



## CABINET

**Subject Heading:**

**Update of the Council's Medium Term Financial Strategy (MTFS) and budget for 2022/23**

**Cabinet Member:**

**The Leader, Councillor Damian White**

**SLT Lead:**

**Jane West**  
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**Policy context:**

The report provides an update on the Medium Term Financial Strategy for the period 2022/23 to 2025/26. It also sets out the process and timetable the Council will follow in order to achieve a balanced budget for 2022/23 including proposals for consultation.

**Financial summary:**

This report includes:

- the current national funding outlook
- a summary of the Council's current financial situation
- the approach to setting the Council's 2022/23 budget and MTFS for the following years
- proposed arrangements for budget consultation

**Is this a Key Decision?**

Yes – Significant effect on more than two wards

**When should this matter be reviewed?** February 2022

**Reviewing OSC:** Overview and Scrutiny Board

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

The Cabinet and full Council last received a report on the Council's Medium Term Financial Strategy (MTFS) in March 2021 when the MTFS and balanced budget for 2021/22 was agreed. Since then the lockdown has ended and the Council has resumed many of its services. The post lockdown period has resulted in a significant increase in demand for Council services particularly related to Social Care. This report sets out how that increase in demand has affected the 2021/22 position and the steps the Council is taking not only to meet that demand but also to balance the 2022/23 budget.

This report updates Cabinet on the Council's current financial position. It presents an overview of the national economic and financial environment within which all local authorities are currently developing their financial plans in the medium term. It explains the continued uncertainty caused both by the pandemic and the Government's approach to financially supporting local authorities.

The report goes on to set out the Council's approach to achieving a financially balanced budget in 2022/23 and the medium term financial strategy thereafter. The report includes proposals for budget consultation during the autumn.

This report consists of the following sections:

- Background and strategic context
- Summary of the Council's current financial situation
- Update on the Medium Term Financial Strategy
- Proposals to close the funding gap

- Risks and uncertainties
- The proposed consultation process

## RECOMMENDATIONS

The Cabinet is asked to:

1. Note the financial context and position set out in the report
2. Agree the proposed consultation process and associated timetable as set out in section 6.

## REPORT DETAIL

### 1. Background

This report presents an update of the Medium Term Financial Strategy (MTFS) between 2022/23 and 2025/26 that will be developed to continue to deliver the Council's vision, objectives and priorities. The report includes an update on the current financial position as the Council continues through the recovery period following full lockdown. The Council needs to maintain tight financial control in this difficult period and the MTFS continues to ensure prudent levels of reserves and balances are maintained.

The pandemic has fundamentally changed the way the Council operates and has also presented emerging pressures particularly in increased demand for Social Care. North East London had the highest infection rates in the country and therefore had greater demand both into and out of Hospital. The number of hospital discharges to nursing homes has increased significantly in 2021. In the last six months alone there were 76 discharges to nursing homes whereas in the preceding 18 months there were 49. Whilst this rate will eventually flatten this is currently placing a huge pressure on care provision. In addition the number of cases in the learning disabilities section continues to rise and is expected to add over £2.5m in additional costs in 2021/22. These clients in general will require longer term care over many years and whilst every effort is made to both provide the appropriate care for the clients and minimise costs it is highly likely that this pressure will remain and indeed grow in the medium term

Havering is also experiencing additional pressures in Childrens Social Care following the pandemic. London went into lock down pre-Christmas before the rest of the Country resulting in a greater impact on children in the capital. The number of children with complex needs coming into the system continues to rise and there is a significant risk that there is hidden demand from the

lockdown which will only become apparent in the coming months and years. The risk extends to children with other complex needs such as learning disabilities and mental health and the numbers of new clients in the last few months indicate a significant pressure in this area. The number of Unaccompanied Asylum Seeking Children (UASC) children will swell considerably in the next few years based on the trend in the last few months and the information from the hub authorities in the south east.

The COVID pandemic has accelerated structural changes to the ways businesses operate. This has led to the decline of the High Street and town centres which is being experienced across the country including London. The pandemic has accelerated the decline of the local centres as increasingly people do their shopping online. Businesses have closed and the high streets increasingly risk being reduced to shops providing face to face services such as hairdressers, banks, bookmakers and fast food outlets. The sale of goods online has led to an increase in business in web-design, ecommerce, warehousing and logistics.

The decline of the local town centres also has a direct relationship with the level of crime and antisocial behaviour in an area. The current position has also reduced the amount of tax collectable in the system as businesses either reduce their footprint by going online or go into administration.

Leisure Centres were closed during lockdown and then had to adopt stringent social distancing measures when they were able to re-open. This had led to a reduction in footfall and whilst this is now recovering it will be sometime before the centres are operating at the levels planned before the pandemic.

These issues present pressures in the medium term financial planning process. The Council had anticipated these issues in setting the 2021 budget and medium term plan which identified a gap for 2022/23 back in March 2021. This has allowed the Council to work throughout the current financial year to close this gap and identify efficiencies and savings to balance the budget. This report sets out the updated budget and MTFs and sets out the proposed savings to close the budget gap.

The report also launches the budget consultation which will seek to gather views on these proposals from a wide range of partners and key stakeholders

## **2 National Update on the Government approach to the 2022/23 financial settlement**

- 2.1 The Government have announced that there will be a 3 year spending review which will be presented by the Chancellor on 27<sup>th</sup> October.

SR21 will set out the following aims:

- Ensuring strong and innovative public services – making people's lives better across the country by investing in the NHS, education, the criminal justice system and housing;
- Levelling up across the UK to increase and spread opportunity; unleash the potential of places by improving outcomes UK-wide where they lag and working closely with local leaders; and strengthen the private sector where it is weak;
- Leading the transition to Net Zero across the country and more globally;
- Advancing Global Britain and seizing the opportunities of EU Exit;
- Delivering our Plan for Growth – delivering on the Government's ambitious plans for an infrastructure and innovation revolution and cementing the UK as a scientific superpower, working in close partnership with the private sector.

The Chancellor set the spending envelope for the next three years as part of the launch announcement on September 7<sup>th</sup>

The main points to note are:

- Core day-to-day departmental spending will follow the path set out at spring Budget 2021, with the addition of the net revenue raised by the new Health and Social Care Levy and the increase to dividend tax rates. The Government will make available around an additional £12 billion per year for health and social care on average over the next three years.
- This additional funding for health and social care allows the Government to announce an SR21 settlement for NHS England and Improvement rising to £160 billion by 2024-25
- In total, day-to-day spending will increase to £440 billion by 2024-25, increasing by nearly £100 billion a year in cash terms over the Parliament.

2.2 It is positive news in that public funding will not be reduced as part of any measures to balance the books following the pandemic but there still remains a distribution risk across public services. This announcement has allowed the Council to review its medium term plan assumptions which are shown later in this report. There remains significant medium term financial risk for Havering though until the distributional impact of the various reviews are announced. It is anticipated that next year's funding will remain similar to the current year's but beyond 2022/23 there is considerable continued uncertainty in respect of the following factors:

- The Fair Funding Review

The Fair Funding Review will review the formula used to distribute grant between local authorities. The formula will not be introduced before 23/24 at the earliest as further consultation will be required before proposals can be confirmed. This does not allow enough time for inclusion in the 2022/23 financial settlement to be announced at the end of this year. The early exemplifications of the review were adverse for London and the South East

and so there remains a risk that the introduction of the new formula will lose grant for Havering

- The levelling Up White Paper

The Government have promised a White Paper this year on levelling up. The result of the review is likely to be increased investment to tackle deprivation in targeted areas. It is unclear what the exact funding mechanisms will be for this investment so there is a risk that there will be a re-distributional effect away from London to support this initiative.

- Future Funding for Adult Social Care

The Government announced their plans for Health and Social Care on September 7<sup>th</sup>. The plan contained proposals for an increase in National Insurance to fund a lifetime cap on social care costs but did not address the long term funding issues faced by local government from an aging population with increased often complex demand. It is hoped that the Spending Review will fully commit to a long term funding plan for this area as well

- The 2021 Census

In 2021 there was a national census. The information from the census will be at some point introduced as source data for the distribution of the Local Government Finance settlement. This will create variance from the previously used ONS estimates and there will be a distributional effect on the grants for each authority. If the data creates a large variance in assessed need for an authority it is possible the new data will be introduced with transitional arrangements to smooth the impact over a number of years

- Business Rate Reform

The Government has promised an overhaul of the business rates system used to collect revenue primarily to fund local government. There are increasing numbers of businesses that operate remotely and service the online market. The current system based on rateable premises is outdated and need to be modernised to a fairer tax which captures revenue in a different way. It is unclear at this stage when this review will be completed and when the results will be introduced into the mechanism to fund local government.

### **3 The Council's Current Financial Position**

- 3.1 The Council set a balanced budget for 2021/22 in March which included budgeted contributions to reserves in order for the Council to move towards its target of £20m general balances. Since then significant pressures have

emerged primarily in relation to demand and rising placement costs in Social Care.

The period 4 revenue monitoring report showed a potential overspend of £16.5m which includes both the increased demographic pressure on Adults and Children and the continued impact of the COVID pandemic on areas such as Leisure and Transport.

In Adult Services there are increases in both the numbers and complexity of cases. There are increasing client contacts to the Adult Social Care Front Door which are also indicative of current demand pressures including:

- increasing levels of complexity leading to significant increases in clients receiving one to one support or even double handed packages of care,
- increased complexity and new demand in supported living services,
- increases in homecare needs,
- and ongoing nursing care system pressure.

Demand and the unit costs for Adult Social Care is increasing which is shown in the tables below. This is reflective of the increasing complexity of placements post lockdown and the increase in nursing placements as a result of hospital discharges from the pandemic

Total Clients and Average Weekly Costs by Service Type									
Year	Homecare		Day Care		Direct Payments		Supported Living		
	Clients	Average Cost	Clients	Average Cost	Clients	Average Cost	Clients	Average Cost	
18/19	1,112	£ 215.48	92	£ 261.69	637	£ 284.05	151	£ 970.01	
19/20	996	£ 226.45	111	£ 282.80	689	£ 291.17	168	£ 1,071.33	
20/21	1,034	£ 253.83	102	£ 266.25	681	£ 310.86	188	£ 1,075.67	
21/22	1,050	£ 294.71	106	£ 258.95	656	£ 325.56	205	£ 1,125.90	

Total Clients and Average Weekly Costs by Service Type					
Year	Residential		Nursing		
	Clients	Average Cost	Clients	Average Cost	
18/19	433	£ 828.70	252	£ 601.06	
19/20	431	£ 879.36	277	£ 653.35	
20/21	418	£ 919.51	247	£ 775.90	
21/22	409	£ 963.49	297	£ 852.34	

Demand pressures are also increasing across Children's services. Havering received 824 referrals in the first quarter of 2021/22 (Apr-Jun). This equates to a rate of 558 per 10,000 children; the highest since 2017/18. The service completed 640 assessments in the first quarter of 2021/22. This equates to a rate of 434 per 10,000 children; close to the levels last seen in 2017/18. Also in the first quarter, 80 children were the subject of an initial child protection conference. This equates to a rate of 54 per 10,000 children; the highest seen since 2016-17.

Our ability to maintain a low "in care" population has been a success of the service since 2018; As a result 2020/21 saw very low numbers of children becoming looked after in Havering. However in the first quarter of 2021/22, the total number of children entering care was 34 which equates to a rate of 23 per 10,000 children; a level last seen in 2017-18. The proportion of entries to care due to Abuse or Neglect for this period has significantly increased, to 65% which is likely to relate to reduced visibility of children during lockdown measures and their needs now coming to the fore. The last four years has seen an increase in the number of young people with complex mental health needs, as well as those with learning disabilities. There are also an increasing number of young people in custody, some for the most serious of offences, alongside an increasing cohort of young people vulnerable to exploitation.

Over the last six months (Jan-Jun 2021) there has been a sharp increase in younger children (under 10) entering care. This trend, combined with the ongoing challenge of placement shortages (within Havering, across London, and nationally) made worse by the Covid-19 pandemic, is now resulting in higher placement costs.

### **Actions Taken to mitigate the Overspend**

The Council has acted quickly to mitigate the reported overspend and has developed a robust action plan in order to control spend and minimise the impact of the increased demand in social care.

The action taken includes:

- All overspends to be reviewed and challenged to identify any non-recurrent Covid spend
- All use of consultancy to be reviewed by senior management
- All new one-off projects to be put on hold
- Recruitment Panel to refer new appointments to senior management for sign off
- Major contracts approaching expiry to be reviewed
- Contain Outbreak Management Fund to be examined to ensure the Council is funding all appropriate costs to the scheme
- Review of Planning to be undertaken including new funding from s106 or the Community Infrastructure Levy (CIL)



- Managers to review all vacancies to explore the possibility of different working opportunities
- Additional Business Grant Scheme to reviewed for potential savings
- oneSource to deliver in-year savings of £1 million
- Further in-year savings target for Havering services of £5 million to be spread across departments based on controllable budgets
- Review of the revenue implications of the Capital programme to take account of the latest forecast spend and use of internal borrowing

These steps will continue to be actioned through the remainder of the year but have already had a significant impact on the Councils position reducing the overspend to £14.1m in the Period 5 monitor. It is fully expected that the position will continue to improve through the remainder of the year as a result of the actions taken although this must be caveated with the backdrop of further potential social care demand increases from the fallout of the COVID pandemic.

The Council is confident that the actions taken will significantly reduce the overspend for 2021/22. Services are closely reviewing the current increase in demand to ascertain how much of the pressure is likely to continue in the medium term and how much is a short term position directly relational to post pandemic factors such as increased hospital discharges to nursing care. The outcome of these projections are included in the medium term financial strategy update later in this report.

#### **4 The Council's Medium Term Financial Position**

4.1 Forecasting the medium term financial position of the Council is a challenge with so much uncertainty about future service requirements and the ongoing impact following the COVID pandemic. The Council has been proactive in addressing this task and has used the following process to firstly establish the gap for 2022/23 and then to identify savings and efficiencies to close that gap.

#### **4.2 Process to update the Medium Term Financial Strategy to identify the financial gap**

We have updated the plan to take account of the following items:-

- Reviewed all other pressures in the plan including demographic and inflationary assumptions
- Reviewed all savings assumptions already built into the medium term financial strategy for 2022/23 and assessed the likelihood of their delivery
- Considered corporate adjustments that need to be made in order to recognise the ongoing impact of the pandemic including the ongoing impact of the increase in demographic demand
- Reviewed the local government funding settlement assumptions in the plan

The Medium Term Financial Strategy at budget setting in March 2021 forecasted the following future year gaps:

Description	2021/22	2022/23	2023/24	3 Year Plan
	£m	£m	£m	£m
Corporate Pressures	11.221	9.233	6.731	27.185
Savings proposals unachievable in 20/21 due to COVID	7.207	0.000	0.000	7.207
Demographic Pressures	3.131	5.026	4.923	13.080
Inflationary Pressures	3.436	2.537	2.557	8.530
<b>TOTAL PRESSURES</b>	<b>24.995</b>	<b>16.796</b>	<b>14.211</b>	<b>56.002</b>
Projected Changes in Government Grants	-2.012	5.505	0.000	3.493
Savings Proposals	-17.133	-3.354	-1.227	-21.714
Social Care Precept (3.0%)	-3.900	0.000	0.000	-3.900
Council Tax increase (1.5%)	-1.950	0.000	0.000	-1.950
<b>NET POSITION</b>	<b>0.000</b>	<b>18.947</b>	<b>12.984</b>	<b>31.931</b>

The Plan is a live document and is continually reviewed by senior management to ensure the projections are based on the most up to date data available. Since March the plan has been updated to reflect the following changes:

**Corporate Pressures:**

- The cost of Concessionary Fares and the Freedom Pass

The numbers of people using London Transport is still significantly lower than pre-COVID levels. This is particularly the case with Freedom Pass Holders which is reflected in the latest usage data. The Concessionary Fares settlement is reflective of data from usage over the previous two years and the continued low uptake has resulted in an expected reduction of £1.7m to costs for next year

- The Revenue cost of the Capital Programme

The Capital Programme has slipped significantly in 2021/22 within regeneration resulting in a re-profiling of the programme both in 2021/22 and in later years. The Council has also reviewed its opportunities for new capital receipts in order to fund

## **Cabinet, 20<sup>th</sup> October 2021**

future expenditure and as a result is able to update its forecasts for both interest payable and MRP (Borrowing repayments). The revenue cost of capital financing for 2022/23 is expected to reduce by £2.0m from previous estimates as a result.

- Update on the Local Government Finance Settlement

There is still considerable uncertainty regarding the Local Government Finance Settlement and the various reviews that the Government have proposed in recent years. The Government have stated that there will be an Autumn Budget announcement on the 27<sup>th</sup> October. At the same time there will be a Spending Review to set out the plan for public spending over the next three years. The Government has stated that the spending control totals nationally will be in line with previous budget announcements and in light of that Havering is able to remove the prudent £2.0m pressure we had included in 2022/23 for loss of central grant.

- Update on Levies

The main Levy the Council pays each year is in respect of waste disposal to ELWA. (East London Waste Authority). In 2021/22 ELWA returned £5m of unused balances which the Council has applied to general balances. In 2022/23 the Levy is expected to return to previous levels and this had been forecasted in the MTFs. A further update and indicative levy is expected in December

- Planned Contributions to General Balances

The Council's General Balances stood at £10.9m on March 31<sup>st</sup> 2021 which is higher than was anticipated in the March 2021 budget setting report. The Council has a strategic aim to increase balances to £20m and has included in its balanced 2021/22 budget further contributions of £8m to general balances. (This includes a one off reimbursement of £5m from ELWA). This position allows the additional previously planned additional contribution of £2m to general balances (on top of the current base budget contribution of £3 million) to be removed from the 2022/23 budget plans

- Public Health Grant Shortfall

The medium term financial strategy for 2022/23 included pressures for Public Health in the expectation of both reduced reserves and additional burdens. The financial position of the Public Health reserve is better than previously anticipated which allows the planned budget contributions to be deferred to 2023/24.

### **Demographic and Inflationary Pressures**

- Adult and Children's Social Care Demographics

Adult Social Care has experienced significant increases in demand during 2021/22. Some of the increases are a direct result of post lockdown period and can be expected to stabilise in the medium term. In particular there are increased numbers of clients with Learning Disabilities requiring Council support which is a major

pressure in the medium term. The main drivers of demographic pressures for Adult Social Care are:

- Increased discharges due to increased admissions into local hospitals since COVID
- Complexity of client conditions on discharge
- Increased support needs for existing service users not addressed during last 18 months
- A rise in carer breakdown after 18 months of lockdown (across all care groups) turning into placements in care homes and supported living schemes
- NHS Discharge Guidance - brought in to support the system during COVID – this led to discharges at higher NHS rates – these become very challenging to move onto LBH's usual rate
- High-cost placements for young people transitioning from children's services to adults

Children's services have been experiencing a significant increase in demand post lockdown causing a pressure on the revenue budget. This is causing pressures in supporting Unaccompanied Asylum Seeking Children leaving care and across placements generally. The numbers of children entering the system is at its highest for 5 years and the Council is showing an in year pressure in 21/22 to meet statutory demand.

The MTFs had already provided significant additional resources for both contractual increases and increases in numbers for both Adult Social Care and Children's Services. It is recommended however that additional funds are added to next year's budget to meet this demand. It is hoped that as part of the Local Government Finance Settlement further funding will be released to help mitigate this pressure. This increase will take the overall additional demographic provision up to £7m which is expected to be sufficient to meet new demand including the current year position.

- Inflationary Pressures

The Council has included provision in the MTFs for a pay increase of 2% and contractual inflation where it is apparent it is needed. The pay settlement is set nationally and contractual inflation requirements is explained in greater length in the Social Care sections of this report. It should be noted however that general costs of other services are increasing driven by increased wage costs, shortages of supply, energy inflation and difficulty in transporting goods through driver shortages. There is a risk that current budget levels may need to be reviewed in light of these increased inflationary costs

- Increase in National Insurance Contributions

The Government has announced a 1.25% increase in National Insurance contributions to help fund Social Care reforms. This is a direct pressure to the

## Cabinet, 20<sup>th</sup> October 2021

Council which will need to be included in the MTFs. There is an additional risk that providers will levy the additional NI cost in their fees for placements to the Council.

- Inflationary increases in fees and charges

The Council has included in its planning inflationary increases in fees and charges. All fees and charges will be reviewed over the autumn to ensure that 2022/23 rates are both in line with market conditions but also reflective of the post COVID ability of customers to pay those charges.

### **Extension of Medium Term Financial Strategy to 2026**

The medium term financial strategy presented to Council in March 2021 provided figures only to 2023/24. This was due to the extreme uncertainty at the time of future Government funding and the speed and length of the recovery period from the pandemic.

The position has now changed with the recovery period well underway and the promise of a three year spending review on the 27<sup>th</sup> October. Accordingly it is appropriate to extend the medium term financial strategy to 2025/2026. It is sensible and prudent to assume there will be inflationary and demographic pressures across this period so these have been introduced into the new updated plan

### **Summary**

The table below sets out the changes to the Medium Term Financial Strategy and the forecasted current gap before any new savings and efficiencies are included.

	<b>Movement in MTFs</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>4 Year Plan</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>Opening Gap March 2021</b>	<b>18.947</b>	<b>12.984</b>	<b>0.000</b>	<b>0.000</b>	<b>31.931</b>
	Reduction in Concessionary Travel Costs in 22/23	-1.693		0.300	0.300	-1.093
	Updated Levy Projections (ELWA)	0.954	0.109	0.521	0.555	2.139
	Updated Capital borrowing and repayment costs	-2.000				-2.000
	Updated Government Funding projections	-2.000				-2.000
	Updated Capital Financing Costs	0.059	-0.109	2.690	0.241	2.881
	Increase in National Insurance and other inflation	1.007		2.557	2.557	6.121
	Reprofile Public Health Pressure	-1.567	1.567			0.000
	Reduce budgetted contribution to balances	-2.000				-2.000
	Updated Demographic Pressures	0.501		3.500	3.500	7.501
	assumed taxbase growth	0.000	-0.500	-0.500	-0.500	-1.500
	Other adjustments	-0.350	-0.150			-0.500
	<b>Latest Gap before Savings proposals</b>	<b>11.858</b>	<b>13.901</b>	<b>9.068</b>	<b>6.653</b>	<b>41.480</b>

These changes result in the updated medium term financial strategy set out in the table below:

Updated MTFS	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures including govt grant	5.322	7.571	3.511	1.096	17.500
Demographic Pressures	5.527	4.923	3.500	3.500	17.450
Inflationary Pressures	3.544	2.557	2.557	2.557	11.215
<b>TOTAL PRESSURES</b>	<b>14.393</b>	<b>15.051</b>	<b>9.568</b>	<b>7.153</b>	<b>46.165</b>
Savings Proposals	-2.535	-1.150	-0.500	-0.500	-4.685
<b>NET POSITION</b>	<b>11.858</b>	<b>13.901</b>	<b>9.068</b>	<b>6.653</b>	<b>41.480</b>

### **Proposals to close the remaining Gap for 2022/23**

The Medium Term Financial Strategy presented to Council in March 2021 highlighted a significant financial gap that would need to be closed in order to set a balanced budget for 2022/23. The Council has used its four key themes (Cleaner, Safer, Prouder, Together) to review processes over the summer in order to both deliver the key strategic aims of the Council but also to identify efficiencies and savings to balance the budget.

This work has continued through the summer and has resulted in a series of areas which the Council is considering to reduce costs. A key part of this process is gathering the views of key stakeholders including our partners and the general public. The Council is launching a budget consultation process this autumn which will gather those views in order that they can be considered by Councillors before the 2022/23 budget is set next year.

The main proposed savings are shown in the table below and then described in more detail in the paragraphs that follow. The anticipated savings exceed the current gap to allow an element of flexibility in reviewing the more detailed proposals:

<b>Proposed Savings</b>	<b>Anticipated Value (£m)</b>
Staffing reduction through efficiency	7.0
New Models of Delivery	4.0
Prevention	1.5
Better use of data through Business Intelligence	1.0
Regeneration proposals	0.5
<b>TOTAL</b>	<b>14.0</b>

### **Staffing reduction through efficiency reducing headcount by approximately 400 – (£7m anticipated saving)**

- Undertake and Council wide review of staffing structures to delete vacancies, reduce management costs and remove activities that do not benefit residents.

## **Cabinet, 20<sup>th</sup> October 2021**

- Reduce the Council's dependency on expensive agency staff and consultants.
- Improve retention, career management and succession planning.
- Create a One stop shop for residents for 'Life Events' or change of circumstances
- Review of Business Processes across the Council to deliver greater efficiency  
There are a number of processes in the Council that have not been updated for some time. Technology has moved on significantly and in some cases systems have been introduced on a like for like basis, but the processes have not been changed to exploit the new capability or functionality within the system. There are also some process issues that are being highlighted through the Transformation Team service reviews.
- Review of oneSource – This would be a joint review with Newham to see if there are any further services that could be shared. In addition, the review of oneSource should include the potential to expand the reach of oneSource to include services in other councils.
- Efficiencies from the development of the Havering Digital Portfolio: - The Council has included significant investment in its current Capital programme to develop its digital offer. This is expected to allow significant efficiencies through modernising work processes and improving service offers to our customers and partners

### **New Models of Delivery – (Anticipated saving £4m)**

- Strategic review of Passenger Transport
  - A full review of Passenger Transport is expected to improve efficiency through initiatives such as updated route mapping, reviewing taxi provision and reducing out-borough placements by accommodating children more locally.
- Preparations for the retendering of the waste contract
  - Initiatives to reduce waste, increase householder recycling and reduce overall tonnages collected. In addition initiatives aimed at recycling more materials
- Review of enforcement activity
  - Enforcement of high level environmental crimes resulting in increased income
  - Efficiency across all enforcement services via a locality approach and increased use of digital solutions.

- Front Door / prevention demand in Children's Services
  - Early Help Manager now based full time within the MASH, to ensure conversations regarding support and interventions, including cases stepping up or stepping down, are timely and effective.
  - Closer engagement with primary schools, aligned to early intervention principles and consistent with Ofsted feedback
  
- Placements / sufficiency in Children's Services
  - Fostering Cabinet decision to increase rates and benefits to 'in-house' carers to reduce the use of Independent Fostering Agencies, generating savings against IFA placements
  - Dynamic Purchasing System (DPS) to support the commissioning of some types of short breaks; being introduced for the commissioning of Semi-Independent accommodation, this will allow us to better manage the cost and quality of provision.
  - In house/local provision has been developed in the form of Park End, Widecombe and more recently Brunswick Court to accommodate young people leaving care. These provisions are giving us greater control over costs and quality of provision.
  - Longer term plans to develop a specialist residential and 6 bed short break unit in Havering for children with additional needs.
  - Potential sub-regional with Health to develop a bid that we can then submit to the DfE for capital funds to develop a sub-regional children home.
  
- Housing Services
  - Convert Royal Jubilee Court old building into supported housing - 5 units
  - Open two new complex needs HMOs for mental health - 16 units.
  - Introduce price per property repairs service for Private Sector Leased accommodation.
  - Additional support for hoarder/self-neglect tenants – enable tenants to remain in their homes longer.
  - Additional investment in in telecare/assistive technology - enable tenants to remain in their homes longer.
  - Under-occupation – buying properties at the sea-side to assist people to move out of their homes – saving on PSL and ASC costs in the long run.
  - Segregated waste for recycling in tower blocks.
  
- Adult Services
  - Reset Better Living model of practice (impacted by COVID) to scale up cost avoidance.



## **Cabinet, 20<sup>th</sup> October 2021**

- Specialist resources engaged –to review all high cost placements and contributions from Health. This improves the robustness of how we challenge decisions we don't agree with. Resources are in place to undertake the reviews with some initial success already.
- is the Health system is employing nurses to review onsite all requests for one to one support to clients
- Council to approve all hospital referrals for care home placements following discharge
- Review of young people currently in transition moving through to Adult Social Care in next 12 months – to review current costs, and opportunities to jointly commission provision across the three boroughs Havering, Redbridge and Barking and Dagenham to reduce costs as these young people turn 18.
- Current high cost Learning Disabilities and Mental Health placements to be reviewed, looking at opportunities to reduce costs with collective bargaining power of Havering, Redbridge and Barking and Dagenham.
- Short term / medium term – consider building on success of Brunswick Court in creating temporary capacity in decanted sheltered schemes for short term service offer for young adults with Learning Disabilities, Autism and Mental Health issues.

### **Prevention – (Anticipated Saving £1.5m)**

- Reviewing opportunities that the new Borough Partnership between the Health system and the Council gives us, particularly around the prevention agenda
- Long term sustainable funding to Local Area Coordination
- NHS Investment into Council's recovery plan.

### **Better use of data through Business Intelligence – (Anticipated Saving £1m)**

- Data matching in relation to tracking people in temporary accommodation eg Private Sector Leased properties
- Bringing properties into Council Tax
- Removing erroneous Single Person Discounts
- Removing erroneous Freedom Passes
- Improving debt collection

### **Regeneration proposals – (Anticipated Saving £0.5m)**

- 80-84 Market Place: This property is no longer managed by the Council and therefore carries no cost to LBH. Therefore the current budget of £32k is no longer required

- Social Value Sponsorship to an Existing Community Scheme or Project: There is an opportunity to utilise the Social Value programme to deliver a saving to the Council of around £40k, either through sponsorship from the JV/supply chain or by having partners deliver a Council project.
- General Fund Savings by Appropriating Acquired Bridge Close Assets to the HRA. This will generate a saving in borrowing costs to the general fund
- Corporate Saving - Potential acceleration of MLH Pipeline Schemes & will increase the revenue yield back from loans to MLH and enable these schemes to progress in order to deliver longer term solutions for the Council
- Impact of reviewing the Rainham Beam Park Joint Venture: Assessment of options to examine benefits to the Council from the Rainham joint venture.
- Review of all Regeneration JVs and major schemes with a view to speeding up schemes with long term general fund benefits
- Assess whether the management of new regeneration sites could be overseen by the Council and used to create income. Most sites will have outright sales and income could accrue to the general fund.
- Acceleration of works previously planned for 2022/23 in order to maximise use of Government Grants

Land review by Director of Regeneration to identify potential disposals. This potentially will create Capital receipts which can be utilised to partly fund the Capital programme reducing the need for long term borrowing

- Increased income from telecom masts
- Income from Electric vehicle charging points
- Refurbishment of white goods/furniture and onward sale through a social enterprise
- Monetisation of government credits – carbon neutrality, research & development (SMEs), recycling, new technologies
- Income derived from letting out council office space (suitable co-location with other public services)
- Central Romford business hub offering wraparound business support

## **5 Risks and Uncertainties**

- 5.1 There are a number of risks associated with the current MTFS position. These include significant risks in relation to:

- Continued impact of the COVID pandemic particularly in relation to additional demographic demand but also in respect of the impact of the conclusion of Government support packages such as the furlough scheme
  - Central Grant Funding uncertainty. A three year spending review is welcomed but there is still a significant risk to Havering that the Government may change the distribution mechanism of funding adversely affecting Havering
  - The current year revenue monitoring position. There is a significant overspend in 2021/22 but it is fully expected that through robust and decisive action this position will improve considerably over the second half of the year.
- 5.2 The Council maintains a finance risk register and reviews it regularly in order to ensure that it has considered all risks in setting the budget each year. Assessment of the risks is also included in the S151 statement of robustness which forms part of the Council Tax setting report in February each year. The current financial risk register can be seen at Appendix B
- 5.3 Each year part of the Council Tax residents pay funds GLA services such as transport and the police. The Council is a collection agent for the GLA and has no control over how much this element of the Council Tax increases as the rate is set by the Mayor of London and the GLA Assembly. The GLA budget like all others has faced extreme pressures and difficulties due to the impact of the COVID pandemic. There is a risk to taxpayers that the Government will allow the Mayor to increase the precept significantly to recover a proportion of these costs. Whilst this will not impact on the Havering budget it would result in a Council Tax increase for residents.

## **6 Budget Consultation**

- 6.1 Consultation on the budget is an important part of the annual budget cycle. It is proposed to consult with residents and key stakeholders on the impact of the COVID pandemic and how this has affected Council services. This will then inform the budget setting process in the new year. This consultation will be launched on 1st November 2021 and will run until 4 January 2022 .
- 6.2 The Council will seek views from the general public, all key stakeholders and business ratepayers during this period. The Council will run both an online consultation and also face to face sessions with a cross-section of the public to gather views on the difficult decisions the Council faces.
- 6.3 During the consultation period an All Member Briefing will be held and the Overview and Scrutiny Board have requested that this report be presented to the November meeting.

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

The Council has a statutory obligation to consult on its budget proposals. This report sets out the proposed method to be used for the 2022/23 budget and MTFS. The Council strongly values the opinion of its residents and key stakeholders and welcomes their input into the budget process.

### **Other options considered:**

N/A

## **IMPLICATIONS AND RISKS**

### **Financial Implications and Risks**

The financial implications of the Council's MTFS are the subject of this report and are therefore set out in the body of this report. The consultation process set out in this report will be used to inform decision making on the budget.

### **Legal Implications and Risks**

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

Under S28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget.

The Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." In accordance with S3 Local Government Act 1999. As part of that process it must consult tax payers, those who use or are likely to use services and others who may have an interest in an area where the Council carries out its functions.

The budget consultation and approval process is separate from individual decisions which may need to be taken for example in relation to service delivery; these may require a separate consultation process and equality impact assessment before a final decision is taken.

Where consultation is undertaken it must comply with the 'Gunning' principles;

namely it must be undertaken at a formative stage, sufficient information should be provided to enable feedback, adequate time should be given for consideration of responses and the feedback should be taken into account in any decision taken. The plans set out in the report in relation to the budget consultation comply with these rules.

### **Human Resource Implications and Risks**

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

### **Equalities and Social Inclusion 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.

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

The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

All front line proposals relating to the Medium Term Financial Strategy for the period 2022/23 to 2025/26 will be subject to an Equality and Health Impact Analysis or

**Cabinet, 20<sup>th</sup> October 2021**

assessment, which will be developed following the consultation process for inclusion in the further reports to Cabinet before the budget is finalised in February 2022. This will further highlight where the MTFs has the potential to positively impact on health and wellbeing of residents through targeted provision of services, and where any identified negative impacts may be mitigated.

**BACKGROUND PAPERS**

None