
CABINET

Subject Heading:

**Revenue and Capital Budget
Monitoring Report - Period 9**

Cabinet Member:

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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 9 2024-2025.

Financial summary:

This report includes:
Projected 2024/25 Revenue Outturn position at Period 9
Projected Capital spend for 2024/25 as at Period 9
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 2024/25 based on figures to period nine (31st December). 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 £20.14m overspend on its General Fund revenue budget at period 9, this excludes the funding directive of £14m that was required to balance the budget. Overall, the Council has a General Fund pressure of £34.14m. The Council continues to enforce strict spending controls and focus on driving down spend. 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. Most savings are forecast to be delivered, however at present C£8.9m have been delivered to date. This creates considerable risk that the position could worsen because of savings not being delivered. There are several savings which are either delayed or will not be delivered and the resultant pressure is fully included in the projected variances presented in this report. The overspend reported within the services are predominantly driven by delivery of core services, which have either increased in cost for delivery, demand or both. The pressures are not being driven by one off events. Savings are therefore becoming more difficult to identify. Departments are, however, reviewing all areas to identify underspends and efficiencies to mitigate written out savings and reduce the cost base.

2. RECOMMENDATIONS

- 2.1. Cabinet is asked to note the revenue financial position at Period 9 as set out in section 4 and Appendix A of this report
- 2.2. Cabinet is asked to note the progress towards delivery of the 2024/25 savings and the updated position on earmarked reserves
- 2.3. Cabinet is asked to note the Quarter 3 Capital Programme update as set out in Appendix B to this report.

3. BACKGROUND

- 3.1. Havering like many authorities has seen demand increase against a backdrop of reduced funding, but this has been more acute for Havering due an inequitable funding formula

which does not reflect the demographic pressures the Council faces. It is an efficient well-run authority which has managed its budgets carefully over many years.

- 3.2. Over the last decade the Government has reduced the amount of grant funding the authority has received in comparison to the increase in pressures it is facing. The overall level of funding for Social Care in particular is a national problem but Havering is also disadvantaged by the continued use of a formula which does not reflect current relative need.
- 3.2 This position has resulted in Havering having no alternative to requesting exceptional financial support 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 Central Government agreed exceptional financial support of £32.5m based on Havering's assumptions of the worst-case scenario for the funding gap for 2024/25. Growth was allocated to service budgets at the start of the year based on the most likely scenario which identified a £14m funding gap, the remainder of the £32.5m was an upper limit based on the worst-case scenario. This report shows the Council's position has now in effect exceeded 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 multi-year spending reviews from 2025 onwards. This is welcomed and Havering will work closely with the 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. What has been demonstrated in allocation of funding today is that the government is focusing on deprivation and council tax base in the formula. Neither of these factors favour Havering, and therefore one-off additional funding for 2024/25 and 2025/26 has not benefited Havering.

4. PERIOD 9 REVENUE MONITORING POSITION

4.1. This section sets out the reported monitoring position at the end of Period 9 2024. The current forecasted position is a £34.14m overspend which if not mitigated would exceed the capitalisation direction permitted by the Government and result in a reduction in general balances. This position has worsened from Period 6 by £0.93m. This increase has been driven predominantly by the People Pillar, with the removal of unachievable savings and an increase in pressure from Placements. The table below sets out the summary position.

Table 1: Period 9 Budget Monitoring Position

TOTAL NET	Revised Budget 2024-25	Actuals YTD as Period 9	Outturn Forecast at end of December	Forecast Outturn Variance	Variance as % of Budget	Forecast Variance P6	Change in Forecast Variance
TOTAL NET	£m	£m	£m	£m	£m	£m	£m
PEOPLE	159.61	136.19	181.95	22.34	0.14	18.59	3.75
PLACE	14.86	13.90	17.33	2.48	0.17	2.74	(0.26)
RESOURCES	25.59	14.37	25.59	0.02	0.00	(0.06)	0.08
TOTAL SERVICE DIRECTORATES	200.06	164.46	224.87	24.84	0.12	21.27	3.57
Corporate Budgets	(2.54)	(6.09)	(5.31)	(4.70)	7.70	(2.06)	(2.64)
TOTAL COUNCIL REVENUE	197.52	158.37	219.56	20.14	0.10	19.21	0.93
Budget Financing	(197.52)	(8.96)	(197.52)	0.00	0.00	0.00	0.00
TOTAL NET	0.00	149.41	22.04	20.14	0.10	19.21	0.93

4.2 Further details of Departmental variances can be found at **Appendix A** later in this report. The main variances however continue to be across people services through additional demographic demand across, market pressures and increased complexity of need across all areas of social care, the rising cost of temporary accommodation and the financial impact of delivering the recommendations from the recent OFSTED resulting in not only in year pressure but an inability to meet saving targets.

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. These Boards are continuing to work on delivering the items outlined at Period 6.

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. This panel has been successful in securing commitment from the ICB to part fund a number of expensive placements for children who have needs arising from health conditions.
 - 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 put in place several 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.
- The cost control boards have rejected costs of £33k and keep tight control of all spend to ensure it is necessary, grant funding is optimised and value for money is demonstrated in all spend decisions.

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 Board

The Debt Board will oversee all income collection, debt, debt recovery and bad debt provisions of the Council. The role of the board 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

The board met for the first time in January and reviewed all areas of debt. It was recognised in some areas that investment was needed to improve collection rates and actions included

- Investment in additional Council Tax collection officers to improve debt collection
- Pilot a visiting Officer in Social Care to streamline the assessment process in order to get payment plans set up at the inception of placements
- Officers to review the enforcement process within parking to ensure maximum debt recovery is secured
- Detailed review of sundry debt to ensure effective collection across the Council.

5. SAVINGS AND EFFICIENCIES DELIVERY

5.1. In setting the 2024/25 budget the Council identified £15.35m 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 rag- rated. Green indicates the savings is believed to be deliverable in year. Amber indicates there is a good chance the saving will be delivered in year. The table also identifies those savings that have slipped into next year or have been classified as unachievable. Unachievable may indicate the savings itself was not achievable or that the saving action was executed but did not deliver the value assigned to it, therefore any unrealised amount would be classified as unachievable.

Table 1: Savings Progress RAG rating

	Green £'m	Amber £'m	Red £'M	Slipped into Next Year2025/26	Unachievable
PEOPLE	£2.00	£1.71	£1.20		£1.30
PLACE	£1.14	£0.95	£0.30	£0.24	£0.33
RESOURCES	£0.94				
CORPORATE	£4.94			£0.30	
TOTAL	£9.02	£2.66	£1.50	£0.54	£1.63

- 5.2. The table below shows the savings delivered to date and those forecasted to be delivered. As at Period 9 having only £4.99.8m of savings delivered to date does highlight a risk of underachievement. However, the forecasted position remains at £10.72m for the full year ~~and £9.02m is rag rated as Green at Period 9~~. The focus on delivering these savings is crucial to ensuring the outturn position does not worsen.

Table 2: Savings Delivery

Pillar	Savings Budget	Savings Achieved to Date	Savings Forecast for the Full Year	Variance
PEOPLE	£6.21	£2.60	£3.27	£2.94
PLACE	£2.96	£1.37	£1.57	£1.39
RESOURCES	£0.94	£0.94	£0.94	£0.00
CORPORATE	£5.24	£4.94	£4.94	£0.30
TOTAL	£15.35	£9.84	£10.72	£4.63

- 5.3. The Council will continue with the aim of delivering all savings and efficiencies set out in the budget.

6. CORPORATE BUDGETS AND CONTINGENCY

- 6.1. The Council 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 £4.7m forecast underspend to year end

Table 3: Corporate Budgets

Corporate Items	Revised Budget £m	Period 9 Forecast £m	Variance £m
Corporate Contingency	1.000	0.000	(1.000)
Treasury Management	11.900	7.700	(4.200)
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	11.200	(4.700)

- 6.2. The main underspend relates to Treasury management through a combination of higher interest receivable on the Council's short term cash balances and an underspend on borrowing and repayment costs, principally due to slippage in the Capital programme. The

Council has not borrowed externally for the general fund and therefore any interest costs on new borrowing is likely to be minimal.

- 6.3 The Council holds a £1m contingency for unforeseen events during the year. This has been released to support the overall budget position as it has not been needed to date in year.
- 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 both general reserves and earmarked reserves. General reserves are held to mitigate against any unforeseen risks that materialise. Earmarked reserves are held for a specific length of time to be spent on specific projects and outcomes.
- 7.2 General Reserves: The Council has an internal target of £20m general reserves. At the end of 2023/24, the Council held £10.2m in general reserves. The Council budgets to add £5m to this balance annually but due to the continued financial pressure in year this will not be fully achieved in 2024/25 at the current forecast the £5m will be reduced by £1.6m. Based on the current revenue position the Council expects to increase general balances by £3.4m in 2024/25, although this will be reviewed at year end.
- 7.3 Earmarked Reserves: Are held for the delivery of specific projects. These reserves are regularly reviewed and if the Council chooses to not proceed with a project the reserve would be released. In addition, any underspend against these reserves would also be released.
- 7.4 There are also contractual obligations that the Council must meet for which we have reserve balances and identified risks for which we must set aside budget in reserves. These reserves are also regularly reviewed to ensure that any amounts not required are released to the general fund at year end.

Table 4: Earmarked Reserves and General Balances

RESERVE	24/25 Opening Balance £m	24/25 Forecast Balance £m	25/26 Forecast Balance £m	26/27 Forecast Balance £m
General Balances	(10.20)	(13.56)	(18.60)	(20.00)
Risk Mitigation Reserves	(13.51)	(9.93)	(8.01)	(8.01)
Contractual Reserves	(12.18)	(10.59)	(9.36)	(9.36)
Internally Earmarked Projects	(9.44)	(6.06)	(4.90)	(4.36)
TOTAL	(45.33)	(40.18)	(40.88)	(41.73)

8. HOUSING REVENUE ACCOUNT (HRA)

8.1 The HRA is forecasting an £0.08m improvement between Period 6 and Period 9, with a forecasted outturn of £2.12m underspent.

Delays in recruitment in staff have driven underspends within Resources Public health and Place – Housing and Property, with Resources Public Health seeing an increased in hall hire income and Housing Property also seeing utility cost forecasts contributing to an improving position.

Resource Customer Services Transformation & IT HRA has seen a delay in ICT hardware budget being spent resulting in the underspend.

The table below outlines the position:

Table 5: Housing Revenue Account

HRA	Revised Budget 2024-25	Actuals YTD as Period 9	Outturn Forecast at end of December	Forecast Outturn Variance	Variance as % of Budget	Forecast Variance P6	Change in Forecast Variance
HRA	£m	£m	£m	£m	£m	£m	£m
Resources - Public Health	0.91	0.57	0.67	(0.23)	(0.25)	(0.26)	0.03
Resources - Customer Services Transformation & IT	1.22	0.59	1.18	(0.04)	(0.03)	0.02	(0.06)
Place - Housing & Property	(4.28)	(27.14)	(4.46)	(0.18)	0.04	(0.16)	(0.02)
People - Living Well	0.50	0.50	0.49	(0.01)	(0.02)	0.02	(0.03)
TOTAL HRA	(1.65)	(25.48)	(2.12)	(0.46)	0.28	(0.38)	(0.08)

9. CAPITAL PROGRAMME 3RD QUARTER MONITORING UPDATE

9.1 The Capital monitoring 3rd quarter update is presented in **Appendix B** of this report. The appendix shows that the Council is currently projecting to spend ~~£166.89~~£140.4m on Capital in 2024/25.

9.2 Capital expenditure as at the 31st December is £74.144m to date. Notable achievements so far for 2024/25 are as follows:

- £5.529m on the 12 Estates project to improve housing across borough.
- £16.618m spent on enhancing and increasing our existing housing stock.
- £4.046m on improving the quality of our roads and infrastructure.
- £3.179m 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.
- £1.411m on enabling residents to continue to live at home rather than care homes or hospital via the disabled facilities grant.
- An additional £1.937m on two buildings to provide semi-independent living for young people leaving care and adults with learning disabilities.
- £3.792m spent on Bridge Close Acquisitions.

- £11.068m spent on the Rainham & Beam Park regeneration project.
- £0.967m 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 S28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget.

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