



CABINET

17th July 2024

Subject Heading:

Improvement & Transformation Plan

Cabinet Member:

Councillor Ray Morgon

ELT Lead:

Kathy Freeman, Strategic Director,
Resources

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Policy context:

The plan is intended to meet the requirement to produce an Improvement and Transformation plan, as a condition of the 'exceptional financial support' approved in principle by the Secretary of State.

Financial summary:

The Improvement and Transformation Plan is required to secure the Capitalisation Direction.

Is this a Key Decision?

No

When should this matter be reviewed?

Reviewing OSC:

Overview and Scrutiny Board

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

People - Supporting our residents to stay safe and well x

Place - A great place to live, work and enjoy x

Resources - Enabling a resident-focussed and resilient council x

SUMMARY

Havering is a well-run cost effective Council. Our unit costs are the 16th lowest compared to 16 other Outer London boroughs, i.e. the lowest as assessed by LG Futures. We are ranked by IMPOWER (at their last point of formal publication) as being the 5th most productive council in the country. Our income collection for Council Tax is in the top-quartile in London. We have consistently sold off assets (over £160m since 2013/14) to minimise borrowing costs of our capital programme, and Members have maximised Council Tax increases throughout austerity.

The Council takes its financial responsibilities very seriously. We have maximised Council Tax income, have one the lowest unit costs in the country, we have sold assets, we don't have high levels of borrowing and now we are depleting our reserves.

After significant systemic underfunding since 2010, the Council's financial challenge is no longer one we could manage without Government intervention. A Capitalisation Direction was applied for to prevent us from issuing a S114 for this financial year (2024/25). As part of the requirements to receive the capitalisation direction, an Improvement & Transformation Plan is required to be submitted no later than 27th August.

Another condition of the Capitalisation Direction is for the Council to undergo an independent Financial Management review. The review is an assessment of Havering's Financial Management arrangements and governance arrangements, and the Chartered Institute of Public Finance and Accountancy have been commissioned by the Department of Levelling Up, Housing and Communities to undertake this on their behalf, and submit a report to them directly in due course.

This review has commenced and is likely to conclude at the end of July. The Council must incorporate the review recommendations in the Improvement and Transformation Plan prior to its submission.

RECOMMENDATIONS

Cabinet is asked to make the following recommendations:

- (1) Approve the Improvement and Transformation Plan.

- (2) Authorise the Chief Executive to implement and deliver the Plan and to agree any changes to the Plan as he shall deem necessary to satisfy the terms and conditions of the capitalisation directive.

Cabinet is asked to note that the delivery of actions set out within this plan is the responsibility of the Executive Leadership Team and that this plan will be subject to regular and frequent monitoring and reporting.

REPORT DETAIL

- 1.1 On the 14 November 2023 the Strategic Director of Resources and S151 Officer, wrote a letter to the Minister for Local Government, requesting 'exceptional financial support'. On 27 February 2024 the Leader received a response from the Minister which confirmed that: "With respect to the financial year 2024-25, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £53.7 million."
- 1.2 The letter continues to confirm that 'Before the capitalisation direction can be approved, your council will need to undertake certain actions. This is consistent with the approach used by the Department since 2020 to those councils that have applied for exceptional financial support.'
- 1.3 The annex to this letter said: "In order for the Department to provide a final capitalisation direction, the Council is required:
 1. To undergo an external assurance review which will include, but will not be limited to, an assessment of the Council's financial position and financial management practices and the Council's work to improve its productivity and efficiency, linked to the broader work expected by the Department to produce productivity plans to improve service performance and reduce wasteful expenditure.
 2. To produce an improvement and transformation plan within six months of the date of this letter that is focused on delivering the Council's key objectives and securing the medium-term financial position. The plan should take into account broader work required by the Department to produce productivity plans to improve service performance and reduce wasteful expenditure. This plan should be rooted in clear deliverables and tangible, measurable outcomes over the next 12-months and beyond. The plan should incorporate any recommendations identified as part of the external assurance review once that review is completed and a commitment to ongoing reporting on the progress that is made."
- 1.4 In the statement on 5 February 2024, accompanying the Local Government Finance Settlement, the Secretary of State, Michael Gove MP, announced that "As part of our efforts to return the sector to sustainability in the future, we are also asking all local authorities to develop and share productivity plans
- 1.5 This Improvement & Transformation Plan sets out how we intend to respond to these challenges and aligns with the Governments Productivity plan.

REASONS AND OPTIONS

Reasons for the decision:

Simon Hoare outlined the process and conditions in order for the council to receive the capitalisation direction, one of which was for the plan to be produced and submitted by the 27th August.

Other options considered:

Do not approve the Improvement and Transformation plan. This option was quickly dismissed as if Cabinet do not approve we will not receive the capitalisation direction.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no immediate additional financial implications arising from approving the Productivity Plan. It is expected that the work identified within the Productivity Plan will be delivered within approved Revenue and Capital budgets in this financial year and any issues arising will be flagged as part of the normal budget monitoring process. The Financial implications of specific proposals will be assessed on an individual basis as part of the relevant decision-making processes. Additional future costs and any new savings or benefits delivered will be considered as part of the annual MTFS (Medium Term Financial Strategy) cycle.

Legal implications and risks:

There are no immediate legal implications arising from this report.

Human Resources implications and risks:

There are no major direct HR implications or risks from this report. Any HR issues which occur will be managed in accordance with the Council's HR policies and procedures and any change processes that are required will be managed in accordance with both statutory requirements and the Council's Organisational Change Policy and Procedure and associated guidance.

Equalities implications and risks:

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

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

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

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

Equality impact assessments are systematically carried out for any services, projects or other schemes that have the potential to impact on communities and / or staff on the grounds of particular protected characteristics or socio-economic disadvantage.

Equalities assessment is normally required for significant impacts upon ANY of the "protected characteristics". As this is a Plan that pulls together the work that is already being completed or due to start, an assessment is not required at this stage, but will be considered for any future projects.

Health and Wellbeing implications and Risks

Under the Health and Social Care Act 2012 the Council is responsible for improving and protecting the health and wellbeing of local residents. Havering Council is committed to improving the health and wellbeing of all residents.

There are no health and wellbeing implications arising from the proposed decision to approve and publish this Improvement & Transformation Plan.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

The Council has committed to taking action towards the organisation and the borough becoming carbon neutral by 2040.

No detrimental climate change implications or risks are expected as a direct outcome of this plan.

BACKGROUND PAPERS