given to proper lighting where parking machines are located. Older resident sometime struggle to see the signage and meter screen during the winter months.
11. Signage in parking areas to include procedures to inform residents what to do if a parking machine is not working. In particular, signage should inform residents that if a machine is not working and they are unable to use Ringo or pay by phone, they should park at an alternative location.
12. A clear list of shops etc. offering the Paypoint service near to car parking areas should be compiled and made readily available to residents.
13. Clarity of parking signage is required where resident parking and pay & display parking are in the same location.
14. That more detail be provided to residents on how discretionary parking policies are applied in Havering.
15. Given potential postal delays, that more time, if allowed by statute, be given for people to respond at the formal letter stage.
16. That clarity be given on the policy regarding motorcycles being able to park free of charge on yellow lines.
17. Consideration should be given to employing more permanent staff as opposed to agency workers.
18. Regular audits of CEO performance should be implemented.
19. The change over from day to night tariffs is a major cause of frustration for residents. There must be a review of this process.
20. There seem to be inconsistencies in the appeal process. Members would agree that they have all seen several rejected appeals

overturned when queried by members. More consistency should therefore be demonstrated in the appeals process.

21. Consideration should be given to giving the free half hour parking concession to small shopping areas on the outskirts of Romford.
22. That a small cross-party working group meet with officers regularly to audit randomised recent parking appeal decisions and the reasons for them.

Finance Implications

There are no direct financial implications as a result of this report. However, prior to the implementation of the task and finish group's recommendations, the service would be required to assess each recommendation's financial implications.

Legal Implications

There are no direct legal implications as a result of this report.

HR Implications

Recommendation 17 regarding the employment of permanent rather than agency staff would need to give due regard to both existing budgets and HR policies prior to implementation.

Recommendations 1-5 and 18 relate to staff training and development and are in line with existing policies in these areas.

Equalities Implications

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EqHIA (Equality and Health Impact Assessment) is usually carried out when a proposed or planned activity is likely to affect staff, service users, or other residents.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations.

There are no other direct equalities implications although more clarity around areas such as the implementation of parking policies would allow for more equal access to parking provision for all residents and visitors.

Health and Wellbeing Implications

The implementation of recommendation 7 regarding better communication with staff operating in the field would allow for improved staff wellbeing, particularly when dealing with emergency situations.

Clearer car park signage would reduce confusion among residents and also assist those who may be visually impaired.

Climate Change Implications

None arising directly from this report.

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