

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION	26 July 2023	
REPORT TITLE:	2023-24 Period 2 Financial Performance Report	
CORPORATE DIRECTOR	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION?	Yes	Reason: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** This report provides the Council’s financial performance as at Period 2 (May 2023) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The report forms part of the Council’s financial management process for publicly reporting financial performance on a monthly basis.

Financial Performance Summary Table

Financial Performance Area	2023-24 Proposed Revised Budget (to be agreed by Cabinet) (£m)	2023-24 Forecast (£m)	2023-24 Forecast Variance (£m)
Revenue Forecast (General Fund)	340.9	340.9	-
Revenue Forecast (Housing Revenue Account)	-	1.7	1.7
Capital Forecast (General Fund)	144.3	144.3	-
Capital Forecast (Housing Revenue Account)	33.2	37.3	4.1

2 RECOMMENDATIONS

For the reasons set out in the report, the Executive Mayor in Cabinet is recommended:

- 2.1** to note the General Fund revenue budget outturn is forecast to breakeven at Period 2, after the forecast utilisation of £63m capitalisation directions requested from DLUHC and £3.8m of the corporate risk contingency budget. It is not planned in advance to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.
- 2.2** to approve an increase to revenue expenditure budgets fully funded by new government funding for the Homelessness Prevention Grant (£1.9m) and Asylum Dispersal Scheme (£0.9m).
- 2.3** to note the progress in MTFS savings achievement as set out in paragraph 4.85.
- 2.4** to note the work that has commenced on the Council's Transformation Programme as set out from paragraph 4.81.
- 2.5** to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £1.7m.
- 2.6** to approve the net budget increase in 2023-24 General Fund and HRA capital programme budgets resulting from 2022-23 net slippage of £18.422m (GF) and £0.625m (HRA).
- 2.7** to approve a net budget increase to the 2022-26 General Fund capital programme budget of £1.541m (in addition to slippage), as set out in paragraph 4.101.
- 2.8** to note the General Fund capital programme 2023-24 forecast underspend of £0.040m against the revised capital budget (to be agreed by Council) of £144.332m.
- 2.9** to approve a budget increase to the 2022-26 HRA capital programme budget of £11.232m (in addition to slippage), as set out in paragraph 4.102.
- 2.10** to note the HRA capital programme 2023-24 forecast overspend of £4.073m against the revised capital budget (to be agreed by Council) of £33.248m.
- 2.11** to note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues,

and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

- 2.12** to note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.
- 2.13** to note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The Financial Performance Report is presented monthly to Cabinet and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the General Fund, Housing Revenue Account (HRA) and Capital Programme. The Financial Performance Report ensures there is transparency in the financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny & Overview Committee and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.

4 BACKGROUND AND DETAILS

- 4.1** The 2023-24 budget approved by Council in March 2023 set a net revenue budget of £340.9m. This required capitalisation directions from government of £63m to balance, due to resolving historical inaccurate accounting treatments and to fund the ongoing annual servicing of debt.
- 4.2** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget.
- 4.3** The current forecast is that the Council will breakeven against the 2023-24 General Fund revenue budget, however this is following the forecast utilisation of the £63m capitalisation directions requested from DLUHC and £3.8m of the corporate risk contingency budget.

Cost of Living Considerations

- 4.4** There are a number of inflationary pressures that the Council, like all local authorities, is managing. The UK's Consumer Prices Index (CPI) inflation rate was 8.7% in the 12 months to April 2023, remaining high albeit lower than the Office for National Statistics (ONS) reporting in November 2022 that the CPI hit 11.1% in October 2022. This impact goes beyond the Council as the cost of living is affecting all households and businesses.

- 4.5** These macro-economic factors are impacted by international events and, therefore, well beyond the control of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.
- 4.6** A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance. This information is continually reviewed, updated and improved.
- 4.7** At a national level, household support was announced in the form of a revised energy price guarantee, designed to limit the inflation on household energy bills. Households with a domestic energy connection have been eligible for a £400 discount over the winter and residents on means-tested benefits have been eligible for a £650 cost of living payment from Government.
- 4.8** The Council provides a wide range of support for residents that may be struggling owing to cost of living pressures. These include:
- Discretionary support for residents in financial hardship, including the Household Support Fund
 - Council Tax support – for residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
 - Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax)
 - Benefits calculator, to ensure residents receive the support to which they are entitled
 - Energy advice, including heating and money saving options, through our Croydon Healthy Homes service
 - Free holiday activity clubs with healthy meals for children
 - Croydon Works to help residents into employment or to receive training to support them into work and funding of the voluntary sector to provide advice and guidance
- 4.9** The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:
- NHS Healthy Start vouchers for families
 - Free school meals
 - Support from voluntary, community and faith sector organisations
 - Support for businesses through the London Business Hub and the British Business Bank
 - CroydonPlus credit union which offers affordable ways to manage money, including savings accounts and loans

GENERAL FUND REVENUE BUDGET SUMMARY

4.10 The General Fund revenue forecast outturn shows an overall balanced position following the forecast utilisation of the £63m capitalisation directions requested from DLUHC. The service directorates show a forecast overspend of £3.8m which is offset by utilisation of the corporate risk contingency budget.

Table showing the revenue forecasts by Directorate

Directorate	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care and Health	129.8	28.2	131.1	1.3
Assistant Chief Executive	40.8	1.3	40.6	(0.2)
Children, Young People and Education	92.3	7.1	95.4	3.1
Housing	15.7	3.2	15.7	-
Resources	35.5	35.3	35.1	(0.4)
Sustainable Communities, Regeneration & Economic Recovery	65.6	11.0	65.6	-
Subtotal Service Directorates	379.7	86.1	383.5	3.8
Corporate Items and Funding	(38.8)	1.2	(42.6)	(3.8)
Total Net Expenditure Budget	340.9	87.3	340.9	-

- 4.11** It is not planned in advance to utilise the risk contingency budget and directorates will work throughout the year to manage those areas with forecast overspends to ensure the Council remains within budget.
- 4.12** The Council continues to build on the improvements in financial management that were made last financial year. However, there is a considerable amount yet to do, which is fully recognised within the organisation.
- 4.13** A monthly budget assurance process and independent challenge of expenditure takes place. This is in addition to Cabinet and Scrutiny & Overview Committee review. The assurance meetings provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities, and ensure that savings are delivered and income targets are met. The meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

DIRECTORATE VARIANCES

Adult Social Care and Health (ASCH)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care Operations	111.3	26.2	112.8	1.5
Adult Strategic Commissioning, Policy & Improvement	16.7	1.7	16.7	-
Central ASCH	1.8	0.3	1.6	(0.2)
Total ASCH	129.8	28.2	131.1	1.3

4.14 At period 2, the ASCH directorate has a forecast overspend of £1.3m (0.96%) against a budget of £129.8m.

4.15 The ASCH Directorate has challenging savings targets totalling circa £10m to deliver in 2023-24 on placements and care packages through demand management, commissioning and review of care packages. Risks continue in the provider market from inflation including higher fuel, labour and property costs which may result in claims for increased fees and/or financial instability with the potential for 'handing back' contracts.

Adult Social Care Operations - Forecast overspend of £1.5m

4.16 Staffing across this division demonstrates a forecast underspend (broken down by area below) due to periods of vacancy above the £1m MTF5 5% vacancy factor saving applied to staffing budgets in 2023-24. There is a national shortage of both social workers and occupational therapists and recruitment to many roles is proving challenging. The periods of vacancy are a barrier to achieving savings as staff are focussed on statutory delivery rather than delivering transformation to improve performance, data management and reduce operational risks across the directorate.

4.17 Localities & LIFE have an underspend of (£1.4m) due to a staffing underspend of (£0.4m) and income over-achievement of (£1.0m).

4.18 Working Age Adults has an overspend of £3.8m. This comprises an overspend on care of £4.3m which is partly mitigated by an underspend in staffing of (£0.3m) and an overachievement of income. The overspend includes unachievable savings of £1.9m, against a challenging target of £5.3m. It should also be noted that this area was overspent by £2.3m in 2022-23. The service has committed to achieving further savings which will be reflected once robust plans have been developed.

4.19 Provider Services has a (£1.0m) forecast underspend on staffing due to vacancies.

4.20 Mental health services have a forecast overspend of £0.1m due to a £0.3m overspend on care packages partly mitigated by a (£0.2m) underspend on staffing. The overspend on care is due to increasing demand and work is ongoing to bring this area to a balanced budget.

Adult Social Care Policy and Improvement – Forecast breakeven

- 4.21 The Policy and Improvement division is forecasting a breakeven position.

Adult Social Care Directorate – Forecast underspend of (£0.2m)

- 4.22 The underspend is a result of the delays in recruitment to fixed term and temporary positions to provide additional capacity to improve performance, data management and reduce operational risks across the directorate.

Assistant Chief Executive (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Policy, Programmes and Performance	6.1	0.8	5.9	(0.2)
Croydon Digital and Resident Access	31.8	5.7	31.7	(0.1)
Chief People Officer	2.9	0.5	3.1	0.2
Asylum Seekers and Homes for Ukraine	-	(5.7)	-	-
Central ACE	-	-	(0.1)	(0.1)
Total ACE (General Fund)	40.8	1.3	40.6	(0.2)
Public Health Grant Ringfenced Services	-	(3.0)	-	-

- 4.23 At period 2, the ACE directorate has a General Fund forecast underspend of £0.2m (0.4%) against a budget of £40.8m.

Policy, Programmes & Performance Division - £0.2m forecast underspend

- 4.24 Recruitment is continuing into the new staffing structure for the Policy, Programmes and Performance Division. The forecast underspend is the result of some posts in the structure currently being held vacant.

Croydon Digital and Resident Access Division - £0.1m forecast underspend

- 4.25 Underspends in Concessionary Travel are forecast owing to staff vacancies and a favourable final concessionary travel settlement for the year. These underspends offset a predicted overspend in Bereavement & Registrars owing to the delayed opening of Green Lawn Memorial Park.

- 4.26 The Digital and Resident Access Division is undergoing a review to achieve in-year MTFS savings for staffing and IT contracts.

Chief People Officer Division – £0.2m forecast overspend

- 4.27 An overspend in payroll staffing is due to delay in the implementation of the payroll restructure. This has impacted the delivery of the associated MTFS saving.

Asylum Seekers and Homes for Ukraine funding – breakeven position after movement in reserves

4.28 The Council has received Asylum Dispersal Scheme grant funding in 2023-24 of £0.9m. The unspent grant of £0.3m in 2022-23 has been carried forward to fund ongoing expenditure in 2023-24.

4.29 The Council carried forward unspent grant under the Homes for Ukraine scheme of £5.5m, of which £1.3m is ringfenced for educational purposes. This will be used to fund ongoing expenditure in 2023-24.

Central Assistant Chief Executive - £0.1m forecast underspend

4.30 This saving is the result of some posts in the structure currently being held vacant.

Public Health Division – breakeven position in ringfenced grant after movement in reserves

4.31 It is currently forecast that the Public Health grant will be underspent by circa £3m in 2023-24. This will be added into the Public Health reserve. This is on top of increased one-off contributions to Public Health eligible spend across the Council, pending 2024-25 MTFs General Fund savings to be found through permanent Public Health grant allocations.

4.32 A Council wide task and finish group has been set up to address underspends in the Public Health Grant (for the current year and the accumulated balance on the balance sheet as an earmarked Public Health reserve from underspends in previous years) by identifying appropriate commissioning opportunities.

Children, Young People and Education (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children’s Social Care	68.6	7.2	70.9	2.3
Unaccompanied Asylum Seeking Children (UASC) and Care Leavers	(0.3)	4.0	(0.1)	0.2
Quality, Commissioning and Performance Improvement	6.6	(5.2)	7.2	0.6
Non-DSG Education Services	16.8	1.1	16.8	-
Central CYPE	0.6	0.1	0.6	-
Total CYPE (General Fund)	92.3	7.1	95.4	3.1
Dedicated Schools Grant (DSG) High Needs Education Services	82.6	26.7	83.3	0.7

4.33 At period 2, the CYPE directorate has a General Fund forecast overspend of £3.1m (3.4%) against a budget of £92.3m.

Children's Social Care Division – forecast overspend of £2.5m (including UASC and Care Leavers)

£0.9m staffing overspend owing to pension budget shortfall of £1.2m which was previously fully offset by underspends owing to vacancies and delays in recruitment
£1.2m placements overspend owing to three high-cost placements (2 Residential Education SEND and 1 Semi-Independent)

£0.1m potential overspend on Adopt London South, over and above the agreed budget owing to interagency fees and staffing costs across the consortium calculated at year end

£0.1m under-achievement in income (including £0.5m unachieved 2022-23 MTFS NHS Funding savings which have been partially offset through other income)

£0.2m overspend on Unaccompanied Asylum Seeking Children (UASC) and Care Leavers owing to the extension of current placements and lack of independent housing for our care leavers.

- 4.34** The Children's Social Care Division will monitor placement and care package expenditure during the year. There may be staffing underspends from periods of vacancy and an underspend in legal costs (if the lower numbers of care proceedings and UASC age assessment challenges continue) to help mitigate pressures. The division is producing service level agreements for reviewed HRA funding towards Youth Engagement and Youth Offending services, and these may result in a General Fund pressure. The Division is also reviewing the housing accommodation charges from the Housing General Fund for Care Experienced Young People.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.6m

- 4.35** The division is forecasting a staffing overspend of £0.2m from the 5% vacancy factor MTFS saving of £0.3m applied to the 2023-24 budget as a number of teams are fully staffed. The pressure may reduce during the year if there are periods of vacancy.

There is also an 2022-23 MTFS savings shortfall of £0.4m.

Non-DSG Education services – forecast breakeven

- 4.36** Non-DSG Education services are forecasting a breakeven position owing to an underspend from staffing vacancies offsetting income pressures. This includes a forecast £0.3m income shortfall from under-achievement of an historical MTFS income saving (NHS funding towards speech and language therapy) not likely to be achieved.

Dedicated Schools Grant (DSG) High Needs education services – forecast overspend of £0.655m

- 4.37** There is a High Needs forecast overspend of £0.655m against the budget of £82.566m. This initial position represents £0.070m favourable variance from the expected overspend of £0.725m submitted to the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan. The service is still hopeful that

the original target will be met considering the increasing placement demands for complex needs pupils with limited local provision.

4.38 See below the key areas:

£2.174m Out of Borough and Independent – Forecast overspend owing to an increase in complex cases above that expected with high top up funding placed at these sectors owing to inadequate local provisions to meet the demand type. The service is in discussions with some local providers to set up Enhanced Learning Provision in September.

£0.954m overspend owing to increased placements in Mainstream Education provision exceeding the budgeted allocation. This forms part of the invest to save SEND strategy in year 2.

(£0.250m) underspend in Early Years provision owing to successful demand management.

(£0.250m) underspend in Top up funding related to delayed implementation of the proposed expansion of Enhanced Learning Provision across a few schools.

(£0.953m) underspend in the Service Transformation budget set up to support the DSG Deficit Recovery strategy.

(£0.400m) underspend in funding related to staffing cost in therapies and support services cost owing to service re-alignment to maximise savings.

(£0.620m) expected clawback from specific Resource Provision (academies) for extra funding received from DfE.

4.39 Dedicated Schools Grant (DSG) High Needs education services will continue to closely monitor the demands pressures in Independent and Out of Borough placement owing to costs implications. There are ongoing projects (Addington Valley Academy, St Nicholas, Coulsdon College Croydon, and Waddon Youth Disability Services) which are delivering savings to reduce pressures within the high needs block as part of the DfE Safety Valve programme. Almost all the agreed plans are within the expected milestones.

4.40 The DSG net deficit brought forward from 2021-22 was £21.295m. The final year end position for 2022-23 was £15.384m after Safety valve payment of £10.960m. [£21.295m + £5.049 - less £10.960m from DfE Safety Valve]. The £15.384m position represents a minor adverse variance of £0.029m from the DfE target of £15.355m.

4.41 The 2023-24 period 2 High Needs forecast outturn variance of £0.655m leads to an overall DSG deficit projection of £16.039m at the end of 2023-24 compared to the Safety Valve target of £16.080m prior to the £3.29m Deficit Recovery payment expected from the DfE as per the Safety Valve agreement.

Whilst the service is pleased with the positive variance, there are risks of adverse deviation from the Safety Valve target owing to increasing complexity of need requiring additional funding for special schools and extra out of borough placements to meet the needs of some CYP with complex needs.

Housing

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	15.6	3.1	15.6	-
Housing Estates and Improvement	0.1	0.1	0.1	-
Total Housing	15.7	3.2	15.7	-

4.42 At period 2, the Housing directorate has a General Fund forecast breakeven against the budget of £15.7m.

Emergency Accommodation – breakeven forecast

4.43 Forecast to budget at period 2 with inflationary pressures to be covered from corporate budget. The numbers of households supported in homelessness accommodation have not increased significantly over the last year but as landlords are withdrawing accommodation from the temporary accommodation schemes more families are housed in the expensive nightly-paid B&B and hotel accommodation.

4.44 A top-up to Homelessness Prevention Grant (HPG) of £1.9m has been announced by DLUHC to cover homelessness pressures related to Ukrainian refugees. This funding may also be used to fund wider homelessness pressures and reporting requirements are in line with the existing HPG requirements.

4.45 There is an additional pressure owing to the corporate revision to the calculation of increase to the bad debt provision which at Period 2 is forecast to be covered by the grant top-up.

Temporary Accommodation – breakeven forecast

4.46 Numbers of households in temporary accommodation are expected to fall slightly and steadily across the year. Inflationary pressures will be covered through allocation from the corporate non-pay inflation budget.

4.47 There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement not yet finalised at period 2. This risk was considered in closing the 2022-23 accounts and so any difference in the estimated income of 70% of costs from the insurers will either be a charge or a benefit in the 2023-24 accounts.

Other services – breakeven forecast

4.48 There is currently a temporary structure within Housing, however a restructure is being carried out to strengthen the directorate.

4.49 The Housing Directorate continues to be impacted by the rapidly worsening housing market within London as private sector landlords are increasing rents or leaving the market, and tenants are struggling with cost of living pressures.

- 4.50** The challenge for Croydon in dealing with such rapid inflation has multiple strands. There are forecasting difficulties in predicting how much prices are expected to move and at what pace. This is being addressed alongside a wholesale review of the forecasting process to ensure that reporting provides the full position on risk in 2023-24.
- 4.51** There are difficulties in negotiating and approving price rises without losing properties or fuelling the rises further. Regular meetings with neighbouring boroughs are being held to ensure collective agreements are being made with the larger providers of emergency accommodation.
- 4.52** There is also the issue of entering into 2 to 5 years lease deals with landlords as 39% exited the market in 2022-23 and prices have dramatically increased as a result. In 2022-23 this meant a 10% increase in the use of nightly paid accommodation was seen. The strategy work currently underway in the Directorate will address this issue.
- 4.53** There has been a concerted effort to hold homelessness accommodation costs down across London through partnerships with organisations like Capital Letters and via the agreed Pan-London temporary accommodation rates. The rates can no longer be contained though as demand outweighs available affordable supply. At a Pan London meeting, all boroughs confirmed that they are no longer paying the agreed Pan London rates to ensure they meet their demand challenges. A combination of all these factors has led to an increase in both the average cost of emergency and temporary accommodation that Croydon can secure to meet demand, as well as an increase in the use of nightly paid emergency accommodation to compensate for the loss of some longer-term leased accommodation because of landlords leaving the market.
- 4.54** Pressures are expected to continue in 2023-24. The restructure for Housing Options is underway and will form the bedrock for process change and a more cohesive journey for a homeless household. An immediate switch to better practice and dramatically reduced spend on homelessness cannot be expected within 2023-24 whilst significant change is underway, and the financial benefits are expected to be realised in the longer term.
- 4.55** Income collection rates will need to be monitored closely in 2023-24. There may be a requirement to increase the loss allowance (bad debt provision) again in 2023-24 if income collection is not significantly improved. A new housing IT system (NEC) has been implemented in June 2023 which will improve monitoring and reporting.

Resources

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Commercial Investment	18.9	3.4	18.7	(0.2)
Finance	15.7	29.3	15.7	-
Legal Services and Monitoring Officer	2.3	0.5	2.2	(0.1)
Insurance, Anti-Fraud and Risk	0.6	1.6	0.4	(0.2)
Internal Audit Service	0.4	0.3	0.5	0.1
Pensions and Treasury	0.3	0.2	0.3	-
Central Resources	(2.7)	-	(2.7)	-
Total Resources	35.5	35.3	35.1	(0.4)

4.56 At period 2, the Resources directorate has a General Fund forecast underspend of £0.4m (1.2%) against a budget of £35.5m.

Commercial Investment Division - £0.2m forecast underspend

4.57 There is a £0.4m underspend predicted owing to staffing vacancies. This is offset by increased facilities management costs across Council properties of £0.2m.

Finance Division – breakeven forecast

4.58 There is a £0.5m forecast staffing underspend across the Division. This is mainly owing to predicted periods of vacancy in the Payments, Revenues, Benefits and Debt Service. This is offset by pressure on income streams in this service of £0.5m. This reflects the potential impact of cost-of-living pressures.

4.59 A cross Council working group is currently operating to mitigate pressures by maximising HB subsidy income claims, increasing collection of HB overpayments and reducing costs. The actuals to date are high in the Division owing to Housing Benefits expenditure which will be reimbursed through DWP funding.

4.60 The Finance Division will undergo a restructure of the accountancy service in 2023-24 and then commence recruitment into roles which are currently covered by agency staffing. The capacity and skills levels required in the accountancy service are being reviewed and a growth bid may be submitted for 2024-25 if needed.

Legal Services and Monitoring Officer Division – £0.1m forecast underspend

4.61 There is a £0.1m underspend in the Monitoring Officer service owing to a nil inflationary increase on Member's Allowances and staff vacancies.

4.62 A forecast underspend in Legal Services of £0.3m owing to staff vacancies and reduced running cost expenditure. This is offset by a reduction to the recharge income forecast.

4.63 The Legal Services and Monitoring Officer Division is reviewing usage of external legal advice, with a view to increase the inhouse staffing structure (moving budget

from external legal expenditure in directorates) to provide more legal services internally and therefore reduce overall legal expenditure for the Council.

Other Service Areas and Central Resources - £0.1m forecast underspend

- 4.64** There is a £0.2m forecast underspend in Insurance, Anti-Fraud & Risk owing to increased recharge income and staffing vacancies, which is partially offset by a £0.1m forecast overspend in Internal Audit expenditure.

Sustainable Communities, Regeneration & Economic Recovery (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Sustainable Communities	50.3	7.9	50.3	-
Culture and Community Safety	8.6	0	8.6	-
Planning & Sustainable Regeneration	6.7	3.2	6.7	-
Central SCRER	-	(0.1)	-	-
Total SCRER	65.6	11.0	65.6	-

- 4.65** At period 2, the SCRER directorate has a General Fund forecast breakeven position against a budget of £65.6m. The main potential risk areas relate to income in the areas of parking, parking enforcement, moving traffic offence and planning.

Sustainable Communities Division - breakeven forecast

- 4.66** There is a forecast £2.5m under-achievement in parking, parking enforcement and moving traffic offence income. Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes Automated Number Plate Recognition (ANPR), pay and display and on-street parking.
- 4.67** Parking Services have had delays in connection with the roll out of new ANPR cameras which affect the income levels within the service.
- 4.68** The Division has a forecast underspend of £2m in staffing owing to periods of vacancy and a £0.5m forecast underspend in waste services owing to reduced levels of domestic waste.
- 4.69** The Environment Act 2021 operates as the UK's new framework of environmental protection. Given that the UK has left the EU, new laws that relate to nature protection, water quality, clean air, as well as additional environmental protections that originally came from Brussels, needed to be established. The Act is a vehicle for a number of Department for Environment, Food and Rural Affairs' (Defra) different environmental policies and sets out the legal framework for significant reforms to local authority waste and recycling services, as well as creating new statutory duties for local authorities on nature recovery. The government has stated that additional burdens funding will be provided to local authorities for the new requirements as they come into force. However, the Council will need to monitor closely the extra costs involved.

- 4.70** There is a potential risk to new Roads and Street Works Act income owing to delays and disputes with utility companies. Further work is being undertaken to quantify these risks and where possible mitigate the effect.

Culture and Community Safety Division – breakeven forecast

- 4.71** The Culture and Community Safety Division leads on the London Borough of Culture 2023 activities, funded through external funding sources. This is a year-long celebration of Croydon’s unique identity, diverse communities and rich heritage, culture and creativity. The programme for “This is Croydon” showcases Croydon to the world. It includes major events with international headliners performing alongside emerging home-grown talent, plus hundreds of cultural activities from our communities.

Planning and Sustainable Regeneration Division – breakeven forecast

- 4.72** Pressures are being experienced within Building Control and Planning income owing to lower activity levels in planning major applications and planning performance agreements.

Corporate Items and Funding

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Inflation and Economic Demand Pressures	36.6	-	36.6	-
Risk Contingency Budget	5.0	-	1.2	(3.8)
Transformation Programme	10.0	-	10.0	-
Other corporate items	(90.4)	1.2	(90.4)	-
Total Corporate items and Funding	(38.8)	1.2	(42.6)	(3.8)

- 4.73** At period 2, the Corporate directorate has a General Fund forecast underspend of £3.8m (9.8%) against a net budget of (£38.8m). The underspend relates to the risk contingency budget which is offsetting the pressures across the service areas.
- 4.74** The corporate area holds funding streams such as Council Tax, retained share of Business Rates and Core Grants. The corporate budget also holds the Council-wide risk contingency budget (£5m) and the budgets for borrowing and interest received.
- 4.75** The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFs savings. There may be a pressure in 2023-24 from this area of costs owing to the implementation of staffing savings.
- 4.76** The corporate area holds the central budget for pay and non-pay inflation. The requirement for directorates will be reviewed during 2023-24 (based on inflation experienced on contracts and NJC national negotiations on the pay award for staff) and the required budget allocation may create a pressure above the central allowance of £31.1m. There is a further budget of £5.5m held centrally for the potential impact of economic demand pressures on Croydon.

- 4.77** The corporate area also holds the 2023-24 Transformation budget of £10m, which will fund work carried out in directorates and cross-Council to achieve MTFs savings and improve services for local residents and businesses. The Transformation budget reduces to £5m from 2024-25.
- 4.78** There is £7.3m budget held in Corporate for adjustments to correct General Fund recharge budgets for recharges to the HRA, Public Health, capitalisation of salaries and corporate support (overhead) recharges. This budget will be allocated during 2023-24 as the service level agreements (SLA's) are finalised for HRA and Public Health recharges, and when the review of salary capitalisation and corporate support recharges is finalised.
- 4.79** There is a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income. The impact of the Council Tax increase is partially mitigated through the Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax).
- 4.80** There is borrowing cost uncertainty from interest rates (with the Bank of England currently continuing to increase the base rate) and the timing of capital receipts from asset disposals (assumed in the MTFs at circa £50m per annum).

Transformation Programme

Project	2023-24 Draft Budget Allocation (£m)
Transformation Revenue Budget	10.000
Transformation Capital Budget	4.049
Total Transformation Funding	14.049
Approach to Strategic Planning and Commissioning	0.290
Parking Policy Review	0.200
Community Hubs Programme	0.250
HR Transformation	0.078
Digital & Resident Access Review/Digital Workforce	0.080
SEND Review	0.240
Passenger/SEND Transport Transformation	0.100
Family Justice Service Review	0.100
S117 Project	0.178
Joint Funding Arrangements	0.110
Sustaining Demand at the Front Door	0.190
Fostering Transformation	0.286
Dynamic Purchasing System	0.920
Callydown Transformation	0.134
Income & Debt Review	0.050
Outcomes Based Domiciliary Care Model	0.110
Transition Commissioning Care Model	0.082
Croydon Campus	0.250
Customer Access Review	0.200

Project	2023-24 Draft Budget Allocation (£m)
Building Control Transformation	0.450
Planning & CIL Transformation	0.300
CALAT	0.050
Housing Needs Restructure	0.060
Temporary Accommodation Case Review	0.291
Housing Occupancy Checks	0.291
Rent Accounts and Data Cleanse	0.026
Housing Association Recharges	0.059
Supported Housing Review	0.080
Adult Social Care Transformation	1.100
Review of Social Care Placements	0.461
Reablement & Hospital Discharge	0.060
Strategic Operating Model Design Partner	0.500
Transformation PMO	1.100
Total Revenue and Capital Budget Allocated to Date	7.848
Unallocated To Date	6.201

- 4.81** The Transformation Programme has £14m of resources allocated to it, £4m in the 2022-23 Capital Programme and £10m in the 2023-24 revenue budget. The Transformation Programme published in November 2022 set out £5.9m of project commitments with recognition that further sums were still to be confirmed. Capital funding can only be utilised for spend that creates an asset, eg. an IT system. Please note that project plans are under development and following review of these project plans the draft budget allocations to projects as listed above could change through the year.
- 4.82** A new project to review the Croydon Adult Learning and Training (CALAT) service has been added to the programme with an initial £0.050m budget approved by the Corporate Director of Resources (S151 Officer).
- 4.83** The Transformation Board has agreed additional project allocations totalling £1.4m. The 'Review of Social Care Placements' project has secured £600,000 alternative funding from the Market Sustainability Grant thereby reducing the funding required from the Transformation budget. The revenue budget also funds the costs of the transformation Programme Management Office currently estimated at £1.1m
- 4.84** In total there is currently £7.8m of the Transformation Programme budget allocated with £6.2m unallocated.

Savings

4.85 The 2023-24 budgets include a challenging new savings target of £33.1m. Progress in achieving savings is being monitored throughout the year. Directorates are identifying any risks to achievement of individual savings and making plans to mitigate these risks where possible or identify alternative savings as required.

Table showing 2023-24 forecast savings achievement by directorate

2023-24						
Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Unachievable or (over delivery) £'000	
Directorate						
Adult Social Care & Health	12,243	-	12,243	10,368	-	1,875
Assistant Chief Executive	2,924	-	2,924	2,924	-	-
Children, Young People & Education	6,920	490	7,410	5,842	68	1,500
Housing	2,305	-	2,305	1,309	1,099	(103)
Resources	6,347	-	6,347	6,347	-	-
Sustainable Communities (SCRER)	1,859	2,490	4,349	4,124	225	-
Cross-Directorate / Corporate	500	-	500	500	-	-
Total	33,098	2,980	36,078	31,414	1,392	3,272

Reserves

4.86 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2023-24. The current breakeven forecast for 2023-24 maintains this reserve.

General Fund Balances	Forecast (£m)
Balance at 1 April 2023	27.5
Forecast Contribution to/(Drawdown from) Reserves	-
Forecast Balance at 31 March 2024	27.5

4.87 The General Fund balances serve as a cushion should any overspend materialise by the end of 2023-24. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.

Unresolved Issues

- 4.88** The Council's overall financial position is still subject to a number of unresolved historic legacy issues. The latest position on these was set out in the 22 February 2023 Cabinet report titled 'Revenue Budget and Council Tax Levels 2023-24' which incorporated the findings of the 'Opening the Books' review undertaken in 2022-23. The report stated that a request has also been made of government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the 'Opening the Books' programme.
- 4.89** The Council needs to correct a range of misstatements in its legacy accounts from 2019-20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFs Update report to Cabinet in November 2022.
- 4.90** The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a prudent decision was made to include the potential £70m gap in the accounts caused by incorrect accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed.
- 4.91** With four years of accounts still open, there remains a risk that further legacy issues will be uncovered. The Capital Programme for 2022-23 included the £161.6m Capitalisation Direction requested, which was in addition to the £25m capitalisation direction previously approved.

Housing Revenue Account (HRA)

- 4.92** At period 2, the Housing Revenue Account (HRA) has a forecast overspend of £1.7m.

Repairs

£3.8m overspend on disrepair costs including void and repair costs, legal fees and settlement costs.

Tenancy and Income

Breakeven forecast at period 2. Additional budget was allocated in 2023-24 to meet known pressures.

Staffing and other

(£1.6m) underspend from staffing vacancies owing to difficulties recruiting to specialist posts.

(£0.5m) underspend on non-pay expenditure (including the contingency budget).

Table showing the 2023-24 HRA forecast

Description	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(12.1)	(82.1)	-
Service Charge Income	(4.6)	(0.7)	(4.6)	-
Other Income	(9.4)	1.0	(9.4)	-
Subtotal Income	(96.1)	(11.8)	(96.1)	-
Centralised Directorate expenditure	52.2	(0.9)	50.1	(2.1)
Responsive Repairs & Safety	20.4	4.6	24.2	3.8
Asset Planning	1.6	0.1	1.6	-
Capital Delivery (Homes & Schools)	1.5	0.1	1.5	-
Tenancy & Resident Engagement	10.3	4.6	10.3	-
Homelessness & Assessments	3.4	0.4	3.4	-
Service development and income	6.7	0.0	6.7	-
Subtotal Expenditure	96.1	8.9	97.8	1.7
Total HRA Net Expenditure	-	(2.9)	1.7	1.7

4.93 The main risks within the Housing Revenue Account are:

- Repairs and maintenance:
 - pressures from the exit of the current Axis repairs contract, ending in August 2023.
 - extra expenditure to deal with the backlog of repairs and maintenance.
 - void and disrepair costs carried out by specialist contractors to reduce void losses and minimise future disrepair claims.
 - settlement of disrepair cases and related legal fees, including those relating to Regina Road.

- Tenancy and income:
 - the impact of cost of living pressures on rent collection (including a potential increase in bad debt cost).
 - loss of income due to void (empty) residential properties.
 - loss of income due to void garages.

- Recharge review:
 - General Fund services are producing service level agreements (SLA's) to evidence recharges of costs to the HRA, which could result in increased charges to the HRA.

Capital Programme and Financial Sustainability

- 4.94** The Capital strategy and programme was approved by Council in March 2023. This recognised the complex and challenging financial and operational circumstances in which the Council continues to operate. It showed a 2023-24 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.3bn of General Fund debt and an environment of rising interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, will be essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 4.95** The strategy reflected the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.
- 4.96** Concerns were highlighted regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets. In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and therefore likely to drive significant increases in annual repayment levels.
- 4.97** An estimated circa £66m is required to service this debt from the General Fund which represents around 16% of the Council's net budget. The Council's historic legacy borrowing and debt burden has, therefore, become critical to the sustainability of the Council's revenue budget.
- 4.98** The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2023-27 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. The Council's 2023-24 budget required capitalisation directions from government of £63m to balance and the Medium Term Financial Strategy (MTFS) demonstrated an ongoing estimated budget gap of £38m per annum from 2024-25.
- 4.99** Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of historic legacy indebtedness and balancing the budget to ensure it can deliver sustainable local government services. It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden. Debt write-off is the Council's preferred option and, therefore, a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt.

DLUHC has subsequently asked the Council to propose a wider range of options, and these are currently being worked on.

Capital Programme Budget Changes

4.100 The 2023-24 capital budgets agreed at the Council budget meeting in March 2023 were £124.369m for General Fund and £32.623m for the HRA.

4.101 The following General Fund capital budget adjustments are requested to be agreed by Cabinet:

Scheme	2023-24 budget increase / (decrease) £m	Comments
Bereavement Services	0.127	Increase to apply slippage from 2022-23
My Resources Interface	0.067	Increase to apply slippage from 2022-23
Network Refresh	0.013	Increase to apply slippage from 2022-23
Technology Refresh	(0.168)	Reduction to future year budget due to expenditure incurred earlier in 2022-23
Geographical Information Systems	0.052	Increase to apply slippage from 2022-23
Laptop Refresh	0.022	Increase to apply slippage from 2022-23
Cloud and DR	0.110	Increase to apply slippage from 2022-23
Synergy Education System	0.372	Increase to apply slippage from 2022-23
NEC Housing System	0.961	Increase to apply slippage from 2022-23 (partially HRA funded)
Uniform ICT Upgrade	0.056	Increase to apply slippage from 2022-23
Education – Fire Safety Works	0.772	Increase to apply slippage from 2022-23 (DfE grant funded)
Education - Fixed Term Expansions	0.325	Increase to apply slippage from 2022-23 (DfE grant funded)
Education - Major Maintenance	1.666	Increase to apply slippage from 2022-23 (DfE grant funded)
Education - Miscellaneous	0.100	Increase to apply slippage from 2022-23 (DfE grant funded)
Education - Permanent Expansion	0.297	Increase to apply slippage from 2022-23 (DfE grant funded)
Education - SEN	1.497	Increase to apply slippage from 2022-23 (CIL and DfE grant funded)
Disabled Facilities Grant	1.717	Increase to apply slippage from 2022-23 (DFG grant funded)
Corporate Property Maintenance	0.580	Increase to apply slippage from 2022-23
Corporate Property Maintenance	(0.300)	Reduction to 2023-24 budget to align to expected overall spend
Fairfield Halls - Council	0.125	Increase to apply slippage from 2022-23
Growth Zone	7.245	Budget increase to reflect Annual Delivering the Growth Zone Report presented to Cabinet on 22 February 2023

Scheme	2023-24 budget increase / (decrease) £m	Comments
Grounds Maintenance Insourced Equipment	1.000	Increase to apply slippage from 2022-23 due to delay in delivery of equipment.
Highways	(0.532)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Highways - flood water management	(0.031)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Highways - bridges and highways structures	(0.695)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Highways - Tree works	0.050	Increase to apply slippage from 2022-23 (GLA grant funded)
Local Authority Tree Fund	0.016	Increase to apply slippage from 2022-23 (Forestry Commission grant funded)
Trees Sponsorship	0.042	Increase to apply slippage from 2022-23 (Trees for Streets grant funded)
Leisure centres equipment contractual agreement	(0.007)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Leisure Equipment Upgrade	(0.017)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Tennis Court Upgrade	0.075	Increase to apply slippage from 2022-23
Libraries Investment - General	0.224	Increase to apply slippage from 2022-23
Parking	0.507	Increase to apply slippage from 2022-23
Cashless Pay & Display	0.366	Increase to apply slippage from 2022-23
Play Equipment	(0.283)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Safety - digital upgrade of CCTV	1.540	Increase to apply slippage from 2022-23
South Norwood Good Growth	0.634	Increase to apply slippage from 2022-23 (GLA grant & S106 funded)
Kenley Good Growth	0.140	Addition due to extra GLA grant funding received
Kenley Good Growth	(0.011)	Reduction to future year budget due to expenditure incurred earlier in 2022-23.
Sustainability Programme	0.550	Increase to apply slippage from 2022-23 (CIL funded)
TFL - LIP	(5.544)	Budget reduction to reflect decreased levelling up grant funding
Cycle Parking	0.226	Increase to apply slippage from 2022-23 (TfL grant and S106 funded)
Electric Vehicle Charging Point (EVCP)	0.651	Increase to apply slippage from 2022-23 (ORCS, TFL & VPACH grant & S106)
Waste and Recycling Investment	1.558	Increase to apply slippage from 2022-23
Transformation Spend (Flexible Capital Receipts)	3.868	Increase to apply slippage from 2022-23
Total GF capital budget change	19.963	

4.102 The following HRA capital budget adjustments are requested to be agreed by Cabinet:

Scheme	2022-23 budget increase / (decrease) £m	2023-24 budget increase / (decrease) £m	Comments
Major Repairs and Improvements Programme	9.399		The HRA spent more than budgeted in 2022-23 (funded by reserves) due to over-achievement in delivering repairs. It is requested that the multi-year budget agreed by Council in March 2023 is increased so that the 2023-24 budget can continue at the level agreed in March (not reduced by the previous year over-achievement).
Regina Road	1.400		This capital budget addition was for the purchase of land to support the Regina Road regeneration scheme and has been funded through HRA reserves.
Affordable Housing	0.433		This capital budget addition was for the purchase of Affordable Housing and was funded through Section 106 monies.
NEC Housing System		0.625	Increase to apply slippage from 2022-23.
Total HRA capital budget change	11.232	0.625	

General Fund Capital Programme

4.103 At period 2, the General Fund capital programme has a forecast underspend of £0.040m against the revised budget (to be agreed by Cabinet) of £144.332m.

Table showing 2023-24 General Fund Capital Programme budget and forecast

General Fund Capital Scheme	2023-24 Original Budget (agreed at Council March 2023) (£000's)	2023-24 Proposed Revised Budget (to be agreed by Cabinet) (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (against proposed revised budget) (£000's)
Bereavement Services	-	127	(84)	127	-
My Resources Interface Enhancement	185	252	-	252	-
ICT	-	-	1	-	-
Network Refresh	335	348	8	348	-
Tech Refresh	300	132	84	132	-
Geographical Information Systems	260	312	-	312	-
Laptop Refresh	3,349	3,371	-	3,371	-

General Fund Capital Scheme	2023-24 Original Budget (agreed at Council March 2023)	2023-24 Proposed Revised Budget (to be agreed by Cabinet)	2023-24 Actuals to Date	2023-24 Forecast	2023-24 Forecast Variance (against proposed revised budget)
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Cloud and DR	221	331	26	331	-
People ICT	-	-	1	-	-
Synergy Education System	673	1,045	-	1,045	-
NEC Housing System	1,764	2,725	(37)	2,725	-
Uniform ICT Upgrade	-	56	-	56	-
Subtotal Assistant Chief Executive	7,087	8,699	(1)	8,699	-
Education – Fire Safety Works	152	924	-	924	-
Education - Fixed Term Expansions	2,540	2,865	146	2,865	-
Education - Major Maintenance	4,200	5,866	280	5,866	-
Education - Miscellaneous	-	100	-	100	-
Education - Permanent Expansion	-	297	-	297	-
Education - SEN	4,792	6,289	35	6,289	-
Angel Lodge Children Home	329	329	-	329	-
Subtotal CYPE	12,013	16,670	461	16,670	-
Disabled Facilities Grant	2,993	4,710	(199)	4,710	-
Empty Homes Grants	400	400	(15)	400	-
Subtotal Housing	3,393	5,110	(214)	5,110	-
Asset Strategy - Stubbs Mead	500	500	-	500	-
Asset Strategy Programme	240	240	-	240	-
Clocktower Chillers	382	382	-	382	-
Corporate Property Maintenance Programme	2,500	2,780	42	2,730	(50)
Fairfield Halls - Council	500	625	-	625	-
Former New Addington Leisure Centre	600	600	-	600	-
Fieldway Cluster (Timebridge Community Centre)	248	248	-	248	-
Contingency	1,000	1,000	-	1,000	-
Subtotal Resources	5,970	6,375	42	6,325	(50)
Allotments	-	-	(14)	-	-
Growth Zone	4,000	11,245	10	11,245	-
Grounds Maintenance Insourced Equipment	200	1,200	-	1,200	-
Highways	8,618	8,086	-	8,086	-
Highways - flood water management	435	404	-	404	-
Highways - bridges and highways structures	1,663	968	20	968	-
Highways - Tree works	-	50	26	50	-
Local Authority Tree Fund	67	83	10	83	-

General Fund Capital Scheme	2023-24 Original Budget (agreed at Council March 2023)	2023-24 Proposed Revised Budget (to be agreed by Cabinet)	2023-24 Actuals to Date	2023-24 Forecast	2023-24 Forecast Variance (against proposed revised budget)
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Trees Sponsorship	-	42	10	42	-
Leisure centres equipment contractual agreement	146	139	-	139	-
Tennis Court Upgrade	-	75	-	75	-
Leisure Equipment Upgrade	165	148	-	148	-
Libraries Investment - General	807	1,031	(410)	1,031	-
Central Library Digital Discovery Zone	175	175	-	175	-
New Investment to South Norwood Library	520	520	-	520	-
Parking	1,336	1,843	10	1,843	-
Cashless Pay & Display	1,097	1,463	-	1,463	-
Play Equipment	300	17	27	27	10
Safety - digital upgrade of CCTV	-	1,540	(11)	1,540	-
HIGHWAY Road Markings/Signs (Refresh)	137	137	-	137	-
South Norwood Good Growth	139	773	9	773	-
Kenley Good Growth	265	394	(267)	394	-
Sustainability Programme	550	1,100	-	1,100	-
TFL - LIP	10,112	4,568	70	4,568	-
Cycle Parking	106	332	-	332	-
Electric Vehicle Charging Point (EVCP)	368	1,019	-	1,019	-
Park Asset Management	700	700	-	700	-
Waste and Recycling Investment	1,000	2,558	-	2,558	-
Subtotal SCRER	32,906	40,610	(510)	40,620	10
Capitalisation Direction	63,000	63,000	-	63,000	-
Transformation Spend (Flexible Capital Receipts)	-	3,868	-	3,868	-
Subtotal Corporate Items and Funding	63,000	66,868	-	66,868	-
TOTAL GENERAL FUND CAPITAL	124,369	144,332	(222)	144,292	(40)

Table showing General Fund Capital Programme Financing

General Fund Capital Financing	2023-24 Original Budget (agreed at Council March 2023) (£000's)	2023-24 Proposed Revised Budget (to be agreed by Cabinet) (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (against proposed revised budget) (£000's)
CIL	1,628	9,684	9,684	-
s106	1,606	1,712	1,712	-
Grants & Other Contributions	24,266	25,832	25,832	-
Growth Zone	4,900	12,145	12,145	-
HRA Contributions	1,147	1,772	1,772	-
Capital Receipts	45,000	48,868	48,868	-
Borrowing	45,823	44,320	44,279	(40)
Total GF Capital Financing	124,369	144,332	144,292	(40)

4.104 The Council is identifying alternative funding for the extra forecast cost of play equipment of £10k to avoid the use of borrowing. This could include the application of Section 106 funding. The Corporate Property Maintenance Programme is currently forecasting to use £50k less borrowing in 2023-24, so the overall forecast use of borrowing is currently £40k lower than budgeted.

HRA Capital Programme

4.105 At period 2, the HRA capital programme has a forecast overspend of £4.1m (12%) against the revised budget (to be agreed by Cabinet) of £33.248m. This is due to increased repairs and improvements activity to reduce the backlog of repairs.

Table showing 2023-24 HRA Capital Programme budget and forecast

HRA Capital Scheme	2023-24 Original Budget (agreed at Council March 2023) (£000's)	2023-24 Proposed Revised Budget (to be agreed by Cabinet) (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (against proposed revised budget) (£000's)
Major Repairs and Improvements Programme	31,476	31,476	5,234	35,549	4,073
NEC Housing System	1,147	1,772	-	1,772	-
TOTAL HRA CAPITAL	32,623	33,248	5,234	37,321	4,073

HRA Capital Programme Financing

HRA Capital Financing	2023-24 Original Budget (agreed at Council March 2023) (£000's)	2023-24 Proposed Revised Budget (to be agreed by Cabinet) (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (against proposed revised budget) (£000's)
MRR	15,457	16,082	16,082	-
Revenue	13,900	13,900	13,900	-
Reserves	1,148	1,148	5,221	4,073
Right To Buy (RTB) Receipts	2,118	2,118	2,118	-
Total HRA Capital Financing	32,623	33,248	37,321	4,073

4.106 It is currently assumed that the forecast overspend in the Major Repairs and Improvements Programme will be financed through HRA reserves, however the source of HRA financing is still to be finalised.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 None.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 The monthly financial performance report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 Finance comments have been provided throughout this report.

8.1.2 The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.

- 8.1.3** The Council currently has a General Fund Reserve of £27.5m which serves as a cushion should any overspend materialise by the end of 2023-24. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.
- 8.1.4** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

8.2 LEGAL IMPLICATIONS

- 8.2.1** The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2.2** Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 8.2.3** In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.2.4** The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and, therefore, this report also demonstrates compliance with that legal duty.
- 8.2.5** As the government funding for the Homelessness Prevention Grant (£1.9m) and Asylum Dispersal Scheme (£0.9m) relate to executive functions of the Council, the Executive Mayor's approval is sought to receive the grants and apply them to the specific purposes for which they have been provided. By its nature, the additional expenditure is fully funded and is in accordance with budgetary

framework rules. Actual spend decisions will be made by officers in accordance with the Executive Mayor's Scheme of Delegation and the Constitution.

Comments approved by Looqman Desai, Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate workforce implications as a result of the content of this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation on budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and where necessary consultation with recognised trade unions.

8.3.2 The Council is aware that many staff may also be impacted by the increase in cost of living. Many staff are also Croydon residents and may seek support from the Council including via the cost of living hub on the intranet. The Council offers support through the Employee Assistant Programme (EAP) and staff may seek help via and be signposted to the EAP, the Guardians programme, and other appropriate sources of assistance and advice on the Council's intranet.

Comments approved by Dean Shoesmith, Chief People Officer.

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council has a statutory duty to comply with the public sector equality duty set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.4.2 In setting the Council's budget for 2023-2024, all savings proposals must complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts. If any impacts arise, officers will offer mitigation to minimise any unintended impact.

- 8.4.3** This report sets out a number of proposals that will change the services and provisions we provide for residents across Croydon. These proposals are subject to further work decisions.
- 8.4.4** The Council must, therefore, ensure that we have considered any equality implications. The Council has an established Equality Impact Assessment [EqIA] process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.
- 8.4.5** Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.
- 8.4.6** Our approach is to ensure the equality impact assessments are data led, using user information, demographic data and forecasts, as well as service specific data and national evidence to fully understand the impact of each savings proposal. This enables the Council to have proper regard to its statutory equality duties.
- 8.4.7** We have a large number of vulnerable children and asylum seekers who are in need of our services. We have also been faced with the rise of costs of the provision of adult social care, which has been exasperated following the pandemic. Alongside this our residents are dealing with the increased cost of living. We have supported residents by providing mitigation for changes where possible and signposting to other support organisations in the borough who can provide support. We will continue to seek mitigation during the equality analysis process where possible.
- 8.4.8** Our initial data suggests that residents across all equality characterises may be affected by changes. National and local data highlights that this may have a greater impact on race, disabilities, sex, pregnancy and maternity and age. We will continue to assess the impact and strive to improve our evidence and data collection, to enable us to make informed decisions.
- 8.4.9** Where consultations take place, we will ensure that we make it accessible for all characteristics including those with disabilities including neurodiversity by ensuring that we adopt Disability standards in our consultation platform. Notwithstanding those residents who are digitally excluded. We will also consult using plain English to support our residents who do not have English as a first language.
- 8.4.10** With regard to potential staff redundancies, as a diverse borough we will undertake equality analysis and seek mitigation for staff by offering redeployment and employability support. We will also assess the impact of job losses on protected characteristics. We will also ensure that disabled staff are treated more favourably

during restructure in that they will be required to meet the minimum standard prior to being offered an interview.

8.4.11 Research from existing EQIAs identifies that rising costs impact on some Disabled groups, communities from the Global Majority, African, Asian, African Caribbean households, young people, some people aged 15 – 64 and some people in the pregnancy/maternity characteristic . Research also indicates that there is an intersectional impact on young people from the Global Majority and both Disabled and Dual Heritage communities. Deprivation in borough is largely focused in the north and the east where the Global Majority of residents from the African, African Caribbean and Asian communities reside.

Comments approved by Denise McCausland, Equalities Programme Manager, Policy and Strategy 26/06/23.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.