

LONDON BOROUGH OF CROYDON

REPORT:	CABINET		
DATE OF DECISION	31 January 2024		
REPORT TITLE:	2023-24 Period 7 Financial Performance Report		
CORPORATE DIRECTOR	Jane West Corporate Director of Resources (Section 151 Officer)		
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151)		
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance		
KEY DECISION?	Yes	Reference number: 8623EM Reason: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates	
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A	
WARDS AFFECTED:	All		

1 SUMMARY OF REPORT

- 1.1** This report provides the Council’s financial performance as at Period 7 (October 2023) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The report forms part of the Council’s financial management process for publicly reporting financial performance on a monthly basis.

Financial Performance Summary Table

Financial Performance Area	2023-24 Revised Budget (£m)	2023-24 Forecast (£m)	2023-24 Forecast Variance (£m)	2023-24 Forecast Variance (%)
Revenue Forecast (General Fund)	340.9	340.9	-	-
Revenue Forecast (Housing Revenue Account)	-	12.0	12.0	N/A
Capital Forecast (General Fund)	144.7	126.7	(18.0)	(12.4%)
Capital Forecast (Housing Revenue Account)	33.2	38.9	5.7	17.2%

2 RECOMMENDATIONS

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

- 2.1** to note the General Fund revenue budget outturn is forecast to breakeven at Period 7, after the forecast utilisation of £63m capitalisation directions requested from DLUHC and £1.5m of the corporate risk contingency budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.
- 2.2** to approve the budget movements between directorates to match the movement of teams between directorates as set out in paragraph 4.13.
- 2.3** to approve within budget inter-directorate virements from Corporate to service directorates for pay inflation (£10.270m) (para 4.95).
- 2.4** to approve within budget inter-directorate virement of £0.698m from the Corporate economic demand pressures budget to the Children, Young People and Education directorate as set out in paragraph 4.97.
- 2.5** to approve within budget inter-directorate virements from Corporate to service directorates to correct General Fund recharge budgets relating to the HRA, Public Health, capitalisation of salaries and corporate support (overhead) recharges, and staffing and income budget corrections (£5.802m) (para 4.99).
- 2.6** to note the progress in MTFs savings achievement as set out in paragraph 4.107.
- 2.7** to note the work that has commenced on the Council's Transformation Programme as set out from paragraph 4.102.
- 2.8** to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £12.0m.
- 2.9** to note the General Fund capital programme 2023-24 forecast underspend of £18.0m against the revised capital budget of £144.7m.
- 2.10** to note the HRA capital programme 2023-24 forecast overspend of £5.7m against the revised capital budget of £33.2m.
- 2.11** to note the Council's historic borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

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

3 REASONS FOR RECOMMENDATIONS

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

4 BACKGROUND AND DETAILS

- 4.1** The 2023-24 budget approved by Council in March 2023 set a net revenue budget of £340.9m. This required capitalisation directions from government of £63m to balance, owing to resolving historical inaccurate accounting treatments and to fund the ongoing annual servicing of debt.
- 4.2** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget.
- 4.3** The current forecast is that the Council will breakeven against the 2023-24 General Fund revenue budget, however this is following the forecast utilisation of the £63m capitalisation directions requested from DLUHC and £1.5m of the corporate risk contingency budget. It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

Cost of Living Considerations

- 4.4** There are a number of inflationary pressures that the Council, like all local authorities, is managing. The UK's Consumer Prices Index (CPI) inflation rate was 4.6% in the 12 months to October 2023, remaining high albeit lower than the Office for National Statistics (ONS) reporting in November 2022 that the CPI hit 11.1% in October 2022. This impact goes beyond the Council as the cost of living is affecting all households and businesses.
- 4.5** These macro-economic factors are impacted by international events and, therefore, well beyond the control of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.

- 4.6** A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance.
- 4.7** The Council provides a wide range of support for residents that may be struggling owing to cost of living pressures. These include:
- Discretionary support for residents in financial hardship, including the Household Support Fund
 - Council Tax support – for residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
 - Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax)
 - Housing Revenue Account (HRA) discretionary fund targeted for tenants that are not in receipt of housing benefit
 - Benefits calculator, to ensure residents receive the support to which they are entitled
 - Energy advice, including heating and money saving options, through our Croydon Healthy Homes service
 - Free holiday activity clubs with healthy meals for children
 - Croydon Works to help residents into employment or to receive training to support them into work and funding of the voluntary sector to provide advice and guidance
- 4.8** The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:
- NHS Healthy Start vouchers for families
 - Free school meals
 - Support from voluntary, community and faith sector organisations
 - Support for businesses through the London Business Hub and the British Business Bank
 - CroydonPlus credit union which offers affordable ways to manage money, including savings accounts and loans

GENERAL FUND REVENUE BUDGET SUMMARY

- 4.9** The General Fund revenue forecast outturn shows an overall balanced position following the forecast utilisation of the £63m capitalisation directions requested from DLUHC. The service directorates show a forecast overspend of £1.5m which is offset by utilisation of the corporate risk contingency budget (£1.5m). It is not planned to utilise the risk contingency budget and directorates will work to bring the service directorate positions within budget.

Table showing the revenue forecasts by Directorate

Directorate	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	141.0	91.7	140.0	(1.0)	0.2	(1.2)
Assistant Chief Executive	40.8	22.1	39.9	(0.9)	(0.5)	(0.4)
Children, Young People and Education	96.2	44.0	101.6	5.4	5.8	(0.4)
Housing	21.5	19.1	21.5	-	2.2	(2.2)
Resources	35.2	91.6	33.2	(2.0)	(2.0)	-
Sustainable Communities, Regeneration & Economic Recovery	70.6	37.5	70.6	-	-	-
Subtotal Service Directorates	405.3	306.0	406.8	1.5	5.7	(4.2)
Corporate Items and Funding	(64.4)	(26.4)	(65.9)	(1.5)	(5.7)	4.2
Total Net Expenditure Budget	340.9	279.6	340.9	-	-	-

- 4.10** Work will continue through to the end of the year to manage those areas with forecast overspends to ensure the Council remains within budget.
- 4.11** The Council continues to build on the improvements in financial management that were made last financial year. However, there is a considerable amount yet to do, which is fully recognised within the organisation.
- 4.12** A monthly budget assurance process and independent challenge of expenditure takes place. This is in addition to Cabinet and Scrutiny & Overview Committee review. The assurance meetings provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities, and ensure that savings are delivered and income targets are met. The meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

Budget virements to match new directorate structures

- 4.13** The Executive Mayor in Cabinet is requested to approve the following budget movements to match the movement of teams from one directorate to a different directorate. Please note that this is just a transfer of budget between directorates and does not change the total net expenditure budget of the Council or the usage of the budgets as agreed by full Council in March 2023.

Table showing budget virements between directorates

Team	Current Directorate	New Directorate	Net Expenditure Budget (£000's)
Education Capital Delivery Team	Housing	Resources	108
Support Exempt Accommodation (Housing Benefits) Team	Housing	Resources	433

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	122.3	89.2	122.4	0.1
Adult Strategic Commissioning, Policy & Improvement	16.8	1.3	15.8	(1.0)
Central ASCH	1.9	1.2	1.8	(0.1)
Total ASCH	141.0	91.7	140.0	(1.0)

4.14 At period 7 the ASCH directorate has a forecast underspend of £1.0m (0.7%) against a budget of £141.0m which is an improvement of £1.2m from period 6.

4.15 The ASCH Directorate has challenging savings targets totalling circa £10m to deliver in 2023-24 on placements and care packages through demand management, commissioning and review of care packages.

Adult Social Care Operations - Forecast overspend of £0.1m

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

4.17 Localities & LIFE have an underspend of (£1.8m) owing to a net underspending on care and staffing costs. This is a net improvement of (£0.3m) from Period 6 comprising £0.1m pressure owing to the transfer of the equipment service from Policy and Improvement, and a reduction in the care forecast owing to lower than anticipated demand (£0.4m).

4.18 Working Age Adults and Transitions has an overspend of £3.7m, an improvement of (£0.4m) from period 6. This comprises a reduced overspend on care of £3.8m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing of (£0.1m). Work to calculate a managing demand positive impact on the forecast has been undertaken, the figure is estimated to be circa £2.0m and this will be reviewed monthly going forward. The managing demand work

reduces pressures coming into the service. The service is now on target to achieve savings of £5.3m. It should also be noted that this area was overspent by £2.3m in 2022-23. The service area has committed to achieving further savings to offset the budget pressure.

- 4.19** Provider Services has a (£1.1m) forecast underspend on staffing owing to vacancies.
- 4.20** Safeguarding service has a (£0.1m) forecast underspend on staffing owing to vacancies across the service.
- 4.21** Business Compliance and Early Intervention has a (£0.1m) forecast underspend on staffing owing to vacancies.
- 4.22** Mental health services have a (£0.5m) forecast underspend owing to the application of external discharge funding.

Adult Social Care Policy and Improvement – Forecast underspend of (£1.0m)

- 4.23** The Policy and Improvement division is forecasting an underspend of (£1.0m) owing to staffing vacancies and minor contract underspends. This is an improvement of (£0.5m) owing to the transfer of the Equipment Service to Localities of (£0.1m), delay in commissioning contracts including those supporting service reviews (£0.3m) and minor works in PFI being less than expected (£0.1m).

Central ASCH – Forecast underspend of (£0.1m)

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

4.25 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. It should be noted that this risk is already materialising. Providers are requesting increases in costs for existing care packages and new placements are increasing in costs. These are included in the forecast and are hardest felt in the working age adult cohort.

4.26 Opportunities

- Savings achievement is improving and will support the forecast going forward for the ASCH directorate.

ASSISTANT CHIEF EXECUTIVE (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Policy, Programmes and Performance	4.7	2.8	4.3	(0.4)
Elections Service	0.3	0.1	0.3	-
Croydon Digital and Resident Access	32.2	16.6	31.7	(0.5)
Chief People Officer	3.5	2.0	3.5	-
Central ACE	0.1	0.5	0.1	-
Covid Grants	-	0.1	-	-
Total ACE (General Fund)	40.8	22.1	39.9	(0.9)
Public Health Grant Ringfenced Services	-	5.0	-	-

4.27 At period 7, the Assistant Chief Executive directorate has a General Fund forecast underspend of £0.9m (2.2%) against a budget of £40.8m.

Policy, Programmes & Performance Division - £0.4m forecast underspend

4.28 Recruitment is continuing into the new staffing structure for the Policy, Programmes and Performance Division. The forecast underspend is owing to periods of vacancy of some posts in the new structure. The budget has reduced by £1.2m from Period 5 owing to the movement of the Coroner's Service and Resilience Team to the SCRER directorate.

Elections Service - breakeven position

4.29 There is a breakeven forecast against budget for the Council's core Elections Service.

Croydon Digital and Resident Access Division - £0.5m forecast underspend

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

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

Chief People Officer Division - breakeven position

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

Central Assistant Chief Executive – breakeven position

4.33 There is a breakeven forecast against budget for Central Assistant Chief Executive.

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

4.34 It is currently forecast that Public Health will contribute £3.7m to ring fenced Public Health reserves at the end of 2023-24.

4.35 A Council wide task and finish group has been set up to address underspends in the Public Health Grant (for the current year and the accumulated balance on the balance sheet as an earmarked Public Health reserve from underspends in previous years) by identifying appropriate commissioning opportunities. The movement from the previous period (£1.3m) is a direct result of the work of the group, as it reviews and identifies new funding opportunities and reshapes delivery opportunities.

4.36 Risks

Elections

The majority of the costs of administering the London Assembly, Mayor of London, and a potential 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 have not yet been set, there is a risk that the Council may incur costs which cannot be reclaimed which would need to be funded corporately. It is likely that any such costs will fall in the 2024-25 financial year.

Croydon Digital & Resident Access – Digital Operations

Savings relating to the End User Service transformation (£0.5m) and the workforce review (£0.55m) are likely to slip into the 2024-25 financial year. This has already been reflected in the forecast.

4.37 Opportunities

There are no opportunities to report on at this time for the ACE directorate.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children’s Social Care	72.4	36.4	77.1	4.7
Unaccompanied Asylum Seeking Children (UASC) and UASC Care Leavers	(0.3)	5.7	-	0.3
Asylum Seekers and Homes for Ukraine	-	(6.5)	-	-
Quality, Commissioning and Performance Improvement	6.8	1.7	7.3	0.5
Non-DSG Education Services	16.8	6.4	16.7	(0.1)
Central CYPE	0.5	0.3	0.5	-
Total CYPE (General Fund)	96.2	44.0	101.6	5.4
Dedicated Schools Grant (DSG) High Needs Education Services	82.0	50.0	82.7	0.7
Dedicated Schools Grant (DSG) Early Years Block	31.1	22.8	31.1	-

4.38 At period 7, the CYPE directorate has a General Fund forecast overspend of £5.4m (5.6%) against a budget of £96.2m. This is a favourable movement of £0.4m since period 6.

If the budget adjustments are agreed as per this report, the forecast overspend will reduce to £4.2m.

Children's Social Care Division – forecast overspend of £5.0m (including UASC and UASC Care Leavers)

£2.8m placements overspend owing to five active high-cost placements including residential, semi-independent and one secure. Three of these high-cost placements are new in 2023-24.

Analysis is being undertaken on a continuous basis to review all high-cost placements with the aim to reduce spend where possible. Senior officers are engaging robustly with neighbouring councils who have placed children and families with complex needs in the borough in temporary accommodation. Where this provision does not meet the family's specialist needs, Croydon's placement costs can be up to £1m per annum.

£1.5m staffing overspend, which includes a pension budget shortfall of £0.8m since 2020-21. This was previously fully offset by underspends owing to vacancies and delays in recruitment however this cannot be accommodated in 2023-24.

£0.3m under-achievement in income (including £0.5m unachieved 2022-23 MTFS NHS Funding savings which have been partially offset through other income).

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

£0.3m overspend in the Unaccompanied Asylum-Seeking Children (UASC) budget because of 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.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.5m

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

4.40 An anticipated Public Health contribution income budget of £0.4m, which relates to a 2022-23 MTFS saving, has been reviewed to rectify as part of the budget correction exercise in this report.

Non-DSG Education services – forecast underspend of £0.1m

- 4.41** Non-DSG Education services are still forecasting an underspend of £0.1m at Period 7, with staffing vacancies offsetting income pressures in other parts of the service.
- 4.42** £0.3m unachieved 2022-23 MTFs NHS Funding savings are being mitigated by underspends in other areas of the service.

Dedicated Schools Grant (DSG) High Needs education services – forecast overspend of £0.678m

- 4.43** The SEND High Needs forecast at period 7 is an overspend of £0.678m against the budget of £82.059m. There is no movement from the period 6 position after the September intake of pupils was agreed with schools.
- 4.44** The overall variance at Period 7 represents £0.047m favourable variance from the expected overspend of £0.725m submitted to the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan. The service is delivering all the savings strategies as set out in the Safety Valve (SV) agreement including the use of the High Needs Provision Capital Allocation (HNPCA) to help deliver more local schools places as well as improve existing provisions to meet the increasing placement demands for complex needs pupils. The service will be submitting the 2023-24 Quarter 3 High Needs monitoring reports to the DfE Safety Valve team by the set deadline.
- 4.45** See below the key areas:

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

£1.110m overspend due to increased placements in Mainstream Education provision exceeding the budgeted allocation. This forms part of the invest to save SEND strategy in year 2.

(£0.406m) underspend in Early Years provision.

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

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

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

(£0.622m) expected clawback from specific Resource Provision (academies) for extra funding received from DfE.

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

4.47 The 2023-24 period 7 High Needs forecast outturn variance of £0.678m leads to an overall DSG deficit projection of £16.062m at the end of 2023-24 compared to the Safety Valve target of £16.080m prior to the £3.290m Deficit Recovery payment from the DfE as per the Safety Valve agreement. This demonstrates that the Council is still ahead of the DfE target.

Dedicated Schools Grant (DSG) Early Years Block – forecast breakeven position

4.48 The Department for Education (DfE) provides six key funding streams for the Early Years Block. The budget allocation for 2023-24 is £31.088m and a breakeven position is forecast. The government recently announced an additional grant (Supplementary funding) of £2.507m for Croydon covering the period from September 2023 to March 2024. The DfE operational guide directs local authorities to “pass-through” 100% of the allocation to the sector and the Council is on target to meet the DfE requirements. Schools Forum was recently provided with updates on the payment to date.

4.49 Risks

- The Children’s Social Care Division is monitoring placement and care package expenditure during the year. Pressure on placement spend is due to the sufficiency challenges both locally and nationally. The introduction of regulation for supported accommodation is predicted to increase charges as providers seek to pass on costs to Local Authorities. “Costs of new Ofsted regulation and inspection regime for semi-independent placement provision could be nine times higher than government funding, whilst one in five care beds could be withdrawn”, report warns – London Innovation and Improvement Alliance (LIIA).
- Services previously funded by the HRA have been reviewed for eligibility which may result in a General Fund pressure of £0.9m.
- The service is also reviewing the housing accommodation charges from the Housing General Fund for Care Experienced Young People.
- The £0.3m unachieved income budget within the High Needs General Fund budget poses an indirect financial risk to the Safety Valve target should there be a need to offset the £0.3m potential shortfall to support activities or resources (EHCP Coordinators) within the SEND service. The service is exploring all mitigating options available.
- The service is monitoring all of the 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.

4.50 Opportunities:

- There could be some staffing underspends from periods of vacancy.
- Potential underspend of £0.3m in legal costs, if the lower numbers of care proceedings and UASC age assessment challenges continue.

HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Resident Engagement and Allocations	21.4	18.9	21.4	-
Housing Estates and Improvement	0.1	0.2	0.1	-
Total Housing	21.5	19.1	21.5	-

- 4.51** At period 7, the Housing directorate has a General Fund breakeven forecast against the budget of £21.5m. At period 6 it was agreed that £2.2m budget would be transferred to the Housing directorate from the Corporate economic demand pressures budget to cover emergency accommodation pressures resulting from evictions and accelerated Home Office decision making which is increasing the numbers of asylum seekers and refugees requiring housing in the borough.
- 4.52** An allocation of £1.234m has been agreed from the Contain Outbreak Management Fund (COMF) grant, with £1m supporting homelessness costs and £0.234m supporting the clearing of the homelessness casework backlog.
- 4.53** There is a crisis within the London housing market that is creating significant demand for services, and it is difficult to predict how far or fast demand will continue to grow. The data available following the changeover of rent account systems to the new NEC IT system is now improving although further improvements to forecasting accuracy can be expected as data quality is addressed, reporting is developed further, and more data analysis is performed.
- 4.54** Current financial modelling of a worst case scenario for emergency and temporary accommodation indicates that the 2023-24 overspend could increase up to circa £4m and this will be monitored closely over the remaining months of the financial year to check whether levels of new temporary accommodation placements continue at the current higher level or return to being in line with longer term historical trends. The pressures experienced by Croydon are also being experienced across London and nationally and therefore central government may provide in-year funding such as through a potential winter pressure top up to the Homelessness Prevention Grant (which has not been announced to date, but was provided in recent years).
- 4.55** The emergency and temporary accommodation budgets were increased by £4.8m in 2023-24 from the corporate non-pay inflationary pressures budget to mitigate inflation pressures, however demand pressures remain above this.

4.56 A top-up to the Homelessness Prevention Grant (HPG) of £1.9m has been announced by DLUHC to cover homelessness pressures relating to Ukrainian refugees. This funding may also be used to fund wider homelessness pressures and reporting requirements are in line with the existing HPG requirements. The grant top-up could also help offset any potential detriment to income collection resulting in the bad debt provision being increased at year end.

Emergency Accommodation

4.57 There are a number of factors that impact expenditure against this budget. Firstly, there has been a demand rise in the number of households that have been placed into Emergency Accommodation. The factors that have pushed up demand include:

- The large number of bailiffs warrants from the private sector being issued as the courts are catching up with the backlog of cases since the Covid amnesty. Restrictions were lifted in 2021 but there has been a long backlog through the courts for these cases hence the delayed impact on the homelessness service.
- The number of asylum-seeking households which is adding a pressure on available affordable accommodation. There are over 1,000 asylum seekers currently in hotel accommodation and government have pledged to close around 100 hotels this year and bring in a streamlined assessment process. As a result, from August 2023 the Home Office accelerated their decision making for asylum claims and give very short notice when people are to be evicted from their accommodation, this could be as short as 7 days. This is an additional pressure as the Council does not receive any financial assistance for these households.
- Family evictions are also increasing, potentially linked to the decrease in availability of affordable housing in the private rented sector (PRS) and the increase in evictions detailed above and subsequent short-term arrangements breaking down.

4.58 Additional to the increase in demand the service discovered a backlog of circa 2,000 cases and appointments following the implementation of the Housing Needs Service structure. As the backlog team deal with these cases there are now additional placements in EA.

4.59 There is a shortage of suitable Emergency Accommodation to meet the increasing demand, so the Council is relying on expensive commercial hotels and the cost can be expected to increase.

Temporary Accommodation

4.60 Numbers of households in temporary accommodation are expected to fall slightly and steadily across the year (in contrast to nightly paid accommodation) and is adding to the pressure on emergency accommodation as properties are being moved away from Council access in the private rental sector by landlords who are impacted by the economic situation.

Risks

- 4.61** The implementation of the new NEC IT system experienced a delay in setting up the interfaces between NEC and the Oracle finance system. The income interface is now posting income from the NEC system into the Oracle finance system, however there are reconciliations still being carried out. There may be a requirement to increase the loss allowance (bad debt provision) at the end of 2023-24 depending on the level of income collection achieved in year.
- 4.62** The Housing Directorate continues to be impacted by the rapidly worsening housing market within London as private sector landlords are increasing rents or leaving the market, and tenants are struggling with cost of living pressures. The challenge for Croydon in dealing with such rapid inflation has multiple strands. There are forecasting difficulties in predicting how much prices are expected to move and at what pace.
- 4.63** There are difficulties in negotiating and approving price rises without losing properties or fuelling the rises further. Regular meetings with neighbouring boroughs are being held to ensure collective agreements are being made with the larger providers of emergency accommodation.
- 4.64** There has been a concerted effort to hold homelessness accommodation costs down across London through partnerships with organisations like Capital Letters and via the agreed Pan-London temporary accommodation rates. The rates can no longer be contained though as demand outweighs available affordable supply. At a Pan London meeting, all boroughs confirmed that they are no longer paying the agreed Pan London rates to ensure they meet their demand challenges. A combination of all these factors has led to an increase in both the average cost of emergency and temporary accommodation that Croydon can secure to meet demand, as well as an increase in the use of nightly paid emergency accommodation to compensate for the loss of some longer-term leased accommodation because of landlords leaving the market.
- 4.65** There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement not yet finalised. This risk was considered in closing the 2022-23 accounts and so any difference in the estimated income of 70% of costs from the insurers will either be a charge or a benefit in the 2023-24 accounts.
- 4.66** There is a potential budget pressure, above the currently estimated £1.2m for 2023-24 which has been funded through the economic demand pressures budget transfer agreed in Period 3, in relation to housing benefit subsidies for the Guaranteed Rent Scheme for Care Experienced Young People. The pressure impacts the Housing Directorate as it forms part of the cost of temporary accommodation. The housing benefit subsidy pressure will be monitored throughout the year and mitigated where possible.
- 4.67** There is another potential pressure on the housing budget due to temporary accommodation management fees of £40/week/unit paid through Housing Benefit and not recoverable through subsidy from DWP. From 1 April 2017, in line with the

government announcement in the 2015 spending review, funding was devolved to Local Authorities through the Homelessness Prevention Grant with the aim of allowing Councils to better manage their temporary accommodation pressures. Following the government change, this cost was not allocated to the Housing Service and has been a pressure within the Resources directorate but in 2023-24 could be a pressure on the Housing budget. This will depend on the outcome of the ongoing Housing Benefit review project work.

Opportunities

- 4.68** Housing will continue to ensure that the use of ringfenced Household Support Fund and Rough Sleeping initiative grants is used both within the grant terms and to maximise the mitigating effect on the general fund spend, e.g. by targeting households in rent arrears for support.
- 4.69** DLUHC have in the prior two financial years issued a winter pressures top-up grant amount to the Homelessness Prevention Grant. This has not been confirmed or ruled-out for 2023-24.
- 4.70** The Council is reviewing asylum seeker and refugee grant funding for allocation to related homelessness costs.
- 4.71** There are opportunities from accommodation that is coming on stream for placing homelessness clients, which will provide alternative temporary accommodation and reduce the use of expensive nightly paid accommodation.
- 4.72** The restructure for Housing Needs has been implemented and will form the bedrock for process change and a more cohesive journey for a homeless household. The financial benefits are expected to be realised in the longer term from better practice resulting in reduced spend on homelessness.

RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Commercial Investment	18.5	7.0	16.4	(2.1)
Finance (<i>refer note 1</i>)	15.5	78.4	15.5	-
Legal Services and Monitoring Officer	2.3	3.0	2.4	0.1
Insurance, Anti-Fraud and Risk	0.6	1.9	0.5	(0.1)
Internal Audit Service	0.4	0.2	0.5	0.1
Pensions and Treasury	0.3	0.9	0.3	-
Central Resources	(2.4)	0.2	(2.4)	-
Total Resources	35.2	91.6	33.2	(2.0)

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

- 4.73** At period 7, the Resources directorate has a General Fund forecast underspend of £2.0m (5.7%) against a budget of £35.2m.

Commercial Investment Division – £2.1m forecast underspend

- 4.74** The division continues to forecast decreased utilities costs and improved recharging to external bodies. There are also £0.5m of staffing underspends across the division, mainly in Facilities Management owing to periods of staffing vacancy, which are being offset by a forecast decrease in recharges to capital.

Finance Division – breakeven forecast position

- 4.75** There is a breakeven forecast position for the Finance Division. The Payments, Revenues, Benefits and Debt Service is forecasting a staffing underspend owing to staffing vacancies and increased court costs income, but these are being offset by decreased Land Charges income and temporarily increased agency staffing in strategic finance to work through historic accounting issues including the prior years' accounts.
- 4.76** A cross Council working group is currently 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.
- 4.77** The Finance Division has undergone a restructure of the strategic finance service and will now commence recruitment into roles which are currently covered by agency staffing. The capacity and skills levels required in the strategic finance service have been reviewed and extra funding from growth and/or reserves has been requested for 2024-25.

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

- 4.78** There is a £0.1m forecast underspend in the Monitoring Officer service owing to staff vacancies and an underspend against the members allowances budget.
- 4.79** There is a forecast overspend in Legal Services of £0.2m mainly owing to high levels of agency staffing.
- 4.80** The Legal Services and Monitoring Officer Division is reviewing usage of external legal advice, with a view to increasing the inhouse staffing structure (moving budget from external legal expenditure in directorates) to provide more legal services internally and therefore reduce overall legal expenditure for the Council.

Other Service Areas and Central Resources - breakeven forecast position

- 4.81** There is a £0.1m forecast overspend in Internal Audit expenditure. This is offset by small underspends across Insurance, Anti-Fraud and Risk, Pensions and Treasury, and Central Resources.

Risks

- 4.82** There is a risk in the Commercial Investment Division as work continues to identify the net impact of asset disposals including the full cost of property related expenditure and loss of income streams.
- 4.83** 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 on the collection of overpayments.

SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Sustainable Communities	54.1	37.5	54.3	0.2
Culture and Community Safety	9.8	0.4	9.0	(0.8)
Planning & Sustainable Regeneration	6.7	0.7	7.3	0.6
Central SCRER	-	(1.1)	-	-
Total SCRER	70.6	37.5	70.6	-

- 4.84** At period 7, the SCRER directorate has a General Fund forecast of a breakeven position against a budget of £70.6m. The main potential risk areas relate to income in the areas of parking, parking enforcement, moving traffic offence and planning.

Sustainable Communities Division - forecast overspend of £0.2m

- 4.85** There is a forecast £1.0m pressure for SEND home to school transport due to increased demand and a forecast £0.8m income pressure in New Roads and Street Works Act (NRSWA) coring inspections. The pressures are being partially offset through a forecast underspend of £1.3m in staffing owing to periods of vacancy and £0.3m forecast underspend in waste services owing to reduced level of green and food waste.

Culture and Community Safety Division – forecast underspend of £0.8m

- 4.86** The division is forecasting an underspend of £0.8m owing to reduced utility costs in contracts (£0.3m), periods of staffing vacancy (£0.4m) and underspends across the libraries service while the service is under redesign (£0.1m). The Coroners service is projected to underspend by (£0.1m), this will be transferred to reserves to support the service in future years.
- 4.87** The Culture and Community Safety Division leads on the London Borough of Culture 2023 activities, funded through external funding sources. This is a year-long celebration of Croydon's unique identity, diverse communities and rich heritage, culture and creativity. The programme for "This is Croydon" showcases Croydon to the world.

It includes major events with international headliners performing alongside emerging home-grown talent, plus hundreds of cultural activities from our communities.

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

4.88 The division is forecasting an income under-achievement of £0.8m owing to lower activity levels to date in planning major applications and planning performance agreements. This is being partially offset by a forecast staffing underspend of £0.2m owing to periods of vacancy in the Growth and Regeneration Team.

4.89 The reduction in planning major applications is being experienced across the country and the GLA is reporting the 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. Implementation details are unknown and could be impacted by when the next general election will take place.

4.90 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.
- Parking Services have had delays in connection with the roll out of new ANPR cameras which affect the income levels within the service.
- The Environment Act 2021 operates as the UK's new framework of environmental protection. Given that the UK has left the EU, new laws that relate to nature protection, water quality, clean air, as well as additional environmental protections that originally came from Brussels, needed to be established. The Act is a vehicle for a number of Department for Environment, Food and Rural Affairs' (Defra) different environmental policies and sets out the legal framework for significant reforms to local authority waste and recycling services, as well as creating new statutory duties for local authorities on nature recovery. The government has stated that additional burdens funding will be provided to local authorities for the new requirements as they come into force, however the Council will need to monitor closely the extra costs involved.
- Waste services are demand led which represents a potential risk to the current forecast. Levels of tonnage are monitored on a monthly basis and the forecast will be updated throughout the year.

- The previously stated risk to New Roads and Street Works Act income owing to delays and disputes with utility companies has now been realised as a pressure. Further work is being undertaken to mitigate these pressures where possible.
- Within the Violence Reduction Network a further Domestic Homicide Review has been initiated.

4.91 Opportunities

- The SCRER directorate is actively pursuing several grant applications to further improve the financial position:
 - The Culture and Community Safety division have successfully secured grant funding from Sport England for swimming pool costs.
 - Further communications are being held with public health regarding enhancing the borough's community safety offer with direct funding.
 - Within Development Management a bid is in progress for the Planning Skills Delivery Fund which will assist the service in clearing the backlog of planning applications.
- There are several major schemes that are in development that should generate large fees - however these should not be submitted prematurely as this could result in significant costs.
- There could be further staffing underspends across the directorate depending on the timing, and success, of recruitment into posts.

CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Inflation and Economic Demand Pressures	12.0	-	12.0	-
Risk Contingency Budget	5.0	-	3.5	(1.5)
Transformation Programme	10.0	-	10.0	-
Other corporate items	(91.4)	(26.4)	(91.4)	-
Total Corporate Items and Funding	(64.4)	(26.4)	(65.9)	(1.5)

4.92 At period 7, the Corporate directorate has a General Fund forecast underspend of £1.5m (2.3%) against a net budget of (£64.4m). The underspend relates to the risk contingency budget offsetting £1.5m of the pressures across the other directorates.

4.93 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.

- 4.94** The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFs savings. There may be a pressure in 2023-24 from this area of costs owing to the implementation of staffing savings.
- 4.95** The NJC national negotiations on the 2023-24 pay award for staff have concluded. The Executive Mayor in Cabinet is requested to approve the inter-directorate virement to transfer the related pay inflation budget currently held in corporate to the service directorates as detailed in the table below. Please note that the pay award has been agreed on very similar terms to 2022-23 and is within the £11.2m pay inflation budget allowed for in the 2023-24 budget agreed by full Council in March 2023.

Table showing allocations to directorates for 2023-24 pay inflation

Directorate	Pay inflation budget (£m)
Adult Social Care and Health	1.820
Assistant Chief Executive	1.040
Children, Young People and Education	3.037
Housing	0.737
Resources	1.271
Sustainable Communities, Regeneration & Economic Recovery	2.365
Total	10.270

- 4.96** There is currently budget of £1.6m held centrally (of the original £5.5m agreed by full Council) for the potential impact of economic demand pressures on Croydon after the allocation of £1.7m budget in Period 3 (Housing Benefit subsidy pressures) and £2.2m budget in Period 6 (emergency accommodation pressures).
- 4.97** This report is requesting the transfer of £0.698m budget from the Corporate economic demand pressures budget to the Children, Young People and Education directorate to take account of increased contact demand which is creating high social worker caseloads in the Family Assessment Service. This is just a budget transfer within directorates, not a change to overall budget, and is in line with the intended purpose of the budget agreed at full Council in March 2023.
- 4.98** The corporate area also holds the 2023-24 Transformation budget of £10m, which will fund work carried out in directorates and cross-Council to achieve MTFs savings and improve services for local residents and businesses. The Transformation budget reduces to £5m from 2024-25.
- 4.99** There is £7.276m budget held in Corporate for adjustments to correct General Fund recharge budgets relating to the HRA, Public Health, capitalisation of salaries and corporate support (overhead) recharges, and salary and income budget corrections. The Executive Mayor in Cabinet is requested to approve the inter-directorate virement to transfer £5.802m of the budget currently held in corporate to the service directorates as detailed in the table below. Please note that this is a transfer within directorates (not a change to total budget) and is in line with the purposes of the budget agreed by full Council in March 2023. This virement removes service recharge income budgets where these duplicate with corporate support (SERCOP) charges, however further work is continuing to calculate up to date recharges to non-General Fund areas and

the remaining budget of £1.474m is being held in corporate to align these once finalised.

Table showing allocations to directorates for budget corrections

Directorate	HRA recharge related (£m)	PH recharge related (£m)	Capitalisation related (£m)	Staffing & on-costs related (£m)	Income related (£m)	Overhead (SERCOP) recharge related (£m)	Total (£m)
ASCH	-	0.065	-	-	-	-	0.065
ACE	1.007	-	-	0.150	0.362	0.439	1.958
CYPE	0.210	0.400	-	0.842	-	-	1.452
Housing	-	-	-	-	0.041	-	0.041
Resources	0.245	-	0.268	0.093	0.063	0.538	1.207
SCRER	0.893	-	-	0.095	0.091	-	1.079
Total	2.355	0.465	0.268	1.180	0.557	0.977	5.802

4.100 There is a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income. The impact of the Council Tax increase is partially mitigated through the Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax).

4.101 There is borrowing cost uncertainty from interest rates and the timing of capital receipts from asset disposals (assumed in the MTFs at circa £50m per annum).

Transformation Programme

4.102 The Transformation Programme has £14m of resources allocated to it, consisting of £10m base revenue budget and £4m earmarked reserve.

4.103 In total there is currently £10.7m of the Transformation Programme budget allocated with £3.3m unallocated to date. The Transformation Programme will provide a return on investment through service improvement benefits and the identification and delivery of savings for the medium term financial strategy, providing a significant level of savings towards the £20m per annum savings required from 2025-26 onwards.

Transformation Programme Allocations

Project	2023-24 Draft Budget Allocation (£m)
Transformation Revenue Budget	10.000
Transformation Reserve Funding	4.000
Total Transformation Funding	14.000
Approach to Strategic Planning and Commissioning	0.290
Parking Policy Review	0.200
Community Hubs Programme	0.250
HR Transformation	0.093
Digital & Resident Access Review/Digital Workforce	0.080
SEND Review	0.240
Passenger/SEND Transport Transformation	0.100

Project	2023-24 Draft Budget Allocation (£m)
Family Justice Service Review	0.000
S117 Project	0.178
Joint Funding Arrangements	0.110
Sustaining Demand at the Front Door	0.190
Corporate Parenting Transformation	0.743
Dynamic Purchasing System	0.092
Callydown Transformation	0.134
Income & Debt Review	0.050
Outcomes Based Domiciliary Care Model	0.110
Transition Commissioning Care Model	0.082
Croydon Campus	0.250
Customer Access Review	0.200
Building Control Transformation	0.696
Planning & CIL Transformation	0.450
CALAT	0.050
Housing Needs Restructure	0.060
Temporary Accommodation Case Review	0.291
Housing Occupancy Checks	0.291
Rent Accounts and Data Cleanse	0.026
Housing Association Recharges	0.059
Supported Housing Review	0.080
Adult Social Care Transformation	1.100
Review of Social Care Placements	0.461
Reablement & Hospital Discharge	0.000
Strategic Operating Model Design Partner for Adult Social Care and Health	1.194
Housing Benefit Subsidy SEA & EA/TA	0.000
PFI Contract Manager	0.000
VCS Review	0.000
Asset Rationalisation	0.124
Business Intelligence Review	0.025
Commercial & Income Opportunities	0.000
Community Equipment Service	0.090
Croydon Museum	0.270
Oracle Improvement Programme	0.915
Transformation PMO	1.100
Total Revenue Budget and Reserves Allocated to Date	10.674
Unallocated To Date	3.326

4.104 The Transformation Programme published in November 2022 set out £5.9m of project commitments with recognition that further sums were still to be confirmed. Please note that project plans are under development and following review of these project plans the draft budget allocations to projects as listed above could change through the year.

4.105 The Transformation Board has agreed additional project allocations totalling £4.239m through to September 2023, with no further allocations made in October 2023. The allocations are set out in the table below.

Project Allocations	£m
Business Intelligence Review	0.025
Sustaining demand at the front door	0.080
Callydown transformation	0.134
Review of Social Care Placements	0.456
CALAT (New)	0.050
Strategic operating model design partner for ASCH	1.194
HR Transformation	0.015
Planning & Building Control projects – project delivery support	0.396
Corporate Parenting Transformation (New and subsumes Fostering Transformation Project)	0.650
Community Equipment Service	0.090
Museum Transformation	0.270
Oracle Cloud Improvement (New)	0.915
Asset Rationalisation	0.124
Reablement & Hospital Discharge - transfer to Strategic operating model design partner for ASCH	-0.060
Family Justice Service Review	-0.100
Total of Allocations	4.239

4.106 The ‘Review of Social Care Placements’ project has secured £600,000 alternative funding from the Market Sustainability Grant thereby reducing the funding required from the Transformation budget. The revenue budget also funds the costs of the transformation Programme Management Office currently estimated at £1.1m.

Savings

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

Table showing 2023-24 forecast savings achievement by directorate

	2023-24					
	Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Not yet evidenced or (over delivery) £'000
Directorate						
Adult Social Care & Health	12,243	-	12,243	12,972	-	(729)
Assistant Chief Executive	2,924	-	2,924	1,521	1,403	-
Children, Young People & Education	6,920	490	7,410	5,148	-	2,262
Housing	2,305	-	2,305	1,309	1,099	(103)
Resources	6,347	-	6,347	6,347	-	-
Sustainable Communities (SCRER)	1,859	2,490	4,349	4,124	225	-
Cross-Directorate / Corporate	500	-	500	-	500	-
Total	33,098	2,980	36,078	31,421	3,227	1,430

Reserves

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

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

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

Unresolved Issues

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

HOUSING REVENUE ACCOUNT (HRA)

- 4.114** At period 7, the Housing Revenue Account (HRA) forecast remains at a revenue overspend of £12.0m owing to resolving a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will fund the 2023-24 overspend, however the HRA budget for 2024-25 will need to take account of ongoing pressures and priorities.
- 4.115** At Period 5 we set out how the legacy of repairs, disrepair works and the commissioned works on damp and mould accounts for £8.6m of the pressure against the existing budget. This pressure is a direct result of the significant under-investment over decades in our housing stock which has resulted in the backlogs the teams are now tackling. The implementation of the three new repairs contracts and the commitment to ensuring we are meeting our requirements as a landlord are driving this ongoing pressure. As a result, we will seek to rebase our responsive repairs budget at this mid-point of the budget year to reflect the position. Where underspends in other areas are insufficient to cover the pressures outlined above, we will be required to draw down from the HRA reserves into the revenue budgets.
- 4.116** The 2024-25 budget will require significant work to ensure that we are capturing and managing ongoing pressure areas within the repairs service. Stock conditions surveys have been commissioned to identify the level of 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 term.
- 4.117** The remaining £3.4m pressure is attributed to disrepair and reflects the volume of historic legacy disrepair cases being cleared and the legal costs and settlements that have been the outcome.

Repairs

- 4.118** The Period 7 position of £12.0m overspend is made up of £8.6m responsive repairs costs pressure and £3.4m on disrepair costs, legal fees and settlements.
- 4.119** The overspend on responsive repairs is a result of the significant increase in volumes of repairs that have been received from tenants as a consequence of the historical under-investment in the stock including insufficient growth in responsive repair budgets as well as historic legacy issues identified since the implementation of the new contracts in August 2023.
- 4.120** In addition, there has been significant work done to tackle our response to reports of damp and mould, treating the appearances of spores and carrying out works to address the issues.

- 4.121** The Social Housing (Regulation) Act 2023 will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. This includes changes from 'Awaab's Law' which follows the death of 2 year old Awaab Ishak in 2020 due to damp and mould exposure in his Rochdale home following repair requests and complaints having been repeatedly ignored. 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. The new rules will form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home.
- 4.122** The tackling of the legacy voids has had a significant impact due to the state of disrepair in these properties and the subsequent lack of asset renewal. 599 voids have been completed so far this year. The backlog and managing the ongoing weekly voids is contributing to the cost pressures.
- 4.123** Legal disrepair historic legacy demand continues to be a pressure. Work is ongoing to tackle the circa 550 disrepair cases in our backlog. The service has set a plan to clear the backlog in 18 months. This financial year the team have progressed circa 283 cases to completion, however there are typically 7 new cases per week logged. The latest government £2m advertising campaign directed at residents to encourage the reporting of issues is likely to increase the pressure on this budget.
- 4.124** The service has introduced controls to manage, monitor and provide assurance on ongoing responsive repairs costs:
- The NEC system allows us to manage 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 since September. Any quotes for works over a value of £5,000 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 (DMT) 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.

Tenancy and Income

- 4.125** A breakeven forecast position at period 7 as we continue to work with the NEC implementation team to validate the rent and rent loss through voids data, we expect this to be completed for period 8 reporting.

Staffing and other

4.126 A breakeven forecast position at period 7 reflects that additional budget was allocated in 2023-24 to meet known pressures while structural changes are being implemented.

Table showing the 2023-24 HRA forecast

Description	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(50.2)	(82.1)	-
Service Charge Income	(4.6)	(2.8)	(4.6)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.4)	(1.2)	(3.4)	-
Other Income	(6.0)	(2.0)	(6.0)	-
Subtotal Income	(96.1)	(56.2)	(96.1)	-
Housing Capital Charges	40.9	-	40.9	-
Responsive Repairs & Safety	20.4	15.3	32.4	12.0
Centralised Directorate expenditure	11.3	0.9	11.3	-
Tenancy & Resident Engagement	10.3	3.3	10.3	-
Tenant Support Services	6.7	3.2	6.7	-
Concorde, Sycamore & Windsor expenditure	3.4	2.0	3.4	-
Asset Planning	1.6	0.9	1.6	-
Capital Delivery (Homes & Schools)	1.5	0.7	1.5	-
Subtotal Expenditure	96.1	26.3	108.1	12.0
Total HRA Net Expenditure	-	(29.9)*	12.0	12.0

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

4.127 The main risks within the Housing Revenue Account are:

- NEC system functionality delays:
 - Although the system went live in June 2023, we are yet to use the system to its full capacity including full reporting functionality. The repairs and income forecasting may yet be impacted once the full integration and functionality is available.
- Repairs and maintenance:
 - pressures from the exit of the Axis repairs contract that ended in August 2023.
 - extra expenditure to deal with the backlog of repairs and maintenance.
 - void and disrepair costs carried out by specialist contractors to reduce void losses and minimise future disrepair claims.
 - settlement of disrepair cases and related legal fees, including those relating to Regina Road.

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

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

Capital Programme and Financial Sustainability

- 4.128** The Capital strategy and programme was approved by Council in March 2023. This recognised the complex and challenging financial and operational circumstances in which the Council continues to operate. It showed a 2023-24 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.3bn of General Fund debt and an environment of rising interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, will be essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 4.129** The strategy reflected the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.
- 4.130** Concerns were highlighted regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets. In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and therefore likely to drive significant increases in annual repayment levels.
- 4.131** An estimated circa £66m is required to service this debt from the General Fund which represents around 19% of the Council's net budget. The Council's historic legacy borrowing and debt burden has, therefore, become critical to the sustainability of the Council's revenue budget.
- 4.132** The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2023-27 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. The Council's 2023-24 budget required capitalisation

directions from government of £63m to balance and the Medium Term Financial Strategy (MTFS) demonstrated an ongoing estimated budget gap of £38m per annum from 2024-25.

- 4.133** Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of historic legacy indebtedness and balancing the budget to ensure it can deliver sustainable local government services. It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden. 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").
- 4.134** Therefore, debt write-off is the Council's preferred option and a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options, and these are currently being worked on.

General Fund Capital Programme

- 4.135** At period 7, the General Fund capital programme has a forecast underspend of £18.0m (12.4%) against the budget of £144.7m.

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

General Fund Capital Scheme	2023-24 Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Bereavement Services	127	(23)	127	-
My Resources Interface Enhancement	252	58	169	(83)
ICT	-	1	-	-
Network Refresh	348	11	152	(196)
Tech Refresh	132	637	285	153
Geographical Information Systems	312	-	312	-
Laptop Refresh	3,371	-	1030	(2,341)
Cloud and DR	331	26	174	(157)
People ICT	-	3	-	-
Synergy Education System	1,045	11	746	(299)
NEC Housing System	2,725	8	2,280	(445)
Uniform ICT Upgrade	56	-	56	-
Subtotal Assistant Chief Executive	8,699	732	5,331	(3,368)
Children Home DFE	329	-	329	-
Subtotal CYPE	329	-	329	-

General Fund Capital Scheme	2023-24 Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Disabled Facilities Grant	4,710	1,054	3,000	(1,710)
Empty Homes Grants	400	39	200	(200)
Subtotal Housing	5,110	1,093	3,200	(1,910)
Asset Strategy - Stubbs Mead	500	-	500	-
Asset Strategy Programme	240	-	240	-
Clocktower Chillers	382	-	10	(372)
Corporate Property Maintenance Programme	2,780	1,181	2,664	(116)
Fairfield Halls - Council	625	3	625	-
Former New Addington Leisure Centre	600	-	600	-
Fieldway Cluster (Timebridge Community Centre)	248	-	248	-
Contingency	1,000	-	1,000	-
Education - Fire Safety	924	4	450	(474)
Education - Fixed Term Expansions	2,865	180	225	(2,640)
Education - Major Maintenance	5,866	3,237	3,321	(2,545)
Education - Miscellaneous	100	143	100	-
Education - Permanent Expansion	297	-	297	-
Education - SEN	6,289	584	6,289	-
Subtotal Resources	22,716	5,332	16,569	(6,147)
Allotments	-	3	3	3
Growth Zone	15,844	274	15,844	-
Grounds Maintenance Insourced Equipment	1,200	-	1,200	-
Highways	8,260	4,431	8,260	-
Highways - flood water management	404	388	404	-
Highways - bridges and highways structures	1,641	1,292	1,641	-
Highways - Tree works	50	6	50	-
Local Authority Tree Fund	83	136	83	-
Trees Sponsorship	42	10	42	-
Leisure centres equipment contractual agreement	139	(410)	139	-
Tennis Court Upgrade	75	-	75	-
Leisure Equipment Upgrade	148	-	148	-
Libraries Investment - General	1,031	1	224	(807)
Central Library Digital Discovery Zone	175	-	-	(175)
New Investment to South Norwood Library	520	-	-	(520)
Parking	1,843	772	1,843	-
Cashless Pay & Display	1,463	-	485	(978)
Play Equipment	17	236	219	202
Safety - digital upgrade of CCTV	1,540	(11)	1,540	-
Highway Road Markings/Signs (Refresh)	137	-	137	-
South Norwood Good Growth	773	11	168	(605)
Kenley Good Growth	394	(147)	306	(88)

General Fund Capital Scheme	2023-24 Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Sustainability Programme	1,100	-	300	(800)
LIP	4,568	686	1,735	(2,833)
Cycle Parking	106	-	135	29
Electric Vehicle Charging Point (EVCP)	3	-	43	40
Park Asset Management	700	-	700	-
Waste and Recycling Investment	2,558	-	2,558	-
Subtotal SCRER	44,814	7,678	38,282	(6,532)
Capitalisation Direction	63,000	-	63,000	-
Subtotal Corporate Items and Funding	63,000	-	63,000	-
TOTAL GENERAL FUND CAPITAL	144,668	14,835	126,711	(17,957)

Table showing General Fund Capital Programme Financing

General Fund Capital Financing	2023-24 Budget (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Community Infrastructure Levy (CIL)	6,600	6,600	-
CIL Local Meaningful Proportion (LMP)	3,084	1,477	(1,607)
Section 106	1,190	242	(948)
Grants & Other Contributions	25,430	16,302	(9,128)
Growth Zone	16,744	15,844	(900)
HRA Contributions	1,772	1,459	(313)
Capital Receipts	45,000	45,000	-
Borrowing	44,849	39,787	(5,062)
Total General Fund Financing	144,668	126,711	(17,957)

4.136 The extra forecast cost of the play equipment, cycle parking projects and electric vehicle charging points are expected to be funded through the application of Section 106 funding.

HRA Capital Programme

4.137 At period 7, the HRA capital programme has a forecast overspend of £5.7m (17.2%) against the budget of £33.2m. The HRA has a reserve of circa £50m as at the end of 2022-23 and this reserve will likely be the source of financing the 2023-24 capital overspend.

The HRA budget for 2024-25 and the HRA business plan will need to take 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.

Spend on damp and mould related repairs are in the early stages and are unbudgeted and will largely appear as a pressure in the capital budget as many of the works are for substantial amounts that relate to significant property improvements.

Similarly, there are works underway due to historic legacy legal disrepair and void cases where significant updating to properties is resulting in unbudgeted capitalisation of repairs spend.

Table showing 2023-24 HRA Capital Programme budget and forecast

HRA Capital Scheme	2023-24 Budget (£000's)	2023-24 Actuals to Date (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Major Repairs and Improvements Programme	31,476	5,847	37,180	5,704
NEC Housing System	1,772	-	1,772	-
Total HRA Capital	33,248	5,847	38,952	5,704

HRA Capital Programme Financing

HRA Capital Financing	2023-24 Budget (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Major Repairs Reserve (MRR)	16,082	16,082	-
Revenue	13,900	13,900	-
Other Reserves	1,148	6,852	5,704
Right To Buy (RTB) Receipts	2,118	2,118	-
Total HRA Capital Financing	33,248	38,952	5,704

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

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 None.

7. CONTRIBUTION TO COUNCIL PRIORITIES

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

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** Finance comments have been provided throughout this report.
- 8.1.2** The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 8.1.3** The Council currently has a General Fund Reserve of £27.5m which serves as a cushion should any overspend materialise by the end of 2023-24. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.
- 8.1.4** The Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

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

8.2 LEGAL IMPLICATIONS

- 8.2.1** The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2.2** Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory

duties and responsibilities when taking the necessary action to reduce the overspend.

8.2.3 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.

8.2.4 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty. The Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council including delivering and setting a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.

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

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 28/11/2023.

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: Dean Shoesmith, Chief People Officer, 27/11/2023.

8.4 EQUALITIES IMPLICATIONS

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

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

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

8.4.3 This report sets out a number of proposals that will change the services and provisions we provide for residents across Croydon. These proposals are subject to further work decisions.

8.4.4 The Council must, therefore, ensure that we have considered any equality implications. The Council has an established Equality Impact Assessment [EqIA] process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.

8.4.5 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.

8.4.6 Our approach is to ensure the equality impact assessments are data led, using user information, demographic data and forecasts, as well as service specific data and national evidence to fully understand the impact of each savings proposal. This enables the Council to have proper regard to its statutory equality duties.

8.4.7 We have a large number of vulnerable children and asylum seekers who are in need of our services. We have also been faced with the rise of costs of the provision of adult social care, which has been exasperated following the pandemic. Alongside this our residents are dealing with the increased cost of living. We have supported residents by providing mitigation for changes where possible and signposting to other support organisations in the borough who can provide support.

We will continue to seek mitigation during the equality analysis process where possible.

8.4.8 Our initial data suggests that residents across all equality characteristics may be affected by changes. National and local data highlights that this may have a greater impact on race, disabilities, sex, pregnancy and maternity and age. We will continue to assess the impact and strive to improve our evidence and data collection, to enable us to make informed decisions.

8.4.9 Where consultations take place, we will ensure that we make it accessible for all characteristics including those with disabilities including neurodiversity by ensuring that we adopt Disability standards in our consultation platform. Notwithstanding those residents who are digitally excluded. We will also consult using plain English to support our residents who do not have English as a first language.

8.4.10 With regard to potential staff redundancies, as a diverse borough we will undertake equality analysis and seek mitigation for staff by offering redeployment and employability support. We will also assess the impact of job losses on protected characteristics. We will also ensure that disabled staff are treated more favourably during restructure in that they will be required to meet the minimum standard prior to being offered an interview.

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

Comments approved by Naseer Ahmed for Equalities Programme Manager, 28/11/2023.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.