

LONDON BOROUGH OF CROYDON

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| REPORT: | CABINET | | |
| DATE OF DECISION | 25 September 2024 | | |
| REPORT TITLE: | 2024-25 Period 3 Financial Performance Report - DRAFT | | |
| 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: 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; AND Decision significantly impacts on communities living or working in an area comprising two or more Wards. | |
| 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 3 (June 2024) 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 | 2024-25 Revised Budget (£m) | 2024-25 Forecast (£m) | 2024-25 Forecast Variance (£m) | 2024-25 Forecast Variance (%) |
|--|-----------------------------|-----------------------|--------------------------------|-------------------------------|
| Revenue Forecast (General Fund) | 361.3 | 385.2 | 23.9 | 6.6% |
| Revenue Forecast (Housing Revenue Account) | - | 2.0 | 2.0 | N/A |
| Capital Forecast (General Fund) | 118.5 | 118.5 | - | - |
| Capital Forecast (Housing Revenue Account) | 57.2 | 52.3 | (4.9) | (8.6%) |

2 RECOMMENDATIONS

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

- 2.1** to note the General Fund revenue budget outturn is forecast to overspend at financial year end by £23.9m at Period 3, after the budgeted utilisation of £38m capitalisation directions requested from the Ministry of Housing, Communities and Local Government (MHCLG), utilisation of the £5.0m risk contingency budget and utilisation of £13.0m corporate earmarked reserves.
- 2.2** to note that all service directorates have been asked to reduce their net expenditure so that the annual budget can be balanced at the end of the year. It should not be underestimated what a challenge this will be against the background of increased demand pressures which are continuing to build across local government and increased market prices. Forecast overspend pressures are also demonstrated in the Month 2 and Quarter 1 reports published by other London councils. However, the Council will still strive to bring its 2024-25 budget into balance including through the in-year Financial Recovery Plan as set out from para 4.8.
- 2.3** to approve budget inter-directorate virements from Corporate to service directorates for non-pay inflation (£15.694m) as set out in the table in paragraph 4.102.
- 2.4** to note the progress in Medium Term Financial Strategy (MTFS) savings achievement of £20.8m (75.1%) against the total savings target of £27.7m as set out in paragraph 4.124.
- 2.5** to note the work that is continuing on the Council's Transformation Programme as set out from paragraph 4.122.
- 2.6** to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £2.0m.
- 2.7** to approve the budget changes in 2024-25 General Fund capital programme budgets totalling a net increase of £8.5m, which includes adoption of Reconnecting Croydon (£4.755m funded by government grant) and the Oracle Improvement Programme (£4.419m funded by earmarked reserves) as set out in para 4.152.
- 2.8** to note the General Fund capital programme 2024-25 breakeven forecast against the revised capital budget of £118.5m.

- 2.9** to note the HRA capital programme 2024-25 forecast underspend of £4.9m against the capital budget of £57.2m.
- 2.10** to note the Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with MHCLG continues around options of further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable Local Government services.
- 2.11** to note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.
- 2.12** 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 2024-25 budget approved by Council in March 2024 set a net revenue budget of £361.3m. This required capitalisation directions from Government of £38m to balance, owing to resolving historical inaccurate accounting treatments and to fund the ongoing annual cost of servicing the disproportionate level of debt.
- 4.2** The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget, with circa £66m annual cost for the Council to service the debt. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.
- 4.3** Dialogue with MHCLG continues around options of further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable Local Government services.

GENERAL FUND REVENUE BUDGET SUMMARY

- 4.4** The General Fund revenue forecast outturn at financial year end shows an overall overspend of £23.9m, following the budgeted utilisation of the £38m capitalisation directions requested from MHCLG, utilisation of the £5m risk contingency budget and utilisation of £13.0m corporate earmarked reserves. In 2023-24 the Council demonstrated a provisional outturn underspend, whereas many other councils were overspent. However, this year the financial forecast is more aligned with the rest of London, demonstrating significant national and regional demand and market price pressures.
- 4.5** All service directorates have been asked to reduce their net expenditure so that the annual budget can be balanced at the end of the year. It should not be underestimated what a challenge this will be against the background of increased demand pressures which are continuing to build across local government and increased market prices.

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 | 141.4 | 53.2 | 144.8 | 3.4 | 3.8 | (0.4) |
| Assistant Chief Executive | 42.7 | 10.9 | 41.6 | (1.1) | (0.6) | (0.5) |
| Children, Young People and Education | 98.2 | 18.0 | 112.5 | 14.3 | 14.3 | - |
| Housing | 23.8 | 4.7 | 39.5 | 15.7 | 12.8 | 2.9 |
| Resources | 36.3 | 50.3 | 35.9 | (0.4) | (1.2) | 0.8 |
| Sustainable Communities, Regeneration & Economic Recovery | 74.1 | 21.4 | 78.6 | 4.5 | 4.5 | - |
| Subtotal Service Directorates | 416.5 | 158.5 | 452.9 | 36.4 | 33.6 | 2.8 |
| Corporate Items and Funding | (55.2) | (30.2) | (54.7) | 0.5 | (5.0) | 5.5 |
| Total Net Expenditure Budget | 361.3 | 128.3 | 398.2 | 36.9 | 28.6 | 8.3 |
| Use of one-off corporate earmarked reserves | - | - | (13.0) | (13.0) | (13.0) | - |
| Revenue impact after use of corporate earmarked reserves | 361.3 | 128.3 | 385.2 | 23.9 | 15.6 | 8.3 |

- 4.6** The Council continues to build on the improvements in financial management that were made in the last financial year. However, the Council is still on a journey of improvement, which is fully recognised within the organisation.

4.7 A financial assurance process and independent challenge of expenditure and income 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.

Financial Recovery Plan

4.8 Over the summer it emerged that the Council was facing a range of budget overspend issues driven by rising costs and demand in children's social care, placements for homeless families and home to school transport for children with special educational needs and disabilities (SEND). A number of discussions and deep dives, including weekly Corporate Management Team (CMT) discussions, have taken place across all directorates around how the Council arrests the in-year overspend.

4.9 Initiatives that are being taken forward include:

- an in-depth review of children's expenditure, together with progressing a quick win approach together with the strategic delivery partner
- tightened spend control panel criteria (including the removal of previous exemptions for grant/HRA funded expenditure and qualified social worker recruitment)
- the setting up of a new agency staffing expenditure panel
- the setting up of a new contracts panel to review all current contract expenditure
- budget holder risk assessed review of all budgets to identify new potential opportunities to reduce spend or increase income
- review of all grant related expenditure to ensure we are claiming all appropriate expenditure (e.g. a proportion of management/overheads) and to consider any relaxations in grant conditions by Government departments
- review of IT and communications equipment, including looking at use of e-sims rather than separate mobile phones
- in-year recovery plans are being developed for homelessness, children's social care placements and SEND transport

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 | 122.6 | 50.3 | 127.5 | 4.9 |
| Adult Strategic Commissioning, Policy & Improvement | 16.9 | 2.6 | 15.4 | (1.5) |
| Central ASCH | 1.9 | 0.3 | 1.9 | - |
| Total ASCH | 141.4 | 53.2 | 144.8 | 3.4 |

4.10 At period 3 the ASCH directorate has a forecast overspend of £3.4m (2.4%) against a budget of £141.4m.

4.11 The ASCH Directorate is forecast to deliver the challenging savings target of £5m in 2024-25 on placements and care packages through demand management, commissioning and review of care packages.

Adult Social Care Operations - Forecast overspend of £4.9m

4.12 Increasing care costs are being experienced nationally and regionally. London boroughs that have published their 2024-25 Month 2 or Quarter 1 forecasts have reported forecast overspends in adult social care such as Hackney¹ (£14.8m after reserves), Redbridge² (£8.0m), Newham³ (£7m) and Lewisham⁴ (£5.9m).

4.13 Staffing across this division demonstrates a forecast underspend (broken down by area below) owing to periods of vacancy above the 5% vacancy factor. There is a national shortage of both social workers and occupational therapists and recruitment to many roles is proving challenging. The staffing underspend is reduced by the need to employ agency social workers and occupational therapists to ensure statutory duties are met and that transformation is delivered.

4.14 Localities and Living Independently For Everyone (LIFE) have an overspend of £2.5m. This is made up of a net overspend on care of £3.3m, partially offset by an underspend on staffing of (£0.6m) and equipment costs of (£0.2m). LIFE includes integrated hospital discharge, rehabilitation and reablement services.

4.15 Working Age Adults and Transitions has an overspend of £4.6m. This comprises an overspend on care of £4.8m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing of (£0.2m).

4.16 Provider Services has a (£1.7m) forecast underspend on staffing owing to vacancies.

¹ 2024/25 Overall Financial Position - May 2024 [Agenda for Cabinet on Monday 22 July 2024, 6.00 pm \(moderngov.co.uk\)](https://www.moderngov.co.uk)

² Budgetary Control Report for Month 2 [Cabinet - Thursday, 18th July, 2024 7.15 p.m. \(redbridge.gov.uk\)](https://www.redbridge.gov.uk)

³ Summer 2024 Finance Review Report [Agenda for Cabinet on Tuesday 6th August 2024, 10.30 a.m. \(newham.gov.uk\)](https://www.newham.gov.uk)

⁴ 2024/25 P2 Financial Monitoring Report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 10th July, 2024, 6.00 pm](https://www.lewisham.gov.uk)

- 4.17** Safeguarding service has a (£0.1m) forecast underspend on staffing owing to vacancies across the service.
- 4.18** Business Compliance and Early Intervention has a (£0.2m) forecast underspend on staffing owing to vacancies.
- 4.19** Mental health services have a (£0.2m) forecast underspend owing to vacancies.

Adult Social Care Commissioning, Policy and Improvement – Forecast underspend of (£1.5m)

- 4.20** The Commissioning, Policy and Improvement division is forecasting an underspend of (£1.7m) owing to contract underspends of (£1.0m), overachievement of income (£0.6m) and a staffing underspend of (£0.1m). There is an overspend of £0.2m relating to Croydon Equipment Service owing to likely changes to the service delivery model.

Central ASCH – Forecast breakeven position

- 4.21** This area is forecast to breakeven against the budget for central staffing and non-pay budgets.

4.22 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.

The directorate is seeing an increase in the costs of new placements over and above those relating to inflation and client needs. Commissioners are working hard to maintain rates.

4.23 Opportunities

Savings achievement will continue to support the forecast outturn for the ASCH directorate. Work is being undertaken to ascertain if further savings above the target can be achieved or if future planned savings can be accelerated.

The service will ensure the use of grant funding is applied within the grant conditions and to maximise the mitigating effect on revenue expenditure.

ASSISTANT CHIEF EXECUTIVE (ACE)

| Division | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|---|-----------------|----------------------|---------------|------------------------|
| Policy, Programmes and Performance | 5.2 | 0.8 | 5.0 | (0.2) |
| Elections Service | 0.4 | 0.3 | 0.4 | - |
| Croydon Digital and Resident Access | 32.4 | 8.6 | 31.7 | (0.7) |
| Chief People Officer | 3.9 | 0.9 | 3.7 | (0.2) |
| Central ACE | 0.8 | 0.3 | 0.8 | - |
| Total ACE (General Fund) | 42.7 | 10.9 | 41.6 | (1.1) |
| Public Health Grant Ringfenced Services (note 1) | - | (9.2) | - | - |

Note 1: The negative actuals to date are high in Public Health owing to grant income received early in the year, with expenditure still to come in later months.

- 4.24** At period 3, the ACE directorate has a General Fund forecast underspend of £1.1m (2.6%) against a budget of £42.7m.

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

- 4.25** The division has a forecast underspend achieved through the implementation of staffing vacancy efficiencies.

Local and External Elections - breakeven position

- 4.26** There is a breakeven forecast against budget for the Council's Local and External Elections service. The full financial impact of the London Assembly, Mayor of London and the General Election is not known currently. The position will be made clearer as the Council starts to receive notifications from government agencies regarding recovery of costs incurred by the Council.

Croydon Digital and Resident Access Division - £0.7m forecast underspend

- 4.27** Lower than budgeted expenditure for the Concessionary Travel and Travel Service Team (£0.5m) with the majority relating to a favourable concessionary travel settlement in year. The Bereavement & Registrars service is predicting an underspend of £0.2m owing to improving income projections for the year.

Chief People Officer Division - £0.2m forecast underspend

- 4.28** There is a forecast underspend against budget for the Chief People Officer Division owing to savings on staffing. This service is in the process of implementing a reorganisation and vacant posts are a consequence of the process.

Central Assistant Chief Executive – Forecast breakeven position

- 4.29** There is a breakeven forecast against budget for the Central Assistant Chief Executive Team.

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

- 4.30** It is currently forecast that Public Health will draw down £0.6m from ring fenced Public Health reserves at the end of 2024-25.
- 4.31** Work is ongoing to confirm areas for additional allocation of grant. A revised investment plan is currently being drafted which will set out investments agreed to date and future potential investment in public health services and activities. This will ensure that grant is fully allocated for 2024-25 and future years.

Risks

- 4.32** Elections - The majority of the costs of administering the London Assembly, Mayor of London and General Election in 2024 will be reclaimed from the Greater London Authority (GLA) and the UK Government’s Consolidated Fund. As the criteria for reclaiming costs becomes clearer, there is a risk that the Council has incurred costs which cannot be reclaimed. Earmarked election reserves were created at the end of 2023-24 to mitigate this risk.

Opportunities

- 4.33** There are potential extra staffing vacancy savings above the current level of 3% implemented across the directorate.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

| Division | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|--|-----------------|----------------------|---------------|------------------------|
| Children’s Social Care | 74.0 | 13.8 | 87.3 | 13.3 |
| Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Leavers | (0.2) | 6.2 | 0.8 | 1.0 |
| Asylum Seekers and Homes for Ukraine | - | (5.8) | - | - |
| Quality, Commissioning and Performance Improvement | 7.8 | 0.4 | 7.9 | 0.1 |
| Non-DSG Education Services | 16.6 | 3.2 | 16.5 | (0.1) |
| Central CYPE | - | 0.2 | - | - |
| Total CYPE (General Fund) | 98.2 | 18.0 | 112.5 | 14.3 |
| Dedicated Schools Grant (DSG) High Needs Education Services | 83.8 | 33.5 | 84.4 | 0.6 |
| Dedicated Schools Grant (DSG) Early Years Block | 50.8 | 16.8 | 50.8 | - |
| Total CYPE (Dedicated Schools Grant) | 134.6 | 50.3 | 135.2 | 0.6 |

General Fund

- 4.34** At period 3, the CYPE directorate has a General Fund forecast overspend of £14.3m (14.6%) against a budget of £98.2m.

- 4.35** This increase in spend since last year is predominantly driven by a small number of high cost placements, plus market forces driving up the unit cost of placements. Work is ongoing to review spend and determine where there may be opportunities to reduce the overspend.

Children's Social Care Division (including UASC and UASC Care Leavers) – forecast overspend of £14.3m

Placements

- 4.36** The placement budget is forecasting an overspend of £10.5m. Whilst the overall number of children in care is on a downward trajectory, unit costs for residential and semi-independent placements have risen at such a rate that the overall cost has increased. This pressure is being experienced nationally and regionally. London boroughs that have published their 2024-25 Month 2 or Quarter 1 forecasts have reported forecast overspends in children's social care such as Lewisham⁵ (£8.0m), Hackney⁶ (£3.4m) and Newham⁷ (£3m).
- 4.37** There are a growing number of very high cost placements, with six over £10k per week, 36 between £5k-£10k per week and 13 between £3k-£5k per week. Croydon continues to negotiate with Lambeth Council over some of these high cost placements, where Lambeth Council has placed families in the borough.
- 4.38** Of the six very high cost placements (which include residential and semi-independent placements), one is new in 2024-25 and the remainder commenced in the last financial year. We are now seeing the full year impact, which is a significant contributor to the increase in forecast spend compared to last year.
- 4.39** Through ongoing Transformation work such as the sufficiency strategy, and engagement with the Strategic Delivery Partner, all avenues are being explored to determine potential to bring costs down. This will incorporate a number of deep dives into specific areas.

Staffing

- 4.40** Forecast overspend of £2.8m. This is owing to staffing levels above the 5% vacancy factor built into the staffing budget (£1.4m), an investment in two short-term teams to support a longer term decrease in social worker caseloads owing to increased demand (£0.6m), an investment in newly qualified social workers in line with the recruitment and retention strategy (£0.4m) and short-term extra staffing to support long term practice improvements alongside preparations for the OFSTED inspection (£0.4m).

⁵ 2024/25 P2 Financial Monitoring Report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 10th July, 2024, 6.00 pm](#)

⁶ 2024/25 Overall Financial Position - May 2024 [Agenda for Cabinet on Monday 22 July 2024, 6.00 pm \(modern.gov.co.uk\)](#)

⁷ Summer 2024 Finance Review Report [Agenda for Cabinet on Tuesday 6th August 2024, 10.30 a.m. \(newham.gov.uk\)](#)

- 4.41** The staffing budgets for 2024-25 include a 5% assumed level of periods of vacancy which was experienced in 2023-24. However, successful improvements in recruitment and retention (increasing the amount of social work posts filled permanently to 81%), and ensuring that services are provided safely and statutory safeguarding responsibilities are met through use of agency staff to cover periods of sickness and maternity/paternity leave, has meant that periods of vacancy have reduced in 2024-25. The use of agency and non-qualified project staff also ensure that transformation projects are not affected by recruitment challenges.
- 4.42** There are national and regional difficulties recruiting qualified social workers. The service is continuing to use specialist recruitment methods, working with partners and deploying a retention package to help with recruitment and retention. These actions are improving the level of permanent staffing and, in line with the recruitment and retention strategy, the service is recruiting 15 newly qualified social workers (NQSW) in the summer. The investment in these new NQSW posts creates an extra short term cost owing to salary, supervision and training costs and the fact that NQSW's hold a lower caseload. However, this investment will reduce the longer term requirement for agency staffing.
- 4.43** Croydon is experiencing an increase in demand for children's social care services which is also being experienced nationally and regionally. This is demonstrated through the 24.1% increase in open cases between April 2023 to April 2024, an additional 900 children. In response to this increased demand, two short-term teams have been set up to ensure that statutory safeguarding responsibilities are met, social worker caseloads are maintained at a safe level in the short term and to support efforts to reduce longer term caseloads and downstream placement costs.
- Income**
- 4.44** £0.6m forecast over-achievement on income, including additional non-recurrent income from the Integrated Care Board which is currently offsetting unachieved income targets related to NHS joint funding.
- Unaccompanied Asylum-Seeking Children**
- 4.45** £1m forecast overspend owing to the disproportionate number of care experienced young people who were formerly unaccompanied children. At 18 years old the grant provided by the Home Office to the Council for young people's care and support reduces significantly.
- 4.46** The forecast spend is not as high as anticipated. However, investigative work is underway to determine if there is additional spend within the Housing area. The outcome of this work will be factored into future reports once the impact has been quantified across both CYPE and Housing.

Section 17

- 4.47** Forecast overspend of £0.4m owing to increased demand. Spend in this area helps young people to remain with their families and prevents an increase in downstream care costs.

Court ordered assessments

- 4.48** Forecast overspend of £0.2m owing to increased demand via the court.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.1m

- 4.49** The division is forecasting a staffing overspend of £0.1m from the impact of increased quality assurance activity required in response to the increased demand for children's social care services.

Non-Dedicated Schools Grant (DSG) Education services – forecast underspend of £0.1m

- 4.50** Income pressures of £0.3m are being offset by staffing vacancies.
- 4.51** The income pressure of £0.3m relates to an unachieved 2022-23 MTFs savings target around NHS joint funding.

Dedicated Schools Grant (DSG)

DSG High Needs education services – forecast overspend of £0.6m

- 4.52** At period 2, the DSG high needs block has a forecast overspend of £0.569m against a budget of £83.8m.
- 4.53** This adverse variance is within the performance target set by the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan.
- 4.54** The overspend is owing to the following factors:

£2.049m overspend on out of borough and independent placements, owing to a significant increase in demand with limited places available locally. The cost per placement of these provisions is significantly higher. The service is working with our special and mainstream schools to expand local provision and placement options for the September 2024 and 2025 intakes.

£0.475m overspend owing to increased placements in Mainstream and Further Education Colleges. The growth rate is higher than the 3% annual DSG Budget increase.

(£1.2m) extra grant expected from the Schools Block to the High Needs Block as part of the approved Schools Forum and DfE disapplication request.

(£0.755m) expected clawback from specific Resource Provision (academies) for extra funding received from the Department for Education (DfE).

- 4.55** The 2024-25 forecast leads to an overall DSG deficit projection of £8.721m by the end of 2024-25. Compared to the safety valve target of £10.078m, this represents a favourable position of £1.357m. The £1.357m consists of a £0.167m favourable variance and £1.190m additional funding from the DfE, which is aimed at reducing the deficit ahead of the 2026-27 target date.

DSG Early Years Block – forecast breakeven position

- 4.56** The Department for Education (DfE) provides six key funding streams for the Early Years Block. The budget allocation for 2024-25 is £50.8m, and a breakeven position is forecast at Period 2.

Risks

- 4.57** The Children's Social Care Division monitors placement and care package expenditure during the year. Pressure on placement spend is owing 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. A report by the London Innovation and Improvement Alliance (LIIA) warns "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."
- 4.58** The service will continue to monitor all the ongoing risks associated with the Safety Valve target which includes increasing complexity of needs requiring additional funding for special schools, increasing placement costs and extra out of borough placements to meet the local needs of some CYP pupils with complex needs.
- 4.59** Investigative work is underway to review housing accommodation charges from the housing general fund for care experienced young people who were unaccompanied children. The impact on both directorates will need factoring into future reports. Whilst the overall impact should be net nil, this is a risk until confirmed.

Opportunities

- 4.60** Potential underspend in legal costs, if the lower numbers of care proceedings and UASC age assessment challenges continue.

HOUSING

| Division | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|-----------------------------------|-----------------|----------------------|---------------|------------------------|
| Housing General Fund | 23.8 | 4.7 | 39.5 | 15.7 |
| Total Housing General Fund | 23.8 | 4.7 | 39.5 | 15.7 |

- 4.61** At period 3, the Housing directorate has a General Fund forecast overspend of £15.7m (65.9%) against the budget of £23.8m owing to the demand pressures within temporary accommodation.
- 4.62** The demand in temporary accommodation is specifically within the nightly paid portfolio and is in line with the increasing activity experienced in the 2023-24 financial year. It should be noted that the 2023-24 position was aided by additional one-off resources such as top-ups to government grant funding.
- 4.63** The overspend is mainly attributable to a forecast spend of £21.5m on nightly paid accommodation against a £6.4m budget resulting in a £15.1m forecast overspend. Forecasting accuracy has been improved, and continues to be improved further, following the implementation of the NEC Housing IT system and ongoing improvements to data quality and reporting from the system. Despite prevention work, the service is experiencing an ongoing increase in demand with the number of paid units increasing by an average 50 units per month. The forecast spend is based on this level of activity continuing for the remainder of the financial year.
- 4.64** The pressure is being experienced nationally and regionally. London boroughs that have published their 2024-25 Month 2 or Quarter 1 forecasts have reported forecast overspends in nightly rate accommodation such as Newham⁸ (£29.5m), Redbridge⁹ (£10.1m), Lewisham¹⁰ (£10m) and Hackney¹¹ (£7.4m, with a reported additional 330 households in TA since May 2023). Westminster¹² reported a 2023-24 revenue outturn overspend in TA of £25.4m, with a 31% increase in activity from 2021-22 Quarter 1 to 2023-24 Quarter 4.
- 4.65** The Concorde Sycamore Windsor (CSW) portfolio is forecasting a £1.8m pressure however this could be reduced if the Sycamore building becomes operational within this financial year.

⁸ Summer 2024 Finance Review Report [Agenda for Cabinet on Tuesday 6th August 2024, 10.30 a.m. \(newham.gov.uk\)](#)

⁹ Budgetary Control Report for Month 2 [Cabinet - Thursday, 18th July, 2024 7.15 p.m. \(redbridge.gov.uk\)](#)

¹⁰ 2024/25 P2 Financial Monitoring Report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 10th July, 2024, 6.00 pm](#)

¹¹ 2024/25 Overall Financial Position - May 2024 [Agenda for Cabinet on Monday 22 July 2024, 6.00 pm \(modern.gov.co.uk\)](#)

¹² 2023/24 Revenue and Capital Outturn and Statement of Accounts [Agenda for Cabinet on Monday 15th July, 2024, 6.30 pm | Westminster City Council \(modern.gov.co.uk\)](#)

- 4.66** The bad debt provision forecast has been increased by an additional £1.4m. This is a prudent approach until such time as the data cleansing work and debt recovery and bad debt write offs work is completed. This project is yet to be instigated as other projects are higher priority hence the prudent assumption within the forecast.
- 4.67** The pressures are partially offset by an additional £1.9m additional Homelessness Prevention Grant (HPG) and £0.4m underspend forecast on the smaller portfolios within temporary accommodation.

Other Temporary Accommodation Pressures

Income

- 4.68** The income charged to tenants in 2023-24 was restricted to 90% of the LHA rate from 2011. From 1 April 2024 this has been increased in line with the revised LHA rates for non-TA accommodation. However, TA accommodation remains at 90% of the LHA rate at 2011. The inherent gap between the accommodation costs and ultimate income will remain significant for the TA portfolios.
- 4.69** In addition, there is a pressure within the housing budget owing to temporary accommodation management fees of £40/week/unit which are no longer recoverable through Housing Benefit (HB) subsidy from DWP. The HB subsidy ended in 2017 with the introduction of the Homelessness Prevention Grant (HPG) which Government deemed to be a better means for Local Authorities to manage its temporary accommodation pressures.

Demand

- 4.70** 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.
- 4.71** Croydon has experienced an increase in both the average cost of nightly paid and temporary accommodation and has had to meet those costs to secure units. The cost of temporary accommodation has increased by circa 25% across London councils in the past year and Croydon is experiencing landlords exiting this market and choosing to rent to private tenants. Recent reporting indicated that in the first quarter of 2023 there were 41% fewer London rental properties available than pre-pandemic averages, and this continues to impact on the ability to secure size and quality appropriate properties for residents.

Risks

- 4.72** The service is managing the situation, and potential increase in temporary accommodation requirements, of a cohort of tenants at risk of eviction from their supported accommodation. Changes to the payment of housing benefit to new tenants within the unit has led to a provider serving notice on all of its current tenants, potentially impacting 80 residents.
- 4.73** There is an ongoing potential financial risk from the fire at Sycamore House in Thornton Heath, it is dependent on the settlement of the insurance claim. This risk was provided for in the 2022-23 accounts. However, if there is any difference from the estimated reimbursement of 70% of costs from the insurers, this would be an extra charge or benefit when settled. Costs relating to this risk continue to be forecasted within the 2024-25 forecast.

Opportunities

- 4.74** Housing will continue to ensure the use of ringfenced Household Support Fund, Rough Sleeping initiative grants, and asylum seeker & refugee grant funding within the grant terms and to maximise the mitigating effect on general fund spend. This includes supporting households that are in rent arrears.
- 4.75** There are opportunities being investigated as a result of the allocation from the third round of the Local Authority Housing Fund (LAHF R3) with £8m of capital funding available to Croydon to deliver 38 homes across 2024-25 and 2025-26. The intention will be to also secure alternative accommodation that is coming on stream for placing homelessness clients and reduce the reliance on expensive nightly paid accommodation in 2024-25.
- 4.76** The ongoing cultural changes within Housing and the impact of restructure changes for Housing Needs are leading to a more cohesive journey for a homeless household. The financial benefits are expected to continue to be realised in the longer term from better practice resulting in reduced spend on homelessness and management of demand.

RESOURCES

| Division | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|---------------------------------------|-----------------|----------------------|---------------|------------------------|
| Commercial Investment | 19.1 | 5.9 | 17.9 | (1.2) |
| Finance (<i>refer note 1</i>) | 15.3 | 40.9 | 15.0 | (0.3) |
| Legal Services and Monitoring Officer | 2.3 | 1.4 | 2.3 | - |
| Insurance, Anti-Fraud and Risk | 1.0 | 1.2 | 2.1 | 1.1 |
| Internal Audit Service | 0.5 | 0.5 | 0.5 | - |
| Pensions and Treasury | 0.4 | 0.3 | 0.4 | - |
| Central Resources | (2.3) | - | (2.3) | - |
| Total Resources | 36.3 | 50.3 | 35.9 | (0.4) |

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

4.77 At period 3, the Resources directorate has a General Fund forecast underspend of £0.4m (1.1%) against a budget of £36.3m.

Commercial Investment Division – £1.2m forecast underspend

4.78 The division continues to forecast decreased utilities costs to meet in year savings targets. There is improved income predicted for recharging to external bodies (£0.8m). The division has also reduced certain non-essential maintenance (£0.4m). This division has challenging savings targets for 2024-25 which officers will monitor closely through the year.

Insurance, Anti-Fraud and Risk Division – £1.1m forecast overspend

4.79 The division is forecasting an overspend of £1.1m owing to the level of insurance claims. The forecast is based on in-year claims to date and assumes that the insurance provision and reserve will be required at a similar level at the end of 2024-25 to that at the end of 2023-24. Although there can be some volatility to the position with large one-off settlements being impactful, the team will continue to closely monitor claims ensuring any changes are managed and reported as appropriate.

Finance Division – £0.3m forecast underspend

4.80 The Finance Division is forecasting a net underspend owing to increased income (court costs recovery, recovery of housing benefit overpayments and income from the bailiff service) and staffing underspend in the Payments, Revenues, Benefits and Debt Service. This is being partially 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.

4.81 The Finance Division has undergone a restructure of the Strategic Finance service and has commenced recruitment into roles which are currently covered by agency staffing. The capacity and skills levels required in the strategic finance service were reviewed and extra funding from growth was agreed as part of the 2024-25 budget.

- 4.82** A cross Council working group is operating to mitigate Housing Benefit (HB) subsidy risks 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 HB expenditure which will be reimbursed through DWP funding.

Legal Services and Monitoring Officer Division – Forecast breakeven position

- 4.83** There is a breakeven forecast against budget for the Legal Services and Monitoring Officer Division.

Other Service Areas and Central Resources – Forecast breakeven position

Risks

- 4.84** There are risks in the Commercial Investment Division in relation to:
- Challenging saving targets across the Commercial Investment Team.
 - Increased cost of energy owing to market fluctuations.
- 4.85** There is a risk in the Finance Division in relation to Housing Benefit subsidies including the potential impact of the roll out of Universal Credit (UC). The Council can make a claim to DWP for weekly deductions from UC to recover HB overpayments. However, there is a hierarchy of deductions and HB overpayments are not at the top of the hierarchy. There is a risk for housing tenants that are claiming HB and are being migrated onto UC. If tenants do not take action to claim UC in a timely manner, they could miss out on transitional protection (keeping income at current HB level) and have decreased income on UC (which could reduce ability to pay their rent).
- 4.86** The Legal Services and Monitoring Officer Division is increasing the in-house 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. There is a saving of £0.3m attached to this spend to save scheme. The saving is reliant on fully recruiting to the new posts.
- 4.87** Increase in cost of external audit fees. An earmarked reserve is being used to offset extra short term costs, however an increase in the annual budget may be required in the longer term.

Opportunities

- 4.88** Potential increased recovery in year for utility costs incurred by the Council, above the £0.8m estimate already included in the forecast above.
- 4.89** Potential increase in recovery of Housing Benefit overpayments, which could exceed the £0.3m income above budget already included in the forecast above.
- 4.90** Potential increase in underspend relating to the cessation of non-essential facilities maintenance above the £0.4m already included in the forecast above.

SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

| Division | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|-------------------------------------|-----------------|----------------------|---------------|------------------------|
| Sustainable Communities | 56.8 | 18.0 | 61.1 | 4.3 |
| Culture and Community Safety | 10.6 | 2.1 | 10.2 | (0.4) |
| Planning & Sustainable Regeneration | 6.7 | 1.2 | 7.3 | 0.6 |
| Central SCRER | - | 0.1 | - | - |
| Total SCRER | 74.1 | 21.4 | 78.6 | 4.5 |

4.91 At period 3, the SCRER directorate has a General Fund forecast overspend of £4.5m (6.1%) against a budget of £74.1m. The main potential risk areas relate to Special Educational Needs & Disabilities (SEND) home to school transport and income relating to parking enforcement, moving traffic offences and planning.

Sustainable Communities Division - forecast £4.3m overspend

4.92 There is a £4.8m forecast overspend for SEND children transport owing to an unprecedented increase in demand and inflation, an issue which has been experienced and reported nationally - over 30% growth in Education, Health and Care plan (EHCP) numbers over the last 2 years. London boroughs that have published their 2024-25 Month 2 or Quarter 1 forecasts include Newham¹³ which has reported a £2.5m forecast overspend in home to school transport and Lewisham¹⁴ which has reported £2.2m extra forecast cost in 2024-25 above their 2023-24 level.

4.93 There is a forecast £0.6m income pressure in New Roads and Street Works Act (NRSWA) coring inspections and a forecast £0.9m income pressure in parking enforcement owing to a delay in implementing the new parking policy caused by the pre-election periods. These pressures are partially offset by (£0.3m) savings associated with the cashless parking programme and a projected staffing underspend of (£1.7m) owing to vacancies.

Culture and Community Safety Division – forecast underspend of (£0.4m)

4.94 The division is forecasting an underspend of (£0.4m). This is owing to periods of staffing vacancy (£0.2m) and underspends across the libraries service while the service is under redesign (£0.2m).

¹³ Summer 2024 Finance Review Report [Agenda for Cabinet on Tuesday 6th August 2024, 10.30 a.m. \(newham.gov.uk\)](https://www.newham.gov.uk/agenda-for-cabinet-on-tuesday-6th-august-2024-10-30-a-m)

¹⁴ 2024/25 P2 Financial Monitoring Report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 10th July, 2024, 6.00 pm](https://www.lewisham.gov.uk/agenda-for-mayor-and-cabinet-on-wednesday-10th-july-2024-6-00-pm)

Planning and Sustainable Regeneration Division – forecast overspend of £0.6m

4.95 The division is forecasting an overspend of £0.6m. This is driven by an income under-achievement owing to lower activity levels to date in planning major applications and planning performance agreements of £0.5m and building control income of £0.1m.

4.96 The reduction in planning major applications is being experienced across the country and the GLA is reporting a reduction across London. It is these applications which bring in the most significant fees. The reduction in major applications can be attributed to several factors, which include:

- Economic factors such as increased building and material costs and increased interest rates.
- Uncertainty relating to the emerging Building Safety Bill – impacts on design and when a second staircase is required.
- Uncertainty in relation to emerging planning legislation.

4.97 Risks

- 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 and is anticipated to continue until the end of the financial year. The current projections have a provision for risk built into it, but there may be additional movement as this is demand led activity and, therefore, can be volatile in nature.
- This past year has seen an unprecedented increase in demand and inflation for Home to School SEND Travel. This is expected to continue until the end of the financial year. The current projections have a provision for risk built into it, but there may be additional movement as this is demand led activity and, therefore, can be volatile in nature.

4.98 Opportunities

- There could be further staffing underspends across the directorate through business as usual periods of vacancy between changes in staffing personnel as the year progresses.

CORPORATE ITEMS AND FUNDING

| Area of Spend | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|--|-----------------|----------------------|---------------|------------------------|
| Inflation Budget | 18.2 | - | 23.7 | 5.5 |
| Risk Contingency Budget | 5.0 | - | - | (5.0) |
| Transformation Programme | 5.0 | - | 5.0 | - |
| Other corporate items | (83.4) | (30.2) | (83.4) | - |
| Total Corporate Items and Funding | (55.2) | (30.2) | (54.7) | 0.5 |

- 4.99** At period 3, the Corporate directorate has a General Fund forecast overspend of £0.5m against a net budget of (£55.2m). The risk contingency budget of £5m is partially offsetting estimated inflation pressures.
- 4.100** 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.
- 4.101** The corporate area holds the central budget for pay and non-pay inflation. The 2024-25 budget agreed by Full Council was £18.183m for inflation which could notionally be seen as an estimated 4% pay award of £6.4m with £11.783m funding for non-pay inflation (refer para 5.6 of the budget report at [Appendix G - Budget Report - Cabinet.pdf \(croydon.gov.uk\)](#)).
- 4.102** Service directorates have calculated the inflation experienced on contracts for 2024-25 at £15.694m (excluding the Housing General Fund). Cabinet is requested to agree the budget allocation of £15.694m from corporate to service directorates as detailed in the table below.

Table showing allocations to directorates for 2024-25 non-pay inflation

| Directorate | 2023-24 Non-pay inflation budget allocation (for reference) (£m) | 2024-25 Non-pay inflation calculation (£m) |
|------------------------|--|--|
| ASCH (refer note 1) | 7.371* | 9.802 |
| ACE | 0.740 | 0.203 |
| CYPE | 3.875 | 3.266 |
| Housing (refer note 2) | 4.742* | * |
| Resources | 0.200 | 0.291 |
| SCRER | 3.770 | 2.132 |
| Total | 20.698 | 15.694 |

Notes:

- The gross inflationary requirement for Adult Social Care & Health for 2023-24 was £12.447m. The 2023-24 budget for ASCH already included £4.119m growth relating to inflation and £0.957m of inflation was funded through the Market

Sustainability and Improvement Fund. Therefore, the remaining budget requirement was £7.371m.

2. The non-pay inflation allocation to Housing General Fund in 2023-24 was calculated as a 30% increase on the budgets for Emergency/Temporary Accommodation owing to significant market pressures being experienced. It is therefore not recommended to allocate further budget in 2024-25, despite noting that market price pressures as well as demand pressures continue, owing to the finite budget resources available across the Council to be allocated. The Housing General Fund forecast overspend already takes account of an expectation of nil non-pay inflation budget allocation in 2024-25.

4.103 The pay inflation requirement will not be fully known until the National Joint Council (NJC) negotiations on the 2024-25 pay award are finalised later in the year. The Joint Negotiating Committee for Chief Officers of Local Authorities agreed in July a 2024-25 pay award of 2.50% on the individual basic salaries of Chief Officers.

4.104 The proposed allocation of £15.694m budget for non-pay inflation would leave budget of £2.489m remaining centrally. Depending on the final pay award there could be a corporate overspend pressure in 2024-25, currently estimated at £5.5m. This will be updated once the pay award is known and allowance will be made in the 2025-26 budget to compensate corporate for any final budget pressure. Although the UK CPI inflation rate has recently decreased, there is continuing contract pressure from market price increases (owing to demand levels above supply in accommodation-based services) and the 10% increase in London Living Wage (LLW) which took effect from 1/4/24.

4.105 The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFS savings. There may be a pressure in 2024-25 from this area of costs owing to the implementation of staffing savings.

4.106 The corporate area also holds the 2024-25 Transformation budget of £5m, which funds work carried out in directorates and cross-Council to achieve MTFS savings and improve services for local residents and businesses. It is expected that any underspend in 2024-25 would be carried forward in an earmarked reserve to fund projects which are being delivered over multiple financial years.

Collection Fund

4.107 The table below shows a summary of the Council Tax annual income estimated in the 2024-25 budget agreed by Full Council in March, the updated billing amount following changes in the Council Tax Base during the year (net collectable debit) and the expected Council Tax net collectable debit at year end.

| Total Council Tax income (for Council and Government bodies) | Annual Net Collectible Debit (NCD) at budget setting (£m) | Revised Annual NCD at current period (£m) | Forecast Annual NCD at year end (£m) | Variance Forecast Against Budget (£m) | Variance Forecast Against Budget (%) |
|--|--|--|---|--|---|
| Council Tax | 332.7 | 333.6 | 332.7 | - | - |

4.108 When the budget was set it was assumed that we would collect 97.5% of the £332.7m NCD, this is budgeted income equal to £324.38m. We are currently forecasting to collect 94.26% or £313.6m in this financial year, and £6m in Council Tax arrears for previous years, total forecast income collected in 2024-25 of £319.6. The remaining £4.78m will be collected in future years.

4.109 Council Tax income is collected for the Council, the Greater London Authority (GLA) and to pay levies to the London Pensions Fund Authority (LPFA), Lee Valley Regional Park Authority and the Environment Agency.

4.110 The table below shows the performance to date on collecting Council Tax income.

| Council Tax Income Target (NCD) to date (£m) | Council Tax Income Collection to date (£m) | Council Tax Income Target to date (%) | Council Tax Income Collection to date (%) | Council Tax Income Collection to date variance (%) |
|---|---|--|--|---|
| 90.36 | 89.33 | 27.16 | 26.78 | (0.38) |

4.111 The end of June collection target is 27.16% and we have collected 26.78%, we are 0.38% behind the target which equates to £1.03m. A new large landlord (817 properties) is due to pay their first quarterly instalment in July 2024.

4.112 Business Rates income is collected for the Council (retained share), the GLA and the Government. The Business Rates Supplement is collected to fund the Cross-Rail development in London. The Council acts as an administrator for Business Rates with the level of rates for businesses set by the national Valuation Office Agency.

4.113 The table below shows the favourable performance to date on collecting Business Rates income.

| Business Rates Income Target (NCD) to date (£m) | Business Rates Income Collection to date (£m) | Business Rates Income Target to date (%) | Business Rates Income Collection to date (%) | Business Rates Income Collection to date variance (%) |
|--|--|---|---|--|
| 40.17 | 42.74 | 32.05 | 34.10 | 2.05 |

4.114 There is a funding risk in the Collection Fund if the growth in Council Tax properties is not as high as budgeted, and similarly if there is a decline in the number (or level of rates) of Business Rates premises.

4.115 There is also a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income, and/or increase the levels of claimants for Council Tax Support. 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).

Treasury Management

4.116 The table below shows the position on the Council's interest payable on external debt (borrowing) and interest receivable on cash and cash equivalent balances (primarily interest received on immediately accessible money market funds).

| General Fund Interest Type | 2024-25 Budget (£m) | 2024-25 Forecast (£m) | 2024-25 Forecast Variance (£m) |
|----------------------------|---------------------|-----------------------|--------------------------------|
| Interest payable cost | 34.3 | 35.8 | 1.5 |
| Interest receivable income | (2.6) | (2.6) | - |

4.117 There is interest uncertainty from potential changes in interest rates and the timing of capital receipts from asset disposals. The current forecast overspend in interest cost is being offset in the corporate area through miscellaneous income and underspends in supplies and services.

Treasury Investments (Quarter One)

4.118 During the quarter the average investment balances held by the Council were £93.1m, earning interest of £1.2m (a yield of 5.26%). Investments were made in accordance with the Council's Investment Policy included in the Treasury Management Strategy Statement for 2024-25 agreed by Full Council. The Council's Investments at 30 June 2024 are detailed in the table below:

| Counterparty | Type | Principal (£m) | Start Date | End Date | Interest Rate (%) | Risk Rating |
|-----------------------------|------|----------------|------------|----------|-------------------|-------------|
| Insight | MMF | 19.950 | | | 5.23 | 1 |
| Aberdeen Sterling | MMF | 19.750 | | | 5.18 | 1 |
| Morgan Stanley | MMF | 14.050 | | | 5.17 | 1 |
| City of Kingston Upon Hull | LA | 10.000 | 08/04/24 | 08/07/24 | 5.30 | 1 |
| Wirral MBC | LA | 10.000 | 22/04/24 | 22/10/24 | 5.30 | 1 |
| Cheshire East Council | LA | 10.000 | 11/04/24 | 11/11/24 | 5.30 | 1 |
| East Dunbartonshire Council | LA | 5.000 | 22/04/24 | 31/01/25 | 5.25 | 1 |
| East Dunbartonshire Council | LA | 5.000 | 26/04/24 | 31/01/25 | 5.25 | 1 |
| Total Investments | | 93.750 | | | | |

Type acronyms: MMF = Money Market Fund. LA = Local Authority.

4.119 The Council's investments have a risk rating of 1 according to the methodology adopted by our treasury advisers. A score of 1 is the lowest score and indicates an extremely low risk of default.

Table showing maturity structure (liquidity)

| Maturity Period (Liquidity) | Percentage of investments |
|-----------------------------|---------------------------|
| < 1 Month | 68.0% |
| 1-3 Months | - |
| 3-6 Months | 21.3% |
| 6-9 Months | 10.7% |

Treasury Borrowing

4.120 During the quarter the Council refinanced £7m of maturing debt with the Public Works Loan Board (PWLB). No new debt was taken on and the level of General Fund external debt remained at £959.1m with an average interest rate of 3.72% as per the table below:

| General Fund External Debt at 30 June 2024 | Principal Outstanding (£m) | Average Interest Rate | Average Duration (Years) |
|--|----------------------------|-----------------------|--------------------------|
| PWLB | 789.137 | 3.90% | 21.4 |
| Market debt | 127.000 | 2.49% | 14.1 |
| Other Local Authority | 43.000 | 4.09% | 0.5 |
| Total General Fund external debt | 959.137 | 3.72% | 19.5 |

4.121 The following table shows the position of Housing Revenue Account (HRA) external debt:

| HRA External Debt at 30 June 2024 | Principal Outstanding (£m) | Average Interest Rate | Average Duration (Years) |
|-----------------------------------|----------------------------|-----------------------|--------------------------|
| PWLB | 320.5 | 3.61% | 21.1 |
| Total HRA external debt | 320.5 | 3.61% | 21.1 |

Transformation Programme

4.122 The Transformation Programme has £16.1m of resources allocated to it, consisting of £5m base revenue budget and £11.1m earmarked reserve.

4.123 In total there is currently £13m of the Transformation Programme budget allocated with £3.1m 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 MTFs, providing a significant level of savings towards the savings required from 2025-26 onwards.

Transformation Plan and Council Improvement Plan Allocations

| Project | Service Area | Slippage from 2023-24 (£m) | 2024-25 New Allocation (£m) | 2024-25 Total Allocation (£m) | Actuals to Date (£m) | Forecast Spend (£m) | Forecast Variance (£m) |
|---|--------------|----------------------------|-----------------------------|-------------------------------|----------------------|---------------------|------------------------|
| Transformation Revenue Budget | | - | 5.000 | 5.000 | | | |
| Transformation Reserve Funding | | 5.240 | 5.812 | 11.052 | | | |
| Total Transformation Funding | | 5.240 | 10.812 | 16.052 | | | |
| Transformation Plan | | | | | | | |
| Croydon Campus | Council-wide | 0.018 | - | 0.018 | 0.052 | 0.018 | - |
| Asset Rationalisation | RES | 0.124 | - | 0.124 | - | 0.124 | - |
| Strategic Operating Model Design Partner for Adult Social Care and Health | ASCH | 0.971 | 1.300 | 2.271 | 0.375 | 2.271 | - |
| Strategic Operating Model Design Partner for Children, Young People and Education | CYPE | - | 1.159 | 1.159 | - | 1.159 | - |
| A Customer First Programme | ACE | - | 0.639 | 0.639 | - | 0.639 | - |
| Target Operating Model | ACE | - | 1.800 | 1.800 | - | 1.800 | - |
| Council Improvement Plan | | | | | | | |
| Parking Policy Review | SCRER | 0.081 | - | 0.081 | - | 0.081 | - |
| Community Hubs Programme | SCRER | 0.249 | - | 0.249 | 0.002 | 0.249 | - |
| HR Transformation | ACE | 0.015 | - | 0.015 | 0.015 | 0.015 | - |
| Digital & Resident Access Review/Digital Workforce | ACE | 0.049 | - | 0.049 | 0.059 | 0.049 | - |
| Passenger/SEND Transport Transformation | SCRER | 0.080 | - | 0.080 | 0.010 | 0.080 | - |
| Corporate Parenting Transformation | CYPE | 0.336 | 0.700 | 1.036 | 0.051 | 1.036 | - |
| Dynamic Purchasing System | Housing | 0.047 | - | 0.047 | - | 0.047 | - |
| Calleydown Transformation | CYPE | 0.134 | - | 0.134 | - | 0.134 | - |
| Income & Debt Review | RES | 0.035 | - | 0.035 | - | 0.035 | - |
| Customer Access Review | Council-wide | 0.083 | - | 0.083 | - | 0.083 | - |
| Building Control Transformation | SCRER | 0.387 | - | 0.387 | 0.094 | 0.200 | (0.187) |
| Planning & CIL Transformation | SCRER | 0.216 | - | 0.216 | 0.060 | 0.216 | - |
| Housing Needs Restructure | Housing | 0.080 | - | 0.080 | 0.156 | 0.080 | - |
| Temporary Accommodation Case Review | Housing | 0.451 | - | 0.451 | - | 0.451 | - |
| Housing Occupancy Checks | Housing | 0.048 | - | 0.048 | 0.044 | 0.048 | - |

| Project | Service Area | Slippage from 2023-24 (£m) | 2024-25 New Allocation (£m) | 2024-25 Total Allocation (£m) | Actuals to Date (£m) | Forecast Spend (£m) | Forecast Variance (£m) |
|--|--------------|----------------------------|-----------------------------|-------------------------------|----------------------|---------------------|------------------------|
| Rent Accounts and Data Cleanse | Housing | 0.026 | - | 0.026 | - | 0.026 | - |
| Housing Association Recharges | Housing | 0.059 | - | 0.059 | - | 0.059 | - |
| Supported Housing Review | Housing | 0.062 | - | 0.062 | - | 0.062 | - |
| Adult Social Care Transformation | ASCH | 0.372 | 0.368 | 0.740 | - | 0.740 | - |
| Business Intelligence Review | Council-wide | 0.026 | - | 0.026 | - | 0.026 | - |
| Community Equipment Service | Council-wide | 0.087 | 0.100 | 0.187 | 0.069 | 0.187 | - |
| Croydon Museum | SCRER | 0.170 | - | 0.170 | 0.008 | 0.170 | - |
| Oracle Improvement Programme | Council-wide | 0.566 | - | 0.566 | 0.075 | 0.566 | - |
| SCRER Business Improvement Team | SCRER | 0.349 | - | 0.349 | 0.010 | 0.349 | - |
| Procurement and Contract Management Improvement | RES | - | 0.686 | 0.686 | - | 0.686 | - |
| Transformation PMO | Council-wide | 0.005 | 1.100 | 1.105 | 0.197 | 1.105 | - |
| Total Revenue Budget and Reserves Allocated to Date | | 5.126 | 7.852 | 12.978 | 1.277 | 12.791 | (0.187) |
| Unallocated To Date | | | | 3.074 | | | |

Savings

4.124 The 2024-25 budgets include a challenging new savings target for services of £23.7m. Together with slippage of £4.0m from 2023-24, the total savings target is £27.7m. The forecast achievement of savings is £20.8m (75.1%). Directorates have identified risks to achievement of individual savings and have made plans to mitigate these risks, or identify alternative savings, if possible.

Table showing 2024-25 forecast savings achievement by directorate

| Directorate | 2024-25 | | | | | |
|------------------------------------|-------------------------|---|------------------------------------|--|------------------------------|---|
| | 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 | 5,000 | - | 5,000 | 5,000 | - | - |
| Assistant Chief Executive | 4,245 | 653 | 4,898 | 4,398 | 500 | - |
| Children, Young People & Education | 2,972 | 2,262 | 5,234 | 1,407 | 142 | 3,685 |
| Housing | 1,989 | - | 1,989 | 1,989 | - | - |
| Resources | 6,672 | 315 | 6,987 | 6,502 | - | 485 |
| Sustainable Communities (SCRER) | 1,353 | 225 | 1,578 | 1,244 | 334 | - |
| Cross-Directorate / Corporate | 1,500 | 500 | 2,000 | 250 | - | 1,750 |
| Total | 23,731 | 3,955 | 27,686 | 20,790 | 976 | 5,920 |

Savings achievement not yet evidenced

- 4.125** Assistant Chief Executive: There is forecast savings slippage of £0.500m owing to:
- Workforce restructure - £0.500m – The saving of £0.5m is linked to the End User Service re-procurement and subsequent service transformation. £0.35m will be achieved in 2025-26 when the current contract extension expires. The service is currently working on identifying the balance of the savings.
- 4.126** Children, Young People & Education: There are savings of £3.685m which have not been evidenced to date:
- Reduce spend on placements for looked after children (LAC) - £2.945m not yet evidenced.
 - £1.230m new savings in 2024-25 plus slippage of £1.715m from 2023-24.
 - Whilst the number of children in Croydon's care continued to decrease over 2023-24, the unit costs for residential and semi-independent placements have increased at a faster rate making this saving unachievable.
 - NHS funding / Joint funding arrangements - £0.740m not yet evidenced
 - This is related to the potential to realise increased funding from the Integrated Care Board (ICB) for packages of care and support and specialist placements.
 - Consists of £0.490m slippage from 2022-23 plus an additional saving in 2024-25 of £0.250m.

- Detailed analysis of the spend on health and care for children in the social care system and in schools was undertaken in 2021-22 to inform a more proportionate allocation of costs across the Council and the NHS. However, it has proved challenging to reach agreement on increased health contribution to placement and care package costs.

4.127 Resources: There are £0.485m savings that have not been evidenced to date.

- Review of document storage £0.01m and the review of postage and mail scanning across the Council £0.030m are both linked to a Council wide review currently underway.
- Review departmental location of Education Capital Delivery Team £0.114m - The Education Capital Delivery Team was transferred from the Housing Directorate to the Commercial Investment & Capital Division in Resources in 2023-24. £0.136m of this saving has been achieved as a result of the move. The remainder of the saving remains unevidenced to date.
- Increasing advertising income from Council assets and property £0.05m – project has been handed to the Acting Head of Commercial Development to progress.
- Reduce spend on external solicitors £0.281m – At least half of this is expected to be delivered by year end. The Finance and Legal teams are working together to evidence and monitor progress to target.

4.128 SCRER: There is forecast savings slippage of £0.334m owing to a delay in implementing the new parking policy caused by the pre-election periods.

4.129 Cross-Directorate: There are £1.750m savings that have not been evidenced to date.

- Customer access (council wide) £1.500m – an initial list of potential savings opportunities has been compiled with the support of an external consultancy firm and directorates are analysing which of these opportunities can be implemented.
- Consider new structures through layers and spans review £0.250m - initial scoping work has been completed including suggestions and options for potential centralisation efficiencies to reduce potential duplication of functions across the Council.

Reserves

4.130 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2024-25. General Fund balances serve as a cushion should any overspend remain at the end of 2024-25. The use of General Fund balances to support the budget is not a permanent solution and must be replenished back to a prudent level in subsequent years if used.

| General Fund Balances | | Forecast (£m) | |
|---|--|---------------|--|
| Balance at 1 April 2024 | | 27.5 | |
| Forecast Contribution to/(Drawdown from) Balances | | - | |
| Forecast Balance at 31 March 2025 | | 27.5 | |

- 4.131** The current forecast position for the Council as a whole utilises £13.0m of one-off corporate earmarked reserves, which do not impact the General Fund balances. However, these earmarked reserves are funding 2024-25 service expenditure overspends which need to be reduced before 2025-26 and/or funded through permanent growth budget in 2025-26 budget setting to set a balanced budget for 2025-26.
- 4.132** Furthermore, the forecast overspend remaining after the use of one-off corporate earmarked reserves would require funding from General Fund balances and/or other earmarked reserves if these overspends are not eliminated by the end of 2024-25.

HOUSING REVENUE ACCOUNT (HRA)

- 4.133** At period 3, the HRA is forecasting a revenue overspend of £2.0m owing to an increase in corporate overhead recharges following a refresh of the charging model in line with the Service Reporting Code Of Practice (SERCOP) For Local Authorities. The new modelling has resulted in a recharge to the HRA which is higher than had been previously budgeted for. All other areas of the HRA are forecast in line with budget at this point in time however we are closely monitoring the activity on voids and damp and mould repairs as there has been significant demand recorded.

Repairs

- 4.134** There continues to be an intense demand on the service main areas are the cost of voids and the ongoing work to continue to resolve a backlog of historic legacy repair work. In addition the issues experienced nationally around damp and mould and fire safety are generating high levels of spend. Significant under-investment over decades in the housing stock has resulted in the backlogs the teams are now tackling. The impact of this and other historic legacy issues is currently being contained within the increased budget for the 2024-25 year with rigorous management controls in place to manage too. The Council is committed to ensuring it is meeting its requirements as a landlord.
- 4.135** The stock condition surveys are continuing and the outcomes will be used to model the future years' budgets as the level of the major repairs and maintenance programme required is established. These capital improvements should reduce the level of responsive repairs over the medium term.

Damp and Mould

- 4.136** There has been significant work done to tackle reports of damp and mould during the past 12 months, essentially treating the appearances of spores and carrying out works to address the issues. To date, we have attended to repairs in over 2,000 properties since 1 August 2023.
- 4.137** The Council continues to be held to account through the changes in the Social Housing (Regulation) Act 2023 and the requirement to provide services to tenants. The new rules form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home. Legislation includes provisions which will require the Council to investigate hazards and fix repairs including damp and mould in their properties within strict new time limits or rehouse residents where a home cannot be made safe.

Voids

- 4.138** The ongoing tackling of legacy voids has had a significant financial impact in the prior year owing to the state of disrepair in these properties and the subsequent lack of asset renewal. Financial controls for all voids over £6,500 are in place and there is ongoing management of the work in progress (WIP). While the level of voids per week remains as per budget, the cost per void has increased significantly from the budgeted values. There is therefore potential for this area to forecast pressure if the rates and values continue at the current levels.

Disrepair

- 4.139** Legal disrepair volumes continue to be a challenge operationally and financially. The service has proposed a plan to clear the disrepair backlog by 31 March 2025 and the details were set out in the separate Repairs Contract Update paper presented to Cabinet in February 2024. The number of claims we are receiving has increased from an average of 30 to now 45 new claims per month. Increased legal work created by lawyers who specialise in bringing cases seeking damages ("no win no fee") increases legal costs and delays for tenants. The Housing Team and Legal Team continue to work together to reduce the backlog and actions required to close out new claims.

Control framework

- 4.140** The service continues to manage, monitor and provide assurance on ongoing responsive repairs costs through the below controls:
- The NEC system allows management of the budget per individual line of activity with a budget set on NEC that cannot be exceeded and no payments can be made without any increase to the budget prior to any new orders being raised. Manager approval is required to increase a budget.

- A Review Panel has been established which reviews any quotes for works over a value of £5,000. They must be presented to the panel and approval sought prior to the works order being raised.
- A review and approval from the Housing Directorate Management Team will be sought for works on an individual property in excess of £40,000 to allow consideration of value for money and to ensure that there is a link being made to regeneration projects and any other cross-Council projects.

Staffing and other

4.141 A breakeven forecast position at period 3, acknowledging that additional budget was allocated in 2024-25 to meet known pressures while structural changes are being implemented within the directorate.

Table showing the 2024-25 HRA forecast

| Description | Net Budget (£m) | Actuals to Date (£m) | Forecast (£m) | Forecast Variance (£m) |
|--|-----------------|----------------------|----------------|------------------------|
| Rental Income | (88.4) | (21.5) | (88.4) | - |
| Service Charge Income | (5.0) | (1.2) | (5.0) | - |
| Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision) | (3.6) | (0.7) | (3.6) | - |
| Other Income | (6.0) | 1.6 | (6.0) | - |
| Subtotal Income | (103.0) | (21.8) | (103.0) | - |
| Housing Capital Charges | 39.2 | - | 39.2 | - |
| Responsive Repairs & Safety | 25.8 | 6.3 | 25.8 | - |
| Centralised Directorate expenditure | 11.5 | 0.6 | 13.5 | 2.0 |
| Tenancy & Resident Engagement | 11.8 | 1.8 | 11.8 | - |
| Tenant Support Services | 7.9 | 1.7 | 7.9 | - |
| Concorde, Sycamore & Windsor expenditure | 3.6 | 0.5 | 3.6 | - |
| Asset Planning | 1.9 | 0.5 | 1.9 | - |
| Capital Delivery (Homes & Schools) | 1.3 | 0.3 | 1.3 | - |
| Subtotal Expenditure | 103.0 | 11.9 | 105.0 | 2.0 |
| Total HRA Net Expenditure | - | (9.9)* | 2.0 | 2.0 |

* Note that no actuals for Housing Capital Charges have been posted as these journals are carried out at year end.

4.142 Risks

- A fire at a property in Upper Norwood on 27 July resulted in the requirement to decant all nine dwellings within the block. All residents are tenants and were decanted to nearby hotels. Tenants remain in hotels in August and the costs will continue until alternative permanent transfers can be made. The insurance excess is £500k therefore the cost will be met from the HRA revenue budget in the first instance and only after costs exceed that value can insurance claim be made. The building was being monitored for subsidence prior to the fire and a decision now needs to be made as to its long term future.

- NEC system functionality phase 2 implementation delays:
 - although the system went live in June 2023, the full functionality in relation to the interfacing with the Oracle financial system is still ongoing and therefore we continue to manually forecast some elements.
- Repairs and maintenance:
 - void and disrepair costs running at a value that is higher than the original budgeted amounts.
 - ongoing settlement of disrepair cases and related legal fees.
- Tenancy and income:
 - loss of income owing to void (empty) residential properties and garages.
 - cost of living pressures could result in increases in bad debt and default on rental payments.
- Recharge review:
 - as the service reviews all the service level agreements (SLAs) with General Fund services, this could result in increased charges to the HRA.

Capital Programme and Financial Sustainability

- 4.143** The Capital strategy and programme was approved by Council in March 2024. This recognised the complex and challenging financial and operational circumstances in which the Council continues to operate. It continues to show a 2024-25 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.4bn of General Fund debt and an environment of higher 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 to balance its books.
- 4.144** The strategy reflects 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) issued in October 2020 and January 2022. The Council understands that the improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.
- 4.145** 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, e.g. Fairfield Halls, Croydon Park Hotel and the Colonnades. This includes the debt write-off against loans historically given to Brick By Brick.

- 4.146** 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 in 2024 onwards and, therefore, likely to drive significant increases in annual repayment levels.
- 4.147** An estimated £66m is required to service this debt from the General Fund which represents around 19% of the Council's net budget. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority. The Council's historic legacy borrowing and debt burden is, therefore, critical to the non-sustainability of the Council's revenue budget.
- 4.148** The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2024-28 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 2024-25 budget required capitalisation directions from Government of £38m to balance and the MTFs demonstrated a continuing estimated budget gap of £38m per annum in future years.
- 4.149** 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 (each £1m of capitalisation adds £67k per annum revenue cost). Also capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and, therefore, the Council is not able to reduce its existing historic debt (a situation of "treading water").
- 4.150** Therefore, a request was made to MHCLG in January 2023 for Government funding to write-off £540m of the Council's General Fund debt. Dialogue with MHCLG continues around a wider range of options of further financial support from Government in regard to its level of historic legacy structural indebtedness to ensure it can deliver sustainable Local Government services.

General Fund Capital Programme

- 4.151** The 2024-25 capital budget agreed at the Council budget meeting in March 2024 was £90.3m for the General Fund. This was increased by £19.7m from 2023-24 net slippage approved by Cabinet in the Period 2 Financial Performance report. The current revised budget is £110.0m.
- 4.152** This report requests approval for budget changes shown in the "Table showing 2024-25 General Fund Capital Programme budget and forecast". These changes are:

- Adoption of Reconnecting Croydon into the capital programme (funded by the Government's Levelling Up Fund), £4,755k profiled in 2024-25. Please note that the Capital Programme and Capital Strategy 2023-29 agreed by Full Council in March 2024 ([Appendix H - Capital Programme and Capital Strategy 2023-29.pdf \(croydon.gov.uk\)](#)) stated in para 4.18 that "Once clarification of the split of revenue and capital grant allocations within the new funding, and profiling between years of expected spend, is available then this multi-year project will be added into the capital programme during 2024-25". The Reconnected Croydon Levelling Up Fund Programme Procurement Strategy was agreed by Member Decision on 11/7/24 ([Publish Reconnected Croydon LUF Programme - Procurement Strategy PART A 100724.pdf](#)).
- Adoption of the Oracle Improvement Programme into the capital programme (funded by earmarked reserves), £4,419k profiled in 2024-25. Please note that the Capital Programme and Capital Strategy 2023-29 agreed by Full Council in March 2024 ([Appendix H - Capital Programme and Capital Strategy 2023-29.pdf \(croydon.gov.uk\)](#)) stated in para 4.21 that "The Council is carrying out a review of the Oracle MyResources IT system utilising transformation funding and it should be noted that this is not currently in the programme but a proposal for inclusion in the capital programme will come forward once the due diligence is completed identifying what is required". The business case for the finance and procurement workstreams was agreed by the Executive Mayor in Cabinet in March 2024 ([Agenda for Cabinet on Wednesday, 27th March, 2024, 6.30 pm | Croydon Council](#)) and the HR workstream was agreed by Individual Mayoral Decision on 18 June 2024 ([Decision - Oracle Improvement Programme - HR Business Case | Croydon Council](#)).
- Adoption of Highways - Department for Transport (DfT) into the capital programme of £764k (funded by DfT grant for road repairs).
- Adoption of Tennis Court Upgrade into the capital programme of £137k (funded £115k by Lawn Tennis Association, with £22k match funding by Council to be funded by either s106, CIL or borrowing).
- Increase budget by £356k for Grounds Maintenance Insourced Equipment to match final expenditure requirement (funded by borrowing).
- Decrease budget by £356k for Waste and Recycling Investment (funded by borrowing).
- Re-profiled budget for Asset Strategy - Stubbs Mead, moving £500k from 2024-25 to 2025-26 (funded by borrowing).
- Re-profiled budget for Fairfield Halls, moving £620k from 2024-25 to 2025-26 (funded by borrowing).
- Re-profiled budgets for Education capital schemes (Major Maintenance, Miscellaneous and SEN) in line with expected expenditure (funded by DfE grants).
- Re-profiled budget for Parking, moving £1,500k from 2024-25 to 2025-26 (funded by borrowing).

4.153 At period 3, the General Fund capital programme has a breakeven forecast against the revised budget of £118.5m.

Table showing 2024-25 General Fund Capital Programme budget and forecast

| General Fund Capital Scheme | 2024-25 Revised Budget (including Period 2 changes) (£000's) | 2024-25 Changes (to be approved in this report) (£000's) | 2024-25 Revised Budget (to be approved in this report) (£000's) | 2024-25 Actuals to Date (£000's) | 2024-25 Forecast (£000's) | 2024-25 Forecast Variance (£000's) |
|---|---|---|--|-------------------------------------|------------------------------|---------------------------------------|
| My Resources Interface Enhancement | 87 | | 87 | - | 87 | - |
| Network Refresh | 874 | | 874 | 1 | 874 | - |
| Tech Refresh | 277 | | 277 | 36 | 277 | - |
| Geographical Information Systems | 209 | | 209 | 24 | 209 | - |
| Laptop Refresh | 3,605 | | 3,605 | 11 | 3,605 | - |
| Cloud and DR | 407 | | 407 | 3 | 407 | - |
| Synergy Education System | 462 | | 462 | (16) | 462 | - |
| NEC Housing System | 507 | | 507 | (45) | 507 | - |
| Public Switched Telephone Network Digital Migration Phase 1 | 523 | | 523 | - | 523 | - |
| Subtotal Assistant Chief Executive | 6,950 | | 6,950 | 14 | 6,950 | - |
| Children Home DFE | 279 | | 279 | - | 279 | - |
| Woodlands Family Hub | 95 | | 95 | 17 | 95 | - |
| Subtotal CYPE | 374 | | 374 | 17 | 374 | - |
| Disabled Facilities Grant | 3,777 | | 3,777 | 241 | 3,777 | - |
| Empty Homes Grants | 150 | | 150 | 18 | 150 | - |
| Subtotal Housing | 3,927 | | 3,927 | 259 | 3,927 | - |
| Asset Strategy - Stubbs Mead | 650 | (500) | 150 | - | 150 | - |
| Asset Strategy Programme | 113 | | 113 | 19 | 113 | - |
| Clocktower Chillers | 367 | | 367 | 9 | 367 | - |
| Corporate Property Maintenance Programme | 2,000 | | 2,000 | 150 | 2,000 | - |
| Fairfield Halls - Council | 1,120 | (620) | 500 | - | 500 | - |
| Fieldway Cluster (Timebridge Community Centre) | 248 | | 248 | - | 248 | - |
| NEW: Oracle Improvement Programme | - | 4,419 | 4,419 | - | 4,419 | - |
| Contingency | 1,000 | | 1,000 | - | 1,000 | - |
| Education - Fire Safety | 203 | | 203 | - | 203 | - |
| Education - Fixed Term Expansions | 26 | | 26 | - | 26 | - |
| Education - Major Maintenance | 3,777 | (74) | 3,703 | 109 | 3,703 | - |
| Education - Miscellaneous | 840 | (63) | 777 | - | 777 | - |
| Education - Permanent Expansion | 1,340 | | 1,340 | 4 | 1,340 | - |
| Education - SEN | 3,070 | 1,190 | 4,260 | 72 | 4,260 | - |
| Subtotal Resources | 14,754 | 4,352 | 19,106 | 363 | 19,106 | - |
| Ashburton Park Heritage Fund | 241 | | 241 | 120 | 241 | - |

| | | | | | | |
|---|----------------|--------------|----------------|--------------|----------------|---|
| Cashless Pay & Display | 1,463 | | 1,463 | | 1,463 | - |
| Grounds Maintenance Insourced Equipment | 1,200 | 356 | 1,556 | | 1,556 | - |
| Waste and Recycling Investment | 1,956 | (356) | 1,600 | | 1,600 | - |
| Highways | 9,147 | | 9,147 | 1,025 | 9,147 | - |
| Highways - Department for Transport (DfT) | - | 764 | 764 | 129 | 764 | - |
| Highways - bridges and highways structures | 2,663 | | 2,663 | 10 | 2,663 | - |
| Highways - flood water management | 435 | | 435 | 48 | 435 | - |
| Highways - Tree works | 30 | | 30 | 37 | 30 | - |
| Local Authority Tree Fund | 67 | | 67 | | 67 | - |
| Trees Sponsorship | 25 | | 25 | 1 | 25 | - |
| Park Asset Management | 1,295 | | 1,295 | 155 | 1,295 | - |
| Parking | 2,502 | (1,500) | 1,002 | 149 | 1,002 | - |
| Sustainability Programme | 547 | | 547 | 18 | 547 | - |
| Central Library Digital Discovery Zone | 175 | | 175 | | 175 | - |
| Libraries Investment - General | 1,608 | | 1,608 | 3 | 1,608 | - |
| New Investment to South Norwood Library | 520 | | 520 | | 520 | - |
| Leisure centres equipment Contractual Agr | 74 | | 74 | | 74 | - |
| Safety - digital upgrade of CCTV | 1,532 | | 1,532 | 24 | 1,532 | - |
| Tennis Court Upgrade | - | 137 | 137 | 55 | 137 | - |
| Electric Vehicle Charging Point (EVCP) | 392 | | 392 | | 392 | - |
| Growth Zone | 11,942 | | 11,942 | 18 | 11,942 | - |
| Kenley Good Growth | 111 | | 111 | 6 | 111 | - |
| South Norwood Good Growth | 676 | | 676 | 2 | 676 | - |
| Local Implementation Plan (LIP) | 7,387 | | 7,387 | 38 | 7,387 | - |
| NEW: Reconnecting Croydon | - | 4,755 | 4,755 | | 4,755 | - |
| Walking and Cycling Strategy | 36 | | 36 | - | 36 | - |
| Subtotal SCRER | 46,024 | 4,156 | 50,180 | 1,838 | 50,180 | - |
| Capitalisation Direction | 38,000 | | 38,000 | - | 38,000 | - |
| Subtotal Corporate Items and Funding | 38,000 | | 38,000 | - | 38,000 | - |
| TOTAL GENERAL FUND CAPITAL | 110,029 | 8,508 | 118,537 | 2,491 | 118,537 | - |

Table showing 2024-25 General Fund Capital Programme Financing

| General Fund Capital Financing | 2024-25 Revised Budget (including Period 2 changes) | 2024-25 Changes (to be approved in this report) | 2024-25 Revised Budget (to be approved in this report) | 2024-25 Forecast | 2024-25 Forecast Variance |
|---------------------------------------|--|--|---|-------------------------|----------------------------------|
| | (£000's) | (£000's) | (£000's) | (£000's) | (£000's) |
| Community Infrastructure Levy (CIL) | 6,600 | | 6,600 | 6,600 | - |
| CIL Local Meaningful Proportion (LMP) | 2,155 | | 2,155 | 2,155 | - |
| Section 106 | 1,240 | | 1,240 | 1,240 | - |
| Grants & Other Contributions | 21,782 | 5,634 | 27,416 | 27,416 | - |
| Growth Zone | 11,942 | | 11,942 | 11,942 | - |
| HRA Contributions | 330 | | 330 | 330 | - |
| Capital Receipts | 57,394 | | 57,394 | 57,394 | - |
| Transformation | | 530 | 530 | 530 | - |
| Reserves | | 3,889 | 3,889 | 3,889 | - |
| Borrowing | 8,586 | (1,545) | 7,041 | 7,041 | - |
| Total General Fund Financing | 110,029 | 8,508 | 118,537 | 118,537 | - |

HRA Capital Programme

4.154 At period 3, the HRA capital programme has a forecast underspend of £4.9m (8.6%) against the revised budget of £57.2m.

The HRA budget for 2024-25 and the HRA business plan has taken account of ongoing pressures and priorities. Stock conditions surveys have been commissioned to identify the level of historic legacy major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium to long term.

There are pressures relating to damp and mould related repairs and historic legacy legal disrepair and void cases where significant updating to properties is occurring.

Table showing 2024-25 HRA Capital Programme budget and forecast

| HRA Capital Scheme | 2024-25 Revised Budget | 2024-25 Actuals to Date | 2024-25 Forecast | 2024-25 Forecast Variance |
|--|-------------------------------|--------------------------------|-------------------------|----------------------------------|
| | (£000's) | (£000's) | (£000's) | (£000's) |
| Major Repairs and Improvements Programme | 24,030 | 301 | 24,030 | - |
| NEC Housing System | - | - | - | - |
| Regina Road | 14,105 | 101 | 9,193 | (4,912) |
| Building Safety Works | 10,500 | - | 10,500 | - |
| Repairs Referrals | 8,600 | 590 | 8,600 | - |
| Total HRA Capital | 57,235 | 992 | 52,323 | (4,912) |

Table showing 2024-25 HRA Capital Programme Financing

| HRA Capital Financing | 2024-25 Revised Budget | 2024-25 Forecast | 2024-25 Forecast Variance |
|------------------------------------|---------------------------------------|-----------------------------|--|
| | (£000's) | (£000's) | (£000's) |
| Major Repairs Reserve (MRR) | 14,729 | 14,729 | - |
| Revenue | 12,196 | 12,196 | - |
| Other Reserves | 28,170 | 23,258 | (4,912) |
| Right To Buy (RTB) Receipts | 2,140 | 2,140 | - |
| Total HRA Capital Financing | 57,235 | 52,323 | (4,912) |

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 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2024-25. General Fund balances serve as a cushion should any overspend remain at the end of 2024-25. The use of General Fund balances to support the budget is not a permanent solution and must be replenished back to a prudent level in subsequent years if used.

8.1.4 The current forecast position for the Council as a whole utilises £13.0m of one-off corporate earmarked reserves, which do not impact the General Fund balances.

However, these earmarked reserves are funding 2024-25 service expenditure overspends which need to be reduced before 2025-26 and/or funded through permanent growth budget in 2025-26 budget setting to set a balanced budget for 2025-26.

- 8.1.5** Furthermore, the forecast overspend remaining after the use of one-off corporate earmarked reserves would require funding from General Fund balances and/or other earmarked reserves if these overspends are not eliminated by the end of 2024-25.
- 8.1.6** The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with MHCLG continues around options of further financial support from Government in regard to its level of structural indebtedness 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 current situation regarding the General Fund, the General Fund Capital Programme, and the position relating to the Housing Capital Programme as set out in this report. In addition, section 114 of the Local Government Act 1988 requires the Council's Chief Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 8.2.4** The operation of the Housing Revenue Account (HRA) is governed by Schedule 4 of the Local Government and Housing Act 1989 (the 1989 Act). Section 76 of the

1989 Act requires the Council to prevent debit balances on the HRA. Where a debit balance occurs, the Council must take appropriate action to maintain a balanced budget.

- 8.2.5** 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 to deliver a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.
- 8.2.6** The Financial Regulations set out in Part 4 paragraph 2 of the Constitution makes provision for interdepartmental virements, a transfer between two budgets within different departments. Any transfer intended to be permanent is required to be part of the budget setting process and set out in the Council's budget setting report. The proposed virement of £15.694 from the Council's Corporate budget to Service Directorate to pay for non-inflation is compliant with this requirement as the Council's approved budget made provision for non-pay inflation.
- 8.2.7** The approval of government grant funding for the Reconnecting Croydon programme is an executive function. The recommendation to approve use the Council's earmarked reserves for the Oracle Improvement Programme is also an executive function which Cabinet may take based on the financial advice of the Section 151 Officer that the level of the balance of the Council's reserves are commensurate with risk and risk assessment of the Council's financial position. 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.
- 8.2.8** Actions to mitigate budget pressures will need to take into account the Council's Public Sector Equalities Duty under section 149 of the Equality Act 2010 to have regard to equality considerations and impact on local people and communities.

Comments approved by Gina Clarke, Corporate Lawyer Corporate Law and Litigation on behalf of the Director of Legal Services and Monitoring Officer, 4 September 2024.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate workforce implications arising from the content of this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation of budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and, where necessary, consultation with the 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 Gillian Bevan, Head of HR for Resources and Assistant Chief Executives Directorates, on behalf of Dean Shoemith, Chief People Officer, 29/8/2024.

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council has a statutory duty to comply with the Public Sector Equality Duty (PSED) as 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 The aim of the duty is to ensure public authorities and those carrying out a public function consider how they can positively contribute to a fairer society through advancing equality and good relations in their day-to-day activities. The duty ensures equality considerations are built into the design of policies and the delivery of services and that they are kept under review.

8.4.3 In setting the Council's budget for 2023-2024, colleagues responsible for key projects or savings proposals were required to complete Equality Impact Assessments (EQIAs) to support them to make such considerations. Likewise, any new policy or change to Council services across the financial year undergoes the same process.

8.4.4 As officers deliver against the approved budget, including their delivery of savings, as monitored through this report, they will continue to monitor for any equality impacts.

Comments approved by Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 02/09/2024.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.

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