

# **Havering Annual Governance Statement 2025/26**

**DRAFT**

# ANNUAL GOVERNANCE STATEMENT 2025/26

This statement, from the Leader and Chief Executive, provides reasonable assurance to all stakeholders, that within the London Borough of Havering, processes and systems have been established which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the Borough.

The Annual Governance Statement is co-ordinated within the Assurance Service and the production and progress of the statement is monitored by the Executive Leadership Team (ELT).

## Scope of responsibility

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The London Borough of Havering is committed to operating in a manner which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition. This statement outlines how the London Borough of Havering has complied with these principles and meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, requiring all relevant bodies to prepare an annual governance statement.

## The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, available on the Havering website and provided in the link below, has been in place at the London Borough of Havering for the year ended 31 March 2025 and up to the date of approval of the statement of accounts. This framework is due for review, and this will take place in 2026. [www.havering.gov.uk/code\\_of\\_governance](http://www.havering.gov.uk/code_of_governance)

## Review of governance effectiveness

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

### Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are recommended by the Governance Committee for decision by Full Council.

A cross-party constitutional working group (including officers) is currently up and running and is systematically reviewing various sections of the constitution to ensure it is fit for purpose. Amendments to the scheme of delegations and main constitutional articles were presented to governance committee in February 2025 and thereafter approved by Full Council in March 2025.

The Constitution Working Party reviews the Constitution and includes representation from each political group in its membership. The lead officer for the working party is the Council's monitoring officer.

In line with the Governance Committee recommendations, revisions to the Constitution were approved by Council in March 2026 as outlined within the Council agenda paper linked below.

[Agenda item - RECOMMENDATIONS AND REPORTS | London Borough of Havering](#)

- i. Changes to the Contract Procedure rules to conform with the requirements of the Procurement Act 2025 and include:
  - a. removal of unnecessary restrictions on how contracts are procured, while still meeting key requirements like transparency, proper governance, and maximising public value;
  - b. alignment with the latest rules and opportunities introduced by recent legislation;
  - c. elimination of rules based on outdated laws;
  - d. language that's easier to understand;
  - e. provision of clear steps for officers to follow when procuring different types of contracts;
  - f. clarification of governance and authorisation requirements.

The Access to Information Procedure Rules had been reordered for clarity

- iii. Revisions to the arrangements for dealing with allegations that a member has failed to comply with the Members' code of conduct, to include a new viability stage into the Member Complaints procedure.
- iv. An outdated management structure chart has been removed and reference to Part 7 or the structure chart itself was removed from the main body of the Constitution; together with out-of-date reference to management groups.
- v. The Policy and Strategy Development Framework and Guidance was updated.

## **Executive Leadership (ELT and ELG)**

ELT is Executive Leadership Team and members are the CE, Strategic Directors & Directors.

ELG is Executive Leadership Group, and members are ELT and Assistant Directors / Business Partners.

During 2025/26 ELT meetings generally took place weekly, running on a rolling basis by theme (People, Place, Resources & Performance). The Themed Board for each theme then follows two weeks after the ELT meeting. ELG meetings happened every 6 weeks.

## **Governance Committee**

The Council's Governance Committee, attended by the Leader of the Council and most other Group Leaders, is charged with overseeing the organisation's governance arrangements including the review of the Constitution and the Code of Conduct for Members. The Governance Committee oversees the Council's complaints process.

## **Audit Committee**

The Audit Committee is responsible for monitoring the adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. This monitoring is integral in the process to compile a robust Annual Governance Statement, which is approved by the Audit Committee. Significant governance issues are escalated to the Governance Committee by the Chair of the Audit Committee as required. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

## **Overview and Scrutiny**

The statutory Overview and Scrutiny function reviews and challenges decisions made by the Executive and other bodies e.g. National Health Service organisations and the Police to assist in the development of policy.

An overarching Board undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued.

The Scrutiny functions advisor is the Insight, Policy and Strategy post-holder who attends and supports the meetings along with a democratic officer.

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider a wide range of decisions and information in line with their individual Terms of Reference, including but not limited to performance information within their area of responsibility. Key areas of focus that inform the work programme is the Council's Statutory Forward Plan and given the Council's additional financial support the Ministerially required Improvement and Transformation Plan, agreed by full Council and scrutinised by the Scrutiny Board prior to its submission. This is in line with the requirements of a well-run Council.

The Scrutiny Board requested training for all Scrutiny Members, Cabinet Members, Executive Leadership Team and the Executive Leadership Group. These were commissioned and delivered by an independent trainer in October 2025. As part of this, comments and views were sought to inform the future Protocol that will help future working relationships.

The training was seen as an enabler of effective scrutiny by raising awareness and providing opportunity to explore how scrutiny works and role requirements. This is an unusual initiative amongst Local Authorities and should be considered a very positive indicator of the Board's work and profile.

The training sessions provided a valuable opportunity to identify actions to strengthen the effectiveness of scrutiny.

At the end of each year, the last meeting of the Board undertakes a review of the scrutiny work it has undertaken, against the Centre for Governance and Scrutiny Annual Report and identifies recommendations to further strengthen the effectiveness of Scrutiny.

At the May 2025 cabinet meeting the Chairs of Scrutiny attended and presented the following improvement recommendations arising from the 2024/2025 Annual Review:

1. The relevant Cabinet Member should be required to attend each meeting of the Board or Sub-Committees where there is an item relevant to their portfolios.
2. All Cabinet responses to scrutiny recommendations or comments should be included as an agenda item at the next scrutiny meeting.
3. Comments and recommendations to Cabinet should be presented at the Cabinet meeting by the Chairman and Vice-Chair of the Board or relevant Sub-Committee.
4. Cabinet responses to scrutiny comments on called-in decisions should be circulated to all members of the Overview and Scrutiny Board as well as other Members supporting the call-in.
5. Cabinet supports the Board's request for scrutiny reports to be received two weeks ahead of publication as this will facilitate earlier pre-meets and general consideration of the material.
6. That Cabinet commends the Overview and Scrutiny Board reviewing the work it undertook over the past year, and its ongoing efforts to make the scrutiny process as effective as possible for residents.
7. That a protocol be developed for working practices between Cabinet and the Overview and Scrutiny Board including, but not limited to, the issues outlined in the recommendations above.

This exercise was repeated at the 18th of March 2026 Overview and scrutiny Board meeting and the recommendations from that will go to a future Cabinet Meeting post the local elections.

A draft working Protocol will go to the future Cabinet and Scrutiny Members for comment and agreement. Essentially this will set out the working relationship expectations between them from the beginning of the four-year term.

## Local Pension Board

The role of the Local Pension Board is to assist Havering as the Administering Authority to ensure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

This established Board holds quarterly meetings and an annual general meeting. During 2025/26 the Board met on 8 April 2025, 15 July 2025, 14 October 2025 and 16 December 2025. An Annual General Meeting is yet to be arranged.

During 2025/26 the Board continued its oversight of the administration and governance of the Fund, including reviewing Key Performance Indicators, monitoring the Fund's risk register, and receiving updates on projects such as McCloud and annual benefit statements. Board members also undertook relevant training as part of their ongoing development.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board, which is reviewed annually and reports the extent of compliance against a set of principles, this was presented to the Pensions Committee on the 11th of November 2025.

## Internal Audit (Assurance Services)

Internal Audit is an independent assurance function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risk. In doing so Internal Audit supports the Chief Finance Officer in their statutory role as Section 151 Officer. Annually the Head of Audit and Assurance Opinion and annual report provide assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

### Head of Assurance Opinion 2025/26

In accordance with the Global Internal Audit Standards (GIAS) the Head of Internal Audit (Head of Audit and Assurance) is required to provide an annual opinion to the Audit Committee, based upon and limited to the work performed by Internal Audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that is focused on key strategic and operational risk areas, agreed with senior management and approved by the Audit Committee. The audit plan is fluid and amended during the year to reflect changes within the Council's risk profile.

The Head of Assurance opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key systems and risks.

Outlined below are the definitions of the assurance levels provided by Internal Audit:

#### Key to Assurance Levels

- **Reasonable Assurance** - The control framework is adequate to manage the risks in the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
- **Limited Assurance** - There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

Last year's (2024/25) annual opinion concluded that, while there was generally a sound system of internal control across the Council, only limited assurance could be provided. This reflected instances of suspected fraudulent activity identified in two areas of the Council in the final quarter of the year, alongside a separate, significant control failure within the Temporary Accommodation service. These issues highlighted weaknesses in budget management and the effectiveness of financial oversight across parts of the Council. In particular, they pointed to inconsistencies in the application of financial controls and a lack of robust management scrutiny of expenditure. As the incidents occurred across separate service areas, this raised broader concerns regarding the consistency of budget monitoring arrangements and increased the risk that unnecessary or unauthorised expenditure could occur.

A Significant Governance Issue was also raised in the 2024/25 Annual Governance Statement to address the budget management and management oversight issues, to further ensure these areas were monitored and actioned throughout the year, with the oversight of ELT.

It should be noted that considerable work has been undertaken by Internal Audit in these areas, which has meant priorities in the Annual Plan presented to the Audit Committee on 25<sup>th</sup> April 2025 have changed throughout the year. The previous Audit Committee has been kept updated with all these changes through the course of the year.

The internal audit programme of work for 2025/26 identified the following areas where only limited assurance could be provided on the control environment (excluding Budget Management and Temporary Accommodation – Additional Overspend, as these relate to issues identified towards the end of 2024/25) :

- Community Leasing
- Garage Allocations
- Procurement Processes Follow Up
- Tenant Management Organisations

As these issues were identified in specific and contained areas of the Council's operations, they do not give rise to thematic concerns about the overall control environment in place and do not significantly affect the overall opinion provided in this report. Management actions have been agreed, and in many cases already implemented, to address the high-risk findings, with progress monitored by the Audit Committee. Therefore, based on the work undertaken and finalised reports at the end of the 2025/26 financial year, **reasonable assurance** could be provided that there is generally a sound system of internal control across the Council.

## Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a strategic risk register which is overseen by ELT and progress reported to the Audit Committee. Work has continued during 2025/26 to review risk registers and to ensure that the strategic risk register continues to reflect the risks facing the Council.

The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures and will be approved by the Audit Committee.

## External Inspectors

The Council is subject to review and appraisal by several external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (EY), is reported to the Audit Committee.

The council is required to publish its draft statement of Accounts for 2025/26 by 30 June 2026. The audit opinion for the 2024/25 accounts was received on 25 February 2026. The Council and Group financial statements for 2024/25 received a disclaimed opinion; this was as a direct result of the Government's statutory backstop dates for local audit. No governance issues have been raised.

## Information Governance and Data Protection

The Council is required to comply with the UK General Data Protection Regulation (UK GDPR), the Data Protection Act 2018, and the Freedom of Information Act 2000.

During the financial year 2025/26, all personal data breaches that met the statutory reporting threshold were notified to the Information Commissioner's Office (ICO) in a timely manner. No enforcement action or financial penalties were imposed in relation to weak controls.

Between 1 April 2025 and 31 January 2026:

- 118 personal data breaches were reported to the Council; and
- 2 breaches were reported to the ICO.

In all cases reported to the ICO, no further regulatory action is being taken, although recommendations were provided to support continuous improvement.

While a number of data breaches did occur, staff followed established reporting and escalation procedures, enabling appropriate remedial action to be taken and controls to be implemented promptly to mitigate any actual or potential impact.

The Council continues to strengthen and refine its information governance framework. Lessons learned from incidents and near misses are used to improve processes, controls and staff guidance, ensuring the protection of Individual Information Rights (IIR) and the lawful, fair and transparent processing of personal data. Ongoing improvements are also being made to processes for handling Freedom of Information Act requests to support compliance and timely disclosure.

Staff awareness of data protection, information governance and cyber security responsibilities has continued to be a focus during the year through mandatory learning and development materials. An average of 75% of staff have completed all required modules. The Council's target completion rate is 95%, with a 5% tolerance to reflect changes in workforce numbers. Compliance with mandatory training is monitored through the Information Governance Board, and a renewed emphasis on completion will be reinforced through the next Performance Development Review (PDR) cycle.

## Complaints

Following the complaints service restructure implemented in December 2023, and as reported in the Annual Governance Statement for 2024/25, and further modifications to the team structure were made during summer 2024. These changes resulted in the Authority entering the 2025/26 financial year operating under an interim, modified structure.

During 2025/26, this interim structure has delivered notable improvements in complaints handling performance across Corporate and Housing Services, including improved response times, consistency, and quality of responses provided to residents. In addition, a new process and case-tracking system has been introduced to manage Members' enquiries, resulting in improved oversight and an increase in timely and effective responses to Councillors.

A detailed review of Housing Revenue Account Services complaints handling has also been undertaken during the year, in preparation for further service improvements planned for 2026/27. Alongside this, the Authority has recognised that further improvement is required within Social Care complaints handling. A dedicated improvement project was therefore initiated during 2025/26 and will continue into 2026/27, with the objective of aligning the quality, consistency and timeliness of Social Care complaints handling with that achieved within Corporate and Housing Services.

### Key Areas of Improvement and Planned Development

#### 1. Team Structure

The interim team structure has remained in place throughout 2025/26 and has provided valuable insight into capacity requirements and the need for specialist knowledge within service areas. Targeted training has been delivered, including training on Ombudsman complaint handling codes and service-specific knowledge. This programme of training will continue into the 2026/27 financial year.

#### 2. Policy Framework

In response to the interim team structure and the introduction of the Local Government and Social Care Ombudsman (LGSCO) Complaint Handling Code, alongside updates to the Housing Ombudsman Complaint Handling Code and requirements of the Regulator of Social Housing, the complaints policy originally approved in December 2023 was reviewed. An

updated Complaints Policy was implemented in October 2025 to ensure continued compliance with regulatory and statutory requirements.

3. **Performance Reporting**  
Monthly complaints performance reports are provided to the Executive Leadership Team, with additional service-level reports produced as required. During 2025, Power BI was introduced as the Authority's preferred reporting platform to improve access to complaints data for services and senior management. Data quality and system issues delayed full implementation; these matters will be addressed during 2026 to ensure reliable, accessible data that can be used to support internal monitoring and published reporting.
4. **Service Improvements**  
While the interim structure has delivered significant improvements, further process refinements remain necessary. During 2025/26, the service has focused on improving the timeliness and quality of responses to residents and embedding opportunities to capture and communicate learning from complaints. Further enhancement of these arrangements is planned for 2026/27.
5. **Social Care Complaints**  
Social Care complaints handling has been identified as a key area requiring improvement. A focused review is underway to streamline processes while maintaining compliance with statutory guidance. This work commenced in 2025/26 and will continue into 2026/27.
6. **Learning from Complaints**  
Arrangements for capturing and applying learning from complaints are being strengthened. A new Complaints Board has been established in December 2025, bringing together the Complaints Team and senior officers from service areas. The Board is developing a more collaborative approach to quality assurance, learning, and the delivery of service improvements for residents.
7. **Tenant Satisfaction Measures**  
The Authority has continued to review its approach to Tenant Satisfaction Measures in line with Regulator of Social Housing requirements. Due to competing priorities, the introduction of customer satisfaction surveys has not yet been completed; this work is scheduled for implementation during 2026/27 and will be aligned with wider learning from complaints activity.

Overall, the service dedicated the first two quarters of 2025/26 to rebalancing capacity, improving response quality, and stabilising performance following the restructure. The second half of the year shifted focus towards improvement projects, alignment with legislative and regulatory requirements, and the introduction of new ways of working to provide a more consistent and effective complaints service.

## Ombudsman

All Council services, with the exception of Housing (excluding Housing Demand), fall within the jurisdiction of the Local Government and Social Care Ombudsman (LGSCO). All Housing Revenue Account services fall within the remit of the Housing Ombudsman (HO).

During the 2025/26 financial year, our records show a total of 68 Ombudsman decisions were issued by the LGSCO and the HO.

- **Adult Social Care Services**  
Four cases were determined by the LGSCO. All cases were closed following initial enquiries or were deemed premature or not upheld following investigation.
- **Children's Social Care Services (including Education and SEND)**  
Eight cases were determined by the LGSCO. Four cases were closed following initial enquiries or were deemed premature or not upheld. Four cases were upheld, with the LGSCO identifying service failure.

- **Other Council Services** (including Parking, Homelessness and the Housing Register)  
Fifty-two cases were determined by the LGSCO. Of these, fifty cases were closed following initial enquiries or were deemed premature or not upheld. Two cases were upheld due to identified service failure.
- **Housing Ombudsman Cases** (including Repairs, Resident Services and Planned Maintenance)

Three cases were determined by the Housing Ombudsman. All three cases were closed following initial enquiries or were deemed premature or not upheld.

The Authority continues to monitor Ombudsman findings closely and ensure that learning is captured and used to inform service and governance improvements.

## Modern Slavery

Councils have a statutory key role to play in tackling modern slavery including the duty to notify the Home Office of any individual encountered who we believe is a suspected victim of modern slavery or human trafficking. Part of the commitment to the modern slavery Act 2015 requires an annual transparency statement is to be written by every company with an annual turnover of £36m or more- which includes us. The statement should set out what it has done to ensure that slavery and human trafficking is not taking place in the Council or its supply chain. In summary the Councils role can be separated into four distinct areas:

1. identification and referral of victims
2. supporting victims – this can be through safeguarding children and adults with care and support needs and through housing/ homelessness services
3. community safety services and disruption activities
4. ensuring that the supply chains councils procure from are free from modern slavery

The 2025/26 annual statement was published in July 2025 following approval at Governance board. The statement outlines the risks identified in relation to modern slavery and planned steps to ensure the importance of Modern Slavery is being considered more widely across the whole organisation. This was our third annual transparency statement and work is already underway reviewing and updating this for 2026/27, which will be published in line with legal requirements of within 6 months of our financial year-end.

## Progress of significant governance issues raised in the 2024/25 AGS

The issues identified in the 2024/25 Annual Governance Statement have been monitored by management and the Executive Leadership Team (ELT) throughout the year with review periodically to challenge actions and progress. Whilst progress has been made during 2025/26 in each of the areas identified in the 2024/25 AGS, and the decision made to close two issues, all other issues were considered to have remained significant enough to be carried forward into the action plan for 2026/27.

The issues closed as at the end of 2025/26 and actions taken to address these are included below:

**1. Delivery of a balanced budget 2025/26:** The Council was only able to set a balanced budget for 25/26 with exceptional financial support, through the form of a capitalisation direction. MHCLG approved a capitalisation direction of a maximum of £88m, which was on a worst-case basis. On a mid-case basis, the Council will need to spend an additional £70.2m in addition to the net budget requirement of £205m. This represents borrowing of c35% on our annual revenue expenditure. The position includes over £10m of savings agreed for 25/26. Heads of service, assistant directors and directors will be asked to sign off a budget assurance statement, confirming they will do everything in their control to manage their budgets within the existing financial envelope allocated to them. It has been made that budgets will be allocated within the mid-case scenario, so not to increase the Council's structural budget deficit. Managers will also be asked to develop their commissioning/procurement pipeline on the Corporate Contracts register, seeking better value in re-procurement exercises.

The Council's unit costs have increased compared to where we were in previous years to bring our costs more in line with other boroughs, however, compared to the national average, Havering's unit costs are still lower.

More work is needed to embed the financial management culture throughout the Council. Managers will be asked to continually deep dive into overspending areas and Finance recovery boards will continue to hold directors to account on delivery of savings, actions and actions being taken to reduce their expenditure and increase income.

### Actions taken during 2025/26

- Continue to lobby the Government and proactively contribute to the forthcoming Local Government Finance reforms
- Recruitment panels in place to control all new staff placements
- Continuation of recovery boards to closely monitor and control all council spend
- Star Chamber process to systematically review all services to identify efficiencies and savings moving forward
- Robust procurement to maximise benefit of new and existing contracts
- Delivery of the Capital programme to create longer term Housing solutions to mitigate the Councils temporary accommodation pressures
- Joint work with Health to achieve common aims and priorities whilst ensuring a fair distribution of funding
- Robust baselining of all budgets including metrics
- Accurate monitoring of the cost drivers linked to financial pressures to fully understand emerging budget pressures
- Action plans set up where necessary to ensure delivery of the savings included in the 25/26 budget
- Robust planning approach to future years testing all MTFs assumptions and enabling timely service options to generate savings and efficiencies
- Monthly reporting of the revenue budget position to Councillors
- Quarterly monitoring reports to cabinet on capital and revenue
- Debt Board to operate to review debt collection methods and processes

- Review of all reserves and balances to both test adequacy but also to allow any surplus funds to be released to support the overall revenue position
- Budget sign offs of 2025/26 budgets by managers to ensure full ownership of both monitoring and savings delivery
- Savings delivery to be reviewed through the year and reported to Overview and Scrutiny

**Status as of 31<sup>st</sup> March 2026 – Issue Closed**

Actions listed above all carried out through 2025/26. As a result, the outturn position was a £37.7m overspend which will be funded by a capitalisation direction. This is an improvement of £32.5m on the original mid case budget and reflects all the various spending controls which were put in place

**Lead Officer: Strategic Director, Resources**

**2. Council's ability to successfully end the existing onsource IT shared service with LBN by 31<sup>st</sup> December 2025. This includes both the required technical disaggregation and return of staff.**

**Actions taken during 2025/26**

- Continued delivery of Havering technology roadmap – progress monitored via continued Havering specific and joint split programme governance
- People change activities for staff returning to the borough
- All staff and IT Services have been returned to Havering
- Digital Service created and staffed
- Outstanding tasks are being handled as part of BAU activities
- Havering now has a fully Sovereign IT and Digital Service

**Status as of 31<sup>st</sup> March 2026 – Sufficient actions have been taken to close this issue.**

**Lead Officer: Strategic Director, Resources**

## Significant governance issues identified during 2025/26 (to be addressed in 2026/27)

<b>1. Delivery of a Balanced Budget 2026/27</b>
<b>Actions taken during 2025/26</b> <ul style="list-style-type: none"> <li>• Comprehensive budget process undertaken analysing potential service costs for 2026/27 based on current user numbers, inflationary pressures, complexity of cases and market conditions</li> <li>• Continued lobbying of Government to give Havering a fairer deal through the fair funding review.</li> <li>• Outcome of fair funding fully built into revised MTFs model</li> <li>• £10m of savings identified for 2026/27 to help close the budget gap</li> <li>• Remaining budget gap at budget setting was £77m on a worst case scenario and £65.9m based on a midcase scenario</li> <li>• Application made for Exceptional Financial support which was provisionally agreed at £77m by MHCLG in February 2026</li> <li>• Budgets will be allocated within the mid-case scenario, so not to increase the Council's structural budget deficit. Managers will also be asked to develop their commissioning/procurement pipeline on the Corporate Contracts register, seeking better value in re-procurement exercises.</li> <li>• The Council's unit costs have increased again in 2025/26, and services are asked to make more use of comparative information with other boroughs to identify areas where efficiencies can be made</li> <li>• The 2025/26 outturn position is an improvement from the assumptions used to set the 2026/27 budget. As such all directorates to review their base position for 2026/27 in order to recast the level of growth required for 2026/27.</li> </ul>
<b>Planned actions for 2026/27</b> <ul style="list-style-type: none"> <li>• Base budget review to take account of improved 2025/26 outturn position</li> <li>• Close monitoring to ensure delivery of savings in 2026/27</li> <li>• Identification and actioning of further savings initiatives and one-off costs associated with those proposals</li> <li>• All spending controls to remain in place to contain costs including</li> <li>• Recruitment panels in place to control all new staff placements</li> <li>• Continuation of recovery boards to closely monitor and control all council spend</li> <li>• Star Chamber process to systematically review all services to identify efficiencies and savings moving forward</li> <li>• Robust procurement to maximise benefit of new and existing contracts</li> <li>• Delivery of the Capital programme to create longer term Housing solutions to mitigate the Councils temporary accommodation pressures</li> <li>• Joint work with Health to achieve common aims and priorities whilst ensuring a fair distribution of funding</li> <li>• Robust baselining of all budgets including metrics</li> <li>• Accurate monitoring of the cost drivers linked to financial pressures to fully understand emerging budget pressures</li> <li>• Work to be undertaken to fully understand the councils' cost drivers including reviewing deprivation factors, population data in order to build up a model to understand what is driving Council spend.</li> <li>• Build a medium-term view of the factors which ultimately drive costs and develop initiatives to tackle those underlying factors including improving school attainment, tackling domestic abuse, providing whole lifecycle support for our users and prevention work to help people in danger of becoming homeless</li> </ul>

- Continued dialogue with MHCLG over the Councils medium term financial position and continued reliance on EFS to balance the budget

**Lead Officer: Strategic Director, Resources**

- Centralisation of social value will be adopted underpinned by the adoption of the new social value policy by Cabinet in December 2025 to enable clear understanding of the commitments made, the ability to track and record outputs and finally to enable accurate reporting.
- Implementation of a new e-procurement tool that will look end to end in the procurement and contract management cycle to enhance visibility in the process and governance.
- Complete the re-draft of the Contract Procedure Rules (CPR's) to include new legislative requirements under the Health and Care Act 2022 and the Procurement Act 2023. This action was completed in March 2026 with the adoption of the revised CPR's by full Council.

- Continuation of embedding Social Value and working with strategic partners to develop reporting and monitoring capability organisation wide
- Continue to develop the e-procurement tool to become a whole lifecycle support
- Develop and Implement procurement training for the organisation

**3. Inadequate judgement outcome of Starting Well's Social Care Department following Ofsted's Inspection of Local Authority Children's Services (ILACS) in December 2023.**

Resulted in an ongoing Children's Services Improvement Plan supported by oversight by the DfE.

A full reinspection is likely to be in spring 2027 following ongoing monitoring visits by Ofsted and the DfE.

Ofsted monitoring visit reports are published following each monitoring visit. An Area SEND Inspection is also due alongside the ILACS framework.

**Actions taken during 2025/26**

- Completion of Phase Two of the Starting Well reorganisation to deliver improvements within the Early help services by end of May 2025
- Following the review of Case recording System in 2024-2025, corresponding remedial work by December 2025
- Development of AI apps to support managers and staff to improve
- Improvement programme in line with improvement plan delivered with overview from the practice improvement board and practice Improvement oversight board
- Further corporate investment of £7.7m
- Improvement actions taken in line with the Improvement plan and monitored via the bi-monthly Practice Improvement Board (PIB) chaired by the DfE allocated advisor and the

quarterly Practice Improvement Oversight Board with cross-party political attendance chaired by Havering Council's Chief Exec.

**Planned actions for 2026/27**

- Roll out of the Family First reforms including development of Family First team, Family hubs, and multi-agency child protection teams and implementation of family group decision making model into the model of practice
- Roll out of the SEND reforms including the development and embedding of the SEND assurance plan
- Responding to any actions and recommendations from the ofsted monitoring visits and DfE reviews
- Delivery of the improvement plan actions ready for the full inspection in the spring of 2027.

**Lead Officer: Director of Starting Well**

**4. A number of control failures were identified towards the end of 2024/25 across three service areas. Reviews undertaken of these incidences have highlighted a combination of inconsistent application of the financial framework and poor management oversight in a limited number of areas. These issues led to financial inefficiencies, potentially resulting in a misallocation of resources, which may have impacted on service delivery within the areas affected, ultimately resulting in financial loss to the Council. In all incidences, both the first (service delivery and day-to-day management of risks) and second (support, advisory and monitoring responsibilities) line of defence were ineffective.**

**Actions taken during 2025/26**

- Follow up reports and progress provided to Audit Committee in June 2025 and in early 2026
- Additional reviews added to the Internal Audit Plan 2025/26 and further for consideration in 2026/27
- Finance Restructure launched

**Planned actions for 2026/27**

- Internal audit reviews added to 2026/27 plan including Follow Up reviews for previous limited assurance reports.
- Roll out of Finance Training for Budget Holders to create an organisation base line for financial literacy.
- New Service Level Agreement with clear outlined accountabilities between Finance and Budget Holders, driving clear ownership and accountability.
- Review forecast completion processes including requiring Budget holders to input forecasts and promote forecasts. Strengthening accountability and ownership. Reporting on the level of completion periodically to ELT Resources as part of budget monitoring.
- Work with HR to include Finance related questions in recruitment for all jobs that require Budget Management
- Work with HR to introduce check ins on financial tasks being completed and provide PDR advice for inclusion for Budget Holders.
- The above actions should deliver a culture of ownership and accountability, embed practices and empower Budget holders.
- Ensuring a culture where revised processes to improve control environment are embedded and applied across the Council.

**Lead Officer: Strategic Director, Resources**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Conclusion**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and on which action has been taken to address.

**Signed:**

Leader of the Council ..... Date.....

Chief Executive ..... Date.....

DRAFT