CABINET

Subject Heading:	**Council Revenue and Capital Outturn Report 2024/25**
Cabinet Member:	**Councillor Chris Wilkins (Cabinet Member for Finance)**
SLT Lead:	**Kathy Freeman** Strategic Director of Resources
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Policy context:	The report provides detail of the outturn position on Capital and Revenue for 2024/25 including the funding of the outturn and impact on reserves and balances
Financial summary:	This report includes: • 2024/25 Revenue Outturn Position • Analysis of Service overspends and mitigating corporate items • Update on savings delivery • Financing and impact on reserves and balances • Capital Outturn position for 2024/25

Is this a Key Decision? No

1. Executive Summary

1.1. This Report sets out the revenue outturn position for the Council and includes commentary on the variances to budget by service. The report also includes explanation of mitigating corporate items and explains how the outturn position will be financed.

1.2. The report also sets out the Capital outturn for 2024/25 compared to revised budget and explains the variances and slippage on the budget.

1.3. The table below sets out the final revenue outturn position of the Council which is a £30.4m overspend against the original budget without exceptional financial support. This table also provides a comparison to the Period 9 forecast which was submitted to cabinet in March

Table 1: Revenue Outturn 2024/25

Directorate	Revised Budget (m)	Final Actual (m)	Variance to Budget (m)	Period 9 Forecast Outturn (m)
Resources	26.5	25.9	(0.6)	0.0
People	159.4	180.0	20.6	22.3
Place	14.8	16.4	1.6	2.5
Corporate	10.8	5.6	(5.2)	(4.7)
Worst Case contingent budget	18.5	0.0	(18.5)	(18.5)
TOTAL	**230.0**	**227.9**	**(2.1)**	**1.6**
Capitalisation requirement	(32.5)	0.0	32.5	32.5
TOTAL OVERSPEND	**197.5**	**227.9**	**30.4**	**34.1**
Settlement Funding Assessment	(39.5)	(39.5)	0.0	0.0
Council Tax	(158.0)	(158.0)	0.0	0.0
Total Funding	**(197.5)**	**(197.5)**	**0.0**	**0.0**

1.4. Further details of the reported departmental variances are set out in Section 4 of this report. There are then sections setting out the Corporate position, including Treasury management, HRA and Capital Outturn.

2. RECOMMENDATIONS

2.1. Councillors are asked to note the revenue outturn position for the Council and the financing of the overspend (section 7 of the report)

2.2. Councillors are asked to approve the Capital Outturn position for 24/25 as set out in section 9 of this report

2.3. Councillors are asked to note the outturn position for the Council's earmarked reserves and General balances as set out in section 6 of this report

2.4. Councillors are asked to note the write off of debt approved by the Strategic Director of Resources as set out in paragraph 5.4

3. BACKGROUND

3.1. The Council has had increasing difficulty in balancing its budget in recent years through a combination of sharply increasing demographic demand and unit costs and also underfunding from central Government using apportionment formulae which does not reflect current relative need. This has resulted in the Council having no alternative but to seek exceptional financial support to balance its budget.

3.2. In 2023/24 the Council utilised £18.1m of exceptional financial support financed by capital receipts to balance the overspend for that year. For 2024/25 the Council set a budget with the expectation that it would need £32.5m of support to balance the budget and finance the expected overspend at year end.

3.3. The budget position has been reported to cabinet on a quarterly basis through the year culminating in this outturn report setting out the final position for the year. It became apparent as early as the first quarter monitoring report that the Council was likely to need to use all of the £32.5m capitalisation directive available to it. The Council has acted robustly throughout the year with the aim of reducing spend and identifying efficiencies. Recovery Boards were set up for each department and a recruitment panel was set up to review and approve all appointments. The Council also reviewed all agency placement and IN Resources department in particular spend and agency numbers were reduced significantly

3.4. These mitigations have limited and reduced the spend of the Council culminating in the position set out in this report. The overspend however is an underlying budget gap and so therefore forms part of the 2025/26 requirement for further exceptional financial support. The Government have announced fund funding reforms from 2026/27 onwards and it can only be hoped that these reforms will both address the national shortfall in funding for local government and provide a fairer distribution of grant based on current relative need. The Council will continue to lobby hard and respond to all consultations to ensure its position is made clear to central Government.

4. REVENUE OUTTURN POSITION – SERVICE EXPENDITURE

4.1. This section sets out the service reported outturn position for 2024/25. The Council budget was set based on a most likely scenario which assumed that £14m of the Capitalisation directive would be required to balance the budget. The variances shown are from this base budget position.

4.2. Services closely monitored their budgets and this was reported to cabinet through the year at the end of each quarter. The table below shows the reported variances through the year culminating in the final outturn variance.

Table 2: Revenue variance by Service

DEPARTMENT	Forecast Variance Period 3 £m	Forecast Variance Period 6 £m	Forecast Variance Period 9 £m	Outturn Variance £m
Starting Well	6.8	7.0	7.5	5.4
Ageing Well	3.9	6.1	7.7	7.4
Living Well	3.8	5.5	7.1	7.9
TOTAL PEOPLE	**14.5**	**18.6**	**22.3**	**20.6**
Planning & Public Protection	0.1	(0.1)	(0.2)	0.1
Environment	2.4	2.2	2.2	1.0
Housing & Property	0.6	0.7	0.5	0.5
TOTAL PLACE	**3.1**	**2.7**	**2.5**	**1.6**
TOTAL RESOURCES	0.7	(0.1)	0.0	(0.6)
TOTAL DIRECTORATES	**18.3**	**21.3**	**24.8**	**21.6**
Corporate Budgets	0.0	(2.1)	(4.7)	(5.2)
Worst Case contingent budget	(18.5)	(18.5)	(18.5)	(18.5)
Exceptional financial support	32.5	32.5	32.5	32.5
TOTAL COUNCIL VARIANCES	**32.3**	**33.2**	**34.1**	**30.4**

4.3. The paragraphs below set out departmental commentary on the outturn variances . Further details on departmental variances including explanations of any variances from Period 9 can be found at **Appendix 2.**

4.4. **Resources Outturn £0.62m Underspent**

The underspend is a net position made up of:

- (£0.4m) early delivery of 25/26 senior management restructure saving;
- (£0.4m) underspend in connection with Housing Benefit overpayment recovery;
- (£0.2m) vacancy management within executive Support function;
- (£0.1m) over-achievement of income against target in communication services; partly offset by
- £0.3m savings pressure, recharge income shortfalls & spend miscodes within Partnerships; and
- £0.2m preparatory costs associated with the split and return of staff and technology from oneSource ICT to sovereign control

4.5. **People Outturn £20.62m Overspent**

4.5.1. People Services have overspent across all three sections. The Overspend has been driven by sharply increasing unit costs, the impact of delivering the recommendations of the OFSTED report and rapidly increasing costs of Housing Demand.

4.5.2. **Ageing Well overspent by £7.35m** mainly driven by market pressures, with the market not accepting Havering set rates, at the end of 2024/25 30% of placements are at or below Havering's set rate. Additionally, there is increasing complexity in the need of clients, with clients coming into the service with higher needs or current clients requiring additional support which increases the costs of packages.

The number of service users is relatively stable across the year, however, there continues to be starters and leavers in the service. Market pressure combined with increasing complexity of need in clients has resulted in new clients coming into the service at a weekly rate of c£200 more than those clients leaving.

Further pressure was due to unachievable savings of £0.5m. The service worked hard and made significant savings during the year, through Better Living and Targeted reviews delivering £1.24m against a target of £1.1m. However, the savings are dependent on cases and the ability to reduce the costs without negatively affecting the clients assessed packages. The over achievement of the targeted reviews and better living savings were used to net of some of the unachieved savings in Living Well Social care.

4.5.3. **Living Well overspent by £7.88m at outturn which was split £4.95m Adult Social Care £3.27m Housing Demand with an underspend on Leisure and Culture of £0.35m**.

The Adult Social Care element of the overspend was driven by a combination of increased complexity and market pressures. The number of clients has not changed significantly but recently there has been an increase that could impact future years. It is the unit costs per client that has caused the pressure. A further contributing factor to this pressure is that c£1.0m of savings were unachievable. The over achievement of the better living and targeted review savings in ageing well helped partly mitigate this shortfall but there is still a large amount of unachieved savings.

The overspend within Temporary Accommodation (TA) was due to an upward trend in people presenting as homeless and increasing numbers of households in hotels and nightly lets. It should be noted that the use of hotels has reduced since P9 due to ongoing efforts from the prevention and move-on teams. Cheaper types of TA, such as PSL, are reducing, making the service more reliant on nightly lets, at an extra cost of £14k - £30k per unit per year. The service has successfully negotiated some reductions in price for nightly lets in recent months, however the reductions are outweighed by additional demand and placements into hotels. There has also been slippage in the Chalkhill scheme meaning that more families remain in more expensive temporary accommodation than initially projected.

The movement from Period 9 is an increased overspend of £0.96m in variance. The change in the forecast variance is due to a large volume of invoices paid during the final quarter which resulted in an increase in the monthly rate of spend, resulting in a significant percentage variation in the forecast and outturn position. There are also issues with Housing Benefit claims being processed during 24/25 which has led to a variation in the income forecast. Housing Benefit claims are on hold pending system changes and housing benefit income will be processed retrospectively with the implementation of the system, providing active claims have been made.

Officers have carried out a review to understand the significant change in the forecast that materialised during periods 10 and 11. Officers have reviewed the data, processes and the systems, which has identified a number of issues regarding poor record keeping and off system workarounds which may have impacted on service delivery. Officers continue to analyse data relating to the issues found and there is a possible risk this may have led the Council to incur additional expenditure that could have been avoided, if robust controls were in place. A new system is being implemented in June 2025, which will ensure more robust financial management and remove the need for workarounds.

4.5.4. **Starting Well (General Fund) has an outturn overspend of £5.39m**. The main variances are.

- £1.1m in SEN Home to School Transport, due to increased demand for services.
- £2.6m in Children with Disabilities, driven by increased charges from providers for residential home placements, increases in direct payments, with a particular increase in short breaks for disabled children.
- £2.1m in Existing Placements, due to an increase in high cost residential care placements.
- (£0.3m) savings in leaving care driven by faster placements of care leavers reducing demand for expensive high cost placements.
- (£0.4m) Other including savings in Leaving care, HIAS and Catering.

4.6. Place Outturn £1.63m Overspent

4.6.1. Place has returned an outturn position of £1.63m overspent. The overspend is split across the three service areas as set out in the paragraphs below.

4.6.2. The outturn for Environment Directorate is an £1.0m overspend. The largest variance related to Parking Services which was overspent by £0.9m primarily due to staffing costs and to a lesser extent under recovery of income. Highways was also overspent by £0.9m due to under-recovery of external income which had been projected through the year. These overspends were partly mitigated by an underspend on street cleansing costs (£0.3m) reduced business support staffing costs as part of the departments recovery plan (£0.4m) and an over recovery of income in parks services (£0.1m).

4.6.3. The outturn for Planning and Public Protection was a net £0.1m overspend. Within this position however there were significant variances which largely offset each other. Development Control was £0.9m overspent which mainly related to a Planning Performance Agreement (PPA) £0.852, and higher contractor expenditure in Planning Control. The service is in negotiation with the sponsor to enter a revised PPA to cover this cost and future costs associated with the milestones yet to be achieved but these potential benefits will not be realised until 2025/26.

4.6.4. All other areas within PPP recorded underspends to largely offset this pressure. Public Protection (£0.4m) due to staffing vacancies primarily for Environmental Health and over recovery of income alongside reduced supplier expenditure. Enforcement (£0.3m) held vacancies and reduced expenditure in both its Civil Protection and Enforcement Teams. Local Land Charges and Development Planning (£0.1m) driven primarily through staffing vacancies and searches income. These vacancies were held as part of the Councils ongoing recovery plan to reduce and delay costs wherever possible.

4.6.5. The Outturn for Housing & Property Directorate is £0.5m overspend. The primary drivers of the overspend relate to the retention of Mercury House and associated running costs, lost income in Commercial Rents from Hilldene Shopping Centre. These overspends were partially mitigated by staffing underspends, an improved health and safety position and lower expenditure within revenue maintenance for school buildings.

4.7. All services worked hard during the year to contain and reduce expenditure. Recovery boards were set up and each Department reviewed all spend areas closely. Examples of the actions taken included

- Weekly Cost control meetings to challenge proposed spend to ensure value for money on essential spend.
- Contract review meetings to review all high cost packages
- Development of Local Community Fostering (a six-borough partnership) which was launched in Spring 24 to improve recruitment and assessment of foster carers.
- Weekly recruitment panel to review all new posts
- All Departments to review every agency placement with the aim of reducing the number of agency workers
- Three provider forums were set up which has led to improved placement pathways with fostering agencies and local children's homes and supported accommodation providers
- 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
- 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

4.8. Even with all these actions the Departmental overspend was still £21.6m over the revised budget based on the assumed most likely case in April 2024. Even if the worst case budget had been set and further growth had been allocated the departmental proportion of the budget would still have overspent by over £10m. This position was apparent at an early stage of the year and was reported to cabinet in august 2024 as part of the Period 3 monitoring report. The underlying reasons for the overspend are ongoing pressures and so the Council prudently has fully assumed these pressures in building up the 2025/26 budget. Following the outturn position the Council is in the process of a detailed review of all budgets to ensure that and budget funding is for clear ongoing pressures. Any funding released from this review will be kept centrally and reported as an underspend in the Period 3 monitoring report to cabinet in august.

4.9 Delivery of Savings in 2024/25

4.9.1 In setting the 2024/25 budget the Council included £15.3m of revenue savings to be delivered. The majority of these savings were fully delivered as can be seen in the table below.

Table 3: Savings Delivery

Directorate	Savings Delivered (m)	Savings Delayed (m)	Savings not achieved (m)	Total (m)
Resources	0.9	0.0	0.0	0.9
People	2.8	1.3	2.2	6.3
Place	1.7	0.7	0.5	2.9
Corporate	4.9	0.3	0.0	5.2
TOTAL	**10.3**	**2.3**	**2.7**	**15.3**

4.9.2 A number of savings however were not achieved and the resultant overspend is included within the revenue outturn position reported in this report. Some of these savings proposals are simply delayed and will be achieved in 2025/26 whilst others will not be delivered. These savings will be written out of the 2025/26 budget with departments asked to contain spend in a sustainable fashion within their assigned budgets in order to achieve this.

5 CORPORATE BUDGETS AND CONTINGENCY

5.1 The Council had a number of Corporate items which were reported during the year and by outturn had mitigated the service overspend by £5.23m. These items are shown in the table and paragraphs below

Table 4: Corporate Budgets

Corporate Items	Revised Budget £m	Outturn £m	Variance £m
Corporate Contingency	1.0	0.0	(1.0)
Treasury Management	11.9	7.1	(4.8)
Concessionary Fares and Taxi Cards	6.6	6.3	(0.3)
Provision for 2024/25 pay award	0.0	1.1	1.1
Business Rate Pool saving	(1.0)	(1.0)	0.0
Other Corporate Budgets	(4.6)	(4.8)	(0.2)
TOTAL	**13.9**	**8.7**	**(5.2)**

5.2 **Analysis of Corporate Budgets**

The Council has a number of Corporate budgets which when combined showed an outturn position of £5.2m underspent against budget. This was largely as had previously been reported in the monitoring reports during the year and included:

- (£1.0m) underspend through release of unused contingency
- (£0.3m) underspend from taxi cards and Concessionary Fares through rebates received earlier in the financial year
- £1.1m overspend through the 2024/25 pay award exceeding the 3% (£3.0m) provision
- (£4.8m) treasury underspend described in more detail in the paragraphs below

5.3 The most significant corporate underspend related to treasury management. The table below breaks the underspend down into the four main areas all of which have recorded an underspend against budget

Table 5: Treasury Management underspend

Treasury Management	Budget (£m)	Outturn (£m)	Variance (£m)
Interest Payable	6.7	3.0	(3.7)
Planned revenue contribution to Capital	0.0	3.2	3.2
Minimum Revenue Provision	8.2	7.0	(1.1)
Interest Receivable	(1.3)	(3.4)	(2.1)
Loan Interest Due	(1.7)	(2.7)	(1.0)
Total Treasury Management	**11.9**	**7.1**	**(4.8)**

5.3.1 The Council had been expecting to borrow to finance the capital programme during the course of 2024/25. There was some slippage in the capital programme and the Council was able to finance spend through internal borrowing which meant that further external borrowing was not needed until 31st March 2025 when the Council borrowed £35m for the general fund. This resulted in a significant underspend for 2024/25 but it should be noted that general fund capital internal borrowing still stands at over £100m. It is highly likely therefore that further new external borrowing will be needed in 2025/26 both to finance that years capital programme but also to reduce the level of internal borrowing as those funds are needed for other purposes. The Council utilised £3.2m of the underspend to make a revenue contribution to capital in order to release previously committed capital receipts for other purposes.

5.3.2 The Minimum revenue provision budget (MRP) is set each February based on the projected Capital Financing Requirement (CFR) for the commencement of that financial year. The Outturn position for 2023/24 showed slippage in the final quarter resulting in a lower CFR and as a result a lower level of MRP needing to be set aside in 2024/25. This has resulted in a £1.1m underspend for 2024/25 which has been reported throughout the financial year.

5.3.3 Interest rates remained higher than budgeted throughout the year which resulted in interest receivable exceeding budget by 2.1m. It should be noted that interest rates are now starting to fall and so the Council has prudently maintained the same budget for 2025/26. This will be closely monitored throughout 2025/26 and any resultant underspend will be included in future monitoring. The Council is very careful with any lending it undertakes and strictly follows the Councils policies set out in the annual treasury management strategy statement.

5.3.4 The Council has a prudent policy of only budgeting for loan interest from Mercury Land Holdings (MLH) when the loan has actually been activated. New loans for Quarles and further working capital were taken out with the interest paid to the general fund resulting in the £1m underspend in the accounts. As these loans have now been activated the Council budget can be safely adjusted which will result in an ongoing underspend to help future years

5.4 **Debt Write Offs**

5.4.1 The Council collects income during the year both for services provided and also for Council Tax and Business Rates. The Council has a good track record of debt collection but inevitably given the scale of the collectable income a small proportion is written off each year. The Council maintains bad debt provisions for all categories of debt the value of which is calculated using an aged debtor analysis and the services experienced view of the likelihood of collection based on that data.

5.4.2 The Council has recently set up a debt board to monitor all income and debt collection. This board has cross party representation and already has received papers setting out current collection of debt. The board will review bad debt provisions and oversee debt write off where necessary.

5.4.3 In accordance with Part 3.3 of the Constitution, the Strategic Director of Resources has specific powers to write off sums which are irrecoverable provided that all write-offs are reported to cabinet.

Council Tax Debt write off

5.4.4 A detailed schedule has been submitted by the Head of Council Tax and Benefits to the strategic director, lists the Council Tax Debtors where recovery action has been unsuccessful. In the majority of cases it has not been possible to trace the debtor, protracted recovery action has taken place, the debtor is deceased, insolvent or statute barred. The total value of the Council Tax debt is £2,081,205.14. This amount will be written off against the bad debt provision already made in the Council's financial accounts.

5.4.5 It should be noted that the value of Council Tax to be collected each year now exceeds £200m. Over the last six years the Council has set out to collect over £1bn in Council Tax for Havering and the GLA. The level of this write off is therefore small given the overall materiality of sums to be collected and Havering has one of the higher collection rates in London. By way of context, a write off of £2m against the £1bn collected over the last 6 years is equivalent to 0.2%.

5.4.6 The payment of Council Tax is a legal requirement to fund delivery of vital services to our residents and communities. The Council will continue to pursue debts due in a fair and reasonable way to recover the income due, taking enforcement action where necessary.

Parking Debt Write Off

5.4.7 The Council also has a number of parking penalty charge notices (PCN's) which are now over three years old and have been through the full recovery process without success. The Council has increased traffic enforcement in recent years and now issues over 180,000 PCN's a year of which around 80% are paid. Inevitably however a number of tickets remain unpaid despite the Council making every effort to recover the debt. The main reasons for non-payment include deceased owner, non-registered keeper, cloned or stolen vehicles.

5.4.8 The Council has maintained parking debt in the accounts making a full provision for its likely non collection. The Strategic Director of Resources has discussed this matter at the Council's debt board and has taken a decision to write off all debt over three years old where recovery has been unsuccessfully taken through the Council's entire recovery process including debt enforcement agents. These debts span across numerous years and cumulatively add up to £6,979,646.44. For several years, the write off processes have not been carried out routinely and a house keeping exercise is underway to regularly review debts that are not recoverable so prompt write offs occur and officers can focus on collecting active, outstanding debts. A full provision is already in place to cover this cost in the accounts and the write off will not adversely impact on the Council's financial position. A detailed schedule of the PCN values was produced to enable the Strategic Director to review and agree the write off of these debts. It should be noted that there is a further schedule of debt over three years old totalling around £0.6m for which active ongoing recovery work is still taking place.

5.4.9 The Council will continue to take tough but fair enforcement measures where necessary to ensure all income due is collected where is it due.

6 EARMARKED AND GENERAL RESERVES

6.1 The Council holds general balances to mitigate against unforeseen risks. At the start of 2024/25 The Council held £10.2m in General Balances. The Council's budget included a £5m planned contribution to reserves which has resulted in general balances increasing to £15.2m. This is still well below the Council's target of £20m and even this increase has only been possible due to the Council being able to utilise the capitalisation directive as discussed in Section 7 of this report

6.2 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 shows the 2024/25 outturn position on Earmarked Reserves:

Table 6: Earmarked Reserves

RESERVE TYPE SUMMARY	Opening Balance 24/25 (£m)	Outturn Position (£m)	Movement (£m)	Comment
Risk Mitigation Reserves	(13.5)	(16.8)	(3.3)	Creation of a new IT Reserve
Contractual Reserves	(12.2)	(9.8)	2.4	Planned usage
Internally Earmarked Projects	(9.4)	(13.4)	(4.0)	Creation of reserves for road adoption work and Homes for Ukraine
TOTAL	**(35.1)**	**(40.0)**	**(4.9)**	

6.2.1 As part of the year end process the Council created the following planned reserves.

- To set aside a £3.5m reserve to fund future IT expenditure previously included in the Capital programme. The Council has reviewed all potential future IT expenditure and identified that a proportion of the spend relates to activity such as the cloud and as such should be classified as revenue rather than capital. To finance this a reserve has been created which can be drawn down with appropriate business plans

- To set aside a £0.3m reserve to undertake environmental health work. The Council has commenced a process to review certification of food outlets and this work will be carried out during 2025/26. A reserve has been set aside to complete this work

- To set aside a £0.5m reserve to fund future Health and Safety work in the borough. There is a review of service provision planned in the future and this reserve is needed to provide interim funding until that review is completed.

- Creation of a £0.9m reserve for future road adoption commitments. The Council has received money in recent years from contractors in relation to road adoptions. There are various Council works that will need to be carried out in the future in respect of these agreements and so the funds have been set aside in a reserve for this purpose. Any unused funds will be returned to revenue in 2025/26

- Creation of a £2.5m reserve to fund ongoing support for Ukrainian and Afghan refugees. The Council has received grant funding for this purpose and whilst not ringfenced there is a clear and increasing future need for the Council to support. Any surplus funds will be returned to support the revenue position in 2025/26

7 FINANCING THE COUNCIL'S REVENUE OUTTURN POSITION

7.1 The Council at an early stage of 2025/26 realised that it was likely to need to utilise the majority of the £32.5m exceptional financial support provisionally agreed with the Government in February 2024. The Council has put in spending controls in order to reach the final outturn position which will require utilisation of **£30.4m** of the allowance available.

7.2 The Council requested and was granted a capitalisation directive of £32.5m for 24/25. In the CIPFA review undertaken following the 2024/25 Exceptional financial support (EFS) request it was made clear that the Council should prioritise maintaining and enhancing its reserves and balances position to ensure that the Council has sufficient funds to mitigate future risk. The utilisation of the capitalisation directive has allowed the Council to move towards this aim including increasing general balances by a planned £5m and contributing to new reserves to offset future one off planned spending. The Council will therefore utilise £30.4m of the capitalisation directive for 24/25 in order to mitigate the reported overspend

7.3 The financing of the EFS will largely be through raising the Capital Financing Requirement (CFR) and borrowing to finance the capitalisation. The Government has removed the 1% premium on borrowing for EFS and so when borrowing is undertaken it will be at normal Public Works Loan Board (PWLB) rates. The Council will need to set aside minimum revenue provision (MRP) over 20 years to finance the increase in the CFR. This will commence in 2025/26 and has been provided for in the 2025/26 budget

7.4 The Council will review the Capital programme during the first few months of 25/26 to ascertain whether the programme is on track or whether there is slippage. Part of that review will also consider the capital receipts that are likely to be achieved during the year. The Council is aware of the risk relating to the financing of the Capital programme and reviews its reserves regularly to ensure there is additional funding to support the position should it be needed.

7.5 The Council has balanced the 25/26 budget using a further capitalisation directive and it under no illusion that if that if the majority of that directive were required then the Council will need to borrow to finance it. The Council has made a provision in its revenue budget for borrowing for the directive but will only borrow when the cashflow position dictates that that is necessary. The Council will also maintain tight spending controls to minimise spend and keep the budget under control.

8.0 HOUSING REVENUE ACCOUNT OUTTURN 2024/25

8.1 The Housing Revenue account underspent against its planned budget by £9.84m. This balance will be added to HRA balances and reserves for use in future years

The underspend is due to a number of factors including:

- Recruitment delays, capitalisation of staffing costs and additional RTB income. (£0.3m)
- Savings on CCTV & Enforcement recharge (£0.1m).
- Reduced recharges compared to budget (£0.6m)
- A rent surplus (£0.5m)
- A leaseholder services charge surplus (£0.8m)
- Lower Council tax costs (£0.2m)
- Reduced bad debt provision contribution (£0.3m),
- Reduced interest on borrowing (£2.1m)
- Interest from Joint Ventures (£1.2m)
- Leaseholder contributions to major works (£0.7m)
- Bridge Close loan gains (£0.4m)
- Contribution to reserve balance (£1.9m).

9 THE CAPITAL PROGRAMME OUTTURN POSITION

9.1 In 2024/25 The Capital outturn was a final spend of £128m against a planned programme of £218m. Further details of the Capital spend and slippage can be found at **Appendix 1** to this report.

9.2 In 2024/25, the capital expenditure undertaken resulted in notable capital outcomes, which are outlined below:

The opening of Laws Park House, a supported housing scheme for adults with learning disabilities creating 6 homes and a communal area.

- £6m spent on improving the quality of our roads and infrastructure.
- £3.3m spent on home adaptations to allow residents to continue living in their own homes
- Expenditure of £5m on building and enhancement works to our schools
- The procurement of 36 vehicles for parks and bereavement services
- £8.8m of financial investment in the Councils wholly owned development company Mercury Land Holdings
- £11.5m on commercial and residential acquisitions in and around Rainham & Beam Park

- Spend of over £75m purchasing new and improving our existing housing stock for the HRA
- £1.7m of spend purchasing and enhancing our IT Infrastructure both in terms of IT equipment and the network.

10. DEDICATED SCHOOLS GRANT (DSG) OUTTURN

10.1 The final position for the overall in-year DSG at the end of the financial year 2024-25 was **£19.4m** overspent, 11.42% of the overall in-year budget. This was less than the original forecast in the previous monitoring report which was £22.2m. This will increase the cumulative overall DSG deficit position from £15.3m to £34.7m overspend with a **DSG deficit** carried into 2025-26 of **£34.7m**.

10.2 The Central Government regulations have extended the Statutory Override for DSG until the end of financial year 2025-26. This regulation reduces the overall financial risks posed by the deficit falling on the council unearmarked general fund reserves.

10.3 The main area of overspend relates to the High needs block which was £20.6m over budget. The DSG High Needs Block is a part of the funding provided by the central government to local authorities to support education for children and young people with special educational needs and disabilities (SEND). This grant funding is ring-fenced and specifically allocated to meet the needs of pupils who require additional support due to their learning difficulties or disabilities. The overspend is reflective of the increasing demand for support, that the current central government formula of distribution does not cover for Havering and other LAs across England.

10.4 **Schools Outturn.**

10.4.1 Havering has 38 Maintained Primary and 1 Maintained Special Schools. Management of School Budgets are delegated to the Governing Bodies of those schools but they still form part of the Council's overall financial position.

10.4.2 Schools in Havering are facing a number of financial pressures at the moment as the funding available from the Department of Education has not kept pace with teachers and other staff pay and other cost increases. In addition the high proportion of children with special educational needs and the cost of providing support is an issue for a number of schools.

10.4.3 As a result the level of balances held by schools at the end of the financial year decreased from a total of £1.86m surplus to an overall deficit of £0.72m – a fall of £2.58m. Within this overall total there were 15 schools in deficit with a total of £6.3m and 23 schools in surplus with an overall total of £5.6m.

10.4.4 The Council has required all schools to produce a recovery plan to get back into balance within a defined timescale and will be working with Headteachers and Governors to ensure that this is achieved.

11 IMPLICATIONS AND RISKS

Financial Implications and Risks

The financial implications of the 2024/25 Outturn position are the subject of this report and are therefore set out in the body of this report. The underlying elements of the overspend have been fully incorporated into the 2025/26 budget but it should be noted that the 2025/26 budget is underpinned by a capitalisation directive of £88m. The report also sets out the final Capital Outturn position and the end of year position on Balances and reserves.

The overspend has been financed by utilising the Capitalisation directive agreed with the Government for 2024/25. This has been financed by increasing the Council's Capital Financing requirement which will result in borrowing and repayment costs over the next 20 years

Legal Implications and Risks

Under S151 of the Local Government Act 1972 a local authority must make arrangements for the proper administration of its financial affairs.

The Council is required under s28 of the Local Government Act 2003 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 position.

Section 3 of the Local Government Act 1999, imposes a continuing obligation on the Council 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).. Monitoring the Council's financial position and reviewing performance information on a regular basis assists the authority in fulfilling that duty.

Human Resource Implications and Risks

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.

Equalities and Social Inclusion Implications and Risks

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

APPENDIX 1 – CAPITAL OUTTURN POSITION

1. CAPITAL MONITORING

1.1. The Capital programme for 2024/25 through to 2029/30 was agreed at Council in February 2024. The table below sets out the overall Capital Programme budgets by Directorate.

Summary of Existing Approved Capital Programme	Previous Years Budget £m	2024- 25 Budget £m	2025-26 Budget £m	2026-27 + Budget £m	Total Budget £m
Ageing Well	0.778	6.465	4.752	0.000	11.995
Living Well	26.920	1.804	2.342	4.168	35.235
Starting Well	2.223	28.647	2.840	0.000	33.711
People	**29.922**	**36.917**	**9.934**	**4.168**	**80.941**
Environment	25.247	17.702	11.398	28.000	82.346
Housing & Property (GF)	37.268	39.408	101.120	171.702	349.498
Housing & Property (HRA)	361.798	114.805	189.093	610.237	1,275.933
Planning & Public Protection	0.201	0.411	1.088	0.000	1.700
Place	**424.515**	**172.326**	**302.698**	**809.939**	**1,709.477**
Customer Services	7.077	0.343	0.640	0.000	8.059
Finance	0.104	1.184	1.404	0.000	2.691
IT, Digital & Customer	4.663	7.335	10.716	0.300	23.014
Public Health	0.012	0.325	0.000	0.000	0.337
Resources	**11.856**	**9.186**	**12.759**	**0.300**	**34.101**
Grand Total	**466.292**	**218.428**	**325.392**	**814.407**	**1,824.519**

General Fund/HRA Split	Previous Years Budget	2023- 24 Budget	2024-25 Budget	2025-26 + Budget	Total Budget
General Fund	104.494	103.624	136.299	204.170	548.586
Housing Revenue Account	361.798	114.805	189.093	610.237	1,275.933
Total	**466.292**	**218.428**	**325.392**	**814.407**	**1,824.52**

2. Capital Outcomes

2.1. In 2024/25, there was £128.154m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- The opening of Laws Park House, a supported housing scheme for adults with learning disabilities creating 6 homes and a communal area.
- £6m spent on improving the quality of our roads and infrastructure.
- £3.3m spent on home adaptations to allow residents to continue living in their own homes
- Expenditure of £5m on building and enhancement works to our schools
- The procurement of 36 vehicles for parks and bereavement services

- £8.8m of financial investment in the Councils wholly owned development company Mercury Land Holdings
- £11.5m on commercial and residential acquisitions in and around Rainham & Beam Park
- £1.6m spent building a new medical centre in Farnham & Hildene
- Spend of over £75m purchasing new and improving our existing housing stock for the HRA
- £1.7m of spend purchasing and enhancing our IT Infrastructure both in terms of IT equipment and the network.

3. 2024/25 Capital Outturn

3.1. The table below is a summary of the final outturn position for 2024/25 financial year.

Directorate / Service	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	Variance between Period 9 Forecast and Outturn £m
Ageing Well	6.465	5.007	5.381	0.374
Living Well	1.804	0.876	1.060	0.184
Starting Well	28.647	4.484	3.795	-0.689
People	**36.917**	**10.367**	**10.236**	**-0.131**
Environment	17.702	14.761	9.470	-5.291
Housing & Property (GF)	39.408	26.687	30.690	4.003
Housing & Property (HRA)	114.805	83.281	75.003	-8.278
Planning & Public Protection	0.411	0.611	0.502	-0.109
Place	**172.326**	**125.340**	**115.664**	**-9.675**
Customer Services	0.343	0.309	0.119	-0.189
Finance	1.184	0.000	0.126	0.126
IT, Digital & Customer	7.335	4.234	1.716	-2.518
Public Health	0.325	0.123	0.293	0.170
Resources	**9.186**	**4.666**	**2.253**	**-2.413**
Total	**218.428**	**140.372**	**128.154**	**-12.219**

3.2. Of the £218.428 approved Capital programme for 2024/25, capital expenditure was £128.154m. Senior Officers/Members are asked to note and approve the carry forward request of £90.275m. This will allow the completion of 2024/25 agreed projects in the 2025/26 financial year. Once agreed these ongoing projects will be added to the 2025/26 capital programme agreed by Members as part of the Medium Term Financial Strategy (MTFS) in February 2024

3.3. Financing - The Council finances its capital expenditure through a combination of resources both internal and externally generated. Each funding stream is considered in terms of risk and affordability in the short and long term. The current and future climates have a significant influence on capital funding decisions. As a result, the planned disposals and borrowing costs are kept under regular review to ensure timing maximises any potential receipts or reduces borrowing costs.

3.4. The table below provides how the 2024/25 capital expenditure was funded:

		Financing				
Services	**2024/25 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**CIL and S106 £m**	**Grants £m**	**Borrowing £m**
General Fund (excluding Regeneration)	**30.619**	0.000	4.700	2.296	13.539	10.084
Regeneration	**22.532**	0.000	0.000	0.236	0.000	22.296
Total General Fund	**53.151**	**0.000**	**4.700**	**2.532**	**13.539**	**32.380**
HRA	**75.003**	16.600	11.173	0.000	9.557	37.673
Grand Total	**128.154**	**16.600**	**15.873**	**2.532**	**23.096**	**70.053**

3.5. It should be noted that there was a variance of £12.219m between the Period 9 forecasts and the final outturn of £128.154 million. Full details of which can be found below in section 4 of the report. Senior Officers and Members are asked to review the explanations behind the variances and note the reasons.

4. <u>Variance from Period 9 Forecasts</u>

4.1. PEOPLE

4.1.1. Ageing Well

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Adults Social Care - DFG	3.367	2.756	3.395	0.639
Adults Social Care - Other	3.098	2.251	1.986	-0.266
Adults Social Care	**6.465**	**5.007**	**5.381**	**0.374**
Ageing Well	**6.465**	**5.007**	**5.381**	**0.374**

There are no significant areas of slippage within the Ageing Well service

4.1.2. **Living Well**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Leisure SLM	1.699	0.831	0.878	0.047
Leisure Other	0.105	0.045	0.183	0.138
Leisure & Culture	**1.804**	**0.876**	**1.060**	**0.184**
Living Well	**1.804**	**0.876**	**1.060**	**0.184**

There are no significant areas of slippage within the Living Well service

4.1.3. **Starting Well**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Childrens Social Care Programme	2.052	2.996	2.571	-0.426
Childrens Social Care	**2.052**	**2.996**	**2.571**	**-0.426**
Education - Other	0.011	0.000	0.000	0.000
Schools	26.585	1.487	1.224	-0.263
Education	**26.595**	**1.487**	**1.224**	**-0.263**
Starting Well	**28.647**	**4.484**	**3.795**	**-0.689**

There are no significant areas of slippage within the Starting Well service

4.2. PLACE

4.2.1. **Environment**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Environment TFL	2.431	2.315	0.952	-1.363
Highways & Street Lighting	7.543	7.332	5.982	-1.350
Parking	0.154	0.145	0.067	-0.078
Public Realm - Grounds Maintenance	0.047	0.048	0.048	0.000
Public Realm - Parks	2.252	2.048	1.878	-0.170
Public Realm - Waste	5.275	2.872	0.542	-2.330
Environment	**17.702**	**14.761**	**9.470**	**-5.291**
Environment	**17.702**	**14.761**	**9.470**	**-5.291**

Environment TfL – Slippage of £1.363m
The slippage relates to various TfL schemes which have been delayed. Works will continue and are expected to complete in early 2025/26.

Highways & Street Lighting– Slippage of £1.350m
A number of schemes have slipped back into 25/26 including converting verges to parking (£0.167m), a project providing on-street electric vehicle charging points (£0.170m), highways works at Gooshays drive (£0.09m) and the traffic CCTV cameras project (£0.142m).

In addition there is slippage in the Highways Improvement Programme (£0.278m) where works will continue into 2025/26.

Public Realm – Waste – Slippage of £2.330m
Slippage relates to the provision of Food Waste collection where delays in getting the executive decision signed off to carry out the vehicle purchases has meant spend will now roll into 2025/26

4.2.2. **Housing and Property – General Fund**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Corporate Buildings	3.812	2.128	1.433	-0.694
Health & Safety	0.065	0.052	0.001	-0.051
Pre-Sale Expenses	0.390	0.153	0.084	-0.069
Schools Building Maintenance	3.024	3.024	2.716	-0.308
Schools Expansions	5.996	3.114	2.277	-0.837
Vehicle Replacement	1.978	1.940	1.532	-0.408
Housing Property & Assets (GF)	**15.265**	**10.410**	**8.042**	**-2.368**
Inclusive Growth Programme	0.115	0.115	0.115	0.000
Inclusive Growth	**0.115**	**0.115**	**0.115**	**0.000**
Bridge Close (GF)	0.000	0.000	0.175	0.175
Mercury Land Holdings	4.441	3.697	8.873	5.176
Rainham & Beam Park	15.638	12.180	11.643	-0.537
Regeneration Other	3.898	0.284	1.841	1.557
Regeneration TFL	0.050	0.000	0.000	0.000
Regeneration & Place Shaping (GF)	**24.028**	**16.162**	**22.532**	**6.371**
Housing & Property (GF)	**39.408**	**26.687**	**30.690**	**4.003**

Corporate Buildings – Slippage of £0.694m

Slippage predominantly caused by delays in the project for PV panels on Council Buildings. Issues over the Central library, Bedford depot and Harold Hill library including roof leak investigations have led to the projects not completing till early 2025/26

Schools Expansions – Slippage of £0.837m

Delays in both the St Edwards primary school ARP and design details relating to the new special school at Balgores have led to slippage with the spending of external grants at both projects.

MLH – Accelerated spend of £5.176m

Uncertainty at period 9 regarding the completion of disposals to MLH meant no expenditure was forecast. Forecasts have been subsequently updated in later periods as disposal of the sites became more realistic.

Rainham & Beam Park – Slippage of £0.537m

Slippage in the purchase of commercial acquisitions within the Rainham & Beam Park regeneration area has meant some spend initially expected in 2024/25 now falling in 2025/26.

Regeneration Other – Accelerated spend of £1.557m

The accelerated spend relates to the construction of a commercial building at the Farnham and Hilldene site. The forecasts are based on a cash flow estimate provided by the project's cost consultants and covers this construction along with the hostel building for the HRA. At period 9 there was an overestimation for the hostel building and an underestimation on this commercial building. Subsequent to period 9 forecasts the means of splitting the costs has been reviewed and a more accurate methodology to measure progress on site relating to each part of the construction has been established.

4.2.3. **Housing & Property (HRA)**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Capital HRA	39.683	37.126	32.777	-4.349
HRA Stock Adjustments	32.473	20.742	20.705	-0.038
Housing Property & Assets (HRA)	**72.156**	**57.869**	**53.482**	**-4.387**
Bridge Close Acquisitions	19.612	5.310	4.894	-0.417
Bridge Close Regeneration	0.687	0.642	0.508	-0.134
HRA Regeneration	22.350	19.460	16.119	-3.341
Regeneration & Place Shaping (HRA)	**42.649**	**25.412**	**21.521**	**-3.892**
Housing & Property (HRA)	**114.805**	**83.281**	**75.003**	**-8.278**

Capital HRA – Slippage of £4.349m

The majority of slippage is as a result of delays in a number of projects enhancing the housing stock which has led to slippage from the original P9 forecast. The spend is expected to now fall in early 2025/26. In addition delays in the MHCLG housing fund acquisition programme has led to slippage of £1m from anticipated spend at period 9.

HRA Regeneration – Slippage £3.341m

The main elements of the slippage are discussed below –

- £1.200m of the slippage relates to the 12 sites phase 1 for affordable housing programmes which was updated from period 9 based on revised cash flow forecasts received from the JV partner. In part offset by accelerated spend (£0.821m) regarding the partner loan.
- £1.156m Slippage as a result of delays to the construction of a new hostel. Forecasts were updated in period 10 to reflect latest contractor cash flow estimates.
- £1.150m slippage as a result of delays in the Roe Wood Park (Quarles) affordable housing development. Expenditure now being forecast for early 2025/26

4.2.4. Planning & Public Protection

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Enforcement	0.384	0.584	0.502	-0.082
Planning Other	0.000	0.000	0.000	0.000
Planning TFL	0.027	0.027	0.000	-0.027
Planning & Public Protection	**0.411**	**0.611**	**0.502**	**-0.109**
Planning & Public Protection	**0.411**	**0.611**	**0.502**	**-0.109**

There are no significant areas of slippage within the Planning & Public Protection.

4.3. RESOURCES

4.3.1. Customer Services

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Cems & Crems	0.191	0.203	0.114	-0.088
Bereavement & Registration Services	**0.191**	**0.203**	**0.114**	**-0.088**
Libraries	0.151	0.106	0.005	-0.101
Customer Services	**0.151**	**0.106**	**0.005**	**-0.101**
Customer Services	**0.343**	**0.309**	**0.119**	**-0.189**

There are no significant areas of slippage within Customer Services.

4.3.2. **Finance**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Contingency	1.000	0.000	0.000	0.000
Corporate Finance	**1.000**	**0.000**	**0.000**	**0.000**
Exchequer & Transactional Programme	0.184	0.000	0.126	0.126
Exchequer & Transactional	**0.184**	**0.000**	**0.126**	**0.126**
Finance	**1.184**	**0.000**	**0.126**	**0.126**

There are no significant areas of slippage within Finance.

4.3.3. **IT, Digital & Customer**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
ICT Cloud Migration	2.080	0.800	0.553	-0.247
ICT Modern Device Management	1.986	1.205	0.632	-0.573
Transformation	3.269	2.229	0.530	-1.699
IT, Digital & Transformation	**7.335**	**4.234**	**1.716**	**-2.518**
IT, Digital and Customer	**7.335**	**4.234**	**1.716**	**-2.518**

IT, Digital and Customer – Slippage £2.518m

The reduced capital spend within the IT, Digital and Customer service is as a result of a full review of the IT revenue and capital programme following the conclusion of the plan to return the IT service from the shared OneSource arrangement to sovereign control. The previous plans to deliver via a joint procurement have now been replaced with a more bespoke and agile Havering-only approach. Following the new approach a number of schemes previously deemed as capital now no longer can be treated as capital with in-year spend moving to revenue and reported within the revenue outturn.

4.3.4. **Public Health**

Programme Area /Service/ Directorate	Budget 2024/25 £m	2024/25 Forecast Period 9 £m	2024/25 Outturn £m	2024/25 Variance £m
Insight, Policy & Strategy	0.325	0.123	0.293	0.170
Insight, Policy & Strategy	**0.325**	**0.123**	**0.293**	**0.170**
Public Health	**0.325**	**0.123**	**0.293**	**0.170**

There are no significant areas of slippage within Public Health service.