

## CABINET

**Subject Heading:**

**2024/25 Budget and 2024-2028  
Medium Term Financial Strategy**

**Cabinet Member:**

**Councillor Christopher Wilkins  
Cabinet member for Finance**

**SLT Lead:**

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**Policy context:**

This report sets out the Council's revenue budget requirement for 2024/25 and MTFS for the following three years. It makes proposals regarding the level of Council Tax required to meet the budget requirement. The report also provides an update on the outcome of the 2024/25 local government financial settlement.

**Financial summary:**

This report includes:

- The approach to setting the Council's 2024/25 budget and MTFS for the following three years
- The outcome of the local government finance settlement
- The recommended Council Tax level for 2024/25.
- The proposal to set a balanced budget.

**Is this a Key Decision?**

Yes:

Expenditure or saving (including anticipated income) of more than £500,000.

**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)

**EXECUTIVE SUMMARY**

This report consists of the following sections:

- Introduction (Section 1)
- Background and Strategic Context (Section 2)
- The budget process and Medium Term Financial Strategy update (Section 3)
  - Update on the Medium Term Financial Strategy
  - Savings process and budget consultation
  - Fees and charges
  - Review of Corporate and Service pressures assumptions
  - Local Government Provisional Finance update
  - Council Tax Requirement
- Proposal for balancing the budget (Section 4)
- Balances, Reserves and Contingencies (Section 5)
- Dedicated Schools Budget (Section 6)
- Housing Revenue Account and 30-year business plan (Section 7)
- Five-year Capital Programme and Flexible use of receipts (Section 8)
- Robustness of the Council's Budget (Section 9)
- Council Tax policies (Section 10)
- The Council's Commitment to Climate Change (Section 11)
- Implications (Section 12 onwards)

## RECOMMENDATIONS

### Cabinet is asked to:

1. Note the requirements of Section 106 of the LGA 1992 Act as set out in Section 1 of this report
2. Note the Medium Term Financial Position and the Budget setting process of the Council as set out in Section 3 of this report
3. Note the key assumptions and risks to the 2024/25 budget as set out in **Appendix A** of this report
4. Note the outcomes from the Public Consultation response as set out in **Appendix B** and **agree** the savings proposals as set out in Sections 3.7 to 3.11 and **Appendix C** of this report and of this report.
5. Agree the proposed Fees and Charges schedule as set out in paragraph and **Appendix D** and for officers to proceed with implementation of the proposed fees and charges, subject to consultation where required.
6. Agree the proposed 2.99% increase in core Council Tax for 2024/25 as set out in paragraph 3.18;
7. Agree the proposed additional 2% Council tax increase for the Adult Social Care Precept as set out in paragraph 3.18;
8. Agree the proposed Council Band D basic amount of Council Tax for 2024/25 of £1736.52 being the amount calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax excluding the GLA precept for the year (as set out in section 3.18 to 3.20 of this report
9. Agree the proposed Council Tax requirement for 2024/25 to be set at £158.023m as set out **Appendix E** of the report
10. Agree the budgets proposed in this report and as set out in **Appendix F**
11. Agree the Delegated Schools' draft budget set out in **Appendix G** of this report;
12. Note the S25 Statement of Robustness as set out in **Appendix H** of this report.
13. Agree the Council Tax Support Scheme for 2024/25 as set out in **Appendix I** to this report (unchanged from 2023/24).

14. Agree Council Tax discounts for early payment to be given at a rate of 1.5% as set out in **Appendix J** of this report.
15. To direct officers to disregard War Pension income in the assessment of Housing Benefit as detailed in see Section 11 and **Appendix J** and authorises the Chief Executive to approve any policy required to effect the same.
16. Note the Equalities Impact Assessment in respect of the Council Tax Support Scheme as set out in **Appendix K** to this report
17. Note that in the event the Capitalisation Direction is not awarded to the value requested before the emergency Full Council meeting on the 6th March, the Strategic Director of Resources (S151 Officer) will be required to issue a S114 report.

**Cabinet is asked to make the following recommendation to Full Council**

- That Full Council approves the proposals at 4 - 15 above
- That Full Council notes the proposals at 1 -3 and 16- 17 above
- That full Council resolves to authorise officers to proceed with the implementation of the fees and charges proposal once agreed by Full Council, subject to consultation where required.
- Adopt the Council Tax Support Scheme for 2024/25 as set out in **Appendix I** of this report (unchanged from 2023/24);
- Agree Council Tax discounts for early payment to be given at a rate of 1.5% as set out in **Appendix J** of this report.
- To direct officers to disregard War Pension income in the assessment of Housing Benefit as detailed in see Section 11 and **Appendix J** and authorises the Chief Executive to approve any policy required to effect the same.
- Agree to direct officers to consult on additional Council Tax charges for second homes in order to allow a decision to be made for the 2025/26 budget

Cabinet is asked to delegate the following decisions:

- Delegate to the Chief Financial Officer the power to accept on behalf of the Council all grant funding allocated to the Council by external bodies, including central government (but provided that any new application for

grant funding shall be in accordance with the Council's scheme of delegations).

- Delegate to the Strategic Director of Resources (S151 Officer) in consultation with Service Directors the authority to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements up to the value of £500k, to administer funding where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation with Cabinet Members as appropriate.
- Delegate authority to the Cabinet Member for Adult Social Services and Health and the Leader to approve an annual expenditure plan for the Public Health grant, in consultation with the Strategic Director of Resources and the Director of Public Health.
- Delegate to the Strategic Director of People and the Director of Starting Well authority to agree uplift / inflation increases with relevant social care providers for 2024/2025.

## REPORT DETAIL

### **1. Introduction**

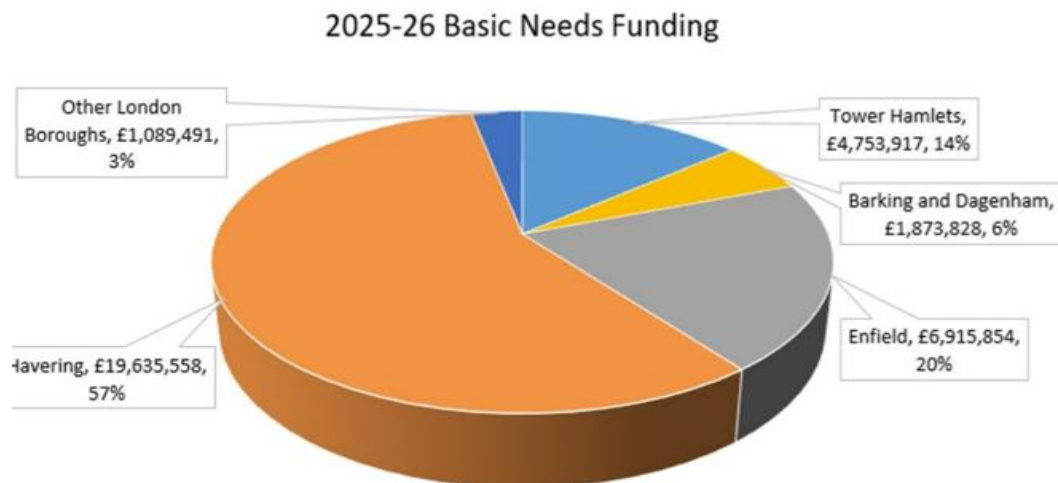
- 1.1 This report presents the proposed 2024/25 budget and also an update of the Medium Term Financial Strategy (MTFS) between 2024/25 and 2027/28 that will support the delivery of the Council's objectives and priorities. The report includes a recommendation to increase the Havering element of Council Tax by 4.99% (including the Adult Social Care precept) in order to meet the new budget requirement whilst maintaining tight financial control and ensuring prudent levels of reserves and balances are maintained.
- 1.2 Councillors are reminded that Section 106 of the Local Government Finance Act 1992 requires any Member who is two months or more in arrears on their Council Tax to declare their position and not to vote on any issue that could affect the calculation of the budget or the Council Tax. Any Member affected by Section 106 who fails to declare could be subject to prosecution.

### **2. Background and Strategic Context**

- 2.1 The 2024/25 budget process has been one of the most difficult to date. For years Havering has made representation to the Government about its persistent underfunding position and yet the funding formula remains unchanged. This report sets out the steps that have been taken to develop and balance the 2024/25 budget.

2.2 The Council has experienced large increases in demand for its social care services in recent years driven by a rapidly increasing young population and the 2<sup>nd</sup> highest number of older people in London. The increases in the cost of living coupled with a reduction in available Housing has also led to a significant increase in temporary accommodation costs. These pressures are being experienced by many boroughs but the changes in Havering's demographic profile is proportionally higher than most other London Boroughs. The Government froze the grant distribution formula over 10 years ago, resulting in demographic changes not being matched to the funding the Council receives. This growth is most notably seen with 25/26 Basic needs funding for school place provision, where Havering is receiving 57% of the funding for the whole of London, whilst the Council's core funding for Children's Services has not increased and remains allocated on the 2013 formula.

**Chart 1: 2025/26 Basic Needs Funding London**

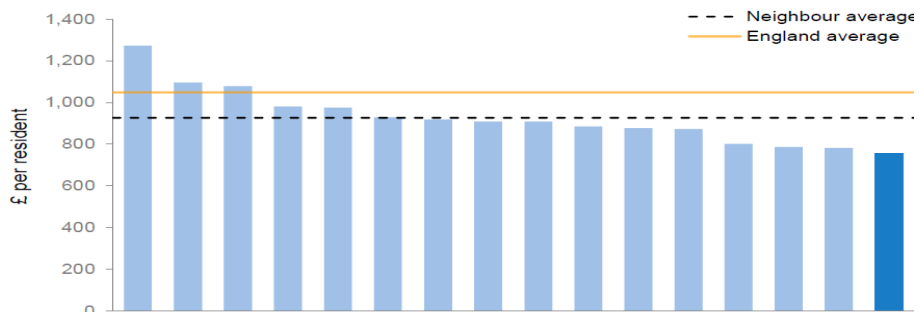


2.3 The accumulation of these pressures together with inadequate grant funding from central Government has resulted in overspends for the last three years on the revenue budget and significant budget pressures for 2024/25.

2.4 This report presents the budget process undertaken to balance the 2024/25 budget, includes £16.5m of savings proposals and recommends a 4.99% increase in Council Tax for 2024/25. The budget position will be balanced by requesting a Capitalisation Direction from the Government and the report explains why the Council has no alternative to setting a legally balanced budget.

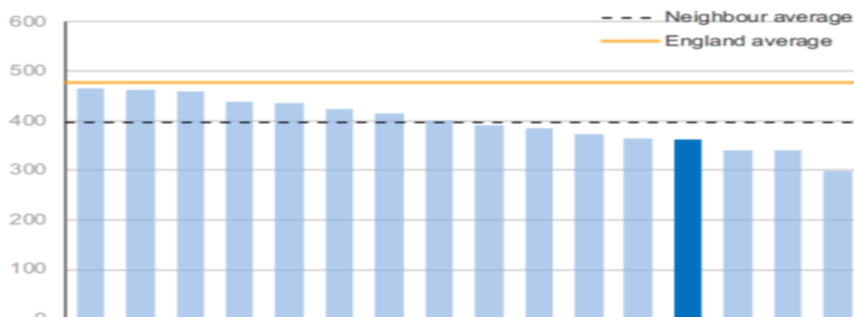
2.5 Havering faces significant financial challenges despite being an efficient Council with low unit costs. The graphs below have been independently produced by LG Futures, show Havering's estimated spend per resident for 2023/24 compared to our near neighbours. It shows we have the lowest service costs amongst our near neighbours and are well below the national average spend.

**Graph 1: 2023/24 estimated spend per resident compared to neighbour councils**



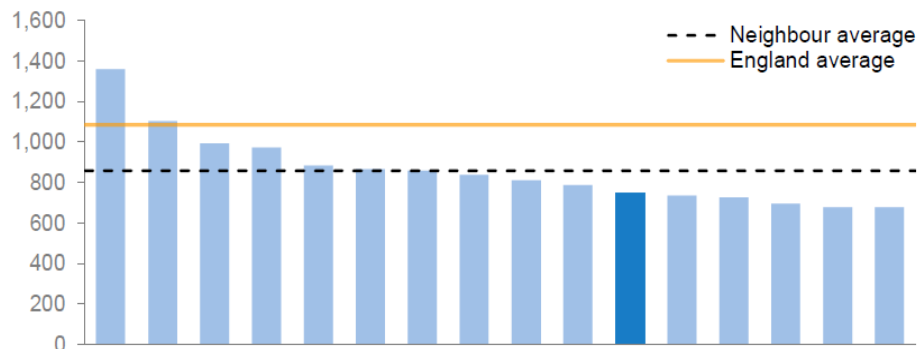
2.6 Havering’s estimated spend per adult resident on social care was also amongst the lowest of our neighbours and significantly lower than the national average as shown in the graph below. This demonstrates that the Council has managed its limited resources well and its unit costs are low.

**Graph 2: Estimated 23/24 Adult Social Care costs per resident compared to neighbour councils expenditure of Adults 18+**



2.7 There is a similar pattern with regard to Children’s social care. Havering’s budgeted spend for 23/24 is 12.9% below the near neighbour average and 31.2% below the national average per child as set out in the graph below

**Graph 3: Estimated 23/24 Childrens Social Care costs per resident (0-17) compared to near neighbours**



- 2.8 These comparisons show that Havering is an efficient borough which has managed its finances well and kept cost down despite rapidly rising demand. The recent 2021 census showed that Havering has the 2nd oldest population in London and it is estimated to grow. The census also showed Havering's population has the 10th fastest growth in the UK and our children's population has grown by over 20%, the 4th fastest growth in the UK.
- 2.9 The rapid increase in population has a direct correlation with demand on Council services. In 2022/23 the number of Children in residential placements increased from 16 to 29 placements and is now over 30. These placements on average cost over £6,000 per week and that cost is rising. The number of Children requiring a health care plan has increased by 13% a year which has resulted in a sharp increase in the numbers needing home to school transport support.
- 2.10 The increase in Cost of Living has directly impacted on the cost of Housing provision across London. Demand has increased and the Council has had no choice but to use high cost temporary accommodation on an increasing basis. The number of Private Sector Landlord (PSL) properties available has also decreased over the last couple of years again increasing the use of hotels and Bed and Breakfast. The table below shows the increase in of days purchased of temporary accommodation over the first 6 months of 2023/24

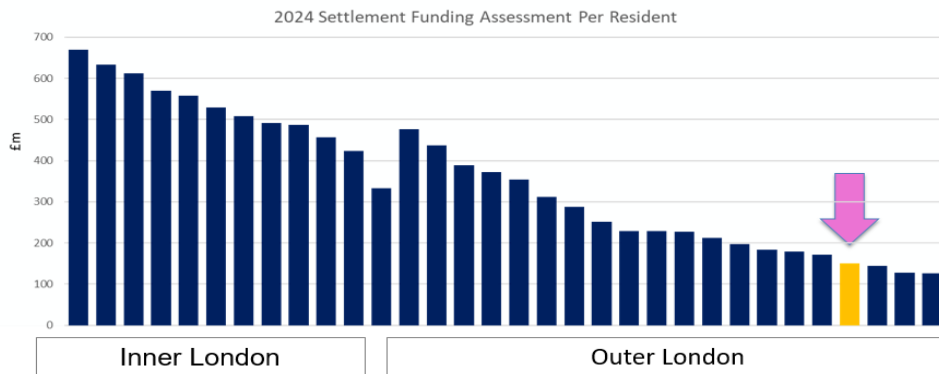
**Table 1: Numbers in temporary accommodation April - Sept 2023**

		<b>Apr-23</b>	<b>May-23</b>	<b>Jun-23</b>	<b>Jul-23</b>	<b>Aug-23</b>	<b>Sep-23</b>
<b>FAMILIES</b>	Days of TA purchased	<b>2606</b>	<b>2941</b>	<b>3384</b>	<b>3515</b>	<b>3966</b>	<b>4160</b>
	Total cost in month (m)	0.210	0.237	0.288	0.311	0.360	0.371
<b>SINGLES</b>	Days of TA purchased	<b>1399</b>	<b>1531</b>	<b>1617</b>	<b>1698</b>	<b>1583</b>	<b>1543</b>
	Total cost in month (m)	0.092	0.104	0.112	0.119	0.113	0.107

- 2.11 Havering has managed its finances well over many years despite significant cuts in Government Funding. The Council has made savings and efficiencies of over £160m over the last ten years in order to balance its budget each year. This is despite the Council being disadvantaged through the Government's failure to update its funding distribution over the same period.
- 2.12 Havering has historically received and continues to receive the lowest levels of grant funding in London. The graph below shows that Havering receives the third lowest level of Settlement Funding support (Revenue Support Grant and Business Rates top up grant) in London. This has forced the Council to rely on Council Tax to fund service demand and other inflationary pressures.



**Graph 4: Breakdown of Core Grant per Resident across London**  
 2024/25 Settlement Funding Assessment per Resident



2.13 The Government has also frozen the basis on which they allocate grant since 2013. This has had a significant impact on Havering as fundamentally, the Governments formula does not reflect the rapid population growth set out in paragraph 2.8. As an example, Havering will receive £29.5m of Social Care grants in 24/25 through the Governments formula. If updated demographic relative need data produced by the DHSC for social care had been used Havering would receive an additional £10m in social care grant per year.

2.14 The Government has also cut local Government Funding significantly since 2010. In 2010/11 Havering received nearly £100m in central grant. This was reduced over a decade of austerity to £39m for 2024/25. Whilst the actual reduction to grant took place between 2010 and 2017 Havering has now such a low grant base that the Governments latest inflationary increase to central grant only increases our grant by £1.7m. It should also be noted that the Government assume Councils will increase Council Tax each year by the maximum permissible as part of their funding strategy. This results in an ever increasing reliance on Council Tax as the main funding stream rather than Government grant.

2.15 The rapid rise in demand for services coupled with inadequate Government funding has left the Council facing significant pressures which even the savings and Council tax increase proposed in this report will not close. This report sets out the process the Council has taken to set the budget in 2024/25 and presents the medium term gap over the next four years which the Council will need to close.

### 3. The Budget Process and Medium Term Financial Strategy update

3.1 The process to set the budget and medium term financial strategy is an ongoing one and in effect starts at the beginning of the financial year. The process is robust and developing the budget gap takes account of the following factors:

- The ongoing impact of the 2023/24 overspend

- Inflation Rates
- Demographic Assumptions
- Interest Rates and the cost of borrowing
- Current in-year pressures
- Implications of the future Capital programme
- The need to establish prudent levels of balances and reserves
- Government Funding

3.2 When the 2023/24 budget was set in February 2023 the report included a high level future year forecast gap of £10m in 2024/25 rising to £31m by 2026/27. It became apparent at a very early stage that both the budget for 23/24 and the ongoing assumptions into 2024/25 were significantly understated to meet the unprecedented demand the Council was facing.

3.3 The 23/24 revenue budget is overspent for three main reasons being the rising costs of Adult and Childrens Social Care and the rapidly increasing numbers and cost of temporary accommodation. These pressures were identified at an early point in the year and by Period 4 a service overspend of £26.1m was forecasted.

3.4 The forecasts were updated in a report to October cabinet which provided Councillors with a clearer position to inform decision making.

3.5 The report to cabinet in October set out a £31.2m gap for 2024/25 rising to £77m over the 4 years to 2027/28. This report included the projected ongoing impact of the 2023/24 overspend and estimated the future cost of Social Care and Temporary Accommodation after an exercise considering best/worst and most likely outcomes. The table below sets out the position presented to October cabinet.

**Table 2: Budget and Medium Term Strategy Position presented to October Cabinet**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	4 Year Plan £m
Corporate Pressures	12.9	14.8	12.1	7.7	<b>47.5</b>
Demographic and Service Pressures	34.9	9.3	8.4	5.5	<b>58.0</b>
Assumed Savings previously built into the strategy	-6.8	-9.1	-8.2	-1.6	<b>-25.6</b>
Additional Government Funding	-9.8	1.0	6.0	0.0	<b>-2.8</b>
<b>Budget Gap</b>	<b>31.2</b>	<b>16.0</b>	<b>18.3</b>	<b>11.6</b>	<b>77.1</b>

3.6 Significant work was undertaken to develop the assumptions in the budget. The Council adopted a best, worse and most likely basis to develop each assumption. The detail behind these assumptions and an assessment of the risks can be found at **Appendix A** of this report but the key drivers of costs are summarised in the table below.

**Table 3: Key Assumptions built into the budget process**

Pressure	Best £m	Likely £m	Worst £m
Adults Ongoing Pressure	12.0	14.3	17.8
Childrens Ongoing pressure	10.0	11.0	13.5
Homelessness ongoing pressure	3.0	3.9	6.5
24/25 Pay Award Assumption	1.0	3.0	5.0

### ***Savings Process and Budget Consultation***

- 3.7 In order to help close the budget gap the Council identified and consulted on a series of savings and efficiency measures. These were presented as initial proposals in a report to November cabinet and then were reviewed to ensure that the savings values were robust and better profiled in line with what is achievable during 2024/25.
- 3.8 The budget consultation process asked the public, business rate payers and key stakeholders a series of questions relating to these proposals. The findings of the consultation process are set out in detail in **Appendix B** of this report. The main highlights of the consultation process were:
- 3,723 people took part in the Consultation of which 3,607 were Havering Residents
  - Responses came from people of all age groups with the 65-74 recording the highest level of replies (676)
  - Just over half (53.6%) of the respondents were female
  - The main areas respondents were concerned about was the cost of living, crime and community safety and Health care needs
  - The main savings respondents were most concerned about were Parking increases, Council Tax increases and alternate weekly refuse collection

The Council also ran four budget briefing sessions for staff between September and January. These were attended by over 2,000 people in total and both raised awareness of the Council's financial position and enabled staff to provide their views on the budget.

### ***Savings proposals amended following Public Consultation***

- 3.9 The Council reviewed carefully the outcomes of the budget consultation and the concerns residents raised. The savings proposals were reviewed following the consultation and the following changes have been made

- The proposed increase to charges for football pitches has been reduced from a 50% increase to an inflationary increase of 6.1%
- The proposed charges for parking in parks have been reviewed and will now be limited to a phased increase on weekdays with a £1.50 flat fee at weekends (both free for first 30 minutes)
- A further review and consultation on waste collection and waste minimisation options for the future.

3.10 After this exercise and taking into account the outcomes of the budget consultation it is proposed the savings (set out in detail in **Appendices C and C1**) are approved as part of the budget process. This Appendix sets out each saving on detailed pro-formas, profiled together with any cost implications of delivery.

These savings are summarised in the table below:

**Table 4: Summary of New Savings Proposals**

Saving Area	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
Place	-3.330	-0.559	-0.027	0.000	<b>-3.916</b>
People	-1.639	-0.206	-0.355	0.000	<b>-2.200</b>
Resources and O/S	-1.119	0.011	0.430	0.000	<b>-0.678</b>
Corporate	-4.136	3.352	-0.045	0.000	<b>-0.829</b>
<b>TOTAL</b>	<b>-10.224</b>	<b>2.598</b>	<b>0.003</b>	<b>0.000</b>	<b>-7.623</b>

3.11 It should be noted that the Council has a further £6.3m of previously agreed savings to deliver in 24/25. These savings are partly the continuation of proposals commenced in 23/24 and partly other initiatives put forward in the previous budget round. These savings are listed in the table below and are set out in more detail as part of **Appendix C2**

**Table 5: Summary of Existing Savings Proposals**

Saving Area	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
Place	-0.493	0.000	0.000	0.000	<b>-0.493</b>
People	-4.562	-7.196	-6.320	0.000	<b>-18.078</b>
Resources and O/S	-0.130	0.000	0.000	0.000	<b>-0.130</b>
Corporate	-1.100	-1.100	-1.100	-1.100	<b>-4.400</b>
<b>TOTAL</b>	<b>-6.285</b>	<b>-8.296</b>	<b>-7.420</b>	<b>-1.100</b>	<b>-23.101</b>

**Table 6: Total Proposed Combined Savings 2024-2028**

Saving Area	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
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Place	-3.823	-0.559	-0.027	0.000	<b>-4.409</b>
People	-6.201	-7.402	-6.675	0.000	<b>-20.278</b>
Resources and O/S	-1.249	0.011	0.430	0.000	<b>-0.808</b>
Corporate	-5.236	2.252	-1.145	-1.100	<b>-5.229</b>
<b>TOTAL</b>	<b>-16.509</b>	<b>-5.698</b>	<b>-7.417</b>	<b>-1.100</b>	<b>-30.724</b>

### ***Fees and Charges***

3.12 The Council annually reviews its fees and charges to customers. **Appendix D** sets out the proposed fees and charges for 2024/25. It should be noted that some fees are set nationally and the Council has not control over those rates. In setting the fees and charges the Council takes account of:

- Full cost recovery where appropriate
- Statutory fees rates
- Inflation
- Benchmarking and other market comparators
- Delivery costs for social care providers.
- Current market conditions for any increase

3.13 Given the Council's current financial position it is imperative that the Council takes a prudent view of the pressures it faces in 2024/25 so the budget is a robust one and there are no further overspends when the new year starts. The autumn months since that report was written have shown that numbers and unit costs have continued to rise resulting in a need to take a more prudent review of likely demand and move the assumptions towards the higher end. However, assumptions are made at a point in time and despite using the best information available to officers at the time of writing this report, there will be a number of factors that will vary from what has been incorporated into the budget. Therefore, it is important the Council has capacity to manage financial risks that may arise during the next financial year.

### ***Review of Corporate and Service Pressure assumptions***

3.14 The following changes have been made to the assumptions since the October cabinet report.

- Increase in Temporary Accommodation costs - The service overspend in 2023/24 has risen in period 8 to over £5m as additional numbers presenting outstrip even the estimates previously forecasted. The MTFS assumption has been increased by **£2.6m** to reflect the ongoing costs into 2024/25
- Adult Social Care Costs - The Council has now reconsidered the assumptions on Adult Social Care in line with the higher/worse case scenario. This adds a further **£3.5m** to the expected pressure on Adult Social Care.

- Childrens Social Care - The number of Looked After Children has risen by over 30 in the last nine months and continues to rise beyond previous estimates. Placements will also be impacted by the inflationary factors described above. The assumption has moved towards the higher case scenario and added **£2.5m** to the expected pressure.

3.15 The Council has also reviewed its Corporate assumptions to ensure the Council has sufficient provision to cover known and emerging pressures in 2024/25. The updates to the plan are listed below:

- The current assumption for the pay award is £3m (3%). This has proved insufficient in the last two years and whilst inflation is falling it is still prudent to increase the provision by **2.0m** to £5m (5%)
- The Council has a total of £16.4m of savings to find in 2024/25 including the full year effect of previous proposals. These savings will be difficult to achieve and some delivery may experience delays. A savings provision (**£3.0m**) has been introduced into the MTFs to account for this although the aim will remain at 100% delivery
- Audit Fees – The cost of external audit fees is set to rise by **£0.2m**
- The expected costs of Licences are due exceed current budgets by **£0.5m**
- Insurance Premiums – It has become clear that the cost of insurance is rising significantly and an expected additional **£1.0m** pressure has been built into the MTFs as a result
- Waste Disposal Levy - The Waste Authority (ELWA) have reviewed their reserves and as a result have released reserves back to constituent boroughs in the form of reduction to the 2024/25 levy (**£0.7m**)

**Table 7: Best, Worst, Most likely Assumptions 24/25 budget**

<b>24/25 Pressure</b>	<b>Best £m</b>	<b>Mid £m</b>	<b>Worst £m</b>
Adult Social Care	12.0	14.3	17.8
Childrens Social Care	10.0	11.0	13.5
Temporary Accommodation	3.0	3.9	6.5
24/25 Pay Award	1.0	3.0	5.0
New Pressures and Capitalisation Direction Cost	0.0	0.0	7.7
Government Finance Settlement	-6.1	-6.1	-5.6

Savings Proposals	-18.2	-18.2	-16.5
Other Pressures, and Council tax (no change to November)	4.1	4.1	4.1
<b>Budget Gap 2024/25</b>	<b>5.8</b>	<b>12.0</b>	<b>32.5</b>

### ***Local Government Provisional Finance Settlement update***

- 3.16 On 18th December 2023 the Government published the 2024/25 Provisional Local Government Finance Settlement. The announcement broadly confirmed the grant position which had been already announced by Government earlier in the year and then as part of a Government Policy Statement in early December.
- 3.17 The announcement was very disappointing news with no new funding in addition to already announced increases to Social Care Funding. The settlement once again failed to introduce any new methodology to re distribute grant based on current demographics and in effect rolled forward grant funding from 23/24. The total support was £0.5m lower than had been projected in the October cabinet report. Further details of the settlement and the Schools settlement can be found in section 6 of this report and in Appendix G of this report.

### ***Proposed Council Tax levels and Council Tax Requirement***

- 3.18 The Government settlement assumes the Council will increase Council Tax by the maximum permitted being 2% for the ASC Precept and a further 2.99% for a general Council tax increase. Given the financial situation set out in this report the Council has little alternative but to recommend the maximum 4.99% increase in Council Tax. The table below sets out the implications of this rise for taxpayers

**Table 8: Proposed Council Tax Levels**

	<b>Havering Base Council Tax (2.99% Inc)</b>	<b>ASC Precept (2% inc)</b>	<b>Total Havering Council Tax (4.99% inc)</b>	<b>GLA Precept (8.58 inc)</b>	<b>Total Council Tax (5.73% inc)</b>
<b>BAND A</b>	987.47	170.21	1157.68	314.27	1471.95
<b>BAND B</b>	1152.05	198.58	1350.63	366.64	1717.27
<b>BAND C</b>	1316.63	226.94	1543.57	419.02	1962.59
<b>BAND D</b>	1481.21	255.31	1736.52	471.40	2207.92
<b>BAND E</b>	1810.37	312.04	2122.41	576.16	2698.57
<b>BAND F</b>	2139.53	368.78	2508.31	680.91	3189.22
<b>BAND G</b>	2468.68	425.52	2894.20	785.67	3679.87
<b>BAND H</b>	2962.42	510.62	3473.04	942.80	4415.84

### ***Summary Medium Term Strategy Position (assuming worst -case scenario)***

3.19 The changes set out in paragraphs 3.9 - 3.14 have been built in to the medium term financial strategy and the table below shows the revised budget position

**Table 9: Updated 2024-2028 Medium Term Financial Strategy**

<b>Medium Term Financial Strategy</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>27/28 £m</b>	<b>TOTAL £m</b>
<b>Corporate Pressures</b>	22.2	18.0	12.7	7.2	<b>60.1</b>
<b>Adult Social Care Pressures</b>	17.8	3.5	4.4	3.5	<b>29.2</b>
<b>Childrens Social Care Pressures</b>	13.5	2.0	2.0	2.0	<b>19.5</b>
<b>Homelessness</b>	6.5	0.5	0.0	0.0	<b>7.0</b>
<b>Other Service Pressures (Public Realm IT, Property)</b>	5.6	3.3	2.0	0.0	<b>10.9</b>
<b>TOTAL PRESSURES</b>	<b>65.6</b>	<b>27.3</b>	<b>21.1</b>	<b>12.7</b>	<b>126.7</b>
Savings Proposals	-16.5	-5.7	-7.4	-1.1	<b>-30.7</b>
External Grant support	-9.3	-0.4	5.1	-2.2	<b>-6.8</b>
Council Tax Increase	-7.3	0.0	0.0	0.0	<b>-7.3</b>
<b>REMAINING BUDGET GAP</b>	<b>32.5</b>	<b>21.2</b>	<b>18.8</b>	<b>9.4</b>	<b>81.9</b>

3.20 The Council is required to set out its statutory budget calculations as required by Sections 30 to 36 of the Local Government Finance Act 1992 ("the Act"). The proposed Council Tax requirement is calculated, as set out below: £649.915m being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act; (b) £491.892m being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act; (c) £158.023m being the amount by which the aggregate at 2.6(a) above exceeds the aggregate at 2.6(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year. This is set out in further detail in Appendix E of this report.

#### **4. Proposal to balance the Budget**

4.1 The Council is still facing a £32.5m budget gap as set out in section 3 of this report even after all the proposed savings have been taken and a 4.99% Council Tax increase has been applied. The Council has been fully aware of the budget situation throughout the year and has met DLUHC officials and ministers on a number of occasions to discuss our position.



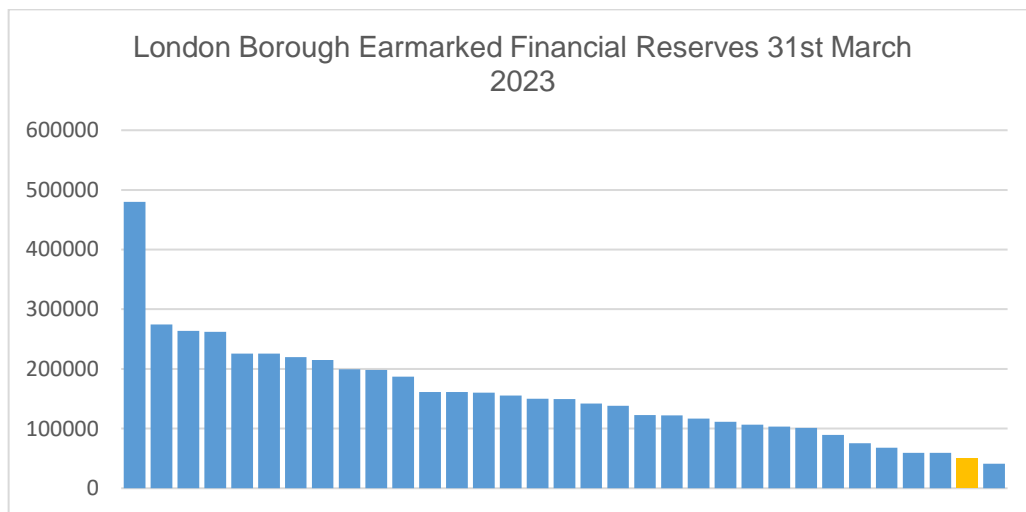
- 4.2 At the meetings with DLUHC, Havering clearly set out the difficulty it was having in setting a balanced budget for 2024/25. It was made clear that Havering was an efficient low cost authority and the current budget position was as a result of underfunding over several years rather than anything the Council has done wrong.
- 4.3 It was therefore very disappointing that no additional funding was forthcoming in the Local Government Finance Settlement leaving Havering with a significant budget gap even after new savings and Council Tax had been applied. The Government's only solution was to suggest to Havering that they apply for a Capitalisation Direction to close the budget gap, effectively allowing the Council to "borrow" to fund an on-going budget deficit.
- 4.4 The Council has taken King's Counsel advice around the process for setting local authority budgets, the prioritisation of statutory duties and the procedures of issuing of a S114 notice. This is in order to ensure that both the Council and the Government have fully complied with any legislation in place. Counsel advised as to possible action against the Government by way of judicial review, which may need to be considered going forward.
- 4.5 A Capitalisation Direction must be requested from central Government which allows the Council to fund a proportion of revenue spend as capital. The Direction effectively allows the Council to "borrow" to fund its annual revenue expenditure. If it is necessary to borrow to fund the Capitalisation Direction, then the borrowing must be undertaken from the PWLB and a rate 1% higher than normal borrowing. The Council must also allow for the repayment of this borrowing (otherwise known as the Minimum Revenue Provision MRP) on a 20 -year life span. The terms are punitive and it is disappointing Havering is being forced to borrow to fund an unsustainable budget position that has arisen solely due to an inadequate, out of date government funding formula that continually disadvantages the Borough's residents.
- 4.6 As this is the only solution the Government has put on the table Havering has applied for a Capitalisation Direction. This will allow the budget gap for 2024/25 to be closed and for the 23/24 projected overspend to be covered. By covering the projected overspend Havering will be able to keep General Balances and Earmarked Reserves at a level which allows a degree of financial resilience for next year.
- 4.7 Capitalising revenue spend in a year does not resolve the underlying structural funding deficit the Council faces but it will enable the Council to set a legally balanced budget for 2024/25. The Council will continue to lobby central Government for the funding reforms needed to adequately fund Social Care and manage temporary accommodation. This is a national problem and whilst Havering has been forced to act through its low reserves position other authorities will be faced with the same decisions in the coming months and years.

- 4.8 The revised budget position allows for a revenue cost of borrowing for the Capitalisation Direction. The Council will however review its existing capital receipts and their planned application in order that the most cost effective mechanism is used to finance the Capitalisation Direction
- 4.9 There are a number of financial risks and uncertainties which could potentially impact on the 2024/25 budget and also medium term forecasting. These risks have been incorporated into the gap set out in paragraph 3.19 and **Appendix A** sets out these risks in more detail.
- 4.10 Children's Social Care continues to be a high risk area where the growing younger population could potentially result in increased demand and additional costs. The 2021-22 budget for children's social care was £33.6m, rising to £38.3m in 2022-23 and £43.1m in 2023-24. This reflects the increased costs both through rising client numbers linked to demography and more significantly through additional inflationary cost of placements, which is a challenge shared by local authorities nationally.
- 4.11 The analysis of demographic pressures moving into 2024/25 has been robust, using metrics measuring both unit costs and client numbers and taking into account the sharp increases in the cost of living and inflation rates.
- 4.12 The Council undertook an internal self-evaluation of children's social care services in mid- 2023, ahead of the latest Ofsted inspection which took place later in the year. The council anticipates that Ofsted will share the local authority's assessment that services will need to significantly improve throughout 2023-24 and beyond, and this will add cost pressures. It is expected that the subsequent service improvement plan, based on the resulting Ofsted inspection report, will indicate potential further additional costs required to cover the recommendations made for improvement. If this is the case the Department for Education will be requested to provide additional support through the Sector Led Improvement Programme (SLIP) programme. These potential additional costs however represent a significant risk to future Council budgets.
- 4.13 Adopting the recommendations in this section of this report together with the Capitalisation Direction will enable a balanced budget for 2024/25 to be set. The Council will still be faced with a budget gap of £49.1m for the remaining three years of the strategy. The Council will also need to work with the Government on a fairer funding system in future to reduce or eliminate the need for a further capitalisation request in 2025/26
- 4.14 The Councils balanced budget for 2024/25 is set out in **Appendix F** of this report. This Appendix shows the revised 23/24 budget for each Service together with the growth, savings and the impact of the local government grant settlement.

## 5 Balances, Reserves and Contingencies

- 5.1 Havering recognises the need to have adequate reserves and balances and maintains a £1m corporate contingency for unforeseen in year pressures. Havering’s general balances and earmarked reserves have been depleted in recent years through the pressures on services and are now amongst the lowest in London as shown in the graph below:

**Graph 5; Havering Earmarked Reserves vs London Boroughs 31/03/23**



- 5.2 When departments show an in-year overspend position the expectation is that they will develop an action plan to mitigate the pressure. The medium term financial strategy recognises demographic and inflationary pressures so the central contingency is maintained purely for unforeseen events.

5.3 Earmarked Reserves

Earmarked Reserves are time limited reserves for specific purposes. Some reserves such as the Insurance Fund will need to be replenished each year in line with projected future claims whilst others will be expected to be spent over the next four years. The Council makes decisions to set up reserves where funding is required in future years as projects are identified.

The Council’s general fund earmarked reserves were £39.7m at 31<sup>st</sup> March 2023 and are forecast to reduce by a further £5.2m during 2023/24. It should be noted that the majority of the remaining earmarked reserves are either risk based or contractual and therefore are unavailable to mitigate the in-year overspend. The Council’s earmarked and general reserve levels are amongst the lowest in London.

5.3 General Balances

The General Fund Balance stood at £8.1m at 31 March 2023. The Council has a further planned £2m contribution built into the 2023/24 budget but the continued pressures on social care due to inflation and demographics has resulted in a significant overspend being predicted in the current revenue monitor. The Council is working tirelessly to reduce this overspend but the outturn position will result in a draw on the general reserves position if the Capitalisation Direction is not granted.

## 6 Schools budget and DSG

- 6.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant that is allocated to local authorities to meet their responsibilities for early years' education, the funding of schools and for provision and support for pupils with special educational needs and disabilities and for pupils requiring alternative provision.
- 6.2 There has been a large increase in the overall DSG for 2024/25 of £22.6m. The overall DSG budget will be £315.7m compared to £293m. This is in part the result of the rolling in of a previously separate grant and the new responsibility for wider entitlement to Early Years Education and Childcare. The table below sets out the increase in comparison to 2023/24

**Table 10: Havering Dedicated Schools Grant 2024/25**

Financial Year	Pupil Numbers	Schools Block allocation - pupil led	Premises factors including NNDR and Growth	Mainstream School additional Grant	Total Schools Block	Central Services to schools block	High Needs Block	Early Years	Early Years New Funding	Total DSG
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2024/25	39654	233.444	4.172	0.000	237.616	1.747	42.959	23.777	9.593	315.692
2023/24	38898	217.322	4.476	7.479	229.277	1.696	40.630	21.439	0.000	293.042
Difference	756	16.122	-0.304	-7.479	8.339	0.051	2.329	2.338	9.593	22.650

- 6.3 Further details of the Dedicated Schools grant can be found as part of Appendix G to this report.

## 7 The HRA Budget and 30-year Business Plan

- 7.1 The Council has a separate report on this agenda to agree the HRA Budget for 2024/25 and the update of the 30 year HRA Business Plan. This report proposes a rent increase of 7.7% with effect from April 2024. This will mean the average weekly rent for general needs properties will be £133.45 and £113.72 for the sheltered housing.
- 7.2 The report also sets out the 30 year business plan and financial assumptions which have been updated to reflect the current national and global outlook. The plan projects a significant deficit in the debt position in the next 10 years gradually smoothing over the 30 year period. This will be continually monitored to ensure the plan remains viable.

## **8 The five-year Capital Programme and flexible use of capital receipts**

- 8.1 The Capital Strategy and Programme is presented in a separate report on this agenda. The Medium Term Financial Strategy takes full account of the interest and borrowing cost of the proposed programme. This includes the revenue implications of a number of new bids which are included for approval by Council.
- 8.2 The proposed Capital programme will spend £1.4bn of which £0.5bn is for the General Fund and £0.9bn is HRA Capital Spend. The majority (0.37bn) of the general fund spend relates to the Councils regeneration schemes which will deliver new homes and help greatly with the current Housing shortage.
- 8.3 The Capital programme will be funded by a number of sources including receipts (£0.2bn), grants (£0.3bn), contributions from revenue and reserves (£0.05bn) and borrowing (£0.85bn). The affordability of the Capital programme is assessed using a series of prudential indicators which measure items such as the ratio of financing costs to net revenue stream and the Councils capacity to deliver the programme. Further details of the prudential indicators can be found in the Capital Strategy report elsewhere on this agenda.
- 8.4 In December 2023, the Government announced the continuation until 2030 of the flexible use of capital receipts directive which allows Authorities to use capital receipts to finance revenue transformation expenditure for any project that is designed to generate ongoing revenue savings. Authorities are required to list each project and the savings that are being generated as a result of the project.
- 8.5 Further to the flexible use of receipts directive the Government have also just issued consultation on proposals to potentially extend the directive further to improve sector stability and efficiency. Implications on the consultation are being assessed however the increased flexibility is more beneficial for those with excess capital receipts available. As Havering has traditionally used capital receipts to keep borrowing down initial thoughts are that the additional flexibility has limited benefits.
- 8.6 Flexible use of receipts is currently being reviewed and once implications of the new consultation have been established further updates will be made. Havering is reviewing eligible transformational work and a request for use of the flexible arrangements will be made when that plan is developed together with any associated savings

## **9 Executive Director of Resources (S151 Officer) statement regarding the robustness of the budget and MTFS**

- 9.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of Council Tax. Authorities are required to consider their Chief Financial Officer's report when setting the level of council tax. This statement is set out in **Appendix H** of this report.

## **10 Council Tax Policies and Proposals**

10.1 The Council has a number of proposed policies regarding Council Tax which require formal approval. These proposed policies are listed below with further detail set out in **Appendices I & J** to this report.

- Proposed discount of 1.5% for Council Tax payers who pay their 2024/25 Council Tax in full before 1<sup>st</sup> April 2024
- The proposed Council Tax Support scheme for 2024/25
- Proposed Policy regarding war pension income in relation to Housing Benefit Assessment

10.2 The Equalities Impact Assessment of the Council Tax Support scheme is attached as Appendix K to this report.

## **11 The Council's commitment to Climate Change**

11.1 Havering Council is fully committed to tackling climate change across the borough and has set a target of being carbon neutral by 2040. Many projects are already underway to help towards achieving this goal, including:

- The new waste contract with Urbaser came into effect at the end of October 2023. The new service enables residents to recycle more items such as plastic pots, tubs and trays, and glass can now be collected for the first time.
- The Home Upgrade Grant Phase 2 (HUG2) award has been received and a number of homes have been identified for energy efficiency upgrades and clean heating systems in low-income households. This grant will allow the Council to tackle fuel poverty in 30 homes. It is anticipated that further government grants will be made available to improve the thermal efficiency of homes and the on-going data analysis will enable the Council to secure further grants for residents.
- As part of the UK Share Prosperity Fund (UKSPF) initiative a zero-carbon demonstration centre in Raphael's Park Lodge will be developed to inform colleges, schools, businesses and residents of the benefits and opportunities of undertaking energy improvement measures.
- The Council has secured funding from the UKSPF initiative to provide business advice, guidance, mentoring and training to 160 businesses across the borough with the objective of the businesses adopting greener processes within their ways of working. The Council will also commission a directory of sustainable services, providing businesses with a resource they can access to support their own efforts to tackle climate change.
- A Social Housing Decarbonisation Fund (SHDF) grant of £1.27m has been received from Wave 1 for social housing properties currently below Energy Performance Certificate (EPC) C rating to be upgraded, helping to cut fuel bills

for social housing tenants as well as delivering warm homes and reducing carbon emissions. The Council has delivered fabric retrofit to 106 properties as part of this programme and will be delivering similar improvements to approximately 300 properties over the next two years.

- Building of the new Family Welcome Centre in Harold Hill is due to start on site early in 2024 and will have a heat pump as its primary source of heating and hot water, as will two new supported accommodation schemes for Social Services which are due to start on site in February 2024.
  - Working with the Havering Volunteer Centre Climate Change Champions and the Green Forum with grant applications to raise community awareness about the role everyone has to play in tackling climate change.
  - The Data Centre is an important opportunity for Havering Council to not only realise inward investment but also to allow the Council to be at the forefront of innovative technology. Senior Members of the Cabinet have been actively investigating the possibility of developing heat networks in the operation of the data centre.
  - Further funding from the UKSPF initiative has been secured for tree planting to the Romford Ring Road scheme and for 'greening central Romford'.
  - To demonstrate the Council's commitment and to emphasise both the seriousness and urgency of our work, the Council declared a climate and ecological emergency for Havering on 22 March 2023. The current Havering Climate Change Action Plan is being reviewed and an updated version will be in place in the new financial year.
- 11.2 For the coming year, the Council will, through the continued implementation of the Havering Climate Change Action Plan, embed the journey to carbon neutrality into the delivery of everyday services and model performance to ensure that it aligns to the Council's ambitions. It is particularly important for Havering residents that the Council co-ordinates climate mitigation which addresses flood and fire prevention and the impacts of extreme weather. This will require a robust programme of information for residents which will enable them to boost borough wide resilience. Delivery will be in concert with other stakeholders where the Council will demonstrate its leadership in this field and will realise benefits for residents through addressing not only the causes of climate change but mitigating the impacts of climate change on local communities.

## REASONS AND OPTIONS

### Reasons for the decision:

The Council is required to set a balanced budget in advance of the beginning of each financial year. This report sets out the process to reach a balanced budget for 2024/25 and sets out the Council's future plans for balancing the budget in the medium term from 2024/25 to 2027/28.

### Other options considered:

The report outlines all the options identified for balancing the 2024/25 budget. Officers will continue to seek further options for balancing the budgets in future years.

The only alternative to the Capitalisation Direction would be for the S151 to issue a S114 Report, declaring the Council unable to set a legally balanced budget for 2024/25.

## IMPLICATIONS AND RISKS

### 12 Financial Implications and Risks

- 12.1 The financial implications of the Council's Medium Term Financial Strategy are fully set out in this report and are therefore implicit in the body of this report.
- 12.2 The Council is proposing a 4.99% Council Tax increase and will be using a Capitalisation order to balance the budget. This will enable the Council to charge revenue expenditure to capital in 2024/25. The Council will need to either reduce its net expenditure or receive additional grant funding to prevent a similar scenario in the setting of the 2025/26 budget.
- 12.3 The report contains prudent assumptions on future pressures and £16.7m of savings to be delivered in 2024/25. If the Council is to stay within budget demand will need to be contained within these assumptions and the savings will need to be delivered

### 13 Legal Implications and Risks

- 13.1 The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 (the 1992 Act) to set its council tax for the forthcoming year. In accordance with section 30(6) and 31A of the 1992 Act this must be set before 11 March of the preceding year, but is not invalid merely because it is



set on or after that date.

- 13.2 The Council's calculation of its "council tax requirement" in accordance with sections 31A and 31 B of the 1992 Act is reflected in the body of this report. A delay in setting council tax can have serious financial consequences and may be challenged by way of an application for judicial review under section 66 of the Act.
- 13.3 Under section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. Cabinet is required to consider these estimates when determining whether the proposals should be submitted to Council for approval.
- 13.4 The process for preparing the budget proposals for each municipal year, including any consultation requirements, is set out in the Budget and Policy Framework Procedure Rules within the Council's Constitution. The setting of the budget is a function reserved to Council following consideration of the initial proposals submitted by the Executive.
- 13.5 The Council's duty is to set a balanced budget, taking into account a range of factors, including consultation feedback and decision makers must also have regard to the Council's public sector equality duties under the Equality Act 2010. Each Member has a duty to ensure that the Council complies with its legal obligations by agreeing a balanced budget.
- 13.6 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.
- 13.7 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.
- 13.8 Local Authorities owe a fiduciary duty to council taxpayers, which means the Council must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council taxpayers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 13.9 The Council has an ongoing duty to maintain a balanced budget throughout the year and, accordingly, members are required to monitor the Council's financial position regularly in accordance with section 28 of the Local Government Act 2003 and take appropriate action if there is any significant deterioration in its financial position.

13.10 Where it appears that the expenditure the Authority proposes to incur in a financial year is likely to exceed the resources available to meet that expenditure, the Chief Finance Officer is under an obligation to prepare a report to Council under section 114 of the Local Government Finance Act 1988.

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

14.1 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. The specific workforce impact has yet to be assessed at the present time. However, all 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.

#### **15 Equalities and Social Inclusion Implications and Risks**

15.1 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.

15.2 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, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

15.3 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.

15.4 Any decisions which need to be taken in furtherance of the budget proposals will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate full Equality Assessments will be undertaken and form part of the decision making process.

## **16. Health and Wellbeing Implications and Risks**

16.1 The Council considers health and wellbeing implications in all the decisions it takes. The impact on general health and wellbeing is fully considered in developing the savings proposals in this report and in setting the Council's budget each year

## **17 Climate Change Implications and Risks**

17.1 The establishment of the Havering Climate Action Plan signals a commitment by the Council to tackle climate change and will affect all Council policies and decisions. This budget and financial strategy has been developed with this Climate Action Plan at its forefront with good financial stewardship and procurement contributing to the Council's aim of achieving net-zero annual carbon emissions by 2040. In addition, all projects included in the programme will follow the principles set out in the action plan and adhere to its key values.

## **BACKGROUND PAPERS**

### **List of appendices**

APPENDIX A1	-	Budget Assumptions and Risks
APPENDIX A2	-	Key Cost Drivers
APPENDIX B	-	Budget Consultation Outcomes
APPENDIX C,C1	-	Summary schedule and Updated/Amended Savings Proposals
APPENDIX C2	-	Savings Proposals brought forward from 2023/24
APPENDIX D	-	Fees and Charges schedule
APPENDIX E	-	Council Tax Requirement and Resolution
APPENDIX F	-	2024/25 Council Budget
APPENDIX G	-	Dedicated Schools Budget
APPENDIX H	-	Statement of Robustness on the budget
APPENDIX I	-	Summary of the Council Tax Support scheme

- APPENDIX J - Council Tax policies
- APPENDIX K - EQIA for the Council Tax Support scheme