The Chartered Institute of
Public Finance & Accountancy

London Borough of Havering

External Assurance Review

August 2024

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

John O'Halloran

CIPFA
77 Mansell Street
London
E1 8AN

Tel: +44 (0)20 7543 5600
Email: john.o'halloran@cipfa.org

Contents

1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

The review is focussed primarily on providing assurance on the financial position and governance arrangements of London Borough of Havering (the council) and assessing whether the council has appropriate arrangements for both financial management and governance in place and to consider whether the request for Government support in the form of Exceptional Financial Support in both 2023-24 and 2024-25 is warranted.

The council's request was for Exceptional Financial Support amounting to £53.7 million in total to cover an overspend of £21.2 million in 2023-24 and a budget gap of £32.5 million in 2024-25. The actual overspend for 2023-24 was £18.1 million, however, it is our view that the spending pressures for 2024-25 are such that the full request of £53.7 million will be needed by the council.

No deficiencies were identified in financial management arrangements although the council could formalise this through a review against the CIPFA financial management code Despite cumulative savings since 2018-19 of £79.3 million, the council will still have a budget gap for 2025-26 based on current spending patterns of £70 million, this is before any new savings are applied but assumes a council tax increase of 5%. Unearmarked reserves are such that they cannot be used to meet this gap. Based on this, a further request for exceptional financial support will be required in 2025-26 to balance the budget. Spending pressures are in areas common to most other London Boroughs and Unitary councils: Adults and Children's Social Care, homelessness and home to school transport.

The council is low cost and generally performs above or around the median on a range of performance indicators, it has however recently had an adverse Ofsted report where Children's Services have been rated as inadequate and the improvement plan related to that judgement will increase costs which are included in the predicted budget gap.

It has an ambitious house building programme funded from both the Housing Revenue Account (HRA) and the General Fund. The revenue impact of the General Fund capital programme via a wholly owned company should be reviewed to see if elements can be reduced or deferred to reduce revenue costs in the short term.

We have not identified any governance issues in the council. and relations between members and officers are good. The council is compliant with the CIPFA Prudential code in terms of reporting and the treasury management code.

The council has recently changed its management structure, implemented revised performance reporting measures and is open to transformative methods of working through the use of digital technology and other means.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
1.The council has not undertaken a formal review of its financial management arrangements against the CIPFA financial management code, there is therefore an underlying risk of poor financial management practice in some areas, although none was evident in this review.	3	1.The council should undertake a formal review against the CIPFA financial management code. As soon as possible
2.The financial pressures especially amid a rapid rise in the young population, make resourcing the shift to better value preventive early help approaches very difficult, meaning unnecessary children in the expensive care system and worse experiences and outcomes for children and families.	9	2.That the council increases its investment in preventive services via invest to save approaches with sound business cases whose progress is rigorously monitored As soon as possible
3. That the May 2024 Starting Well Improvement Plan, although commenced, is not developed to address the self-evaluation and Ofsted essential improvement requirements and is not delivered.	4	3 That the May 2024 Starting Well Improvement Plan, remains subject to strong monitoring and governance arrangements as a key priority for the council Ongoing
4. The costs in the care market will continue to rise as a result of system pressures.	4	4.Develop market position statement, supported housing strategies, and new approaches to commissioning. All are in progress. As soon as possible
5. Based on current forecasts, the council will not be able to set a balanced budget in future years, and will therefore need exceptional financial support going forward.	9	5. During the course of our review it was apparent this risk has materialised. The council will need to enter into a dialogue with Government into a way forward on its future funding. Immediate

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
6.The elements of the Capital programme funded from borrowing add to the council's revenue budget pressures, although there is a risk of abortive costs if schemes are delayed or cancelled.	4	6.It is recommended that the council undertake a full review of the capital programme including schemes undertaken by its companies and partnerships with a view to seeing if schemes can be delayed or withdrawn as a matter of urgency. As soon as possible
7 There is no co-ordinating board covering the Capital programme. This creates a potential risk area from a lack of co-ordination	3	7.The council should consider the merits of setting up such a board As soon as possible
8.The council only has one directly appointed director of Mercury land Holdings (MLH,) the Chief Executive which creates a risk of conflicts of interest.	3	8.The council should review and consider whether this arrangement is appropriate As soon as possible
9.The MLH Business Plan does not reflect the priorities and environment in which it is operating and is not reviewed regularly. There is a risk that council's immediate or changed priorities are not reflected in the business plan	3	9.The MLH Business Plan should be reviewed annually, and this should be included in the shareholder agreement As soon as possible
10.In some reports, full financial information is not clearly set out when members are being requested to make a decision. There is a risk of poor decision-making arising from incomplete information.	4	10. The council should review the content of financial information in reports so that actual costs and scheme or service budgets are directly referred As soon as possible
11. Failure to provide the IT and programme management resources needed through the transformation team will result in the council having even more difficulty in balancing its budget in future years due to the lack of transformation activity.	3	11.The council should ensure that the necessary resources are secured to deliver the required transformation agenda As soon as possible
12.The failure to apply procurement rules consistently and evenly increases both the risk	3	12. The council should review its contract procurement rules, roll out training and create a forum to share best practice

Key risk	Risk rating (see details in Annex 1)	Recommendation (including Timeline)
of legal challenge and creates a value for money risk.		As soon as possible

2. Introduction

2.1 Background

The council formally requested Exceptional Financial Support (EFS) from the Department for Levelling Up, Housing and Communities (DLUHC) (now the Ministry of Housing, Communities and Local Government, (MHCLG)) in November 2023. CIPFA undertook an initial high-level assessment of the council's financial position as the request of the Department.

The council's request was approved in-principle in February 2024. The in-principle support was for £53.7 million in total to cover an overspend of £21.2 million in 2023-24 and a budget gap of £32.5 million in 2024-25. The conditions attached to this in-principle support included a requirement for the council to undergo an external assurance review and to produce an improvement and transformation plan.

2.2 Requirement

DLUHC asked CIPFA to undertake the external assurance review on which the EFS is conditional. They invited us to provide an assessment of the council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

To provide this assessment, we were asked to look at five key themes:

- *financial management and sustainability:* an assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability

- *capital programme, debt, investments and assets:* an assessment of the council's capital programme / overall debt position including short and long-term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council

- *governance:* an assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement

- *service delivery:* an assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service

- *improvement plan and roadmap:* in consideration of the findings of the review areas, targeted, tangible, and timely recommendations to assist the council in designing and implementing an improvement plan to address the identified risks and issues.

At DLUHC's request, particular attention was paid to the following areas:

- an assessment of the council's approach to managing increased demand in Adult Social Care and children's services due to the demographic growth in both populations in the borough, which the council describes as the key driver of its EFS request

- an assessment of the scope for reviewing and deferring elements of the regeneration capital programme with the aim of reducing pressures in future years

- an assessment of the financial arrangements whereby debt is repaid through the council's company and no Minimum Revenue Provision (MRP) is made, which was flagged as a risk in the rapid CIPFA assessment conducted in January 2024

- a view on the council's children's services given the recent inadequate Ofsted rating

2.3 Methodology

In our approach, we were mindful of the five broad areas for review, and the particular areas of focus, as set out above.

Our approach comprised the following elements:

Desktop analysis

DLUHC provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed over 80 documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Appendix 2. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the RA and RO forms. Service performance data has been extracted from a wider range of sources including: The Office for Local Government (Oflog), the council's own surveys of residents and staff, and work undertaken by LG futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable 'triangulation' of our analysis. council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Appendix 3.

Report drafting, feedback and fact-checking

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and two service specific consultants with relevant backgrounds in Social Care and Children's Services. All three consultants have also had career experience at Chief Executive or Deputy Chief Executive level.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

3 Areas Reviewed

3.1 Review Area 2: FINANCIAL MANAGEMENT / SUSTAINABILITY

An assessment of the council's financial management and management of risk to reach a view on the council's overall financial resilience and sustainability.

The council's financial management, governance processes including the effectiveness of the audit and scrutiny committee(s), as well as compliance with Local Government accounting codes and international finance reporting standards.

Key findings and analysis

The review detected no substantial deficiencies in the council's financial management governance processes. The budget setting process appears to be robust and timely. And work is already being undertaken on the 2025-26 budget process through what is known locally as the "star chamber" arrangements.

The council has not undertaken a formal review of its arrangements against the CIPFA Financial Management Standards, and in the light this a formal review should be undertaken to give the council greater assurance as to it financial management arrangements.

In terms of financial governance, the audit and scrutiny committee arrangements function well. The information provided through the reports to the audit committee are clear and enable members to identify the key issues that need to be determined. Some of the reports to Executive and key member decisions are less clear and lack sufficient detail on financial matters.

The most recent external audit report is the draft 2020-21 report, that identified no significant compliance issues with accounting codes and international reporting standards. This was reported in May 2024. Accounts for subsequent periods up to and including 2023/24 have been prepared and have been published in draft form

Risks

The council has not undertaken a formal review of its financial management arrangements against the CIPFA financial management code, there is therefore an underlying risk of poor financial management practice in some areas, although none was evident in this review.

Recommendations

The council should undertake a formal review against the CIPFA financial management code.

The capacity and capability of the council to deliver an effective finance function to the council commensurate with the complexity of its particular circumstances, this should include the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

Until comparatively recently (2023) some elements of the finance function were provided via OneSource which was a joint arrangement between at various times Bexley, Havering and Newham councils. The finance function is now substantially repatriated into Havering under the direct management of the Section 151 officer.

The business partner function is the main interface with service budget holders. Knowledge of service areas varies between business partners, and this is due in part to the bringing back of services from OneSource. The business partner team has, in general, many years' experiences of working within the council and in many cases, this assists in understanding the needs of services and the demand pressures that they have. However, this is not universal.

The technical aspects of the finance functional are effective with the 2023-24 draft accounts published on time, and forecasts produced in a regular and timely manner. The finance function is being further reviewed to enable it to provide more robust assistance to the transformation activity required by the council. The funding for this is not yet identified and will in all probability be a further call on capitalisation resources in the absence of capital receipts.

The council has identified the need for resources to assist in the end-to-end service transformation process. This will require a change of emphasis in the way that the Finance department works with and assists services as well as a strengthened central project management team and an enhanced digital capacity in the IT team which has been transferred back from OneSource.

The level of information provided to members to enable them to undertake decisions based on interviews and a review of reports indicates that in general information is in most instances clear, with options and risks clearly identified. However, there were some instances where greater financial clarity could be given particularly in identifying actual costs of then recommended proposals and the budget available to meet them.

There has been general member training on Finance since the last council election in May 2022 this was provided via the Local Government Association, just over half the council attended. Specific training has been given to councillors involved in the audit and pensions committees as well as on Treasury matters.

Risks

None

Recommendations

None

The council's approach to financial risk management including identification, management and treatment of risk

.

Key findings and analysis

The council has a comprehensive approach to risk management that covers not only financial risk management but other areas such as service impact, staff, reputation, project delivery and legal and compliance issues. Risk matters are reported quarterly to the Senior management team. At member level oversight is exercised by the Audit committee which receives reports biannually.

Cabinet reports and lead member decisions have detailed sections on risk covering both financial and other risks. The overall level of risk awareness amongst senior staff and members was good.

The risk register is comprehensive but clear and is a working tool to identify risk rather than a mere compliance exercise, it is regularly updated to reflect changes in risk profile and to reflect changes in potential mitigations. Both the corporate and departmental registers are included on the JCAD system which is managed by the internal audit service.

The level of reserves is low compared to other boroughs with earmarked general fund revenue reserves at £35.4 million and the general fund reserve at £10.1 million.

Risks

None identified.

Recommendations

None identified.

The underlying drivers of any financial fragility and risk and the council's ability to successfully manage those drivers so that issues do not materialise. This should include an assessment of the council's approach to managing increased demand in adult social care and children's services due to the demographic growth in both populations in the borough, which the council describes as the key driver of its EFS request.

Key findings and analysis

The underlying drivers of the financial fragility which is impacting the council are the increases in demand both in absolute numbers and complexity for both Children's and Adults Social Care. In addition, costs for temporary accommodation and Special Educational Needs (SEN) transport are also increasing due to additional demand for these statutory services. The 2023-24 overspend was £18.1 million, slightly lower than assumed when the original request for support was made. The Council has also identified that there is a continuing overspend on the Dedicated Schools Grant regarding SEND provision which at present is covered by the statutory override.

The current in year forecast for 2024-25 shows that these growth pressures are continuing a similar trend to 2023-24 and the full level of support provided in-principle is likely to be required over the two years. The pressures arise in three ways firstly from an increase in the actual number of cases, then in the complexity of the needs in each case and finally from increased cost pressures from rising prices.

The council has a good understanding as to the reasons behind the pressures which are substantially outside their control due to demographic pressures and national economic factors. As an example, unusually for London, Havering has a rising school age population with rising demand for school places and with linked demand for Children's Social Care and home to school transport. Evidencing this pressure is the allocation of the Department for Education (DfE) Basic Needs Funding for new school places in 2023-24, which shows the council received 57% of the whole of London's 33 Borough allocation.

Looking further at Children's services, demonstrating council-wide recognition of the need to manage 2023-24 immediate pressures was the additional £8 million put into the budget including the development of two additional social work teams alongside growth required to cover the £4.6 million overspend (caused by rising costs in accommodation for Children in Care and Home to School transport pressures). This has been an essential response to rising demand. However, the LG Futures Financial Intelligence Toolkit shows that as a proportion of budgeted expenditure on children's services in 2023-24 family support, sure start and early years lag well behind nearest neighbour's average, 5.6% compared with 17.3%. This of concern as planning and delivering a shift away from more expensive safeguarding and children looked after services is an essential aspect of reducing future demand and cost, and this will require investment as well as meeting current demand. In conclusion, the council has responded pragmatically and necessarily to current pressures, but rising costs need to be mitigated and offset in the medium to longer term through investment in early preventive services.

The increased pressures on the costs of Adult Social Care have resulted from demographic changes, increasing complexity, and changes in the health and Social Care market. The older people population increased by 10.4% in the last decade, and, at 17.6% of the total population, against the London average of 11.9%, is the second highest in London. The council is 112th out of 151 authorities on the multiple deprivation index. According to the CQC self-assessment, the council is 128th out of 151 authorities nationally on level of spend in this area. From the LG Futures report its unit costs are generally significantly below the nearest neighbour and the England averages, with variations between services, for example lower on older people and slightly higher in relation to people with a learning disability. (N.B. the report is based generally on budget rather than spend, for all authorities). The council has taken the full Council tax and Social Care precept for the last few years, the council's CQC self-assessment says its core spending power relative to Council tax is 67% against inner and outer London averages of 37% and 57%. The council believes the government funding does not place sufficient emphasis on frailty, which is what drives NHS activity, and that consequently, there is a systematic underfunding issue in the health and Social Care system.

Before COVID-19 the Adults service came in broadly on budget, in the last 2 years it has been significantly overspent, last year by £8.5 million. The health system and the Social Care market have changed since COVID-19. Senior managers feel they are dealing with a local health service that is risk averse and is dealing with performance pressures that impact on Social Care.

In respect of the care market, the CQC self-assessment and the government submission in relation to the Market Sustainability and Improvement Plan report significant changes in affordability. 70% of placements made in Q4 of 2022-23 were made at the borough's rate, down to 40% in Q4 2023/24, despite uplifts of 13% in standard rate and 11% uplift in the enhanced rate. Providers put the inflation down to the ongoing effects of cost-of-living increases. Senior managers are also saying the market has also been affected by a significant increase in placements made within Havering by other local authorities at above the council's rate, a changes mindset amongst providers following the Fair Cost of Care exercise, plus there is increased complexity in part due to the long-term effects of COVID-19. The domiciliary care market shows reasonable sufficiency.

The council generally benchmarks quite well on performance (see later) but has higher costs for younger people with physical disabilities, and for people with learning disabilities in residential placements. All placements for older people are made as spot placements, there are no block arrangements. Joint commissioning with the health service is developing but not extensive. There are in total 296 placements out of borough.

Risks

The financial pressures, especially amid a rapid rise in the young population, make resourcing the shift to better value preventive early help approaches very difficult, meaning unnecessary children in the expensive care system and worse experiences and outcomes for children and families.

That the May 2024 Starting Well Improvement Plan, although commenced, is not developed to address the self-evaluation and Ofsted essential improvement requirements and is not delivered.

Recommendations

That the council increases its investment in preventive services via invest to save approaches with sound business cases whose progress is rigorously monitored

That the May 2024 Starting Well Improvement Plan, remains subject to strong monitoring and governance arrangements as a key priority for the council

An assessment of steps the council is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, and ensuring activities that are no longer required are being scaled back (e.g. teams that were previously expanded during COVID) etc.

Key findings and analysis

Over the 5 years to 2023-24 the council has delivered savings of £64 million, a further £15.3 million are planned for the current year and £18.2 million are expected to be delivered and included within the Medium-Term Financial Strategy (MTFS) to 2027-28. Despite these amounts the current projected MTFS shows a budget gap of £ 107.9 million by 2028-29. This assumes council tax increases of 5% in each year which would generate additional income of £33.8 million by 2028-29.

The above figures exclude any additional savings arising from the current “star chamber” exercise currently being undertaken. This exercise will not be completed until September. The proposals submitted are comprehensive and do cover the whole range of council services and include transformative proposals in a range of services. As part of this review more detailed attention has been given to Children’s Services and Adult Social Care.

Examination and discussion of the current Children’s Services savings targets suggests that they are well focused and sensible in that they do not include short term fixes which would compromise planning and delivery either of the improvement agenda or the strategic direction towards early help and prevention which should deliver better and cheaper services in the medium to longer term. Some areas are for 2025-26 onwards which appears realistic and not inappropriately ambitious. The largest items relate to converting agency workers to permanent, home to school transport, and reviewing early years provision, which managers know needs handling with care if strategic direction is not to be compromised. The Executive Director for People and director of Children’s Services are confident of delivery of the £1.2 million target, and the departmental and corporate monitoring arrangements are robust. At the same time, the improvement plan is being monitored as indicated above, and delivery of this will assist remaining within the budget envelope but not immediately. There is no income generating activity capable of offsetting all the pressures. All activity relating to COVID-19 and no longer needed has been removed.

The council purchases 30% of the local care market. Adult Social Care is producing a new Market Position Statement and is looking at the way it commissions to include an examination of what use should be made of block provision. It is working with other northeast London boroughs on approaches to commissioning in the market. It has jointly appointed, with the health service, a lead for commissioning and will explore joint commissioning opportunities. It is working with the Havering Care Partnership.

It is working on a supporting living strategy, to consider developing greater provision locally and out of residential care, with supporting practice. The directorate contains elements of housing service which presents an opportunity here for planning, although the pressure on housing stock in the borough is great (homeless approaches have increased from 150 a month in 2020 to 290 a month for the last 2 years). This work should include looking at provision for new clients and some who are in existing residential arrangements.

Senior managers were able to evidence joint working with the health service and operational initiatives with GPs, hospital wards, some small scale jointly commissioned activity, and work to influence culture. Also, initiatives such as working with providers on reducing the need for one-to-one care, and reviewing to reduce double handed care, both of which have increased and are evidence of growing complexity of need. The service has set up various panels to examine and control different levels of expenditure.

The savings proposals centre around contract savings in voluntary sector prevention contracts, savings form reablement and discharge to assess, reviewing care packages and reducing costs through prevention, capitalising equipment costs, and charging for some assistive technology. £300,000 of savings for this year on two other proposals have been declared undeliverable, this rises to £1.5 million next year, and alternatives are being sought.

The service has very good information and is targeting the areas that you would expect. A number of the savings will rely on being supported by good practice and management oversight to manage them in, and there are examples of management grip.

Commissioning presents an opportunity look further at some unit costs and service shifts in relation to younger adults, but in the context of a challenged health system and a low starting point for costs generally.

On the reports and indicators this a service dealing with issues consistent with national and local challenges. It has struggled financially against a low base in a difficult health and care system and has experienced different market conditions since covid. Value for money is in general above average and the cost of poor quality will be low.
The opportunities to make savings in the short term are limited. Managers are well informed and have the right strategies and approaches to practice, and savings are realistic and testing.

Risks

The costs in the care market will continue to rise as a result of system pressures.

Recommendations

Develop market position statement, supported housing strategies, and new approaches to commissioning. All are in progress.

An assessment of the council’s efforts to maximise productivity and minimise waste. This should include consideration of the council’s approach to EDI activity.

Key findings and analysis

The council has low unit cost per head of population compared to the other 15 Outer London Boroughs who are its statistical geographical neighbours. The council's own analysis undertaken by LG Futures indicated that that the council was the lowest cost per head of population after excluding schools and adjusting for the area cost adjustment (for 2023-24 based on budget figures).

CIPFA analysis based on RO and RA forms shows that for the period 2018-2025, that the net cost of all services including education per head of population has risen with the gap closing between the council and its geographical nearest neighbours. This is shown in the Figure 1 below:

Figure 1. Net Cost of All Services - Total RO (actuals) and RA (budget) 2018-2025

		RO (actuals) data					RA (budget) data		
		18-19	19-20	20-21	21-22	22-23	22-23	23-24	24-25
Total	Havering	£1,136.99	£1,240.43	£1,306.93	£1,345.08	£1,456.56	£1,219.07	£1,365.36	£1,657.34
	Neighbours	£1,355.92	£1,385.52	£1,533.42	£1,540.04	£1,611.78	£1,483.02	£1,617.51	£1,781.40

The picture (shown in Figure 2 below) for the two largest expenditure areas – Adult Social Care and Children's Social Care – shows that the gap between the council and its neighbours in service cost per head has reduced significantly in recent years.

Figure 2. Adult Social Care and Children's Social Care RO (actuals) and RA (budget) 2018-2025

		RO (actuals) data					RA (budget) data		
		18-19	19-20	20-21	21-22	22-23	22-23	23-24	24-25
Adults Social Care	Havering	£239.90	£250.93	£288.65	£299.38	£297.44	£284.27	£302.09	£369.35
	Neighbours	£260.00	£272.41	£290.47	£298.78	£316.08	£294.96	£331.79	£371.12

		RO (actuals) data					RA (budget) data		
		18-19	19-20	20-21	21-22	22-23	22-23	23-24	24-25
Children Social Care	Havering	£161.72	£162.17	£146.95	£152.43	£200.90	£153.19	£184.35	£237.43
	Neighbours	£171.95	£176.17	£185.64	£192.92	£215.16	£184.58	£208.81	£232.71

However, for all other service areas apart from Central Services, the council is significantly below the costs of the average of the neighbour group (i.e., the outer London Boroughs). This would indicate low cost and potentially therefore less waste and more productive use of resources.

The council has completed and submitted its productivity statement to the Department which appears to be comprehensive and has a compliant but not excessive approach to EDI activity. This has been reviewed following a recent LGA funded review.

Risks

None identified.

Recommendations

None identified.

An overall view on the ability of the council to manage identified budget pressures through its own resources. This should include a view on whether the council could and should take further action to minimise the need to use / seek a capitalisation direction. If it is apparent the council requires capitalisation to manage its budget, an assessment of how the council expects to 'fund' the capitalisation (i.e. through external / internal borrowing or through capital receipts), and the viability / risks of their proposed approach.

Key findings and analysis

The council is unable to manage the identified budget pressures through its own resources. The current round of "star chambers" was ongoing during the review and as yet a definitive list of proposals to be agreed by members has not yet been finalised. Until this exercise is completed it is not possible to determine whether there is any further action that could be taken to reduce the need for a capitalisation direction, but based on the information provided even if every potential suggestion was able to be converted into a saving, which is not within the realms of the possible, the council could only balance the budget without a capitalisation direction by reducing reserves to a level that would not be prudent and increasing council tax above the most recent referendum level.

Based on the most recent forecast for 2024-25, the council will need all of the current request for Exceptional Financial Support. The cost of the revenue support for this has been factored into the MTFS. There is no scope for capital receipts to be redirected to supporting this as they are being utilised to meet existing in contract general fund capital expenditure.

The above approach is affordable for 2024-25, however as the council is unable to rectify the structural budget gap going forward by reducing reserves. On this basis, further exceptional support packages will be required in future years.

Risks

Based on current forecasts, the council will not be able to set a balanced budget in future years, and will therefore need exceptional financial support going forward.

Recommendations

During the course of our review it was apparent this risk has materialised. The council will need to enter into a dialogue with Government into a way forward on its future funding.

3.2 Review Area 3: CAPITAL PROGRAMME / DEBT / INVESTMENTS / ASSETS

An assessment of the council's capital programme / overall debt position including short and long term borrowing, and approach to investment / asset management to reach a view on the suitability, VfM and risk exposure of the council in this space, and how this may impact on the overall financial resilience / sustainability of the council.

The council's management / governance of its capital programme, major projects (whether delivered in house or via companies) and investments including the adequacy of internal processes, scrutiny of investment decisions, use of external expertise where required, risk management and capacity and capability to deliver. This should include an assessment of the council's exposure to refinancing and any other risks identified as a result of its chosen borrowing strategy.

Key findings and analysis

The council has an established arrangement for identifying capital needs in both the General Fund and the Housing Revenue Account (HRA). There is no formal bidding process, but schemes are assessed on merit and affordability. Larger schemes within the regeneration and housing new build programmes are assessed on individual viability and revenue affordability. Risks are clearly identified on reports. External advice on borrowing strategy and general Treasury management policy is taken regularly.

The council has no specific capital board. Schemes that are progressed via its Company and LLP arrangements are reported to and reviewed by the Regeneration Board which acts as a shareholder committee. Reports to this board are detailed and comprehensive. The absence of a capital board is a potential risk, and consideration should be given to forming one distinct from the Regeneration Board.

Capital expenditure is monitored quarterly, virement is allowed between schemes, there is some evidence of this being utilised but no evidence of significant overspends on approved capital expenditure on both General Fund and HRA schemes.

Figure 3 below shows outstanding external debt as of 31 March 2024 for both the General Fund and the HRA.

Figure 3. External debt as at 31 March 2024

Tenor Bucket	Total			
	Amount	& of Total	Rate	Duration
Liquid	(£11,548)	0.00%	0.38%	
< 1 Year	£137,999,529	30.51%	5.04%	0.83
1 – 2 Years	£4,028,705	0.89%	3.40%	1.76
2 – 5 Years	£52,511,718	11.61%	3.20%	3.98
5 – 10 Years	£82,624,000	18.26%	3.30%	8.00
10 – 20 Years	£30,000,000	6.63%	3.50%	18.00
20 – 30 Years	£265,177	0.06%	2.25%	20.78
30 – 40 Years	£32,959,855	7.29%	5.03%	32.63
40 – 50 Years	£112,000,000	24.75%	1.66%	46.42

> 50 Years		0.00%		
Total	**£452,377,437**	**100.00%**	**3.55%**	**17.27**

The high level of one year debt largely reflects HRA borrowing in 2023-24 which will be refinanced in the current year at lower rates. The longer term (40+ year) debt is largely in respect of loans taken out for regeneration schemes. The council's borrowing strategy is reasonable under the circumstances.

The movement in debt between years and interest incurred is shown in Figure 4 below.

Figure 4. Borrowing and investments 2023-24

	01.04.23		31.03.24	2023-24	2023-24	2023-24
	Opening Balance	Movement	Closing Balance	Interest	Average Balance	Weighted Average Rate
	£m	£m	£m	£m	£m	%
LONG-TERM BORROWING						
PWLB	307.124	118.000	425.124	9.296	315.736	2.94
LOBO	7.000	0	7.000	0.252	7.000	3.60
Short-term borrowing	13.653	6.611	20.264	1.489	30.695	4.84
Total borrowing	**327.777**	**124.611**	**452.388**	**11.037**	**353.431**	**3.12**
INVESTMENTS						
Short-term investments	30.200	40.800	71.000	3.503	69.270	5.04
Total investments	**30.200**	**40.800**	**71.000**	**3.503**	**69.270**	**5.04**
Net borrowing	**297.577**	**83.811**	**381.388**	**7.145**		

The council reports periodically on Treasury management performance and strategy both to the Audit committee and the Cabinet. The reports are clear and explain variances from initial predictions and performance against prudential code indicators. These reports also include the council's investment strategy in terms of its cash investments, there are no other items that can be categorised as investments planned or included in the capital strategy.

External advice is received on treasury management matters and where needed on a scheme-by-scheme basis for individual elements of the Capital programme. This tends to be of a specialist nature where in house resource may not be available.

Risks

The elements of the Capital programme funded from borrowing add to the council's revenue budget pressures, although there is a risk of abortive costs if schemes are delayed or cancelled.

There is no co-ordinating board covering the Capital programme. This creates a potential risk area from a lack of co-ordination.

Recommendations

t is recommended that the council undertake a full review of the capital programme including schemes undertaken by its companies and partnerships with a view to seeing if schemes can be delayed or withdrawn as a matter of urgency.

The council should consider the merits of setting up such a board.

Where applicable, an assessment of the council's approach to any part or wholly owned companies and any associated risk these companies expose the council to.

Key findings and analysis

The council has interests in the following Companies and Limited Liability Partnerships (LLP):

- HAVERING AND WATES REGENERATION LLP – Joint venture for the 12 estates project between the council and Wates Residential
- BRIDGE CLOSE REGENERATION LLP – Joint venture for the Bridge Close project between the council and Bridge Close nominee company
- RAINHAM AND BEAM PARK REGENERATION LLP – Joint venture for the Rainham and Beam Park project between the council and Notting Hill Commercial Properties Ltd
- PARK RISE MAN CO LIMITED – Management company for the Park Rise new build scheme, shared between the council and Wates Residential
- MERCURY LAND HOLDINGS LIMITED – Wholly owned development company, LBH is the sole shareholder.
- MERCURY DESIGN & BUILD LIMITED – Subsidiary of Mercury Land Holdings, representatives are as above at no.5.

In addition to the above regeneration lead interests the council is in the process of forming two further Special Purpose Vehicles (SPV):

- an SPV for the Cultural Strategy is in the process of being set up, and hopefully will be called "Havering London"
- an SPV to take the underleases from the Chalkhill properties is in the process of being formed and the name is still to be determined

The council has clear processes for appointing directors to the companies and members to the LLP boards. The council may want to consider the appropriateness however of its sole director on Mercury Land Holdings (MLH) being the council's Chief Executive, due to any potential conflict of interest. The Regeneration board acts as the shareholder board for the council, this meets quarterly and is chaired by the Section 151 officer. Business plans are reported to cabinet for approval either annually or if there is a 5% variance since the last business plan. This can mean that some updates to business plans are reviewed less than annually. This is a potential risk in the current economic client and a requirement to have a business plan reported to the council annually should be included in the Shareholder agreement.

The council makes both equity and loans to MLH. As at March 2023 equity invested was £17.515 million. The balance of the completed housing stock on the balance sheet was £55.1 million. The value of the completed assets outweighed the council's investment at that time.

There is at present only one scheme under development for MLH and other schemes are in the pipeline but have not yet been finally approved. The company is forecast to make a revenue loss year on year until the early 2030s. The schemes in the development pipeline are on council car park sites, which have been sold to MLH without open market disposal without planning permission. The cabinet report authorising disposal to MLH did not fully explain that the value obtained from MLH met the requirements for disposal under section 123 of the Local Government Act 1972 or fully explain why this was the preferred route for disposal. An inspection of the valuation report does however demonstrate that the requirements of Section 123 were met. Under the terms of the agreements between the council and MLH if a scheme is aborted due to either the council withdrawing funding or planning permission not being obtained any abortive costs would fall to the council. Under accounting rules these costs would be a charge to the General fund. The review of the Capital programme recommended earlier should include the MLH schemes and an assessment of whether they are still viable both in terms of the Company as well as the costs, including abortive costs, to the Council.

In terms of the LLPs (Limited Liability Partnerships), Bridge Close Regeneration LLP is 100% council owned and Havering and Wates Regeneration LLP is 50% owned by the council. This is funded entirely through loans from both parties through the HRA. Individual schemes have to be viable within the HRA to proceed.

The Rainham and Beam Park LLP is again shared funding through loans from the General Fund. This scheme it is understood is in abeyance as Notting Hill review their involvement.

Of the above arrangements the Rainham and Beam Park is the most fragile but also the lowest outstanding loan. MLH is potentially at risk if there are any significant reforms to private rent arrangements which could reduce predicted future income and the two HRA schemes will need careful monitoring on a scheme-by-scheme basis. There is evidence that the scheme-by-scheme monitoring is effective with progress on some sites being reviewed due to viability or changed regulatory requirements.

The council is aware of the risks involved in these arrangements and has adequate arrangements in place to minimise risk and to review future financial exposure.

Risks

The council only has one directly appointed director of MLH, the Chief Executive which creates a risk of conflicts of interest.

The MLH Business Plan does not reflect the priorities and environment in which it is operating and is not reviewed regularly. There is a risk that council's immediate or changed priorities are not reflected in the business plan

Recommendations

The council should review and consider whether this arrangement is appropriate.

The MLH Business Plan should be reviewed annually, and this should be included in the shareholder agreement.

A view on the alignment of the capital programme with the broader strategic direction of the council including an assessment of the deliverability and affordability of its capital programme including consideration of how the council plans to fund its programme (i.e. grants, borrowing etc.) set against the overall debt position and potential impact on longer term sustainability, including liability benchmarking.

Key findings and analysis

There is broad alignment between the capital programme and the strategic direction of the council as set out in the recently revised corporate plan.

In line with the requirements of the Prudential Code, the council in its last update to its Treasury management statement in February 2024 measured the impact on the general fund non-HRA net financing costs to net revenue stream for the period 2022-23 to 2026-27.

Figure 5. non-HRA net financing costs to net revenue stream for the period 2022/23 – 2026/27

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund services	7	7	8	9	9
Regeneration programme	3	3	5	7	10

The table in Figure 5 above shows that the funding of both the mainstream capital programme and the regeneration programme is placing increasing pressure on the council's general fund resources adding some £22 million to costs over the five years before interest receivable is considered. The level of non-revenue financing costs (debt servicing costs) to net revenue costs from 2025/26 onwards would be considered high and in the light of that the continued funding of both programmes, in the short term, needs to be thoroughly reviewed particularly when reviewed in the light of the spending pressures in service areas. This is covered by the recommended review of the capital programme.

The largest drivers of these cost pressures are the regeneration programme which is shown in summary with funding in the two tables at Figure 6 below.

Figure 6. Summary of Regeneration Programme 2024-25 – 2028-29 and associated financing arrangements

Summary of Regeneration Programme	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Mercury Land Holdings	62.110	96.206	11.515	0.500	0.000	**170.331**
Rainham & Beam Park	10.995	0.000	0.000	0.000	0.000	**10.995**
Bridge Close (Medical facilities & School)	0.000	0.000	18.969	4.883	0.000	**23.852**
Farnham & Hilldene	2.429	6.756	12.051	0.000	0.000	**21.236**
Future Regeneration Opportunities	20.000	40.000	40.000	40.000	0.000	**140.000**
Other Regeneration Schemes	2.779	0.255	0.000	0.000	0.000	**3.034**
Total GF Regeneration Programme	**98.313**	**143.217**	**82.535**	**45.383**	**0.000**	**369.447**

Financing	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m

Capital Receipts	30.180	40.000	40.000	40.000	0.000	**150.180**
Revenue and Reserve Contributions	0.000	0.000	0.000	0.000	0.000	**0.000**
Grants & Other Contributions	2.599	0.255	12.046	0.000	0.000	**14.901**
Borrowing	65.534	102.962	30.489	5.383	0.000	**204.367**
Total Funding	**98.313**	**143.217**	**82.535**	**45.383**	**0.000**	**369.447**

It should be noted that almost all of the capital receipts assumed to be made available arise from the future regeneration opportunities and the deletion of the former scheme would effectively reduce capital receipts by the same sum (i.e. the £140 million is totally funded from receipts arising from the regeneration programme.)

The revenue impact of the regeneration schemes in terms of capital financing after taking into account interest repayments is shown in Figure 7 below. This table was not included in this format in the Capital Strategy.

Figure 7. Revenue impact of Regeneration Programme

	Impact contained in MTFS Projections						
Capital Financing Costs	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**Total £m**
Interest Costs Equity/other regen	1.474	2.116	1.875	0.858	0.148	0.000	**6.471**
Repayment of Principal (MRP) associated with additional borrowing	0.878	1.585	1.820	0.667	0.110	0.000	**5.060**
Total Capital Financing Costs (MTFS)	**2.352**	**3.701**	**3.695**	**1.525**	**0.258**	**0.000**	**11.531**

The Capital strategy acknowledges the risks involved in undertaking the regeneration programme and states that "The return generated from these regeneration projects will offset the budget pressure arising from the capital financing costs of borrowing and provide future funds for reinvestment." Although this is not quantified in the strategy. The Capital strategy states that "Full details of the additional pressures and savings for the individual schemes are included in the Medium-Term Financial Strategy." But there is no direct quantification of this in the Capital strategy. Without the detail councillors are being requested to approve a five-year programme without knowing the full impact (this is covered in the later section on governance).

With regard to the remainder of the general fund capital programme this was £153.105 million over the five years 2024-25 to 2028-29, of which 40% will be funded from borrowing (£61.395 million) and 12% (£18.7 million) from capital receipts, the remainder is from third party receipts and grants. The schemes added in the last review of the programme were limited to essential works to maintain properties or specific third-party grant funding. The request for a capitalisation direction has not been included in the capital strategy although the revenue impact has been included in the MTFS forecasts.

It is understood that the council is concerned about the risk of substantial abortive costs of schemes not in contract, which would need to be charged to revenue if they were not completed, particularly for those schemes undertaken via MLH and the Council's LLP’s, no detailed quantification of this sum has been made. However, in the light of the council’s current pressure on revenue expenditure, and the need to fund schemes from borrowing, the council should urgently reconsider the affordability of all aspects of the General Fund capital programme where it is funded from borrowing.

Risks

None identified.

Recommendations

None identified.

The council’s approach to asset management and valuation, the appropriateness of its asset portfolio, and a view on a proposed asset disposal plan set against broader Value for Money considerations.

Key findings and analysis

The council’s current Asset Management Plan was approved in 2022 and covers the period to 2026. The plan is supportive of a number of key council objectives including the use of land and property assets to support regeneration proposals and joint ventures to deliver affordable housing provision within the borough and identifying where council land and assets can support the regeneration of town centres, specific communities and the provision of community infrastructure.

The Asset Management Strategy states that the council operates a Corporate Landlord approach to its asset portfolio where the ownership of an asset and the responsibility for its management and maintenance is with the corporate centre. The service area is a corporate tenant, and their priority is to plan and deliver their service to the best of their ability. The Corporate Landlord’s function is to ensure all services are adequately accommodated and the associated land and property assets are adequately maintained and managed.

The Corporate Landlord’s responsibility includes the acquisition, development and disposal of land and buildings. The Corporate Landlord is responsible for asset planning, review, feasibility and options appraisal accounting for the needs of all service areas, but most importantly, making decisions based on overall corporate priorities. This includes responding to emerging corporate priorities such as those set out in their Climate Change Action Plan such as achieving net–zero annual carbon emissions by 2040 for all council owned operational property and to help all residents and businesses in Havering to meet the UK target of carbon neutrality by 2050. The council’s asset portfolio is appropriate and there are no issues concerning its management approach.

The council has undertaken a borough wide review of its assets on an area basis which has identified potential sites for disposal through merging uses or discontinuing the use of some assets. An initial list of sites has been identified for disposal either by taking them to market or in the case of some car parks to MLH. The targeted level of receipts from disposals is £10 million for each year of the MTFS.

Within the scheme of delegations, the council has a code of practice for the disposal of surplus properties under that code to meet the requirements of Section 123 of the Local Government Act 1972 disposal is normally via open invitation of competitive bids. Where this is not the case then Cabinet authority needs to be sought for any variance to these arrangements. The car park disposals to MLH meet that requirement.

The council has not when disposing of sites to MLH, sought to seek either planning permission in advance of disposal or chosen to go on the open market route. The council's view is that the seeking of outline planning permission would have incurred costs potentially abortive to the general fund, and that there was no guarantee that the cost of going to the market would have achieved the sales prices received from MLH, in addition the agreements with MLH have overage clauses which would give benefit to the council in some circumstances. These arguments have validity.

Risks

None identified.

Recommendations

None identified.

The council's commercial investment portfolio (property, bonds etc.) and forward strategy, including dependence on commercial income, exposure to debt costs and whether, in CIPFA's view, it is prudent to reduce the council's exposure and over what timeframe.

Key findings and analysis

The council has limited exposure to commercial investments, excluding the sums invested as loans and equity within its wholly or partly owned subsidiaries. The Commercial portfolio is valued at £48 million and, apart from one large in borough high street investment, is legacy units substantially associated with its housing units. The rent yield in 2023-24 was £4.5 million with 99.5% of rents due being collected. Of the 226 units only 10 were vacant as of March 2024. It should be noted that of the gross rent one unit represented 20% of all income collectable and 26% of the value.

There are no plans at present to extend or divest from the current investment portfolio. The council measures the net income from investments to income stream as required by the prudential code these are shown in Figure 8 below.

Figure 8. Estimated investment income 2024/25 and 2025/26

%	2024/25 Estimate	2025/26 Estimate
Total Income	1.05	0.86

The council has limited dependence on commercial income.

Risks

None identified.

Recommendations

None identified.

Whether and to what extent the council is complying with statutory guidance / following best practice with regards its capital programme, wholly / part-owned companies and investments including but not limited to investment guidance, minimum revenue provision guidance and accounting codes.

Key findings and analysis

The council is compliant with the CIPFA prudential code in terms of the reporting requirements in terms of prudential indicators. The council is also compliant with the CIPFA treasury management code.

Similarly, the council is compliant with both the fourth and fifth versions of the Capital Finance Guidance on Minimum Revenue Provision. In detail with regards to its wholly owned companies and wholly and partly owned LLPs the position with regard to debt and MRP provision is as follows. A number of the LLP's are engaged on social housing provision and loan funding is made from the HRA, for those loans no MRP provision is made, relying on the exemption within the Statutory MRP guidance and the fact that the debt will be repaid. In respect of loans to the company, these loans post completion are repaid quarterly over a fifty-year period, the principal repayments are capital receipts to the council redeeming the loans, which negates the need for MRP. The loans are not commercial loans i.e. they are not made for a financial return. Although MLH is forecast to be loss making in the immediate future, this is not likely to impact these payments on current loans which are funded from MLH's current rental income rather than future developments.

The council has no plans to make financial investments other than short term cash investments which are invested in line with the requirement of the CIPFA treasury management code.

Risks

None identified.

Recommendations

None identified.

3.3 Review Area 4: GOVERNANCE

An assessment of the council's approach to overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the council is operating in line with the Nolan Principles and in a way to secure continuous improvement.

The adequacy of the council's decision-making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the council. This should include a view on the effectiveness of the adopted Governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

Following the change in political control of the council in May 2022 to initially a Residents Association / Labour coalition, and since May 2024 a Resident's Association minority group cabinet, there have been a number of changes to the scrutiny arrangements. At the same time there has been an ongoing review of the constitution, including the scheme of delegations, and a major review of the council's "target operating model." Some of these proposals were in train before May 2022.

The revised scheme of delegations to officers clearly shows what is the responsibility of chief officers and which decisions remain with members. This is a relatively new document, and with the changes to the council's staffing structures, it is too early to tell whether it is operating as intended but the council recognises the need to keep this under review.

Prior to 2022, there were a far greater number of scrutiny bodies and boards. Post the 2022 review, there are now two scrutiny boards (one each for People and Place) feeding into a single Overview and Scrutiny Board. The People and Place boards are chaired by the opposition. The new arrangements were approved at full council. There are mixed views amongst members as to whether these arrangements are as effective as the previous arrangements, but at present there are no restrictions on the frequency of these meetings and no back log of items requested for scrutiny.

The quality of council papers is generally good. However, as referred to elsewhere, greater consistency and clarity on reasons for options and alternatives could be given and greater detail on actual costs versus budgets on some decisions would have aided transparency in some cases.

When interviewed, members and officers at a range of levels had a clear understanding as to governance arrangements. The current governance arrangement, which is the strong leader and cabinet model, is effective and suitable for the council at this time. The Governance and Assurance board operates well based on a review of agendas and minutes.

Risks

In some reports, full financial information is not clearly set out when members are being requested to make a decision. There is a risk of poor decision making arising from incomplete information.

Recommendations

The council should review the content of financial information in reports so that actual costs and scheme or service budgets are directly referred.

The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the council and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the council is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

The recently approved corporate plan provides an overarching strategic framework for the council which both informs, and is informed by, a wide range of service plans and other corporate plans such as the MTFS, annual governance statement and the workforce plan. Operationally, cross directorate boards exist to ensure that corporate strategy is driven forward across all directorates and areas.

The recent restructuring into Place, People and Resources directorates was based on three design principles. The aim was for realignment and consolidation of the council's organisational structure to reduce the number of separate and distinct departments, to coordinate complementary services with clear synergies, to integrate with the place based partnership, and to enable effective delivery of the council's key priorities, as well as build on the changes and learning from responding to the COVID-19 pandemic and create a modern, dynamic and flexible organisation to meet the challenges of the future.

The changes in the organisation structure were coupled with a corresponding realignment of responsibilities of the current Senior Leadership Team within a revised senior leadership structure which ensured resilience and built strategic capacity at a senior level to support elected members, and to lead and deliver the council's key strategic priorities. The proposals were set against the backdrop of very tight and challenging financial circumstances, in the short to medium term. This was all done with no increase in overall senior leadership posts or management costs.

Overall, the council has a clear set of strategic aims which are reflected in its day-to-day operations.

Risks

None identified.

Recommendations

None identified.

A view on the effectiveness of council leadership including their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

The political leadership arrangements are unusual within a London Borough in that the largest group and the administration is not a political party but a much looser association of elected members from resident association groups. Unlike political party groups, there is no whipping arrangement and no recourse to regional or national support from the political party. However, the arrangement since 2022 does appear to be effective with a new corporate plan being produced to reflect the administration's aims.

The absence of external political support and networks means that there is potentially an over reliance on chief officers to assist in formulating strategic thinking. However, that is balanced by the fact that the administration is not tied to a political line when assessing options. Overall, there is a clear vision of what the council wishes to achieve.

There are good relations at both a senior and lower level between staff and elected members and a mutual understanding of respective roles and responsibilities. This, based on interviews, is an improved situation from pre-2022.

Risks

None identified.

Recommendations

None identified.

A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff.

Key findings and analysis

A range of both senior and more junior staff were interviewed, and the results of the most recent staff survey (May 2024) were examined to determine the working culture and relationships between senior and junior staff. Generally, staff are positive about working for the council and there is a good working culture. The staff survey indicated that staff feel that there is a supportive and inclusive culture within the council and that staff feel motivated and empowered to do their jobs.

Staff appear to be fully aware, and are informed, of major issues. The most recent Chief Executive's newsletter to all staff advised them of a number of issues including the submission of the 'Starting well' improvement plan, the annual report and the improvement and transformation plan, together with the customer services strategy. Together with links to all those documents enabling staff to read the detailed plans should they wish.

Relations between staff and elected members are good, both between senior officers and the administration and between senior officers and opposition councillors. This is based on direct feedback from Members and Officers.

Risks

None identified.

Recommendations

None identified.

The council's capacity and capability to improve and transform at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change, delivery with local partners, and collaboration with sector support).

Key findings and analysis

The council has recognised the need to improve its own transformation resource. The current project management team is small, and it is planned to significantly increase this resource with a permanent team at a cost of in excess of £1 million per annum. This resource is included within the MTFS and is key to achieving end to end transformation. Failing to establish and retain this resource is a significant risk.

The IT team within OneSource lacked transformation capacity and the repatriation of this team is being combined with a new resource to improve the digitisation agenda. Like the transformation resource, this is included within the MTFS and needs to be established and retained to achieve the council's transformation agenda.

There is an openness to constructive criticism, to learn from others and to pilot new ways of working to both improve service delivery to the end user and to reduce costs. This is evidenced by the use of whole council and service peer reviews and from some of the suggestions within the current star chamber process.

Risks

Failure to provide the IT and programme management resources needed through the transformation team will result in the council having even more difficulty in balancing its budget in future years due to the lack of transformation activity.

Recommendations

The council should ensure that the necessary resources are secured to deliver the required transformation agenda.

3.4 Review Area 5: SERVICE DELIVERY

An assessment of the effectiveness of council service delivery reflecting the importance of delivering outcome orientated, citizen focused services to reach a view on the council's ability to deliver services that are economic, efficient and effective, striking the right balance between cost and quality of service.

The efficiency of service delivery, including against comparator Local Authorities, sector metrics and wider public sector metrics.

Key findings and analysis

As part of the review process comparative data was used to measure the council's relative performance against a range of measures across the council's services. In addition to raw service data, the most recent council survey of residents was examined to ascertain relative satisfaction with key council services and how that measured up, where comparators exist, with other local authorities.

For both Adult and Children's Social Care the council had commissioned detailed comparative studies via LG Futures recently which measured the council's relative performance across a range of measures for each service. The aggregate performance for each service area is shown in the table in Figure 9 below.

Figure 9. Comparative performance – Social Care

Service	Near Neighbours out of 16	National out of 145
Children social care	14th	102nd
Older Adults	10th	105th
Younger adults	1st	15th

The position on Children's Social Care needs to be taken with the Ofsted report referred to later in this report. With regards to Adult Social Care the Adult Social Care Outcomes Framework (ASCOF), indicators show broadly above average performance.

Comparative performance data for services within the Place directorate shows that for Planning the council performed above average for processing both major and non-major planning applications within target timescales compared to both near neighbours and the National average as shown in Figure 10 below.

Figure 10. OFLOG comparative data for Planning

Service	Havering	Near Neighbours	National
Major planning apps	95.7%	91.9%	89.8%
Other planning Apps	94.9%	92.8%	92.8%

The latest available data on recycling shows that the council's performance, at 36.6% of household waste recycled, is marginally below its near neighbours at 37.4% and the England median of 41.9%.

The council's council tax collection rate was 96.6% in 2023-24, which was above the median of the 16 councils (96%) but only 10th overall. The council's Business Rates collection rate of 99.2% is well above the average of the neighbours of 96.5% and third overall out of the group.

From the above sample, there are some areas where the council performs less well than comparators, but it still performs well when its level of spend is factored in.

The latest residents' survey, undertaken in 2022 (see Figure 11), gives a similarly mixed view when residents' local views are compared with national data from the LGA.

Figure 11. Service satisfaction – Havering residents compared with national data

Service Satisfaction	Havering	LGA
Refuse Collection	85.0%	81.0%
Street Cleansing	61.0%	66.0%
Footpaths	42.0%	49.0%
Roads	41.0%	37.0%
Parks	84.0%	81.0%
Libraries	64.0%	60.0%

Invest to save can also be treated as readiness to improve efficiency. Two specific initiatives demonstrated through management and cabinet reports are:

- the "growing our own workforce" initiative, £0.64 million invested in 2023-24 aimed at expanding numbers of Newly Qualified Social Workers (NQSWs) undertaking the Assessed and Supported Year in Employment (ASYE) to increase the pool of permanent Social Workers and thereby reduce agency costs

- improving the council's offer to prospective and existing carers, with an original investment of £288,000 in 2021-22, by increasing some specific allowances to "in-house" foster carers, in addition to providing additional benefits such as council tax exemption, complimentary access to leisure facilities at borough leisure centres, free parking and free green bin collections for all in-house carers – successful recruitment and retention of foster carers reduces unnecessary residential placements which are far more expensive

While not unique to the council, these have been sensible moves appropriately supported by the council.

In addition, evidence was given of well-planned digital approaches to improved effectiveness and efficiency. Senior managers demonstrated impressive use of AI to enhance both the efficiency, consistency and effectiveness of social work practice and support, for example in summarising meeting content and actions, in collating information for the for the creation of education and health care plans, and through their Community of Practice initiative in supporting group approaches to researching and resolving problems. While not compromising proper professional judgment and supervision, AI is proving an effective way of helping define the lens under which detailed and complex family situations can be examined, e.g. how the absence of food in a house can indicate neglect. In this highly pressurised environment this represents commitment to better value processes and systems.

Risks

None identified.

Recommendations

None identified.

Identification of particular service areas that are underperforming and the ability of the council to rectify the issue within its own resources and activity. This should include a view on the council's management of customer feedback and complaints procedures.

Key findings and analysis

Children's Services are the only area of significant underperformance. The Ofsted report rates as "inadequate" the impact of leaders, the experiences of children needing help and protection, the experiences of children in care, and overall effectiveness, with the experiences of care leavers "requiring improvement to be good.
Ofsted did however have confidence in improvement planning, and it can be assumed that DfE will have considered the council's ability to rectify the issue within its own resources and activity before determining the way forward.

Views on governance and monitoring capacity and commitment will presumably have affected DfE decisions. In this respect, the May 2024 Starting Well Improvement Plan, developed to address the self-evaluation and Ofsted essential improvement requirements, includes what appear to be strong monitoring and governance arrangements in the form of:

- the independently chaired Practice Improvement Board (PIB), which has operational responsibility for implementing the plan, and which aligns with other forums/governance to avoid duplication

- the more strategic Practice Improvement Oversight Board (PIOB) chaired by the Chief Executive of the council, which includes a representative group of elected members, safeguarding partners and the Department for Education Improvement Advisor who sets the overall objectives and monitor and assess the effectiveness of the improvement plan. The PIOB members are cross party, further indication of the council's overall commitment to provide well focused challenge

Children's Services have a range of ways in which the voice of the child is heard and recorded. Annual complaints report to the cabinet show the commitment to listening and learning.

Through our discussion with the ED People and Director Starting well and analysis of a wide range of supporting documentation we are confident of the directorate's leadership grip of the significant challenges facing delivery of the council's Children's Services improvement agenda.

Cross council commitment to delivery is demonstrable at both political and officer level, and monitoring and governance arrangements at both departmental and corporate levels are strong and well-embedded.

The case for further investment in what is already a low spending Children's Services is well made and understood, and increased demand projections appear sound given the borough's demography. Failure to meet the consequent funding implications creates a major risk of recent improvement gains proving unsustainable. Over and above the need to meet the short-term costs of the service, further investment in early help and prevention is essential. For understandable reasons, this area has attracted cost reductions but is of course key to better experiences and outcomes, will reduce pressure on more intense and costly interventions, and offers better value in the medium to longer term. Although not an exact science, the more Children's Services can in conjunction with the Sec 151 officer quantify the benefits of this investment the better.

The revised MTFS includes current projections of increased demand for Children's Services and the impact of the improvement plan.

The level and type of complaints that the council receives is an indicator of potential service failures. The council operates a two-stage process for non-Social Care complaints with 10- and 20-day response times for level one and level 2, respectively. Over two thirds of responses are made within target time. The council is rolling out a single complaint system case tracker that will deal with both member and public complaints and allow better monitoring of them and more detailed an analysis to identify areas of potential dissatisfaction and poor service, The changes to complaints processing is part of a wider Customer Services Strategy agreed by the council in July 2024.

Risks

None identified.

Recommendations

None identified.

A view on the extent to which service plans are aligned to the council's strategic priorities and long term plan.

Key findings and analysis

The council is implementing a Balanced Scorecard approach to its service planning and performance management following the adoption of the Vision and Corporate Plan in November 2022. Service plans help to embed the link between corporate goals (as set out in the Vision and Corporate Plan) – and individual objectives. In the words of the council's general introduction to service planning. "The method is key to achieving the council's priorities. It links personal, team and service performance to the things that matter most to the organisation and the community; the objectives and outcomes that the council's performance will be judged against. As such it is a vital component of the council's performance management framework, as well as informing and shaping our policies, strategies, and resource allocation."

Several balanced score cards were examined which contained not only performance indicators (PI), but also team targets and budget information. These are updated quarterly, and, in some instances, they were still a work in progress. The performance indicators go to members on a quarterly basis. Additionally, there are Theme board Performance meeting where information is reported to cabinet members on complaints, income collection, budget monitoring, HR stats and wider PI's such as electrical / gas testing in HRA properties, Strategic Directors and their Directors also discuss a wider group of service PIs (Performance Indicators) with their lead members in their monthly meetings. All performance reports go through the Extended Leadership Team before being presented to members. Cabinet have agreed for the corporate plan to be reported on quarterly, so scrutiny and cabinet will have reports on that frequency. Prior to 2022 the previous administration was reluctant to share reporting data.

The council has plans to add comparative data from other councils, although Performance information is not so readily available as previously and requires willingness for other councils to share their data. At present stretch targets are not set although there are signs that this may happen in the future, for example the Customer Services Strategy agreed by Cabinet recently has aspirational targets on where service levels could be moved up to.

Based on the review of the service balanced scorecards, personal and service targets are clearly identified and linked to the council's overall strategic priorities as set out in the corporate plan.

Risks

None identified.

Recommendations

None identified.

A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes, and culture and attitude towards procurement.

Key findings and analysis

The council has no one way of service delivery. They are agnostic as to whether services are delivered in house or through external contractors. Decisions on service delivery are made on a case-by-case basis to determine what methodology provides the most economic, effective, and efficient service delivery. At present a number of services currently provided in house within the Place directorate are being examined with a view to being provided externally, whilst a number of services previously undertaken through a shared service arrangement (OneSource) have been repatriated to the council in the past 12 months.

The 2023-24 annual assurance report to the Audit committee indicated that only limited assurance could be given to the council's procurement arrangements with evidence that contract procedure rules were out of date and that was leading to greater and inappropriate usage of waiver arrangements, leading to contracts being extended when retendering could have resulted in a more effective and economic result. Action on this commenced. The council recognises that there are areas of poor procurement practice in respect of compliance that it needs to remedy. The recently appointed Head of Procurement will have a key role in ensuring that there is greater compliance with procurement rules. Although there are areas of good practice, there needs to be greater consistency in this area with contract procedure rules being revised training given and good practice being shared across the council.

Risks

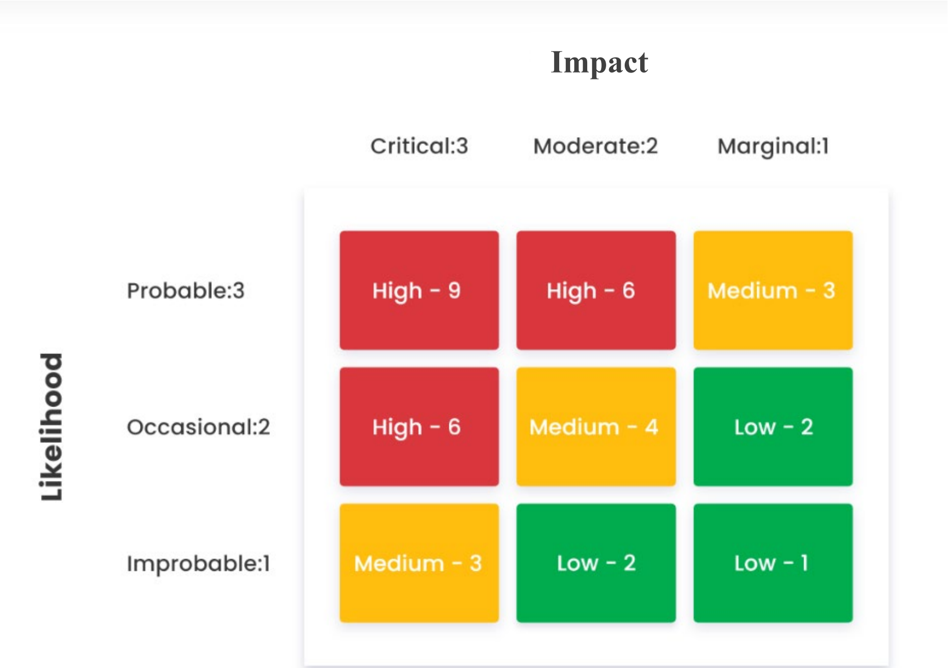
12.The failure to apply procurement rules consistently and evenly increases both the risk of legal challenge and creates a value for money risk.

Recommendations

12. The council should review its contract procurement rules, roll out training and create a forum to share best practice.

Annex

A1 Risk Assessment – Method



Likelihood:

- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:

- Marginal – some minor (less than £1000) costs involved, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – financial losses / costs up to £100k, operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major financial losses / costs in excess of £100k, subsequent intervention by DLUHC or other 3rd parties, reaches national press interest, major political embarrassment for members.

A2 Documents Reviewed

People's savings plan and tracker

Balanced scorecard 2024/25 – Starting well

Cabinet reports

Ofsted report published February 2024, and Improvement Notice March 2024

Starting Well Improvement Plan, May 2024 and Cabinet report July 2024

LG Futures Havering FIT Children's Services (benchmarking information)

LB Havering self-evaluation September 2023

Invest to save documentation covering investment in foster carers and a "grow our own workforce" initiative

CQC Self-Assessment of Adult Services

Adult Social Care Lead Member Pack Q4 2023/24

ASCOF Outcomes Direction of Travel

Balanced Scorecard Ageing Well

Balanced Scorecard Living Well

LG Futures Adult Social Care Report

ASCOF Benchmarking Report for 2021/22

Market Sustainability and Improvement Fund 2024/25 Qualitative Capacity Plan

Activity Data Set Q4 2023/24

Adult Services Savings Tracker

Customer Services Strategy

Complaints definition & reporting Information July 2024

Balanced Scorecard –Planning and public protection

Balanced Scorecard- Customer Services

Improvement and Transformation plan

Productivity Plan

2023/24 Outturn report for Capital and Revenue

Draft Accounts including AGS for 2023/24

Treasury Management Strategy

Annual Treasury Management report

Capital Strategy 2024-27 Inc Capital Programme

MRP policy and calculations 2023/4 and 2024/5

LG futures- Local taxation report

LG futures – FIT – Unit cost report

Annual Report 2023/24

Chief Executives message to staff (Newsletter) July 2024

Corporate Strategy and Vision

Mtfs 2024/5 to 2028/29

Savings proposals 2024/5

Asset management plan

Examples of valuation reports on disposals

Scheme of delegations.

Complaints against councillors' statistics

Social media protocol

Annual Assurance Statement 2023/24

Draft External Audit Report 2020/21

Draft Internal audit plan 2024/25

External Audit plan 2023/24

Governance and Assurance board – Agendas and minutes

2024/5 Budget Report

Consultation on 2024/25 Budget

Fees and charges report 2024/25

Fees and charges Policy

Growth data for adults, children’s and homelessness

Month 2 -2024/5 – High level expenditure monitor

LGA Peer Review

Current and past business plans for council Company (MLH) and for the LLP’s including cabinet reports.

Loan agreements for Company and LLP’s

Incorporation documents for MLH

Shareholder agreement with MLH

Regeneration Board minutes and agendas

MLH current and previous years accounts

All LLPS – accounts as submitted to Companies house to March 2023

Havering Residents Survey-2022- undertaken by Ipsos

Borough wide area-based review report

Asset disposal list.

Asset values and rents, including annual performance 2023/24

Highway maintenance Strategy

HRA business plan 2024/25

Brief for Stock condition survey

Commercial lettings and rental policy

Housing asset management strategy.

Commercial properties KPIs – March 2024

Risk Management Strategy

Corporate Risk register

Staff Structure

Workplace Strategy

Target operating model – various reports.

Details of councillor training since May 2022

Staff Survey 2024

Succession planning – critical roles analysis.

Transforming IT & Digital delivery project plan

A3 Interviews Conducted

Strategic Director of Resources & S151 Officer

Chief Executive

Leader of the council

Strategic Business Partner, HRA Accountant

Monitoring Officer/Deputy Director of Legal

Deputy Section 151 Officer/Head of Finance (Strategy)

Head of Finance (Financial Control)

Capital Strategy Manager

Strategic Director of Place

Chair of Audit Committee

External Auditors ERNST YOUNG

Director of Housing & Property

Assistant Director of Regeneration & Place Shaping

Assistant Director of Housing, Property & Assets

Business Partner (HRA Accountant)

Head of Finance (Business Partnering)

Head of Audit & Assurance

Head of Project Management Office

Strategic Director of People

Director of Living Well

Director of Starting Well and Statutory Director of Children's Services

Director of Partnership, Impact & Delivery

Finance Lead Member

Leader of the Labour Group

Leader of the Conservative Group

Leader of the Residents' Association Independent Group

Leader of East Havering Residents' Group

IT Client Director

Head of Programme and Support

Head of Highways (Traffic & Parking)

Housing Solutions Manager

Head of council tax and Benefits

Team Leader, Infrastructure (Planning)

Head of Communities, Communication & Engagement

Head of Innovation and Improvement

Assistant Director of Adult Social Care

Director of Ageing Well

77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600
CIPFA.org