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**OVERVIEW AND SCRUTINY  
COMMITTEE**

**Subject Heading:**

**Update on Spending Controls put in place to contain the 2023/24 projected overspend**

**Cabinet Member:**

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

**SLT Lead:**

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**Policy context:**

The report provides an update on the Finance and Spending Controls put in place in 2023/24 in order to contain expenditure

**Financial summary:**

This report includes:

- List of Spending Controls put in place for 2023/24
- Update on the impact of the spending controls

**Is this a Key Decision?**

No

## **1. Executive Summary**

- 1.1. The Council identified emerging spending pressures for 23/24 at an early stage of the financial year particularly in Social Care through rising unit costs and demographic pressures. A report to October cabinet identified a potential £23m overspend on the revenue budget for 23/24.
- 1.2. The Council acted swiftly and robustly and put in place a series of spending controls and other savings measures to help reduce this pressure. This report sets out the Spending controls put in place in order to contain the 2023/24 revenue overspend.
- 1.3. The Council has made it absolutely clear to all staff that only essential or statutory spend should be incurred until further notice. The Council has communicated this very clearly as set out in section 5 of this report and there have been regular management briefings to enforce this. There is a recruitment panel in place to ensure that only statutory and essential posts are recruited to with the objective that where possible roles and functions are covered by existing staff.

## **2. RECOMMENDATIONS**

- 2.1. Overview and Scrutiny Committee are asked to note the Spending Controls put in place in order to contain expenditure for the remainder of 2023/24 as set out in Section 4 of this report

## **3. BACKGROUND**

- 3.1. The early months of 2023/24 has seen significant pressures on the Council's budget. A report to October Cabinet identified a £23m overspend on the 2023/24 revenue budget and a gap of £31.2m to close to balance the 2024/25 budget.
- 3.2. The Council has acted robustly to bring in measures aimed at mitigating the 2023/24 overspend and also to identify proposals to close the 2024/25 budget gap. A further report to November cabinet identified £11.9m of savings proposals to help close the 2024/25 budget gap and these proposals will be consulted on in the coming weeks.
- 3.3. The 2023/24 revenue overspend has been caused by significant pressures in the following areas
  - 3.3.1 *Housing Demand* - The increase in cost of living has had a resultant impact on the cost of Housing provision across London. The number of people the Council has a statutory duty to house has increased sharply and the Council has been forced to use high cost temporary accommodation on an increasing basis. The number of PSL's has decreased over the last two years forcing the Council to increase the use of hotels and B and B.
  - 3.3.2 *Looked after Children with Complex need* - The numbers of Looked After Children requiring Council support has increased over the last few years. In 2022/23 the number

of Children requiring complex support through residential placements has risen from 16 up to 29 placements. This number has continued to increase and there are now over 30 children in residential care. These placements are complex and high cost resulting in a significant pressure on the budget. The Council has a statutory duty to support these Children and will regularly review each placement to ensure the best outcomes for each individual.

**3.3.3 Uncertainty over continued Health Funding and the rising unit cost of Adult placements**

The number of Adults in Social care continues to rise but more significantly the unit cost of provision driven by inflation and the provider market has significantly increased. People Services will continue to work closely with Health partners to recognise the Council's pressures and to secure funding where it is due.

3.4 The Council provided over £20m of growth into the People budget as part of the budget in 2023/24 to mitigate known inflationary and demographic growth but the scale of the increase in unit costs of provider packages has resulted in the current forecasted pressure. The increased number of homeless families coupled with a chronic shortage of available Housing has also resulted in an emerging pressure on the temporary accommodation budget. These pressures are not unique to Havering with many other authorities reporting similar pressures.

3.5 The Council identified and approved £9.6m of service savings in setting the 2023/24 revenue budget. Most of these savings are on track to be delivered but the Period 4 cabinet report identified £2.2m which have been Rag Rated as red. The monitoring position takes account of the non-delivery of these savings but services are still aiming to either achieve a proportion of the savings or identify other mitigations to reduce the pressure

**Savings Currently Rag Rated as Red**

<b>Saving</b>	<b>(M)</b>
Fund Climate Posts from CIL rather than base budget	(0.150)
Targeted Reviews - Living Well	(0.500)
Assistive Technology - Ageing Well	(0.250)
Develop integrated commissioning function to support the Havering Borough Partnership	(0.250)
Better Living (part of saving)	(0.800)
Saving on Permits	(0.220)
Closure of Corbets Tey toilets	(0.024)
<b>TOTAL RED SAVINGS</b>	<b>(2.194)</b>

3.6 The Council however still has a centrally held staffing saving of £5.2m within the current budget. Staff are considering the best way of treating this saving moving forward. There are a number of restructures across the organisation and further work on the Target

Operating Model which will produce savings but in order to avoid the possibility of double counts consideration is being given to appropriating a proportion of the savings across services in the form of an increased vacancy factor. Clearly if this route were taken the current vacancy factors and staff turnover rates would need to be carefully modelled before any appropriations were made.

3.7 The October cabinet report identified a £31.2m gap to be closed in order to balance the 2024/25 revenue budget. The Council has acted quickly to help close this gap and £11.9m of new savings and income options were presented in a report to November cabinet. These proposals will now be consulted on in the coming weeks before decisions are taken on the final budget

3.8 Even after all these savings proposals and a maximum 4.99% increase in Council Tax the Council is still facing a £12m gap for 2024/25. The Council cannot afford to wait for Government support that might not be forthcoming and so as had no alternative but to apply for a Capitalisation Direction to close the remaining gap. Work must be done simultaneously to ensure the proposed savings are delivered by the 1<sup>st</sup> April 2024 and officers will continue to work hard on the initiatives set out in this report in order to minimise the actual requirement for the Direction but has had to take this route to avert a potential S114 notice in the new year

#### **4. Introduction of Spending Controls and the identification of Savings to improve the forecast outturn position**

4.1 The Council has introduced strict Spending Controls for the remainder of the 2023/24 financial year. These measures are as follows and further information is provided in the paragraphs below:

- 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
- Review of placements to identify in-house opportunities rather than more expensive out of borough placements
- Review of staffing and structures including ensuring funds are appropriately charged to revenue, capital and the Housing Revenue Account
- Improve debt collection within Housing and from Private Sector Landlords
- Joint work with Health and hospitals to ensure better outcomes for adults leaving hospital and costs for continuing care are shared appropriately
- To cease all non-essential spend
- To consider recruitment to all posts to determine if the vacancy can be filled by someone else in the team, or if the activity can be stopped.

4.1.1 All Service managers have been instructed to only spend where absolutely necessary. A central review of all running costs will be undertaken with the expectation managers will retain underspends on all non-essential items. Whilst the Spending Controls are now in place it will be sometime before the full impact of these measures are reflected in an

improved monitoring position. Officers will continue to review the budget position on a monthly basis to assess the impact of these measures

- 4.1.2 All Social Care placements are being systematically reviewed. These reviews, which are already underway, will initially focus on the highest cost placements and will consider whether there are lower cost alternatives which still provide the level of care and best outcomes for the users. The reviews will also consider whether there are step down opportunities for some users to more cost effective packages.
- 4.1.3 Starting Well have undertaken a staffing restructure to ensure that the new structure is appropriate to deal with the current levels of Looked After Children. The new structure includes investment in newly qualified Social Workers which will increase the level of permanent staff thereby reducing the need for expensive agency staff. Increasing the number of permanent staff providing social care will not only reduce agency costs but will also help the looked after children through more stable care support.
- 4.1.4 The Council is undertaking a review of all its costs to ensure that expenditure attributable to capital projects are correctly charged. This review will also consider the charges to the Housing Revenue Account to ensure that any services specifically supporting Council tenants are charged to that fund.
- 4.1.5 Officers are reviewing the use of purchase cards across the Council. This will include ensuring purchase cards are only used in areas where they are absolutely needed and also reviewing the higher spend areas to make sure all costs have minimised wherever possible
- 4.1.6 There will be further work to fully understand and document our unit costs. Benchmarking and comparative studies have shown that Havering has some of the lowest unit costs in London but there may still be areas where the Council can use this information to drive down costs and seek efficiencies. The assumptions in the Medium Term Financial Plan are also regularly tested to ensure they use the latest inflationary and unit cost data when making assumptions on future growth requirements
- 4.1.7 The Council has put in place a recruitment panel to oversee all permanent and agency recruitment. All managers have been reminded of the need to hold vacancies where possible and only put posts up to the recruitment panel where there are either statutory obligations or a clear and pressing service need. The Council is still encouraging recruitment to posts to replace expensive agency staff but only where those agency staff are covering statutory need such as social care posts.
- 4.1.8 The Council is systematically reviewing all agency and consultancy costs. Some of these staff are carrying out statutory functions and in those cases service managers are aiming to recruit permanently where possible. Executive management receive regular agency level reports and are making it clear to all service managers that agency staff need to be released wherever possible.
- 4.1.9 The ageing well budget pressure is in part due to uncertainty over Health Funding both for 2023/24 and forwards into future years. The Council is working very closely with its

health partners to ensure better outcomes for adults leaving hospital but also to ensure that the appropriate costs are met by Health where they are due.

4.1.10 The Council is reviewing debt recovery to reduce the amount of bad debt and increase income to the Council. An example of this would be within Adoption where over £1m of outstanding invoices from other boroughs have been fully settled in the past four months. The Council will continue to work to recover as much debt as possible through effective chasing and enforcement. The Council already has one of the highest collection rates on Council Tax in London

4.2 The Council has also identified a number of Corporate savings and adjustments in order to reduce the budget gap. These proposals include:

<b>Corporate Adjustments and inyear savings</b>	<b>Value</b>	<b>Description</b>
Redirect agency levy in 23/24 to assist the General Fund Budget	1.500	The levy is an 8% overhead on agency costs which is passported to the pension fund to reflect the loss of contributions from permanent staff to the fund. The financial cash position of the pension fund is such that this can be redirected for 23/24 and 24/25 safely
Temporarily stop payments to the Zurich Insurance imprest account	0.450	Saving is planned until March 2025 and would need reviewing based on balance on account. The account has sufficient funds to pay claims over the next 18 months
Treasury adjustment to reflect HRA benefit of using internal borrowing to fund the capital programme	1.500	Each year the HRA builds in a budget for external borrowing to fund the capital programme. The Council however has used internal borrowing to fund the HRA capital programme. The balances are largely General Fund related so it is estimated that a year end adjustment is needed to reflect this imbalance
<b>TOTAL CORPORATE ADJUSTMENTS AND INYEAR SAVINGS</b>	<b>3.450</b>	

4.3 Services are also reviewing their budgets to identify in year savings. As part of the proposed 2024/25 savings to November cabinet three savings were identified which if actioned early would generate a saving for 23/24. These savings are:

- Removal of 50% discount for unsuccessful PCN appeals
- Reducing to basic reactive maintenance
- Pausing the Highways Capital programme

Officers and members are reviewing these options and if they are brought in for 23/24 they will be introduced through a separate executive decision.

## **5. COMMUNICATION AND AWARENESS**

5.1 The Council has undertaken a communication campaign both internally and externally to raise awareness of the Council's financial situation.

The external campaign is mainly focussed on:

- Lobbying the Government to understand Havering's position with the aim of increasing external support to the Council
- Raising awareness amongst our residents of the fact that despite being a low cost efficient Council historic Government underfunding has placed the Council in the current financial situation

5.2 The Council has also communicated the financial situation with all staff. Apart from raising awareness of the financial position this process is also making sure that all staff understand their responsibilities to minimise costs and make savings wherever possible. The Chief executive and other senior officers have conducted a number of all staff briefings and regular updates on the budget have been provided on the Councils all staff communication channels including the Core brief.

5.3 Senior officers fully understand the need to have the full support of both staff and the residents of the borough on the difficult financial decisions that lie ahead. Strong and open communication is a key part of this process to make sure all staff in particular understand how they can help the Council by minimising costs moving forward.

5.4 The Council has also openly asked staff for their ideas on the budget and savings that could be made. The responses to this have been very good and a number of ideas have emerged which will be worked up for consideration by members. These include:

- Investing in staff to increase the amount of revenue and outstanding debt collected
- Full review of Agency staff and consultants (already underway)
- Review of IT costs and licences and equipment
- Look at hibernating projects for a year or two until the financial situation is more stable

Other ideas are still coming in and officers will make sure that any initiatives that can be actioned immediately are adopted and other options are presented to members to consider.

## **6.0 Conclusion**

- 6.1 The Council has identified the financial position it faces for both 2023/24 and for future years at an early stage of the financial year. This has enabled action to be taken to help reduce and mitigate the projected overspend. Whilst these actions are expected to help reduce spend it also needs to be recognised that the overspend is primarily due to increased user numbers and provider costs and the Council may face further pressures in the future. The number of children in the borough is sharply increasing and it is inevitable that more children will require support moving forward. The forecast budgeted position does allow some contingency to combat this but it remains to be seen if this is sufficient to any further increases in demand.
- 6.2 The Council will continue to lobby the Government both for additional support both in the current year and the future. The measures set out in this paper will reduce the 2023/24 overspend and this will be reported on via monitoring reports throughout the remainder of the financial year.

## **7. IMPLICATIONS AND RISKS**

### **7.1 Financial Implications and Risks**

The financial implications are the subject of this report and are therefore set out in the body of this report. The report also sets out the options being undertaken to reduce the 2023/24 overspend and the implications if the Council is unable to reduce its pressures in order to deliver a balanced budget.

### **7.2 Legal Implications and Risks**

- 7.2.1 Under S151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs.
- 7.2.2 Under S 28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget.
- 7.2.3 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.” s 3 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.

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

- 7.3.1 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.



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

