

Councillor Ray Morgon
Leader of the Council

Simon Hoare MP
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28th February 2024

Dear Simon,

Acceptance of the London Borough of Havering's Exceptional Financial Support

I write in response to your letter dated 27th February 2024 regarding Havering's request for exceptional financial support and would like to thank you for your support thus far. I understand the letter does not constitute a capitalisation direction but rather states the Department's current position.

I confirm Havering will accept the process and conditions associated with the capitalisation direction, and agree for the Council to:

- Undertake an external assurance review of our financial management arrangements and demonstrate plans on improving our productivity where required and;
- Produce an Improvement and Transformation plan by 27th August 2024 focused on delivering the Council's key objectives, setting out our plans on securing the Council's medium term financial position.

Regarding the conditions, I confirm that the Council will:

- Only capitalise expenditure when it is incurred
- Charge the Minimum Revenue Provision using the asset life of no more than 20 years, in accordance with the relevant guidance
- Borrow (if required) from the PWLB at an additional 1 percentage point premium where the capital financing requirement is increased as a result of capitalisation of expenditure under this direction.

I must state that the landscape for councils like Havering remains extremely bleak. We are already cost effective and our unit costs are amongst the lowest compared to our neighbouring boroughs. We will endeavour to deliver additional efficiencies where possible but it will be challenging for a council like ours to secure the medium term financial position unless the much needed Local Government funding reforms redress the inadequacies and imbalance of the national funding formula.

The Havering you want to be part of

We welcome an external review of our financial management arrangements and will work hard to implement the suggested recommendations from the assurance process. Unfortunately, Havering will most likely require exceptional financial support year on year unless the Reforms take place and this is the position we have diligently highlighted to Government for the past three years.

I believe we are an efficient Council and would welcome continued discussions with you regarding the 20-year term for MRP and the additional 1 percentage premium on the PWLB loan.

Finally, I would like to express my thanks to you personally and to your officers for the sterling support provided to Havering over the recent few months. I look forward to continuing the positive working relationship going forward.

Yours sincerely



Ray Morgon
Leader of Havering Council

CC: Councillor Chris Wilkins, Cabinet Member for Finance
Andrew Blake-Herbert, Chief Executive
Kathy Freeman, Strategic Director of Resources and S151 Officer
Suzie Clarke
Ghulam Khan

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