LONDON BOROUGH OF CROYDON

REPORT:		**CABINET**
DATE OF DECISION		**25 October 2023**
REPORT TITLE:		**2023-24 Period 4 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 4 (July 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 Revised Budget (£m)	2023-24 Forecast (£m)	2023-24 Forecast Variance (£m)
Revenue Forecast (General Fund)	340.9	340.9	-
Revenue Forecast (Housing Revenue Account)	-	3.8	3.8
Capital Forecast (General Fund)	144.7	130.8	(13.9)
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 4, after the forecast utilisation of £63m capitalisation directions requested from DLUHC and £4.1m of the corporate risk contingency budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

2.2 to note the progress in MTFS savings achievement as set out in paragraph 4.82.

2.3 to note the work that has commenced on the Council's Transformation Programme as set out from paragraph 4.77.

2.4 to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £3.8m.

2.5 to approve a net budget increase to the 2022-26 General Fund capital programme budget of £0.336m, owing to slippage, changes in grant funding and the removal of the transformation budget (originally slipped from 2022-23), as set out in paragraph 4.97.

2.6 to approve the allocation of £4.000m reserves funding for transformation expenditure, as set out in paragraph 4.77.

2.7 to note the General Fund capital programme 2023-24 forecast underspend of £13.9m against the revised capital budget (to be agreed by Cabinet) of £144.7m.

2.8 to note the HRA capital programme 2023-24 forecast overspend of £4.1m against the revised capital budget of £33.2m.

2.9 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.

2.10 to note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.

2.11 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, owing 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 £4.1m of the corporate risk contingency budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within 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 6.8% in the 12 months to July 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 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)
- Housing Revenue Account (HRA) discretionary fund targeted for tenants that are not in receipt of housing benefit
- 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

4.8 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

4.9 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 £4.1m which is offset by utilisation of the corporate risk contingency budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

Table showing the revenue forecasts by Directorate

Directorate	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	138.7	57.3	140.1	**1.4**	1.2	0.2
Assistant Chief Executive	42.0	4.8	41.4	**(0.6)**	(0.3)	(0.3)
Children, Young People and Education	96.2	21.0	101.6	**5.4**	5.2	0.2
Housing	21.6	12.8	21.6	**-**	-	-
Resources	35.2	56.2	33.1	**(2.1)**	(1.6)	(0.5)
Sustainable Communities, Regeneration & Economic Recovery	69.4	18.2	69.4	**-**	-	-
Subtotal Service Directorates	**403.1**	**170.3**	**407.2**	**4.1**	**4.5**	**(0.4)**
Corporate Items and Funding	(62.2)	(6.1)	(66.3)	**(4.1)**	(4.5)	0.4
Total Net Expenditure Budget	**340.9**	**164.2**	**340.9**	**-**	**-**	**-**

4.10 Work will continue through to the end of the year to manage those areas with forecast overspends to ensure the Council remains within budget.

4.11 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.

4.12 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	118.6	49.9	120.2	1.6
Adult Strategic Commissioning, Policy & Improvement	18.2	6.6	18.1	(0.1)
Central ASCH	1.9	0.6	1.8	(0.1)
Total ASCH	**138.7**	**57.1**	**140.1**	**1.4**

4.13 At period 4, the ASCH directorate has a forecast overspend of £1.4m (1.0%) against a budget of £138.7m.

4.14 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.

4.15 Risks:

- 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. The potential reprovisioning costs if providers exit the market could be significant.
- There is a risk that as the spend in the Equipment Service has increased by 4%, the pooled budget can potentially overspend as variables such as partner contributions, risk share agreements and winter pressures cannot be accurately forecast at this stage.

<u>Adult Social Care Operations - Forecast overspend of £1.6m</u>

4.16 Staffing across this division demonstrates a forecast underspend (broken down by area below) owing to periods of vacancy above the £1m MTFS 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 focused 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 (£1.6m) owing to a staffing (including agency spend) underspend of (£0.1m) and a net underspending on care costs (£1.5m).

4.18 Working Age Adults has an overspend of £4.1m. This comprises an overspend on care of £4.2m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing of (£0.1m). The overspend includes care package savings not yet evidenced of £1.5m (this has reduced from £1.9m at Period 3), against a challenging target of £5.3m. It should also be noted that this area was overspent by £2.3m in 2022-23. The directorate has committed to achieving further savings to offset the budget pressure.

4.19 Provider Services has a (£0.9m) forecast underspend on staffing owing to vacancies.

4.20 Mental health services have a forecast overspend of £0.1m owing to a £0.4m overspend on care packages partly mitigated by a (£0.3m) underspend on staffing.

The overspend on care is owing to increasing demand and costs, work is ongoing to bring this area to a balanced budget.

4.21 Safeguarding service has a (£0.1m) forecast underspend on staffing owing to vacancies across the division.

Adult Social Care Policy and Improvement – Forecast underspend of (£0.1m)

4.22 The Policy and Improvement division is forecasting an underspend of (£0.1m) owing to staffing vacancies.

Central ASCH – Forecast underspend of (£0.1m)

4.23 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	6.2	1.6	5.9	(0.3)
Croydon Digital and Resident Access	31.9	8.0	31.7	(0.2)
Chief People Officer	3.5	1.1	3.5	-
Asylum Seekers and Homes for Ukraine	-	(6.2)	-	-
Central ACE	0.4	0.3	0.3	(0.1)
Total ACE (General Fund)	**42.0**	**4.8**	**41.4**	**(0.6)**
Public Health Grant Ringfenced Services	**-**	**(1.5)**	**-**	**-**

4.24 At period 4, the ACE directorate has a General Fund forecast underspend of £0.6m (1.4%) against a budget of £42.0m.

Policy, Programmes & Performance Division - £0.3m forecast underspend

4.25 Recruitment is continuing into the new staffing structure for the Policy, Programmes and Performance Division. The forecast underspend is owing to periods of vacancy of some posts in the new structure.

Croydon Digital and Resident Access Division - £0.2m forecast underspend

4.26 Underspends in Concessionary Travel are forecast owing to staff vacancies and a favourable final concessionary travel settlement for the year.

4.27 The Digital and Resident Access Division is undergoing a review to assess the achievability of in-year MTFS savings for staffing and IT contracts.

Chief People Officer Division — breakeven position

4.28 There is a breakeven forecast against budget for the Chief People Officer Division.

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

4.29 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.

4.30 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 and beyond.

Central Assistant Chief Executive – £0.1m forecast underspend

4.31 Underspends owing to periods of staff vacancies and lower than expected running expenses.

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

4.32 It is currently forecast that Public Health will contribute £3.2m to ring fenced Public Health reserves at the end of 2023-24.

4.33 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	72.9	16.7	77.4	4.5
Unaccompanied Asylum Seeking Children (UASC) and Care Leavers	(0.7)	1.4	(0.6)	0.1
Quality, Commissioning and Performance Improvement	6.7	(1.0)	7.5	0.8
Non-DSG Education Services	16.8	3.7	16.8	-
Central CYPE	0.5	0.2	0.5	-
Total CYPE (General Fund)	**96.2**	**21.0**	**101.6**	**5.4**
Dedicated Schools Grant (DSG) High Needs Education Services	**82.0**	**45.9**	**82.7**	**0.7**

4.34 At period 4, the CYPE directorate has a General Fund forecast overspend of £5.4m (5.6%) against a budget of £96.2m.

Children's Social Care Division – forecast overspend of £4.6m (including UASC and UASC Care Leavers)

£2.2m placements overspend owing to seven high-cost placements; four Residential Education SEND (no contribution from Health), two Semi-Independent and one Secure). Analysis is being undertaken on a continuous basis to review these placements with the aim to reduce spend where possible. Three of these placements are new in 2023-24. To illustrate the variability in care package costs, one family recently housed in the borough by another local authority is forecast to cost over £1m in 2023-24.

£2.0m staffing overspend, which includes a pension budget shortfall of £0.8m since 2020-21. This was previously fully offset by underspends owing to vacancies and delays in recruitment however this cannot be accommodated in 2023-24.

£0.2m under-achievement in income (including £0.5m unachieved 2022-23 MTFS NHS Funding savings which have been partially offset through other income).

£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 overspend on Unaccompanied Asylum-Seeking Children (UASC) and Care Leavers owing to more young people turning 18 years old.

4.35 Risks:

- The Children's Social Care Division is monitoring placement and care package expenditure during the year. Pressure on placement spend is due to the sufficiency challenges both locally and nationally. The introduction of regulation for supported accommodation is predicted to increase charges as providers seek to pass on costs to Local Authorities. "Costs of new Ofsted regulation and inspection regime for semi-independent placement provision could be nine times higher than government funding, whilst one in five care beds could be withdrawn", report warns – London Innovation and Improvement Alliance (LIIA).
- The division is working with Public Health to produce service level agreements for services previously funded by the HRA, and these may result in a General Fund pressure of £0.8m.
- The division is also reviewing the housing accommodation charges from the Housing General Fund for Care Experienced Young People.

4.36 Opportunities:

- There could be some staffing underspends from periods of vacancy.
- Potential underspend of £0.3m in legal costs, if the lower numbers of care proceedings and UASC age assessment challenges continue.
- The CYPE directorate, alongside other directorates, is actively checking that grant funding including the Covid Outbreak Management Fund (COMF) are

allocated correctly against eligible expenditure and this could reduce the forecast overspend position.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.8m

4.37 The division is forecasting a staffing overspend of £0.4m from the 5% vacancy factor MTFS saving of £0.3m applied to the 2023-24 budget (as several teams are fully staffed) plus the impact of increased quality assurance activity to track the impact of the pandemic on outcomes for children. The pressure may reduce during the year if there are periods of vacancy.

There is an anticipated Public Health contribution of £0.4m which never materialised. This relates to a 2022-23 MTFS saving and will be reviewed by the cross-Council Public Health funding task and finish group.

Non-DSG Education services – forecast breakeven

4.38 Non-DSG Education services are forecasting a breakeven position owing to an underspend from staffing vacancies which is offsetting income pressures (including £0.3m unachieved 2022-23 MTFS NHS Funding savings).

4.39 Risk

- The £0.3m unachieved income budget within the High Needs General Fund budget poses an indirect financial risk to the Safety Valve target should other activities or resources (EHCP Coordinators) required to deliver the Safety Valve target be reduced to offset the £0.3m potential shortfall. The service is exploring all mitigating options available.

Dedicated Schools Grant (DSG) High Needs education services – forecast overspend of £0.680m

4.40 The SEND High Needs forecast at Period 4 is an overspend of £0.680m against the budget of £82.059m. There is a £25k adverse movement from the Period 3 position due to inflationary uplifts from some of the out of borough providers. Please note that the DfE provided updated national allocations for the High Needs Block on 20 July 2023 which has reduced Croydon Council's allocation from £82.566m to £82.059m owing to a slightly higher proportion of pupils in academies.

4.41 The overall variance at Period 4 represents £0.045m 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 delivering all of the savings strategies as set out in the Safety Valve (SV) agreement including the use of the High Needs Provision Capital Allocation (HNPCA) to help deliver more local schools places as well as improve existing provisions to meet the increasing placement demands for complex needs pupils. Following submission of our

2023-24 Quarter 1 monitoring report, the DfE have given the Safety Valve payment of £3.290m.

4.42 See below the key areas:

£2.199m Out of Borough and Independent – Forecast overspend due to an increase in complex cases above that expected, requiring out of borough placements to meet needs. The service is in discussions with some local providers to set up Enhanced Learning Provision during the Autumn Term.

£0.954m overspend due 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.

(£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 owing to service re-alignment to maximise savings.

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

4.43 Dedicated Schools Grant (DSG) High Needs education services will continue to closely monitor the demand pressures in Independent and Out of Borough placements owing to cost implications. Addington Valley Academy, St Nicholas, Coulsdon College Croydon, and Waddon Youth Disability Services are increasing placement numbers, which is reducing high-cost placements out of borough.

4.44 The 2023-24 period 4 High Needs forecast outturn variance of £0.680m leads to an overall DSG deficit projection of £16.064m at the end of 2023-24 compared to the Safety Valve target of £16.080m prior to the £3.290m Deficit Recovery payment received from the DfE as per the Safety Valve agreement. This demonstrates that the Council is ahead of the target.

4.45 <u>Risks</u>

- The service is monitoring all the risks associated with the Safety Valve target which includes increasing complexity of needs requiring additional funding for special schools and extra out of borough placements to meet the local needs of some CYP pupils with complex needs.

Housing

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	21.5	12.7	21.5	-
Housing Estates and Improvement	0.1	1.1	0.1	-
Total Housing	**21.6**	**12.8**	**21.6**	**-**

4.46 At period 4, the Housing directorate has a General Fund forecast breakeven against the budget of £21.6m. Owing to the implementation of the new NEC IT system, no rental income is currently showing in the actuals for June or July.

Emergency Accommodation – breakeven forecast

4.47 Breakeven forecast at period 4. The number 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 bed & breakfast (B&B) and hotel accommodation.

4.48 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. The grant top-up would also help fund any potential detriment to income collection resulting in the bad debt provision being increased at year end.

4.49 Forecasting costs and income has been challenging due to the changeover to the NEC software package. Some reporting information is not yet available from the new NEC system such as the number of units of various types rented and associated costs. Therefore, purchase orders receipted to date are currently being used to forecast costs.

Temporary Accommodation – breakeven forecast

4.50 There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement not yet finalised. 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.

4.51 Risks

4.51.1 Restructure

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

4.51.2 Inflation

- 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. 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.
- 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.

4.51.3 Reduced Supply

- There is also the issue of entering into 2 to 5 years lease deals with landlords as 39% nationally 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 seek to address this issue.
- 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.

4.51.4 Income Collection

- 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 when it is fully operational later in the year.

- Forecasting income has been challenging due to the changeover to the NEC system. A delay to the interfaces between NEC and the Oracle finance system has meant that no income has been posted to Oracle since 17 May from the new NEC system.

4.51.5 Temporary Accommodation Benefit Subsidy Loss

- There is a potential budget pressure, above the currently estimated £1.2m for 2023-24 which has been funded through the economic demand pressures budget transfer agreed in Period 3, in relation to housing benefit subsidies for the Guaranteed Rent Scheme for Care Experienced Young People. The pressure impacts the Housing Directorate as it forms part of the cost of temporary accommodation. The housing benefit subsidy pressure will be monitored throughout the year and mitigated where possible.
- There is a temporary accommodation cost owing to the £40/week/unit management fee for TA which is paid through Housing Benefit but not recoverable through subsidy from DWP. This forecast cost of £2.4m is covered corporately in 2023-24.

Resources

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Commercial Investment	18.6	4.0	16.3	(2.3)
Finance *(refer note 1)*	15.7	47.5	15.7	-
Legal Services and Monitoring Officer	2.3	1.4	2.4	0.1
Insurance, Anti-Fraud and Risk	0.6	2.4	0.6	-
Internal Audit Service	0.4	0.3	0.5	0.1
Pensions and Treasury	0.3	0.5	0.3	-
Central Resources	(2.7)	0.1	(2.7)	-
Total Resources	**35.2**	**56.2**	**33.1**	**(2.1)**

Note 1: The actuals to date are high in the Finance Division owing to Housing Benefits expenditure which will be reimbursed through DWP funding.

4.52 At period 4, the Resources directorate has a General Fund forecast underspend of £2.1m (6.0%) against a budget of £35.2m.

<u>Commercial Investment Division – £2.3m forecast underspend</u>

4.53 The division is forecasting a £2.3m underspend owing to decreased utilities costs and improved recharging to external bodies. There are also £0.6m of staffing underspends across the division, mainly in Facilities Management due to periods of staffing vacancy, which are being offset by a forecast decrease in recharges to capital.

Finance Division – breakeven forecast position

4.54 There is a breakeven forecast position for the Finance Division. The Payments, Revenues, Benefits and Debt Service is forecasting a staffing underspend owing to staffing vacancies and increased court costs income, but these are being offset by decreased Land Charges income and temporarily increased agency staffing in strategic finance to work through historic accounting issues including the prior years' accounts.

4.55 A cross Council working group is currently operating to mitigate Housing Benefit subsidy risks by maximising Housing Benefit (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.

4.56 The Finance Division will undergo a restructure of the strategic finance 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 strategic finance service have been reviewed and extra funding from growth and/or reserves has been requested for 2024-25.

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

4.57 There is a £0.1m forecast underspend in the Monitoring Officer service owing to staff vacancies and an underspend against the members allowances budget.

4.58 There is a forecast overspend in Legal Services of £0.2m mainly owing to high levels of agency staffing.

4.59 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 overspend

4.60 There is a £0.1m forecast overspend in Internal Audit expenditure. Within Insurance, Anti-Fraud and Risk a forecast overspend on insurance claims is being offset by a forecast staffing underspend due to periods of staffing vacancy.

Sustainable Communities, Regeneration & Economic Recovery (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Sustainable Communities	54.1	16.5	54.2	0.1
Culture and Community Safety	8.6	1.5	7.9	(0.7)
Planning & Sustainable Regeneration	6.7	1.2	7.3	0.6
Central SCRER	-	(1.0)	-	-
Total SCRER	**69.4**	**18.2**	**69.4**	**-**

4.61 At period 4, the SCRER directorate has a General Fund forecast breakeven position against a budget of £69.4m. The main potential risk areas relate to income in the areas of parking, parking enforcement, moving traffic offence and planning.

<u>Sustainable Communities Division - forecast overspend of £0.1m</u>

4.62 There is a forecast £1.9m under-achievement in parking, parking enforcement and moving traffic offence income. This is being offset through a forecast underspend of £1.3m in staffing owing to periods of vacancy and a £0.5m forecast underspend in waste services owing to reduced level of domestic waste.

4.63 <u>Risks</u>

- 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.

- Parking Services have had delays in connection with the roll out of new ANPR cameras which affect the income levels within the service.

- 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.

- Waste services are demand led which represents a potential risk to the current forecast underspend. Levels of tonnage are monitored on a monthly basis and the forecast will be updated throughout the year.

- There is a pressure on the Street Lighting PFI contract due to an increase in the energy unit cost caused by wider inflationary pressures upon energy prices.

- 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 – forecast underspend of £0.7m

4.64 The division is forecasting an underspend of £0.7m due to reduced costs on utilities in contracts (£0.6m) and periods of staffing vacancy (£0.1m).

4.65 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 – forecast overspend of £0.6m

4.66 The division is forecasting an income under-achievement of £0.6m owing to lower activity levels to date 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	14.2	-	14.2	-
Risk Contingency Budget	5.0	-	0.9	(4.1)
Transformation Programme	10.0	-	10.0	-
Other corporate items	(91.4)	(6.1)	(91.4)	-
Total Corporate items and Funding	**(62.2)**	**(6.1)**	**(66.3)**	**(4.1)**

4.67 At period 4, the Corporate directorate has a General Fund forecast underspend of £4.1m (6.6%) against a net budget of (£62.2m). The underspend relates to the risk contingency budget which is offsetting the pressures across the service areas.

4.68 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.

4.69 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.

4.70 The NJC national negotiations on the 2023-24 pay award for staff are ongoing and the resulting required budget allocation may create a pressure above the central allowance of £10.4m.

4.71 There is budget of £3.8m still held centrally for the potential impact of economic demand pressures on Croydon after the allocation of £1.7m budget agreed in Period 3 for Housing Benefit subsidy pressures.

4.72 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.

4.73 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.

4.74 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).

4.75 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).

Transformation Programme

4.76 The Transformation Programme has £14m of resources allocated to it. Through this report, it has been requested in the capital section to remove the capital funding for transformation (which was slipped from 2022-23 and now not required for capital purposes) and to approve the allocation of £4.000m earmarked reserves funding for transformation expenditure to replace the capital funding. The identified reserves funding is from within non-ringfenced General Fund reserves and does not impact the General Fund balances of £27.5m.

4.77 In total there is currently £9.4m of the Transformation Programme budget allocated with £4.6m unallocated to date. The Transformation Programme will provide a return on investment through service improvement benefits and the identification and delivery of savings for the medium term financial strategy, providing a significant level of savings towards the £20m per annum savings required from 2025-26 onwards.

Transformation Programme Allocations

Project	2023-24 Draft Budget Allocation (£m)
Transformation Revenue Budget	10.000
Transformation Reserve Funding	4.000
Total Transformation Funding	**14.000**
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
Corporate Parenting Transformation	0.457
Dynamic Purchasing System	0.092
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
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 for Adult Social Care and Health	1.134
Housing Benefit Subsidy SEA & EA/TA	0.000
PFI Contract Manager	0.000
VCS Review	0.000
Asset Rationalisation	0.000
Business Intelligence Review	0.000
Commercial & Income Opportunities	0.000
Community Equipment Service	0.040
Croydon Museum	0.270
Oracle Improvement Programme	0.175
Transformation PMO	1.100
Total Revenue Budget and Reserves Allocated to Date	**9.424**
Unallocated To Date	4.576

4.78 The Transformation Programme published in November 2022 set out £5.9m of project commitments with recognition that further sums were still to be confirmed. 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.

4.79 The Transformation Board has agreed additional project allocations totalling £2.99m through to July 2023 and these are set out in the table below.

Project Allocations	**£m**
Fostering transformation	0.194
Sustaining demand at the front door	0.080
Callydown transformation	0.134
Review of Social Care Placements	0.456
CALAT (New)	0.050
Strategic operating model design partner	0.500
Strategic operating model design partner – project team	0.634
Corporate Parenting Transformation (New)	0.457
Community Equipment Service	0.040
Museum Transformation	0.270
Oracle Cloud Improvement (New)	0.175
Total of Allocations	**2.990**

4.80 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.

Savings

4.81 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

Directorate	2023-24 Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Not yet evidenced or (over delivery) £'000
Adult Social Care & Health	12,243	-	12,243	10,790	-	1,453
Assistant Chief Executive	2,924	-	2,924	1,771	1,153	-
Children, Young People & Education	6,920	490	7,410	5,130	18	2,262
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**	**29,971**	**2,495**	**3,612**

Reserves

4.82 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**

4.83 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

4.84 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.

4.85 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.

4.86 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.

4.87 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)

4.88 At period 4, the Housing Revenue Account (HRA) has a forecast overspend of £3.8m. Work is underway on a deep dive of the repairs forecast following the implementation of the NEC IT system, and the forecast overspend is likely to increase as we deliver increased repairs and maintenance activity.

<u>Repairs</u>

The Period 4 position of £3.8m overspend on disrepair costs including void and repair costs, legal fees and settlement costs remains as per the prior period.

Although the new NEC IT system went live in June 2023 it is not yet possible to generate reporting from it that would better inform the forecast spend on repairs. Work is ongoing to prioritise the NEC ability to interface with our financial systems so that a more accurate full year forecasting can be generated.

<u>Tenancy and Income</u>

A breakeven forecast at period 4 has been set based on a financial forecast. The NEC reporting functionality is not yet available to report on actuals to date.

<u>Staffing and other</u>

A breakeven forecast at period 4 has been set and reflects additional budget was allocated in 2023-24 to meet known pressures.

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)	52.2	-
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	-	6.7	-
Subtotal Expenditure	**96.1**	**8.9**	**99.9**	**3.8**
Total HRA Net Expenditure	**-**	**(2.9)**	**3.8**	**3.8**

4.89 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 owing to void (empty) residential properties.
    - loss of income owing 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.

- NEC system functionality delays:
    - Although the system has gone live in June 2023 there has not yet been feeds into the financial Oracle system. Therefore, the income & repairs forecasting could be understated and will not be known until actuals can be properly analysed.

Capital Programme and Financial Sustainability

4.90 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.

4.91 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.

4.92 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.

4.93 An estimated circa £66m is required to service this debt from the General Fund which represents around 19% 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.

4.94 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.

4.95 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

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

Scheme	2023-24 budget increase / (decrease) £m	Comments
Growth Zone	4.599	Increase to apply increased slippage from 2022-23 following a deep dive into the financing of expenditure between TFL LIP and the Growth Zone reserve.
Highways	0.174	Increase to apply increased slippage from 2022-23 following a deep dive into expenditure.
Highways – bridges and structures	0.673	Increase owing to increased TFL funding.
Cycle Parking	(0.226)	Decrease owing to 2023-24 funding from TFL and Section 106 not confirmed to date.
Electric Vehicle Charging Points	(1.016)	Decrease owing to 2023-24 funding from TFL and Section 106 not confirmed to date.
Transformation Spend (Flexible Capital Receipts)	(3.868)	Removal of transformation expenditure capital budget (originally slipped from 2022-23 in the Period 2 report). This is no longer required in capital and the expenditure will be funded instead through reserves.
Total GF capital budget change	**0.336m**	

General Fund Capital Programme

4.97 At period 4, the General Fund capital programme has a forecast underspend of £13.9m against the revised budget (to be agreed by Cabinet) of £144.7m.

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

General Fund Capital Scheme	2023-24 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 (£000's)
Bereavement Services	127	(45)	127	-
My Resources Interface Enhancement	252	-	252	-
ICT	-	1	-	-
Network Refresh	348	11	348	-
Tech Refresh	132	247	864	732
Geographical Information Systems	312	-	312	-
Laptop Refresh	3,371	-	3,371	-
Cloud and DR	331	26	331	-
People ICT	-	3	-	-
Synergy Education System	1,045	4	789	(256)
NEC Housing System	2,725	(19)	2,097	(628)
Uniform ICT Upgrade	56	-	56	-
Subtotal Assistant Chief Executive	**8,699**	**228**	**8,547**	**(152)**
Education – Fire Safety Works	924	4	450	(474)
Education - Fixed Term Expansions	2,865	147	325	(2,540)
Education - Major Maintenance	5,866	1,282	3,321	(2,545)
Education - Miscellaneous	100	119	100	-
Education - Permanent Expansion	297	-	297	-
Education - SEN	6,289	330	6,289	-
Angel Lodge Children Home	329	-	329	-
Subtotal CYPE	**16,670**	**1,882**	**11,111**	**(5,559)**
Disabled Facilities Grant	4,710	424	3,000	(1,710)
Empty Homes Grants	400	8	300	(100)
Subtotal Housing	**5,110**	**432**	**3,300**	**(1,810)**
Asset Strategy - Stubbs Mead	500	-	500	-
Asset Strategy Programme	240	-	240	-
Clocktower Chillers	382	-	382	-
Corporate Property Maintenance Programme	2,780	659	2,780	-
Fairfield Halls - Council	625	3	625	-
Former New Addington Leisure Centre	600	-	600	-
Fieldway Cluster (Timebridge Community Centre)	248	-	248	-
Contingency	1,000	-	1,000	-
Subtotal Resources	**6,375**	**662**	**6,375**	**-**
Allotments	-	(14)	-	-

General Fund Capital Scheme	2023-24 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 (£000's)
Growth Zone	15,844	7	15,844	-
Grounds Maintenance Insourced Equipment	1,200	-	1,200	-
Highways	8,260	2,025	8,260	-
Highways - flood water management	404	141	404	-
Highways - bridges and highways structures	1,641	577	1,641	-
Highways - Tree works	50	26	50	-
Local Authority Tree Fund	83	50	83	-
Trees Sponsorship	42	10	42	-
Leisure centres equipment Contractual Agreement	139	(410)	139	-
Tennis Court Upgrade	75	-	75	-
Leisure Equipment Upgrade	148	-	148	-
Libraries Investment - General	1,031	1	224	(807)
Central Library Digital Discovery Zone	175	-	-	(175)
New Investment to South Norwood Library	520	-	520	-
Parking	1,843	(972)	1,843	-
Cashless Pay & Display	1,463	-	485	(978)
Play Equipment	17	49	49	32
Safety - digital upgrade of CCTV	1,540	(11)	1,540	-
Highways Road Markings/Signs (Refresh)	137	-	137	-
South Norwood Good Growth	773	9	747	(26)
Kenley Good Growth	394	(147)	394	-
Sustainability Programme	1,100	-	300	(800)
TFL - LIP	4,568	282	1,100	(3,468)
Cycle Parking	106	-	-	(106)
Electric Vehicle Charging Point (EVCP)	3	-	-	(3)
Park Asset Management	700	-	700	-
Waste and Recycling Investment	2,558	-	2,558	-
Subtotal SCRER	**44,814**	**1,623**	**38,483**	**(6,331)**
Capitalisation Direction	63,000	-	63,000	-
Subtotal Corporate Items and Funding	**63,000**	**-**	**63,000**	**-**
Total General Fund Capital	**144,668**	**4,827**	**130,816**	**(13,852)**

Table showing General Fund Capital Programme Financing

General Fund Capital Financing	2023-24 Revised Budget (to be agreed by Cabinet) (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Community Infrastructure Levy (CIL)	6,600	6,600	-
CIL Local Meaningful Proportion (LMP)	3,084	1,477	(1,607)
Section 106	1,190	233	(957)
Grants & Other Contributions	25,430	16,265	(9,165)
Growth Zone	15,844	15,844	-
HRA Contributions	1,772	1,363	(409)
Capital Receipts	45,000	45,000	-
Borrowing	45,749	44,034	(1,714)
Total GF Capital Financing	**144,668**	**130,816**	**(13,852)**

4.98 The extra forecast cost of play equipment of £32k will be funded through the application of Section 106 funding.

HRA Capital Programme

4.99 At period 4, the HRA capital programme has a forecast overspend of £4.1m (12%) against the revised budget of £33.248m. This is owing 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 Revised Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Major Repairs and Improvements Programme	31,476	3,221	35,549	4,073
NEC Housing System	1,772	-	1,772	-
Total HRA Capital	**33,248**	**3,221**	**37,321**	**4,073**

HRA Capital Programme Financing

HRA Capital Financing	2023-24 Proposed Revised Budget (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
MRR	16,082	16,082	-
Revenue	13,900	13,900	-
Reserves	1,148	5,221	4,073
Right To Buy (RTB) Receipts	2,118	2,118	-
Total HRA Capital Financing	**33,248**	**37,321**	**4,073**

4.100 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 Balances Reserve of £27.5m which serves as a cushion should any overspend materialise by the end of 2023-24. The use of the General Fund Balances Reserve to support the budget is not a permanent solution and these reserves must be replenished back to a prudent level in subsequent years if used.

8.1.4 The Transformation Programme has £14m of resources allocated to it, including £10m base budget. Through this report, it has been requested in the capital section to remove the capital funding for transformation (which was slipped from 2022-23 and now not required for capital purposes) and to approve the allocation of £4.000m reserves funding for transformation expenditure to replace the capital funding. The identified reserves funding is from within non-ringfenced General Fund reserves and does not impact the General Fund Balances Reserve of £27.5m. The Transformation Programme is still at the £14m funding agreed.

8.1.5 Paragraph 2.5 of the Financial Regulations states "Slippage of Capital schemes should be identified as soon as possible during the financial year and reported to Cabinet as part of the financial monitoring cabinet report. At the end of each financial year slippage will be approved by the Chief Financial Officer and reported to Cabinet for approval as part of the July financial review report."

8.1.6 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 regarding 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. The Council as a best value authority "must 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" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council including delivering and setting a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.

8.2.5 The Council is the subject of Directions from the Secretary of State requiring the Council to, amongst others, improve on the management of its finances. This report serves to ensure the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

8.2.6 The Council's budget and policy framework procedure rules (Part 4C of the Constitution) provides that the Executive may only take decisions which are in line with the budgetary envelop approved by Full Council.

Comments approved by Stephen Lawrence-Orumwense, Director of Legal Services and Monitoring Officer, 27/09/23.

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 Assistance 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 including the trade unions.

Comments approved by Dean Shoesmith, Chief People Officer, 12/9/2023.

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 Naseer Ahmed for Equalities Programme Manager, 12/09/2023.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.