
CABINET

Subject Heading:

**Revenue and Capital Budget
Monitoring Report - Period 6**

Cabinet Member:

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

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Policy context:

The report provides an update on the
Financial monitoring position of the
Council at the end of Period 6 2024-2025.

Financial summary:

This report includes:

- Projected 2024/25 Revenue
Outturn position at Period 6
- Projected Capital spend for 2024/25
as at Period 6
- Update on progress towards
delivering the 2024/25 savings
- Update on the position on
Earmarked Reserves

Is this a Key Decision?

No

1. EXECUTIVE SUMMARY

- 1.1. This Report sets out the monitoring position for the Council for 2023/24 based on figures to period six (30th September). The report also updates on the latest position on the Capital programme detailing spend and outputs so far and planned spend for the remainder of the year
- 1.2. The Council is projecting a £33.2m overspend on its General Fund revenue budget at period 6. The Council will continue to enforce strict spending controls and identify efficiencies as set out later in this report. The current projected outturn position would result in the Council needing to utilise the full extent of the £32.5m Capitalisation Direction provisionally agreed with the Government at budget setting.
- 1.3. The report also sets out progress to date on delivery of the 2024/25 savings agreed in setting the budget in February 2024. The majority of savings are either already delivered or are on track. There are a number of savings which are either delayed or will not be delivered. Departments are reviewing all areas to identify underspends and efficiencies to mitigate these savings but the resultant pressure is fully included in the projected variances presented in this report.

2. RECOMMENDATIONS

- 2.1. Cabinet are asked to note the revenue financial position at Period 6 as set out in section 4 and Appendix 1 of this report
- 2.2. Cabinet are asked to note the progress towards delivery of the 2024/25 savings and the updated position on earmarked reserves
- 2.3. Cabinet are asked to note the Quarter 2 Capital Programme update as set out in Appendix 2 to this report.

3. BACKGROUND

- 3.1. Havering is an efficient well-run authority which has managed its budgets carefully over many years. Over the last decade the Government has reduced the amount of funding the authority has received both in cash terms and through an inequitable funding formula which does not reflect the demographic pressures the Council faces.
- 3.2. This position has resulted in Havering having no alternative to requesting exceptional financial support in order to balance its budget for 2024/25. The Council received provisional agreement from central Government to balance its 2024/25 budget using a £32.5m capitalisation direction which represented a worst-case scenario.
- 3.3. Growth was allocated to service budgets at the start of the year based on the most likely scenario at that time which would have resulted in a £14.0m gap rather than the full

£32.5m agreed with central Government. This report shows the Council's position against that position is now in effect at the worst-case scenario with demographic and inflationary demand on people services in particular exceeding the budgets allocated to departments.

- 3.4 The new national Government have committed to funding reform and multiyear spending reviews from 2025 onwards. This is welcomed and Havering will work closely with the Local Government Association (LGA), London Councils and other Councils to make sure all our concerns are presented to Government to inform decision making. It is hoped that these reforms ultimately will lead to a sustainable financial basis for the Council to deliver its services in the medium term. These reforms will take time to introduce and so in the short term it is inevitable that the Council will require further exceptional financial support to deliver its services.

4. PERIOD 6 REVENUE MONITORING POSITION

- 4.1. This section sets out the reported monitoring position at the end of Period 6 2024. The current forecasted position is a £33.2m overspend which if not mitigated would exceed the capitalisation direction permitted by the Government and result in a reduction in general balances. The table below sets out the summary position.

Table 1: Period 6 Budget Monitoring Position

Service Budgets	Original Budget £m	Budget Adjustments £m	Revised Budget £m	Period 6 Projection £m	Period 6 Variance £m
Resources and One Source	22.1	2.3	24.4	24.3	-0.1
People Services	124.3	33.4	157.7	176.3	18.6
Place Directorate	10.7	3.2	13.9	16.7	2.8
Total Service Budgets	157.1	38.9	196.0	217.3	21.3
Corporate Total	6.2	9.7	15.9	13.8	-2.1
Total Planned spend	163.3	48.6	211.9	231.1	19.2
Growth applied	48.6	-48.6	0.0	0.0	0.0
Budget Capitalisation direction	-14.0	0.0	-14.0	0.0	14.0
Total cumulative Position	197.9	0.0	197.9	231.1	33.2

4.2 Further details of Departmental variances can be found at **Appendix 1** later in this report. The main variances however continue to be across people services through additional demographic demand across all areas of social care, the rising cost of temporary accommodation and the financial impact of delivering the recommendations from the recent OFSTED report

4.3 The Council has been operating under strict spending controls for over a year since it was apparent that external financial support would be needed to balance the budget. These spending controls have recently been enhanced by the creation of recovery boards for each Department to report and action mitigations to the budget position.

4.3.1 **Ageing Well and Living Well Recovery Board**

The Ageing Well and Living Well Recovery Board has agreed a series of actions which have already been put into action with the aim of containing and reducing spend. These include:

- **Cost Control Meetings** – Weekly cost approval meetings have been scheduled. These meeting focus on challenging proposed spend to ensure value for money on essential spend.
- **Contract review** – top ten contracts in terms of spend being reviewed with a view to reduce spend by 10%
- Director of Ageing Well to sign off all one to one, out of panel requests and review of all under £650 panel requests.
- **Review of structures across Living and Ageing Well with aim of:**
 - Ensuring that appropriate resources are in place to manage the demand and complexity.
 - Ensuring that targets on reviews are in place across the service to control expenditure.
 - Ensure that we are meeting our Care Act duties to mitigate a negative outcome of a CQC inspection.

4.3.2 **The Starting Well Recovery Board**

The Starting Well Recovery Board has set up the following actions to help control and mitigate spend.

- **Cost Control Meetings** – Daily cost approval meetings have been scheduled. These meeting focus on challenging proposed spend to ensure value for money on essential spend.

- **Panels** – Starting Well has implemented a number of specialist panels to approve and regularly review expenditure on care and other support for children and families.
 - Section 17 Homelessness and NRPF panel
 - HARP – internal panel for high cost care placements
 - MARP – Multi Agency panel to approve placements and agree split funding arrangements
 - Section 23/24 (Care Leavers) panel
- **Improving Foster Carer Recruitment and Retention and Usage – Local Community Fostering** (a six borough partnership) was launched in Spring 24 to improve recruitment and assessment of foster carers.
- **Agency Reduction** – as part of the Starting Well Restructure and Improvement Plan there was initially an increase in agency spend in order to meet the recommendations of the 2024 OFSTED report. The Council is working hard to convert agency staff to permanent or to recruit to those posts.
- **Improved Commissioning** – There have been three provider forums recently with care agencies, and this has led to improved placement pathways with fostering agencies and local children's homes and supported accommodation providers.

4.3.3 Resources Recovery Board

Resources has already has put in place a number of measures to reduce costs including:

- Agreement with One Source partners on a revised allocation of Microsoft licences based on current usage – saving of £275k in year
- Resources senior management restructure completed which will deliver £560k of senior management savings across Resources
- Holding senior vacancies for example the Director of Finance post and now holding the shared onsource IT director post with alternative cover arrangements in place.
- Significant reduction of agency spend across resources through permanent recruitment to posts.

4.3.4 Place Recovery Board

Place have commenced a series of reviews of services to both identify efficiencies and to ensure effective income collection. Actions include:

- Six Month Parking Review – All the current parking regimes and arrangements will be reviewed including usage, impact of any fee changes and potential impact if the current charges were amended.
- Joint work with London Councils to review PCN Banding
- Review of parking transactional charges to ensure best value for the Council
- Review of permits issued by the Council
- Review of Highways maintenance costs. Areas include structures, drainage, flood risk management, signs, street lighting and gully cleaning work
- Review of the Highways improvement programme to identify schemes that safely can be slipped to a later date
- Review of expenditure across all other Place Services to identify if any works can be stopped or delayed to save costs in the short term
- Review of all agency posts across the service to recruit to permanent roles where possible

4.3.5 Creation of a Debt Working Group

The Board will oversee all income collection, debt, debt recovery and bad debt provisions of the Council. The role of the working group is to ensure collection is maximised for all debt whilst having full regard for residents and other debtors welfare and ability to pay

The board will oversee updates for the collection of income and outstanding debt across the Council and periodically review write off procedures and the Council's bad debt provisions

5. SAVINGS AND EFFICIENCIES DELIVERY

- 5.1. In setting the 2024/25 budget the Council identified £15.349m of savings, efficiencies and fee changes which would need to be delivered in order to balance the budget. These proposals were partially offset by a £3.0m budget provision recognising that some proposals might not be fully realised. Departments worked collectively to achieve the proposals wherever possible. The tables below show progress towards delivery of those savings split into Departments and also rag- rated.

5.2. The table below shows progress of delivery by Directorate

Table 2: Savings Delivery

Savings Delivery	Green (M)	Amber (M)	Red (M)	Total (M)
Corporate	4.936	0.300	0.000	5.236
Resources	0.969	0.000	0.280	1.249
People	2.828	1.651	1.422	5.901
Place	1.431	0.782	0.750	2.963
TOTAL	10.164	2.733	2.452	15.349

5.3. The Council will continue with the aim of delivering all savings and efficiencies set out in the budget. The majority are on track but there are a number which are classified as red (not on track). Where services have reported savings that are not on track they have also presented the non-delivery as a variance in their respective service monitoring position.

6. CORPORATE BUDGETS AND CONTINGENCY

6.1.1. The Council holds a central contingency of £1m each year. This is held for unforeseen events and the Council would only use this as a last resort if no other funding is available. At this stage of the year the Contingency is assumed as required but should that not be the case it will be released to support the overall budget position

6.2. The Council also holds a number of budgets centrally including Treasury Management, levies and provisions for items that are agreed in the year such as the pay award. The table below sets out the current position on these items which is a £2.1m forecast underspend to year end

Table 3: Corporate Budgets

Corporate Items	Revised Budget £m	Period 6 Forecast £m	Variance £m
Corporate Contingency	1.000	1.000	0.000
Treasury Management	11.900	9.300	(2,600)
Concessionary Fares and Taxi Cards	6.500	6.200	(0,300)
Provision for 2024/25 pay award	3,000	4,000	1,000
Business Rate Pool saving	(1,000)	(1,200)	(0,200)
Other Corporate Budgets	(5,500)	(5,500)	0.000
Total	15.900	13.800	(2,100)

- 6.3 The main underspend relates to Treasury management through a combination of higher interest receivable on the Councils short term cash balances and an underspend on borrowing and repayment costs principally due to slippage in the Capital programme.
- 6.4 There are also underspends Corporately due to one off rebates on the cost of the freedom pass for 24/25 and a forecasted overachievement on the business rate saving through the joint pool with Thurrock and Barking and Dagenham. The 2024/25 pay award has now been agreed and the final cost will exceed the most likely scenario set out in the Council's budget by £1m

7. EARMARKED AND GENERAL RESERVES

- 7.1. The Council holds general balances to mitigate against unforeseen risks. At the end of 2023/24 The Council held £10.2m in General Balances. This is significantly lower than the Council's self set target of £20m of unallocated balances. The Council does budget each year for a £5m contribution to general balances but the financial position set out in this report will make increasing general balances very difficult in the short term. The table below recognises the planned contributions to balances reaching the planned level of £20m by March 2027
- 7.2. The Council also holds Earmarked reserves which are set aside for specific time limited projects in the future. These reserves are reviewed regularly and if the reserves are no longer required they are either transferred to revenue or added to general balances.

The table below sets out the projected use of Earmarked reserves and forecast balance at year end

Table 4: Earmarked Reserves and General Balances

EARMARKED RESERVES	Opening Balance 24/25 (M)	Current Balance 24/25 (M)	Forecast Balance 31/03/25 (M)	Forecast Balance 31/03/26 (M)	Forecast Balance 31/03/27 (M)
General Balances	10.2	10.2	14.5	19.5	20.0
Risk Mitigation Reserves	13.5	13.1	10.0	8.1	8.1
Contractual Reserves	12.2	12.0	8.0	8.0	8.0
Internally Earmarked Projects	9.4	8.8	7.1	5.8	5.7
TOTAL	45.3	44.1	39.6	41.4	41.8

8. HOUSING REVENUE ACCOUNT (HRA)

- 8.1 The HRA is forecasting an underspend of £0.38m at Period 6. The underspend partly relates to vacancies causing a salary underspend and also an increase in hall hire income.

There have been also been delays in the recruitment of staff in Housing Operations, but the resultant underspend has been partially offset by a reduction in the forecasted

income expected by the Telecare Service and additional costs compared to budget for Park Rise & St Georges.

9. CAPITAL PROGRAMME 1ST QUARTER MONITORING UPDATE

9.1 The Capital monitoring 2nd quarter update is presented in **Appendix 2** of this report. The appendix shows that the Council is currently projecting to spend £189m on Capital in 2024/25.

9.2 The Capital programme has delivered a number of key outcomes already this year including:

- £2.884m on the 12 Estates project to improve housing across borough.
- £5.382m spent on enhancing and increasing our existing housing stock.
- £2.362m on improving the quality of our roads and infrastructure.
- £2.351m on the Regeneration of Bridge Close.
- £1.491m on enhancing our schools and educational facilities.
- £0.555m in addition to last year's spend of £8.1m on the purchase of refuse vehicles.
- £1.030m on enabling residents to continue to live at home rather than care homes or hospital via the disabled facilities grant.
- An additional £0.751m on two buildings to provide semi-independent living for young people leaving care and adults with learning disabilities.
- £2.800m spent on Bridge Close Acquisitions.
- £10.987m spent on the Rainham & Beam Park regeneration project.
- £0.422m spent on improving parks and open spaces across the borough.

10. IMPLICATIONS AND RISKS

10.1 Financial Implications and Risks

The financial implications of the Council's monitoring position are the subject of this report and are therefore set out in the body of this report.

10.2 Legal Implications and Risks

10.2.1 The Council is required under S151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs.

10.2.2 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.

10.2.3 In accordance with section 3(1) of the Local Government Act 1999, the Council has 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" (This is "the best value duty".) The monitoring of the financial position assists the Council in meeting that duty.

10.3 Human Resource Implications and Risks

10.3.1 There are no immediate Human Resource implications or risks arising from the report at this stage and any specific workforce impact is difficult to assess at the present time. However, any current or future savings proposals or changes to the funding regime that impact on staff numbers or job roles, will be managed in accordance with both statutory requirements and the Council's Organisational Change policy and associated procedures.

10.4 Equalities and Social Inclusion Implications and Risks

There are no immediate Equalities and Social Inclusion implications arising from the report