



Havering

LONDON BOROUGH

This Report is part exempt and **Appendix 3** is not available for public inspection as it contains or relates to exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972. It is exempt because it refers to information relating to the financial or business affairs of any particular person, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

CABINET	13 August 2025
Subject Heading:	<i>First Quarter of Financial Year 2025/26 Revenue and Capital Monitoring Report</i>
Cabinet Member:	Councillor Chris Wilkins (Cabinet Member for Finance.)
SLT Lead:	Kathy Freeman, Strategic Director of Resources and Sec 151 Officer.
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Policy context:	<i>This report provides a summary of the Council's forecast financial position for 2025/26 as at the end of June 2025.</i>
Financial summary:	At the end of quarter one of the Financial Year the Council is forecasting an underspend of £1.0m against its budget of £292m. This includes use of Exceptional Financial Support.
Is this a Key Decision?	No – the report is for noting

When should this matter be reviewed?

Reviewing OSC:

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

People - Supporting our residents to stay safe and well

Place - A great place to live, work and enjoy

Resources - Enabling a resident-focused and resilient Council - **X**

SUMMARY

- 1.1.1. This report gives an overview of the Council's financial position setting out the forecast revenue expenditure as at the end of June 2025 with an explanation of the significant variances. It also provides an update on progress towards savings targets and an overview of the capital programme at the end of quarter one.

RECOMMENDATIONS

- 2.1 Councillors are asked to note the revenue monitoring position of the Council as at the end of June 2025 (quarter one of the financial year.) This includes the position on the Council's General Fund (sections 4, 5 and 6), HRA (Section 8) and DSG budgets (section 9). The consequent impact on the Council's reserves is set out in section 10.
- 2.2 Councillors are asked to note that £11.3m of funding being held centrally will be transferred to Ageing Well (£7.6m) and Living Well (£3.7m) to meet the ongoing demographic pressures in these areas; Councillors are also asked to note that overallocated growth funding of £0.6m in Starting Well and £1.25m in Environment will be transferred to the corporate budget to reduce the Council's exceptional financial support requirement. These changes will have no impact on the overall budget variance.
- 2.3 Councillors are asked to note the progress toward the delivery of savings as set out in the Council's MTFs as at the end of June 2025 (quarter one of the financial year) as set out in section 7

- 2.4 Councillors are asked to note the capital monitoring position of the Council as at the end of June 2025 (quarter one of the financial year) as set out in section 11
- 2.5 Councillors are asked to note the write off of uncollectable NNDR debt approved by the Strategic Director of Resources as set out in paragraph as set out in section 12.

REPORT DETAIL

3. THE COUNCIL'S REVENUE BUDGET FOR 2025/26

- 3.1 The Council is currently in a period of intense financial pressure as a result of long-standing government underfunding at a time of rapid demographic change and growth. Although Havering is an efficient council with low unit costs in comparison with its neighbours it was unable to set a balanced budget for 2024/25 and was required to make use of Exceptional Financial Support and capitalise £30.4m of expenditure.
- 3.2 With no substantial change to funding arrangements for 2025-26 while the population continues to grow this unsatisfactory situation has persisted. The budget has been set on the basis that at least £71.2m of Exceptional Financial Support will be required with the worst-case potential of £89.0m. The total budget requirement in the realistic "mid" case scenario is £274.6m against available funding from Council tax and Settlement Funding Assessment of £204.6m. A contingency of £17.8m has been also added for the worst-case scenario taking the total budget to £292.4m.
- 3.3 The Exceptional Financial Support allows the Council to use capitalisation for its revenue pressures, funding them with either capital receipts or borrowing. It is subject to stringent conditions and strict government oversight but has allowed the Council to set a balanced budget for this financial year. However, in making use of capitalisation the Council will incur financing costs in the form of MRP and interest on any borrowing.

4. The Revenue Monitoring Position as at the end of Quarter One

- 4.1 As at the end of quarter one, the Council is forecasting a relatively small underspend of £1.0m against the worst-case budget of £292.4m as shown in the table below. This however, assumes that the whole of the £17.8m worst case contingency will be required. If this is not the case, then the position will be improved.

Table One – The Council's Revenue Position at the end of Quarter one.

	Revised Budget 2025-26 £m	Actuals YTD as Period 3 £m	Outturn Forecast at end of June £m	Forecast Outturn Variance £m	As % of Budget %
PEOPLE	188.25	46.74	193.30	5.06	3%
PLACE	20.43	3.22	16.68	(3.74)	-18%
RESOURCES	24.64	6.58	26.17	1.53	6%
TOTAL SERVICE DIRECTORATES	233.32	56.54	236.15	2.85	1%
Corporate Budgets	61.43	(0.21)	57.60	(3.83)	-6%
HRA/DSG - Contribution to Corporate Overheads	(2.37)	0.00	(2.37)	0.00	0%
TOTAL COUNCIL REVENUE	292.39	56.33	291.38	(1.0)	0%
Budget Financing	(292.39)	(4.57)	(292.39)	0.00	0%
TOTAL NET	0.00	51.76	(1.0)	(1.0)	0%

4.2 This is the first budget monitoring report of this financial year. As it is still early in the year, forecasts have been prepared on a prudent basis with reasonable assumptions made about in year continuing increases in activity based on recent trends. These assumptions will be monitored and updated throughout the year.

4.3 Where services have forecast potential overspends, managers will be asked to identify and implement further mitigation actions to offset or reduce these pressures.

4.4 Conversely there are a number of risks that could impact the position adversely. The top risks are listed in the table below.

Table two: The top risks to the Council's Revenue Position

Risk	Directorate	Description	Value £m
Income Achievement	Ageing Well	Period 3 income run rate would drive a forecast £800k lower than the forecast currently included	0.8
Placement Growth	Ageing Well and Living Well Social Care	There has been the addition of £5.8m in the forecast to account for a likely increase in clients. The increase in Period 3 has shown a change in trend that might mean this assumption is too prudent.	TBC
Savings achievement	Living Well Social Care	Targeted Reviews and Better living savings have become increasingly	0.5

		harder to deliver. The transition saving is also unlikely to be achieved	
Decanting from Regen Estates	Housing Demand	23 Families at risk of having to move out of properties and into nightly charged from Sep	0.5
Home to School Transport	Starting Well	The forecast is based on an assumption of reduced average vehicle rates this year and conservative increases in average staff cost rates. If these were to increase, it would have a significant impact on the budget. Driver rate: £30 ph (24/25: £29), PA rate: £29 per hour (24/25: £28), Vehicle rate: £25 per hour (24/25: £29)	0.6
Planning Performance Agreement (PPA) - EHDC	Place/PPP	The authority has committed expenditure to the project at risk, as the current PPA requires variation to be agreed, to cover the higher costs of the project.	0.85m
TOTALQUANTIFIABLE RISKS			£3.25m +

5. Key Service Variances

5.1 As table one above shows there is a forecast overspend of £2.85m across service budgets. This is made up of £5.1m relating to People services where the current intense demographic pressures are felt most strongly, partly offset by forecast underspends of £3.75m within Place mostly relating to an improved income position. There is also £1.5m of forecast overspend in Resources - £1m of which relates to issues with Housing Benefit Subsidy.

5.2 Once budget adjustments for overallocated growth are made the overspend across service budgets will rise to £4.2m. However, this will be offset by greater underspends on Corporate Budgets so the net position will not change.

5.2 A detailed budget monitoring pack is provided as an appendix, but a summary of the main issues is given below.

5.3 People – Ageing Well

5.3.1 Ageing Well is forecasting a **£1.1m overspend** against budget driven primarily by an increase in the number of clients coming into the service. The first quarter of 25/26 has seen a net increase of 8 residential care packages with the average commissioned cost being £53k per client. Direct payments are also adding a monthly pressure with increases for period 2

and period 3 amounting to 80k for 8 clients. £2.9m has been included in the forecast for additional client numbers in year.

- 5.3.2 The predicted variance assumes that £7.6m centrally held growth budget will be allocated to Ageing Well. This had been held centrally pending confirmation of the cost centres to which it should be allocated which has now been agreed by Finance and the Strategic Director.

5.4 Living Well

- 5.4.1 There is a forecast **overspend of £3.8m** of which £1.8m relates to Housing Demand and £2.3m relates to Adult Social Care.

- 5.4.2 As for Ageing Well the Social Care pressures mostly arise from the number of new clients. For example, there were a net nine new residential placements in period 3. There are also savings targets in this area including ones specifically targeting pressure on care planning for transitions from Children's to Adults services. This position assumes the allocation of £3.7m growth currently being held centrally.

- 5.4.3 Pressures on housing demand are continuing from last year. Although the number of new presentations is not currently increasing, the length of time for which households require support is lengthening resulting in greater costs overall. There is also a reduced forecast for Housing Benefit.

- 5.4.4 These overspend pressures are partly offset by Culture and Leisure which is forecasting an underspend of £0.3m from the renegotiated SLM contract for Leisure services.

5.5 Starting Well

- 5.5.1 There is a net **overspend of £0.2m** across the whole of Starting Well made up of an underspend on Home to School transport offset by pressures in Education Attendance and continuing pressures in the cost of care for Looked After Children. This will rise to £0.8m once the budget is adjusted for overallocated growth.

- 5.5.2 Following the introduction of the new Home to School transport policy this area has shown a small shift towards less expensive forms of transport. In addition, following changes to vehicles, the cost of bus routes is lower. Together this is resulting in a forecast underspend of £0.6m. Effectively this means that growth funding has been overallocated to Home to School Transport. This will be adjusted for in the next month.

- 5.5.3 However recent changes to statutory duties regarding Attendance means that the service has had to expand the staff team and can no longer rely as heavily on income. This is resulting in a pressure of around £0.25m.

5.5.4 Following the provision of significant new funding, Children's Social Care is forecasting to be broadly on budget or slightly underspent in its staffing budgets even allowing for the implementation of second phase of restructuring and further recruitment in the second half of the year. However, there continues to be an upwards pressure on the cost of homes for Children in Care which is resulting in an overall overspend. As a result there is a overspend of £0.6m across Safeguarding, Early Help and Principal Social Worker.

5.6 Place

5.6.1 There is an **underspend in Place of £3.7m** which is driven by improved and additional income. This will reduce to £2.5m once over allocated growth is removed. In March London Councils agreed to raise the penalty charge notice amount by £15/£30 which is forecast to bring in around £1.5m additional income, along with more enforcement action being taken due to new cameras. There was also £0.350m income received from TfL after the budget was set.

5.7 Resources

5.7.1 There is an **overspend of £1.5m** across Resources most of which (£1.0m) relates to the subsidy on Housing Benefit payable for households in exempt and supported accommodation. The Council are paying out non-HRA housing benefit more than the amount they are able to recover in subsidy owing to the number of residents placed in accommodation supplied by unregistered providers. Known/current subsidy loss equates to approx.£0.750m with another £0.200m included for the risk of unfavourable Rent Officer determinations and in year rent increases. There is a cross directorate drive to try and mitigate as much of this pressure as possible and the forecast will be updated throughout the year accordingly.

5.7.2 There are additional overspends in Partnerships due to an unachieved historic saving. This area is undergoing restructuring as the partnership arrangements with the NHS are coming to an end in response to NHS budgetary pressures and cuts. Other funding options are being considered including use of the BCF. There is also an overspend of £0.2m in Customer Services and IT most of which relates to Registration and Bereavement.

6. Corporate Items

6.1 The Council holds a number of Corporate budgets for central costs including capital financing costs, levies and treasury management. At period 3 these budgets are forecast to underspend against budget by £3.8m.

6.2 The amount the Council contributes to the Pension Fund is determined every three years by an actuarial review of the pension fund. The next review is due

to conclude in April 2026 but in advance of the review the actuary has indicated that the Council can reduce its past fund contribution in 2025/26 by £2.0m. This contribution reduction will be split between the HRA and the general fund with a reduction to the General Fund of approximately £1.8m

- 6.3 The Council sets its Capital financing budgets each February based on the latest forecast of capital expenditure at that time. The MRP for 2025/26 is calculated using the Capital Financing Requirement as at 31st March 2025. As there was capital slippage between budget setting and outturn there is an underspend of £1.1m on the MRP budget for 2025/26
- 6.4 Within the Capital financing budgets there is a planned contribution to reserves of £0.3m. The adequacy of capital reserves was reviewed at year end for 2024/25 and it was concluded that the reserves were sufficient that this contribution was not needed in 2025/26. These budgets will be further reviewed as part of the 2026/27 budget setting process to ascertain future requirements
- 6.5 The Council budgets for income due on known loans from MLH. The Council is expected to receive £0.5m of income above that budgeted due to interest due on the working capital loan to MLH
- 6.6 The source of the budget to be transferred to Ageing and Living Well is the service growth held corporately shown above as assumed to be fully used. The transfer will not result in any change to the overall Council position.
- 6.7 It should be noted at this stage in line with the prudent approach being taken it is assumed that all contingency budgets will be required including the £18m worst case scenario contingency. If this is not required, then there is considerable scope for the position to improve.

7. Progress Towards Delivery of Savings

- 7.1 There are £10.2m of MTFs savings required to be delivered in this financial year. At this stage (end of June) £0.6m has been entirely delivered most of which relates to restructuring in the Resources department that took place during the last financial year. A further £0.7m of savings are rated green with high confidence of full delivery. These include the Home to School transport policy change, a small group of Highways savings and Communications procurement.
- 7.2 The implementation of a £0.2m Starting Well saving related to providing more family support using internal staff has been delayed and is rated red. Currently all other savings are rated as Amber and will be closely monitored throughout the year.

8. Housing Revenue Account (HRA)

Cabinet, 13 August 2025

- 8.1 The HRA is forecasting a small underspend of £0.2m. This is predominantly being driven by increased income from Hostel Service charge income, and licences and reduced costs in grounds maintenance and staffing underspends in General Management. This offsets pressures with higher than expected utility costs for Brunswick Court and the additional costs for the new Mother and Baby Unit, security costs for Royal Jubilee Court and six months of waking watch costs at Highfield Towers.

Table Three: Housing Revenue Account

HRA Income and Expenditure - £m	2025-26 Budget	Period 3 Forecast	Variance
Dwelling Rents	-62.44	-62.43	0.01
Charges for Services and Facilities - Tenants	-8.25	-8.81	-0.56
Charges for Services and Facilities - Leaseholders	-3.48	-3.48	0
Other Income	-0.71	-0.75	-0.04
Total Income	-74.88	-75.47	-0.59
Repairs and Maintenance	14.88	15.08	0.2
General Management	22.42	22.31	-0.11
Special Services, Grounds Maint. & Tree Works	6.75	6.91	0.16
Utilities and other expenditure	2.25	2.4	0.15
Depreciation	10.88	10.88	0
Bad debt	0.67	0.67	0
Total Expenditure	57.85	58.25	0.4
Net Cost of HRA Services	-17.03	-17.22	-0.19
Interest Payable	17.03	17.03	0
HRA Period 3 Surplus	0	-0.19	-0.19

9. Dedicated Schools Grant (DSG)

- 9.1 There is a forecast overspend of £28.5m on the High Needs Block which is available to fund the costs of support for pupils with Special Educational Needs. This block has been overspending for a number of years now and by

the end of the year the cumulative deficit is expected to be £65m although the statutory override has been extended for another two years.

9.2 The pressure on this budget is driven entirely by demand for additional support which has been increasing very sharply over recent years and is outstripping the increase in grant funding. The Council already has a very inclusive approach to high needs and most spend is in the form of additional support in mainstream schools and special units which is both the preferred setting for many students and the lowest cost.

10. Earmarked and General Reserves

10.1 The Council's levels of Earmarked and General Reserves are monitored closely and will be reported on throughout the financial year. The Council currently has £15.2m of General Balances and has budgeted to increase this value to £20.2m in 2025/26.

10.2 The Council is committed to building General Reserves to approximately 10% of the net spend in the medium term to safeguard against future risks and uncertainties. The current net spend is £275m and therefore approximately 10% would require a General Balance of £27m.

10.3 The Council held £40.0m of General Fund Earmarked reserves at 31st March 2025. These reserves are split into three main areas being Risk, Contractual and Service projects as displayed in the table below.

Table 4: Earmarked Reserves

Reserve Type Summary 2024-25	Opening Balance (£m)	Closing Balance (£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)	

10.4 These reserves are kept under constant review and the Council fully recognises the need to maintain Risk and Contractual reserves to offset

future risk. In provisionally agreeing the exceptional financial support for recent years the Government fully recognised and agreed with the need to maintain reserves and balances at a level to safeguard the Council in the future The Council's Capital Position

11. Capital Programme

- 11.1 The current position on the Council's capital programme is set out in Appendix 2. The total in year budget is £378m of which £155m is General Fund and £224m is HRA. This incorporates budget slippage from 24/26
- 11.2 Spend to date on the programme is £24.15m including £7.7m on new housing acquisitions.
- 11.3 Forecast expenditure this year is £250m with £128m slipping into the next financial year, of which £51m relates to the HRA.

12. Debt Write Offs for NNDR

- 12.1 The Council collects income throughout the year for Council tax and Business Rates. The Council has a good track record of debt collection but inevitably given the scale of income raised a small proportion will need to be written off. Under Part 3.3 of the Constitution the Strategic Director of Resources has specific powers to write off irrecoverable sums provided that all write offs are reported to Cabinet.
- 12.2 The total value of the Business Rates debt is £520,925.70. This amount will be written off against the bad debt provision already made in the Council's financial accounts. This means that there will be no further impact on the Council's financial position.
- 12.3 These accounts have been through the recovery process and have all received a bill, reminder notice/s, final notice/s and summonses have been issued against the debtor. Liability Orders have been passed to oneSource enforcement agents for collection who have sent letters, text messages and made visits to the property. The Enforcement Agent has been unable to make contact with the debtor and all other appropriate methods of recovery action has been considered and exhausted.
- 12.4 Business Rates debt is only submitted for write off where all appropriate attempts have been made to collect the debt and failed. Circumstances giving rise to the request for write off will be one of the following:
- The debtor is Insolvent, Liquidation or in Administration
 - Recovery action has been exhausted.

- 12.5 A list of the amounts written off are provided as an appendix which is exempt from publication as being commercially sensitive.

IMPLICATIONS AND RISKS

Financial implications and risks:

This report sets out the Council's financial position at the end of quarter one and the main risks to that position. The position and these risks will be carefully monitored throughout the year with updates being brought regularly to Cabinet. Pressures that go beyond the boundary of the financial year will be addressed as part of the Medium-Term Financial Planning process.

Legal implications and risks:

There are no legal implications arising directly from the recommendations in this report.

Human Resources implications and risks:

There are no HR implications arising directly from this monitoring report. Where changes to the workforce are required in response to financial issues then these will be managed in accordance with the Council's policies and procedures.

Equalities implications and risks:

There are no Equalities implications arising directly from this monitoring report. All future changes to Council services made in response to financial pressures will have had an EQIA and consultation carried out as part of their implementation.

Health and Wellbeing implications and Risks

There are no Health and Wellbeing implications arising directly from this monitoring report.

BACKGROUND PAPERS

1 [*The Council's 2025/26 Budget and 2025-2029 Medium Term Financial Strategy*](#)