



CABINET

12 November 2025

Subject Heading:

***Second Quarter of Financial Year 2025/26
Revenue and Capital Monitoring Report***

Cabinet Member:

Councillor Chris Wilkins (Cabinet Member for Finance.)

SLT Lead:

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Policy context:

This report provides a summary of the Council's forecast financial position for 2025/26 as at the end of September 2025.

Financial summary:

At the end of quarter two of the Financial Year the Council is forecasting an underspend of £7.65m against its General Fund budget of £292m. This includes use of Exceptional Financial Support. The DSG is forecasting an in year overspend that will bring the total deficit to £65m.

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

Resources – Enabling a resident-focused and resilient Council - x

Place - A great place to live, work and enjoy

People – Supporting Our Residents to Stay Safe and Well

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 September 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 two.

RECOMMENDATIONS

- 2.1 Councillors are asked to note the revenue monitoring position of the Council as at the end of September 2025 (quarter two of the financial year.) This includes a forecast underspend on the Council's General Fund of £7.65m (sections 4, 5 and 6), an underspend on the HRA of £2.33m (Section 8) and an overspend of £28m DSG budgets that will bring the overall DSG deficit to £65m (section 9). The consequent impact on the Council's reserves is set out in section 11).
- 2.2 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 September 2025 (quarter two of the financial year) as set out in section 7
- 2.3 Councillors are asked to note the capital monitoring position of the Council as at the end of September 2025 (quarter two of the financial year) as set out in section 12
- 2.4 Councillors are asked to note the update in section 10 on the position of the Council's maintained schools and to delegate to the Director of Starting Well in conjunction with the Strategic Director for Resources and the appropriate Cabinet members the ability to grant a licensed deficit to qualifying schools.

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 £88.0m. 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 Two

- 4.1 As at the end of quarter two, the Council is forecasting an underspend of £7.65 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 is used. This is not currently expected to be required so the position is forecast to be an underspend against the mid case only. This will still however require the use of around £64m of exceptional financial support

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

	Revised Budget 2025-26 £m	Actuals YTD as Period 6 £m	Outturn Forecast at end of Sept £m	Forecast Outturn Variance £m	As % of Budget %
People	199.84	105.87	207.00	7.16	4%
Place	19.34	9.17	16.04	-3.30	-17%
Resources	29.16	16.99	29.82	0.66	2%
TOTAL SERVICE DIRECTORATES	248.34	132.03	252.86	4.52	1%
Corporate Budgets	46.42	2.31	34.25	-12.15	-26%
HRA/DSG - Contribution	-2.37	0.00	-2.37	0.00	0%

TOTAL COUNCIL REVENUE	292.39	134.34	284.74	-7.65	1%
Budget Financing	-292.39	-200.46	-292.39	0.00	0%
TOTAL NET	0.00	-66.12	-7.65	-7.65	1%

- 4.2 Since Period 3 there have been some adjustments to the budget with over allocated budget growth having been withdrawn from Starting Well (£0.6m) and Place (£1.2m). The 2025/26 budget was allocated based on the overspends forecast in Autumn of 2024/25 and transferred back when the year-end position resulted in outturn figure. The impact of this varied the service forecast variances. The pay award budget has also been allocated to services.
- 4.3 At the mid-point of the year forecasts are still being prepared on a prudent basis, with reasonable assumptions made about in year continuing increases in activity based on recent trends. This assumption avoids large swings in forecasts especially in the demand led social care budgets. To date, the monthly increases in Ageing and Living Well care commitments has been broadly in line with the assumed trends. However, in Housing Demand and Starting Well growth has been somewhat higher which has led to an increase in forecast pressures.
- 4.4 Where services have forecast potential overspends, managers will be asked to identify and implement further mitigation actions to offset or reduce these pressures. Conversely there are a number of risks that could impact the position adversely. Although the current forecast position is an underspend of £7.65m, the total potential range for the final outturn is an **underspend of between £11.6m to £2.8m** against the mid case scenario.

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

Risk	Directorate	Description	Value £m
MTFS Savings in People Services	Adult Social Care – Ageing Well and Living Well	Targeted Reviews and Better living savings have become increasingly harder to deliver. The transition saving is also unlikely to be achieved	£0.5m
Decanting from Regen Estates	Housing Demand	23 Families at risk of having to move out of properties and into nightly charged from Sep	£0.5m
Launders Lane	Place/PPP	There could be further costs associated with this land but is not possible to quantify at this time. The landowner should be liable but uncertain if defaults.	Non-quantifiable

Planning Performance Agreement (PPA) - EHDC	Place/PPP	The authority has committed expenditure to the project in advance of signing the updated PPA agreement. The PPA has now been signed. The milestones still need to be reached and costs maintained to forecast to receive income.	Up to £1.629m
Rental Income	Place - Housing & Property	Risk of rent income loss from voids especially for some properties which cannot be relet or are hard to let pending Regeneration Programme. Renegotiated leases, being less than previous agreements. Stock numbers reduced due to the Regeneration Programme.	TBC
ICT	Resources/Shared	The cost of ICT is difficult to model accurately as there are some unknowns at this stage in the year, namely, the cost of consumption once migration to cloud has completed, the approach to splitting certain types of cost with Newham and the timing of phased return of staff to sovereign control. Growth has been built into the budget but there until migration is completed there is a small risk it may not be sufficient.	£0.3m

5. Key Service Variances

5.1 As table one above shows there is a forecast overspend of £4.5m across service budgets. This is made up of £7.16m relating to People services where the current intense demographic pressures are felt most strongly, partly offset by forecast underspends of £3.3m within Place mostly relating to an improved income position. There is also £0.65m of forecast overspend in Resources.

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 **£0.8m overspend** against budget driven primarily by an increase in the number of clients coming into the service and the complexity of their needs. However, the rate of increase in the price paid for care has slowed significantly showing that the Council has successfully brought about a change in market conditions through its new procurement and commissioning approach.

5.4 Living Well

- 5.4.1 There is a forecast **overspend of £5.7m** of which £3.6m relates to Housing Demand and £2.4m relates to Adult Social Care, offset by underspends in Culture and Leisure.
- 5.4.2 As for Ageing Well the Social Care pressures mostly arise from the number of new clients. However, since period 3 this increase is within the budget assumptions so the pressure has not been growing.
- 5.4.3 On the other hand the 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 and the availability of PSL accommodation is reducing forcing increased use of more expensive nightly lets
- 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 £0.59m** across the whole of Starting Well which is an increase of £0.43m from period 3 to period 6. However, £0.60m was removed from the budget at P4 in Education for reasons set out in paragraph 4.2. Excluding this adjustment, the variance would be an overall decrease in forecast variance of £0.17m.
- 5.5.2 Although over allocated growth for Home to School transport was surrendered there is now a small overspend of £0.17m as a result of two new bus routes being required compared to the forecast assumptions. Further analysis will be carried out as to why this is required but increased journey times may be factor.
- 5.5.3 The other significant area of overspending is Children in Care which is being driven by a small number of very high-cost residential placements.

5.6 Place

- 5.6.1 There is an **underspend in Place of £3.3m** which is driven by additional income which has been even more buoyant than expected at quarter one so there is still an underspend despite the clawback of over allocated growth. This is partly the result of the increase in the Parking penalty charge notice amount. Over time, there may be a behaviour change in response, but this is not yet evident.

5.7 Resources

- 5.7.1 There is an **overspend of £0.65m** across Resources. The pressures previously reported relating to Housing Benefit have been assessed slightly downwards and are now mostly contained within the Housing Demand service.
- 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. There is also an overspend of £0.35m in OneSource shared services relating to the cost of interim legal staff and shortfalls in Enforcement income.

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 6 these budgets are forecast to underspend against budget by £12.1m.
- 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 Mercury Land Holdings (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 Council has used internal borrowing to delay the need for external borrowing for both EFS and general Capital spend resulting in a GF

underspend of £2.0m and has also been able to generate additional interest on its short-term deposits creating an underspend of £0.5m

- 6.7 The food waste collection rollout is now forecast to commence in 2026/27 resulting in a saving to the planned budget of £2.1m and there has been £1.8m of other returned growth to the corporate budget.
- 6.8 The Council holds a contingent budget in relation to Business Rate under indexation. This budget will not be needed in 2025/26 and can also be deleted on an ongoing basis as part of the 2026/27 budget process releasing an underspend of £2.4m

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) £3.13m has been entirely delivered of which £0.6m relates to restructuring in the Resources department that took place during the last financial year and £1.2m is the result of targeted reviews and other demand management activity in People. £1.2m has been delivered from tax base increases.
- 7.2 A further £4.6m of savings are currently expected to be delivered but most of these are further reviews and demand management and are rated amber.
- 7.2 The remaining £2.5m of savings are highly uncertain and are not expected to be delivered in year. These include two Corporate savings (the agency levy saving (£0.2m) and the Business Rate Pool £0.3m) which are likely to underachieve creating a £0.5m shortfall. There have also been delays in some People savings including the Family Welcome Centre, supported living units at Mowbrays and Mawneys and the new ways of delivering family support in Starting Well.

8. Housing Revenue Account (HRA)

- 8.1 The HRA is forecasting a £2.3m underspend which is an improvement of £2.2m since Period 3. This is primarily due to greater than budgeted interest received including interest on loans relating to a partnership agreement. Other contributing factors are lower borrowing needs for 25/26 (£0.9m) and improvements in income collection that means reduced rent voids (£0.3m) and Bad Debt Provision (£0.2m). Communal utility bills, grounds maintenance and use of agency are also lower than forecast.
- 8.2 This is partly offset by increased costs in hostels and £0.5m of costs associated with the Housing Replacement IT system which had previously been included in the Capital programme but which are better accounted for as revenue costs.

Table Three: Housing Revenue Account

HRA Income and Expenditure	2025-26 Budget	Period 6 Forecast	Variance
	£m	£m	£m
Dwelling Rents	-62.44	-62.73	-0.29
Charges for Services and Facilities - Tenants	-8.25	-8.85	-0.6
Charges for Services and Facilities - Leaseholders	-3.48	-3.48	0
Other Income	-0.71	-0.81	-0.1
Total Income	-74.88	-75.87	-0.99
Repairs and Maintenance	14.88	15.05	0.17
General Management	22.42	22.66	0.24
Special Services, Grounds Maint & Tree Works	6.75	7.17	0.42
Utilities and other expenditure	2.25	2.24	0.01
Depreciation	10.88	10.88	0
Bad debt	0.67	0.5	-0.17
Total Expenditure	57.85	58.5	0.67
Net Cost of HRA Services	-17.03	-17.37	-0.32
Interest Payable	17.03	15.04	-1.99
HRA Period 3 Surplus	0	-2.33	-2.31

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. Maintained Schools

- 10.1 The Council has 38 maintained and Voluntary Aided schools including one Special School and the rest Infant, Junior or Primary schools. These

schools are part of the Council's financial position but have delegated budgets and carry forward their balances from one year to the next.

- 10.2 In recent years the rate of increase in Education Funding has not kept pace with inflation and many schools have also seen increasing numbers and complexity of children with special educational needs. These combined factors have created severe budgetary pressures and a number of schools are now facing financial difficulties and are in an overall deficit. At the end of 24/25 there were 15 such schools with an overall deficit balance of £6.48m.
- 10.3 Under the School Financing Regulations schools are not normally permitted to set a deficit budget but it is recognised that this cannot always be avoided. In such circumstances the Local Authority may issue a licensed deficit for a defined period. However this can only be done after a school has prepared a recovery plan to allow it to return to surplus over a number of years.
- 10.4 When Schools submitted their three year budget plans at the end of the summer term it became apparent that in addition to the existing deficit schools a further six are unable to balance their budget this year.]
- 10.5 The authority will work with all 22 schools in order to agree recovery plans in line with the regulations. Cabinet are asked to delegate the issue of a licensed deficit to the Director of Starting Well and the Strategic Director of Resources once the plans are in place.

11. Earmarked and General Reserves

- 11.1 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.
- 11.2 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.
- 11.3 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	Opening Balance 25/26 £m	Forecast Balance 25/26 £m	Forecast Balance 26/27 £m	Forecast Balance 27/28 £m
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Risk Mitigation Reserves	(16,845)	(11,318)	(9,972)	(7,807)
Contractual Reserves	(9,796)	(9,745)	(9,745)	(9,745)
Internally Earmarked Projects	(13,409)	(10,059)	(9,659)	(9,759)
TOTAL	(40,050)	(31,122)	(29,376)	(27,311)

- 11.4 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

12. Capital Programme

- 12.1 The current position on the Council's capital programme is set out in Appendix 2. The total in year budget is £412m of which £190m is General Fund and £222m is HRA. This incorporates budget slippage from 24/26. Excluding previous years spend of £588.815m (shown for information in the table above), the total capital programme for 2025/26 and beyond is £1,825.932m split between the GF (£395.732m) and HRA (£841.385m).
- 12.2 Forecast expenditure this year is £241 which is £9m lower than forecast at quarter one. £80m of this expenditure is General Fund and £161m is HRA. Most of the reduction in forecast is in the HRA.
- 12.3 Capital expenditure as at the 30th September is £48.065m to date. Notable achievements so far for 2025/26 are as follows.
- Spend of £10.648m on the Council Housing Acquisitions Programme, £4.060 on building of a new hostel and over £14m on improving the housing stock across the borough.
 - £2.377m on improving the quality of our roads and infrastructure.
 - £2.668m on enhancing our schools and educational facilities.
 - £2.545m on the 12 Estates project to improve housing across borough.
 - £0.870m on the regeneration of Bridge Close.
 - £392k the purchase of Public Realm (Parks) & (Bereavement Services) vehicles.
 - £395k spent on home adaptations to allow residents to continue living in their own homes.

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: - tbc

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*](#)