

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>CABINET</b>		
<b>DATE OF DECISION:</b>	<b>12 February 2025</b>		
<b>REPORT TITLE:</b>	<b>2024-25 Period 8 Financial Performance Report</b>		
<b>CORPORATE DIRECTOR:</b>	<b>Jane West Corporate Director of Resources (Section 151 Officer)</b>		
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>		
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>		
<b>KEY DECISION?</b>	<b>No</b>	<b>Reason: N/A</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public Grounds for the exemption: N/A</b>	
<b>WARDS AFFECTED:</b>	<b>All</b>		

## 1 SUMMARY OF REPORT

- 1.1 This report provides the Council's financial performance as at Period 8 (November 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	379.5	18.2	5.0%
Revenue Forecast (Housing Revenue Account)	-	8.0	8.0	N/A
Capital Forecast (General Fund)	137.4	134.7	(2.7)	(2.0%)
Capital Forecast (Housing Revenue Account)	68.3	68.3	-	-

## 2 RECOMMENDATIONS

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

- 2.1** to note the General Fund revenue budget outturn is forecast to overspend at financial year end by £18.2m at Period 8, 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 and £3.9m business risk earmarked reserve.
- 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 through the in-year Financial Recovery Plan as set out from paragraph 4.9.
- 2.3** to note the unfunded Local Government cost pressures that have emerged nationally, regionally and locally relating to increases in demand and market prices which need to be addressed by Government changes to policy and/or funding levels.
- 2.4** to note the progress in Medium Term Financial Strategy (MTFS) savings achievement of £21.9m (79.1%) against the total savings target of £27.7m as set out in paragraph 4.148.
- 2.5** to note the work that is continuing on the Council's Transformation Programme as set out from paragraph 4.143.
- 2.6** to note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £8.0m.
- 2.7** to note the General Fund capital programme 2024-25 forecast underspend of £2.7m against the revised capital budget of £137.4m.
- 2.8** to note the HRA capital programme 2024-25 forecast breakeven position against the revised capital budget of £68.3m.
- 2.9** 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 as set out from para 4.168. Dialogue with MHCLG continues around options of further financial support from Government in regard to the level of structural indebtedness to ensure the Council can deliver sustainable Local Government services.

- 2.10** to note that the Council continues to operate Spend Control Panels, and tightened the criteria from July 2024, to ensure that stringent financial control and assurance oversight are maintained.
- 2.11** to note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

### **3 REASONS FOR RECOMMENDATIONS**

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

### **4 BACKGROUND AND DETAILS**

- 3.2** 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.
- 4.1** 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.
- 4.2** Dialogue with MHCLG continues around options of further financial support from Government in regard to the level of structural indebtedness to ensure the Council can deliver sustainable Local Government services. Page 8 of the LGA Corporate Peer Challenge Feedback report (link: [LGA Corporate Peer Challenge Final Report](#)) states "The Council's debt represents a key structural challenge to the delivery of sustainable finances. The Council is working with the IAP in developing a long-term proposal to the Government to secure long-term financial sustainability. However, the peer team found that the Council's relationship with MHCLG on addressing its financial challenges has not translated into meaningful action or decision-making regarding the Council's structural debt. It was suggested to the peer team by members of the IAP that Government was unlikely to make a decision about how to resolve Croydon's debt issue before summer 2025 which, given the ongoing cost to

the public purse of servicing the debt, was shocking to the peer team. The peer team would urge Government (MHCLG and the Treasury) to engage with the Council in a meaningful way to identify how the structural debt issue can be addressed.”

## GENERAL FUND REVENUE BUDGET SUMMARY

- 4.3** The General Fund revenue forecast outturn at financial year end shows a projected overall overspend of £18.2m, 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 and £3.9m business risk earmarked reserve. The £3.9m of the business risk earmarked reserve has been freed up for the revenue position by substituting this reserves funding of the Oracle Improvement capital programme with capital receipts.
- 4.4** 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	164.0	131.5	169.8	5.8	6.0	(0.2)
Assistant Chief Executive	22.2	7.9	21.1	(1.1)	(1.1)	-
Children, Young People and Education	116.4	75.6	131.7	15.3	15.3	-
Housing	26.9	31.9	47.1	20.2	15.7	4.5
Resources	18.5	97.8	17.0	(1.5)	(1.5)	-
Sustainable Communities, Regeneration & Economic Recovery	89.2	58.0	91.3	2.1	2.7	(0.6)
<b>Subtotal Service Directorates</b>	<b>437.2</b>	<b>402.7</b>	<b>478.0</b>	<b>40.8</b>	<b>37.1</b>	<b>3.7</b>
Corporate Items and Funding	(75.9)	(56.8)	(81.6)	(5.7)	(5.7)	-

<b>Total Net Expenditure Budget</b>	<b>361.3</b>	<b>345.9</b>	<b>396.4</b>	<b>35.1</b>	<b>31.4</b>	<b>3.7</b>
Use of one-off corporate earmarked reserves	-	-	(13.0)	<b>(13.0)</b>	(13.0)	-
Use of one-off business risk earmarked reserve (note 1)	-	-	(3.9)	<b>(3.9)</b>	-	(3.9)
<b>Revenue impact after use of corporate earmarked reserves</b>	<b>361.3</b>	<b>345.9</b>	<b>379.5</b>	<b>18.2</b>	<b>18.4</b>	<b>(0.2)</b>

*Note 1: £3.9m of the business risk earmarked reserve has been freed up to support the revenue position by substituting this reserves funding of the Oracle Improvement capital programme with capital receipts.*

*Note 2: The budgets for directorates reflect a financial improvement carried out in Period 8 whereby the non-controllable budgets and actuals for corporate (SERCOP) overhead recharges are now loaded into the Oracle ledger. This improvement reflects the true cost of services in line with Revenue Estimate and Revenue Outturn statistical reporting to Government, improves transparency of overhead costs for budget holders, and is in line with the Oracle Improvement Programme aim to reduce spreadsheet usage outside of the ledger (using Oracle as the one true primary source of financial data). The presentational impact is that the net budgets of the ACE and Resources directorates are reduced by the support service recharges to the frontline services, and the net budgets of frontline services are increased in the ASCH, CYPE, Housing General Fund and SCRER directorates for the support service recharges to them.*

- 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, in line with London and the country, 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 Executive Mayor and Cabinet Member challenge and weekly Corporate Management Team (CMT) discussions, have taken place across all directorates around how the Council addresses 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 have been developed for homelessness, children's social care placements and SEND transport as detailed below.

#### Homelessness Financial Recovery Plan

**4.10** Successful management of the budget pressure must be addressed in the context of increasing demand. Therefore, a key strategy is to contain the cost of rising need for temporary accommodation whilst also prioritising resources towards required service improvement by maintaining the effective demand management controls currently in place. In effect, the net rate of new placements into temporary accommodation is maintained at 12.5% (50 households per month) of presentations.

**4.11** The shortage of accommodation options has made boroughs more reliant on expensive options such as commercial hotels. London Councils' latest borough survey shows that boroughs are collectively spending around £90m per month – approximately £3m every day, on temporary accommodation, up nearly 40% from a year earlier. Croydon has reduced, and since August 2024 stopped, use of expensive commercial hotels which is a step in the right direction but there is still more to be done to stabilise this for the rest of the financial year.

**4.12** There are other actions being taken to increase the supply of cost-effective temporary accommodation to rehouse homeless households. This includes ongoing work to return 63 units which are currently vacant in Sycamore House back into use and due diligence is underway to assess acquiring other residential units.

#### Children's Social Care Placements Financial Recovery Plan

**4.13** The placements pressure highlighted in the monitoring position is being reviewed through a number of measures, to ensure all mitigating actions are considered to manage the in-year position and longer-term trajectory of spend. The CYPE Strategic

Delivery Partner, Impower, has undertaken an in-depth analysis of CYPE expenditure, and findings from this work will now be used to create a programme of transformation. This programme will also include activity which is already underway outlined below:

- **Impower Valuing Care Approach** - a framework to better understand and respond to the specific needs and evolving outcomes of children in care, supporting transitions from residential to family settings, and improving foster carer matching.
- **Best Value Care Panel** - this panel reviews all placements costing over £3,000 per week to ensure each one is aligned with the child's needs in the most cost-effective way possible.
- **Foster Carer Recruitment** - Foster carer recruitment efforts are being accelerated to increase the number of available foster care households and placements. This includes targeted marketing, behavioural science applications, insights from other authorities, and the use of advanced marketing tools.
- **Children Looked After (CLA) Sufficiency Strategy** - CYPE is advancing a sufficiency strategy to strengthen relationships with the care market and explore alternative placement solutions, including utilising Council-owned properties. Sites are currently under development to increase placement capacity, with more options under consideration.
- **In-Year Grant Management** - grants have been reviewed to ensure effective use.
- **Health Funding** - supported by benchmarking comparisons with other London boroughs, CYPE is engaged in negotiations with health partners to secure appropriate funding for care packages which could be jointly funded.

**4.14** These initiatives represent a comprehensive, proactive approach to managing current budget challenges whilst establishing a long-term sustainable approach for placements moving forward.

#### SEND Transport Financial Recovery Plan

**4.15** As part of Impower's work with CYPE's transformation programme, a deep dive into Travel Assistance for children with SEND has been undertaken. This work has informed the development of the SEND Transport financial recovery plan. The Impower work has identified some opportunities to deliver savings and some recommendations for how the service could continue to develop. It has found that overall the service compares well with other local authorities and many of the key areas for delivering savings and efficiencies have been tackled.

**4.16** There are some areas across the SEND Transport system where marginal gains could be achieved in the medium term, including continuing to grow the proportion of children travelling using personal travel budgets, making the independent travel team more productive, and reducing the reliance upon taxis.

**4.17** The SEND Transport transformation programme board, co-led by SCRER and CYPE, is working with the SEND service to ensure that:

- parental expectation around transport is set early
- children with transport can be reviewed on a regular basis using a needs-based approach
- decisions about school placements take transport costs into account
- the Travel Assistance team can get the right information at the right time to commission effectively – both for individual children, and emerging trends about cohorts with high or low levels of SEND needs
- all high cost placements are discussed with the Heads of Service in both directorates

**4.18** There is also work underway to continue to increase local SEND school provision. The SEND Transport transformation board has developed the financial recovery plan and will oversee its delivery alongside the wider transformation programme.

## 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	142.7	124.6	150.4	7.7
Adult Strategic Commissioning, Policy & Improvement	18.9	5.3	17.0	(1.9)
Central ASCH	2.4	1.6	2.4	-
<b>Total ASCH</b>	<b>164.0</b>	<b>131.5</b>	<b>169.8</b>	<b>5.8</b>

**4.19** At period 8 the ASCH directorate has a forecast overspend of £5.8m (3.5%) against a budget of £164.0m.

**4.20** 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 £7.7m

**4.21** Increasing care costs are being experienced nationally and regionally. London boroughs' published 2024-25 forecasts have reported forecast overspends in adult



social care such as Hackney<sup>1</sup> (£17.8m after reserves), Redbridge<sup>2</sup> (£10.7m), Newham<sup>3</sup> (£7m) and Lewisham<sup>4</sup> (£5.7m).

- 4.22** Despite best efforts, including overdelivering on savings targets, the directorate remains in an adverse position for its year end outturn forecast. As widely publicised as a national issue, the directorate is experiencing a continual increase in the demand for home care. A review of the home care spend for the remainder of the year is showing that demand is likely to remain at higher than expected levels or, possibly, increase further.
- 4.23** The demand and levels of need from acute hospitals continues to be high. Croydon University Hospital are operating at bed capacity of nearly 99% and have high numbers each day awaiting admission from urgent treatment centres and emergency departments. This is a similar position across South West London boroughs and acute hospitals. The integration of health and social care services via the Discharge Transformation Programme (formally Frontrunner Programme) is crucial to address these challenges effectively and ensure residents receive care and support via the correct discharge pathways that support enablement/reablement. This includes increasing/re-modelling the current intermediate care bed service, improving our reablement service and ensuring that all residents have access to community health services.
- 4.24** This is in addition to the increasing cost of nursing and residential care beds for new placements which is a significant factor in the underlying forecast overspend.
- 4.25** The country, London and Croydon have experienced cost growth pressure over and above the amount it awarded the care market for inflationary cost pressures. Some of this is being driven by growth in the 'replacement cost' of new packages of care. This is a situation where, over time, the cost of new packages of care are higher than the cost of a recently closed package of care that it was effectively replacing. The amount they are higher by is greater than the levels of inflation that have been awarded to the older existing packages of care.
- 4.26** 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.

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<sup>1</sup> 2024/25 Overall Financial Position Report - August 2024 [Agenda for Cabinet on Monday 28 October 2024, 6.00 pm](#)

<sup>2</sup> Budgetary Control Report for Month 3 [Choose agenda document pack - Cabinet 12 September 2024 \(redbridge.gov.uk\)](#)

<sup>3</sup> Quarter Two 2024/25 Budget Monitoring and Review [Agenda for Cabinet on Tuesday 15th October 2024, 10.30 a.m.](#)

<sup>4</sup> Period 4 monitoring report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 23rd October, 2024, 6.00 pm](#)

- 4.27** Localities and Living Independently For Everyone (LIFE) have an overspend of £5.2m. This is made up of a net overspend on care of £6.2m, partially offset by an underspend on staffing (£0.8m) and equipment costs (£0.2m). LIFE includes integrated hospital discharge, rehabilitation and reablement services.
- 4.28** Working Age Adults and Transitions has an overspend of £4.8m. This comprises an overspend on care of £5.0m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing of (£0.2m).
- 4.29** Provider Services has a (£1.5m) forecast underspend on staffing owing to vacancies.
- 4.30** Safeguarding service has a (£0.2m) forecast underspend on staffing owing to vacancies across the service.
- 4.31** Business Compliance and Early Intervention has a (£0.3m) forecast underspend mainly owing to staffing owing to vacancies but also favourable income variances.
- 4.32** Mental health services have a (£0.3m) forecast underspend owing to vacancies.

Adult Social Care Commissioning, Policy and Improvement - Forecast underspend of (£1.9m)

- 4.33** The Commissioning, Policy and Improvement division is forecasting an underspend of (£1.9m) owing to contract underspends of (£1.1m), overachievement of income (£0.6m) and a staffing underspend of (£0.3m). There is an overspend of £0.1m relating to Croydon Equipment Service owing to changes to the service delivery model, this is linked to savings in future years.
- 4.34** The division has been holding spend in this year to assist with the overall outturn position, though this is impacting on contractual provision to meet demand.

Central ASCH - Forecast breakeven position

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

**4.36** Risks

Risks continue in the provider market from inflation including higher labour, fuel 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 currently seeing a significant increase in care costs and demand in Older Adults Localities. Although the total number of people in nursing and residential remains stable, the weekly cost for new nursing and residential placements are increasing significantly.

Commissioners are working hard to maintain current rates but the market is heavily influenced by the rates other boroughs are willing to pay.

Pressure is also being experienced in homecare. However, this relates to increases in demand rather than increased unit costs.

The risks associated with increased provider costs and demand are now evident and reflected in the Period 8 forecast.

#### 4.37 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)**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Forecast (£m)</b>	<b>Forecast Variance (£m)</b>
Policy, Programmes and Performance	2.3	(0.1)	1.9	(0.4)
Elections Service	0.4	1.1	0.4	-
Croydon Digital	2.2	(6.7)	2.0	(0.2)
Chief People Officer	0.5	(0.9)	0.4	(0.1)
Central ACE	16.8	14.5	16.4	(0.4)
<b>Total ACE (General Fund)</b>	<b>22.2</b>	<b>7.9</b>	<b>21.1</b>	<b>(1.1)</b>
<b>Public Health Grant Ringfenced Services (note 1)</b>	-	<b>(8.2)</b>	-	-

*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.*

**4.38** At period 8, the ACE directorate has a General Fund forecast underspend of £1.1m (5.0%) against a budget of £22.2m.

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

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

Croydon Digital Division - £0.2m forecast underspend

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

Chief People Officer Division - £0.1m forecast underspend

**4.41** 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 periods of vacant posts are a consequence of the process.

Central Assistant Chief Executive - £0.4m forecast underspend

- 4.42** There is a forecast underspend of £0.4m relating to lower than budgeted expenditure for the Concessionary Travel and Travel Service Team (£0.5m) with the majority relating to reduced concessionary travel recharged from Transport for London (which includes the effect of a freeze on fare cost increases for 2024-25).

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

- 4.43** It is currently forecast that Public Health will draw down £0.488m from ring fenced Public Health reserves at the end of 2024-25.
- 4.44** From 2024-25, as part of the Medium-Term Financial Strategy, a Public Health (PH) grant allocation of £3m has been assigned for work that enhances the wider determinants of health and relates to services across the Council which fulfil the grant criteria. This investment is intended to strengthen the whole council approach to embedding PH as part of everything we do, Health in All Policies (HiAP), and helps to reinforce the message that PH is part of everyone's business, including in the contracts we commission. The £3.0m has been allocated across key services within Adult Social Care & Health (£1m), Children & Young People (£1m), Sustainable Communities (£0.5m), Housing (£0.35m) and Digital & Resident Access (£0.15m).
- 4.45** New one-off investment of £2m has also been aligned to prevention related investment in public health services and activities.

Risks

- 4.46** 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.
- 4.47** Public Health - There is uncertainty in future years' funding owing to continuity of the supplementary substance misuse treatment and recovery (SSMTR) additional grants not confirmed to date.

Opportunities

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

**CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Forecast (£m)</b>	<b>Forecast Variance (£m)</b>
Children's Social Care	87.8	63.3	102.1	14.3
Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Leavers	0.2	6.6	0.9	0.7
Asylum Seekers and Homes for Ukraine	-	(5.7)	-	-
Quality, Commissioning and Performance Improvement	10.1	6.1	10.1	-
Non-DSG Education Services	18.2	4.5	18.1	(0.1)
Central CYPE	0.1	0.8	0.5	0.4
<b>Total CYPE (General Fund)</b>	<b>116.4</b>	<b>75.6</b>	<b>131.7</b>	<b>15.3</b>
Dedicated Schools Grant (DSG) High Needs Education Services	82.1	59.4	82.6	0.5
Dedicated Schools Grant (DSG) Early Years Block	53.8	34.8	53.8	-
<b>Total CYPE (Dedicated Schools Grant)</b>	<b>135.9</b>	<b>94.2</b>	<b>136.4</b>	<b>0.5</b>

### **General Fund**

- 4.49** At period 8, the CYPE directorate has a General Fund forecast overspend of £15.3m (13.1%) against a budget of £116.4m.
- 4.50** Market prices and demand needs are continuing to put pressure on placement spend.
- 4.51** Alongside this, work is continuing on the financial recovery plan. The initiatives represent a comprehensive, proactive approach to managing current budget challenges whilst establishing a long-term sustainable approach for placements moving forward.
- 4.52** The ongoing impact of these pressures is being reflected through the MTFS process and budget setting for 2025-26.

### **Children's Social Care Division (including UASC and UASC Care Leavers) – forecast overspend of £15m**

#### **Placements**

- 4.53** The placement budget is forecasting an overspend of £12.3m. Whilst the overall number of children in care is relatively stable, the mix of care has shifted slightly towards residential and semi-independent placements. Alongside market price pressures this is driving an increase in spend on placements.
- 4.54** There are a growing number of very high-cost placements, with 11 over £10k per week, 36 between £5k-£10k per week and 9 between £3k-£5k per week. Croydon continues to negotiate with other boroughs over some of these high cost placements, where they have placed families in the borough and are not covering the costs.
- 4.55** The full year impact of those that commenced last year and the upwards trajectory in high cost placements is a significant contributor to the increase in forecast spend compared to last year.

- 4.56** This pressure is being experienced nationally and regionally as evidenced within other London boroughs' published 2024-25 forecasts.
- 4.57** Through ongoing Transformation work such as the sufficiency strategy, best value panel, utilisation of grants and engagement with the Strategic Delivery Partner, all avenues are being explored to determine potential to bring costs down. This includes a number of deep dives into specific areas.
- 4.58** The placements pressure is being reviewed through a number of measures, as outlined in the financial recovery plan. These initiatives represent a comprehensive, proactive approach to managing current budget challenges whilst establishing a long-term sustainable approach for placements moving forward.
- 4.59** The CYPE Strategic Delivery Partner, Impower, has undertaken an in-depth analysis of CYPE expenditure, based on their Valuing Care approach, it is estimated that £210k in year savings can be delivered on placements. This has been factored into the forecast and regular reports will be received to measure impact.

### **Staffing**

- 4.60** Forecast overspend of £1.8m against staffing costs.
- 4.61** 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. This has contributed £0.7m towards the overspend.
- 4.62** 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. In addition, in line with the recruitment and retention strategy, the service is recruiting newly qualified social workers (NQSW). The investment in these new NQSW posts creates an extra short term pressure of £0.3m 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.
- 4.63** The remaining overspend of £0.8m is associated with use of agency staff, sickness and maternity cover and supernumerary posts to meet demand pressures.
- 4.64** Modelling options are being considered for 2024-25 to manage demand effectively across teams, whilst maintaining safe caseload levels. It is anticipated that this will allow the service to operate within budget.

## **Court ordered assessments**

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

## **Unaccompanied Asylum-Seeking Children**

- 4.66 £0.7m 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.
- 4.67 Investigative work continues 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.

## **Central CYPE – forecast overspend of £0.4m**

- 4.68 Forecast overspend of £0.4m owing to short-term extra staffing to support long term practice improvements alongside preparations for the OFSTED inspection.

## **Quality, Commissioning and Performance Improvement Division – breakeven forecast**

- 4.69 The division is forecasting a balanced position.

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

- 4.70 Income pressures of £0.3m related to an unachieved 2022-23 MTFS savings target around NHS joint funding. These are currently being offset by staffing vacancies.
- 4.71 (£0.2m) reduced staffing cost from recharges to capital projects.
- 4.72 £0.1m overspend related to the Education Psychologist cost which cannot be funded from DSG.

## **Dedicated Schools Grant (DSG)**

### **DSG High Needs education services – forecast overspend of £0.54m**

- 4.73 At period 8, the DSG high needs block has a forecast overspend of £0.54m against a budget of £82.1m.
- 4.74 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.
- 4.75 The overspend is owing to the following factors:

£2.149m overspend owing to more placements of pupils in mainstream schools owing to increase in demand above the budgeted amount. This growth is, however, expected as part of the High Needs strategy to place more pupil in mainstream provisions and the use of the Cluster of Schools model. The cost per placement of these provisions has stayed the same, as the banding rates have remained unchanged over the last few years.

£2.454m and £0.241m are overspends in independent placements and Out of Borough placements respectively, 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.

£0.611m overspend is owing to significant demands for Speech and language therapy provision outside the current contract with Croydon Integrated Care Board (ICB) health partners.

£0.378m overspend owing to increased number of complex cases, which the Local authority has agreed to fund under a separate pathway, to prevent placement at out of borough and independent provisions.

(£1.200m) extra grant expected from the Schools Block to the High Needs Block as part of the approved Schools Forum and DfE disapplication request.

(£1.903m) and (£0.461m) represent expected clawback from specific Resource Provision (academies) for extra funding received from the Department for Education (DfE) and underspend in SEN Inclusion Fund (SENIF) budget.

(£1.729m) DSG grant set aside to support the DSG High Needs Transformation strategy and staffing underspend.

- 4.76** The 2024-25 forecast leads to an overall DSG deficit projection of £8.693m by the end of 2024-25. Compared to the safety valve target of £10.078m, this represents a favourable position of £1.385m. The £1.385m consists of a £0.195m 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**

- 4.77** The Department for Education (DfE) provides six key funding streams for the Early Years Block. The budget allocation for 2024-25 is £53.8m, and a breakeven position is forecast at Period 8.

#### **Risks**

- 4.78** 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.”

- 4.79** Section 17 spend helps young people to remain with their families and prevents an increase in downstream care costs. Costs have increased but are being carefully monitored to track trajectory and maintain position within budget.
- 4.80** 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.
- 4.81** 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

- 4.82** 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	26.9	31.9	47.1	20.2
<b>Total Housing General Fund</b>	<b>26.9</b>	<b>31.9</b>	<b>47.1</b>	<b>20.2</b>

- 4.83** At period 8, the Housing directorate has a General Fund forecast overspend of £20.2m (75%) against the net budget of £26.9m. This is a £4.5m increase from the Period 7 forecast and is owing to the demand pressures within temporary accommodation and specifically within the nightly paid accommodation portfolio.
- 4.84** The increase in demand within the nightly paid portfolio is in line with the increasing activity experienced in the 2023-24 financial year and is consistent with other London boroughs experiences. London Councils report this is the highest-ever level of recorded homelessness in the capital.
- 4.85** The overspend is mainly attributable to a forecast spend of £25.9m on nightly paid accommodation against a £6.4m budget resulting in a £19.5m forecast overspend.

Despite prevention work, the service is experiencing an ongoing increase in demand with the number of paid units increasing by on average 50 units per month. The forecast spend is based on this level of activity continuing for the remainder of the financial year and the average cost per night continuing to rise. The average cost per night has increased to £71.37 from £56 per night in the prior year. Although the forecasting accuracy has improved, it requires further refinement as the implementation of additional features of the NEC Housing IT system are implemented and ongoing improvements to data quality and reporting from the system are rolled out and tested.

- 4.86** The pressure is being experienced nationally and regionally. London boroughs' published 2024-25 forecasts have reported forecast overspends in nightly rate accommodation such as Newham<sup>5</sup> (£32.9m), Redbridge<sup>6</sup> (£10.1m), Lewisham<sup>7</sup> (£13m) and Hackney<sup>8</sup> (£19.5m). Westminster<sup>9</sup> 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.
- 4.87** The Concorde Sycamore Windsor (CSW) portfolio is maintaining a forecast £1.6m pressure.
- 4.88** The bad debt provision forecast has been increased by an additional £1.5m in this financial year. 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.
- 4.89** 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**

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<sup>5</sup> Quarter Two 2024/25 Budget Monitoring and Review [Agenda for Cabinet on Tuesday 15th October 2024, 10.30 a.m.](#)

<sup>6</sup> Budgetary Control Report for Month 2 [Cabinet - Thursday, 18th July, 2024 7.15 p.m. \(redbridge.gov.uk\)](#)

<sup>7</sup> Period 4 monitoring report [Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 23rd October, 2024, 6.00 pm](#)

<sup>8</sup> 2024/25 Overall Financial Position Report - August 2024 [Agenda for Cabinet on Monday 28 October 2024, 6.00 pm](#)

<sup>9</sup> 2023/24 Revenue and Capital Outturn and Statement of Accounts [Agenda for Cabinet on Monday 15th July, 2024, 6.30 pm | Westminster City Council \(modern.gov.co.uk\)](#)

- 4.90** The Housing Benefit (HB) subsidy received from the Department for Work and Pensions (DWP) for temporary accommodation is frozen at 90% of the Local Housing Allowance (LHA) in 2011 and has not been increased since. This inherent gap between the accommodation costs, which have increased since then, and HB income remains significant for provision of temporary accommodation.
- 4.91** 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. The Homelessness Prevention Grant (HPG) allocation is already fully used to cover homelessness and temporary accommodation pressures.

### **Demand**

- 4.92** 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.
- 4.93** Croydon has experienced an increase in both the average cost of nightly paid and temporary accommodation and has had to meet these 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**

- 4.94** 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.
- 4.95** 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 forecast within the 2024-25 position.

- 4.96** 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 income from placements in nightly paid accommodation.

### Opportunities

- 4.97** 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.
- 4.98** 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.
- 4.99** The ongoing cultural changes within Housing and the impact of restructure changes for Housing Needs is 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	2.8	(0.5)	0.7	(2.1)
Finance ( <i>refer note 1</i> )	11.6	92.4	11.1	(0.5)
Legal Services and Monitoring Officer	3.6	3.7	3.6	-
Insurance, Anti-Fraud and Risk	0.3	1.7	1.4	1.1
Internal Audit Service	0.1	(0.1)	0.1	-
Pensions and Treasury	0.0	0.7	0.0	-
Central Resources	0.1	(0.1)	0.1	-
<b>Total Resources</b>	<b>18.5</b>	<b>97.8</b>	<b>17.0</b>	<b>(1.5)</b>

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

**4.100** At period 8, the Resources directorate has a General Fund forecast underspend of £1.5m (8.1%) against a budget of £18.5m.

Commercial Investment Division – £2.1m forecast underspend

**4.101** The division continues to forecast decreased utilities costs to meet in year savings targets (£0.2m) and there is improved income predicted for recharging to external bodies (£0.8m) and lease extensions (£0.4m). The division has also reduced certain non-essential maintenance (0.2m). 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

**4.102** 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. Owing to volatility in the position with potential large one-off settlements, the team will continue to closely monitor claim costs.

Finance Division – £0.5m forecast underspend

**4.103** 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.

**4.104** 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.

**4.105** 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.

Risks

**4.106** There are risks in the Commercial Investment Division in relation to challenging saving targets across the division and potential increased cost of energy owing to market fluctuations.

**4.107** 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).

- 4.108** The Legal Services and Monitoring Officer Division has increased 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.
- 4.109** Increase in cost of external audit fees. An earmarked reserve is being used to offset extra short term costs and an increase in the annual budget may be required in the longer term.

#### Opportunities

- 4.110** Potential increased recovery in year for utility costs incurred by the Council, above the £0.8m estimate already included in the forecast above.
- 4.111** Potential increase in recovery of Housing Benefit overpayments, which could exceed the £0.3m income above budget already included in the forecast above.
- 4.112** Potential increase in underspend relating to the cessation of non-essential facilities maintenance above the £0.2m already included in the forecast above.
- 4.113** Potential reduction in utilities cost above the £0.2m underspend in the forecast, depending on usage and market prices.

## **SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)**

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Streets and Environment	66.8	44.4	70.0	3.2
Culture and Community Safety	11.7	6.8	10.6	(1.1)
Planning & Sustainable Regeneration	10.6	6.5	10.6	0.0
Central SCRER	0.1	0.2	0.1	0.0
<b>Total SCRER</b>	<b>89.2</b>	<b>58.0</b>	<b>91.3</b>	<b>2.1</b>

- 4.114** At period 8, the SCRER directorate has a General Fund forecast overspend of £2.1m (2.4%) against a budget of £89.2m. The main potential risk areas relate to Special Educational Needs & Disabilities (SEND) home to school transport and income relating to parking enforcement and planning.

Streets and Environment Division - forecast overspend of £3.2m

- 4.115** SEND children transport is forecasting a £6.1m overspend owing to an unprecedented increase in demand and inflation. This is 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 Newham which has reported a £2.5m forecast overspend in home to school transport and Lewisham which has reported £2.2m extra forecast cost in 2024-25 above their 2023-24 level.
- 4.116** There is a projected £0.7m income pressure in New Roads and Street Works Act (NRSWA) coring inspections and permit applications.
- 4.117** These budget pressures are partially offset by a projected staffing underspend owing to vacancies (£1.9m) and a forecast underspend in other services (£1.7m).

Culture and Community Safety Division – forecast underspend of (£1.1m)

- 4.118** The division is forecasting an underspend of (£1.1m). This is owing to increased Burial income within the Bereavement service (£0.4m), increased grant funding secured in the Violence Reduction Network (£0.3m), periods of staffing vacancy (£0.2m), underspends across the libraries service while the service is under redesign (£0.1m), and increased income from the GLL contract of (£0.1m).

Planning and Sustainable Regeneration Division – forecast breakeven

- 4.119** The division is forecasting to be breakeven. This is driven by an income under-achievement of £0.4m owing to lower activity levels to date in planning major applications and planning performance agreements. This has been partially mitigated through utilisation of CIL funding (£0.2m), additional income in Spatial Planning & Growth and Regeneration (£0.1m) and additional grant funding in Economic Delivery and Employment Investment (£0.1m)
- 4.120** 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.

**4.121** 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.

#### 4.122 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	(4.3)	-	-	4.3
Risk Contingency Budget	5.0	-	-	(5.0)
Transformation Programme revenue budget	5.0	-	-	(5.0)
Other corporate items	(81.6)	(56.8)	(81.6)	-
<b>Total Corporate Items and Funding</b>	<b>(75.9)</b>	<b>(56.8)</b>	<b>(81.6)</b>	<b>(5.7)</b>

**4.123** At period 8, the Corporate directorate has a General Fund forecast underspend of £5.7m against a net budget of (£75.9m). There is £5m forecast underspend in the transformation programme budget which includes the impact of the movement of the Strategic Delivery Partners work (£4.463m) from revenue to capital (funded by flexible use of capital receipts). The risk contingency budget of £5m is offsetting the inflation pressure of £4.3m.

**4.124** 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.

**4.125** Corporate holds the £4.279m overspend pressure from pay and non-pay inflation. There was a budget of £18.183m but allocations to directorates have totalled £22.462m. Allowance has been made in the proposed 2025-26 budget to compensate corporate for the budget pressure.



**4.126** 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.

**4.127** The corporate area also holds the 2024-25 Transformation revenue 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. This budget will not be utilised in 2024-25 providing an underspend (transformation work is being contained within the transformation earmarked reserve funding and the capital programme).

**4.128** It is expected that any underspend against allocations in 2024-25 would be carried forward in an earmarked reserve to fund projects which are being delivered over multiple financial years.

### Collection Fund

**4.129** 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	332.8	332.7	-	-

**4.130** 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. The current forecast is collection of 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 £319.6m. The remaining £4.78m will be collected in future years.

**4.131** 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.

**4.132** 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 (%)
229.5	228.8	68.96	68.76	(0.20)

- 4.133** The end of November collection target is 68.96% and collection to date is 68.76% which is 0.2% behind the target which equates to £0.67m. The collection percentage has improved by 0.02% since Period 7.
- 4.134** There is a risk that the collection target may fall further behind the end of December (Period 9) target, as there are fewer working days to make payment.
- 4.135** 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.
- 4.136** The table below shows the 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 (%)
91.8	92.3	74.54	74.89	0.35

- 4.137** The end of November collection target is 74.54% and we have collected 74.89% so we are 0.35% above the target.
- 4.138** 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.
- 4.139** 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

- 4.140** 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	36.7	2.4
Interest receivable income	(2.6)	(2.6)	-

- 4.141** The interest payable forecast cost increased in the Period 6 forecast owing to the externalisation of internal borrowing. The forecast overspend in interest cost is being offset in the corporate area through miscellaneous income and underspends in supplies and services.

## Transformation Programme

- 4.142** The Transformation Programme has £16.1m of resources allocated to it, consisting of £5m base revenue budget and £11.1m earmarked reserve.
- 4.143** In total there is currently £7.3m of the Transformation Programme budget allocated with £8.8m unallocated to date. Of this £8.8m unallocated to date, at least £5.0m of budget will not be allocated in 2024-25 to contribute an underspend towards the Council's overall position. This includes transformation spend of £4.463m relating to the work of the three Strategic Delivery Partners and £0.530m relating to the Oracle Improvement Programme which have moved from transformation revenue into the capital programme (to be financed through the flexible use of capital receipts).
- 4.144** The Transformation Programme provides a return on investment through service improvement benefits and the identification and delivery of savings for the MTFS. The existing transformation projects provide cumulative ongoing annual savings of £15.3m for Adults Living Independently, £12.7m for Children and Young People and £0.8m for Oracle Improvement efficiencies in finance and procurement.
- 4.145** The proposed new transformation one-off investment related to the Council's Target Operating Model of £30.8m (included in the 2025-26 Budget and MTFS report presented to Cabinet today) will provide cumulative ongoing annual savings of £24.7m and increased Council Tax income (from an improved collection rate rising from 97.5% to 98.0% in 2025-26 and 98.5% in 2026-27) of circa £3m.
- 4.146** An internal audit has been commissioned to assure the Council that the transformation programme is being monitored and delivered in line with best practice.

## 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	<b>5.000</b>			
Transformation Reserve Funding		5.240	5.812	<b>11.052</b>			
<b>Total Transformation Funding</b>		<b>5.240</b>	<b>10.812</b>	<b>16.052</b>			
<b>Transformation Plan</b>							
Croydon Campus	Council-wide (Resources)	0.018	0.023	<b>0.040</b>	0.040	0.040	-
Asset Rationalisation	Resources	0.125	(0.023)	<b>0.102</b>	-	-	(0.102)
A Customer First Programme	ACE	-	0.639	<b>0.639</b>	0.187	0.609	(0.030)

Project	Service Area	Slippage from 2023-24	2024-25 New Allocation	2024-25 Total Allocation	Actuals to Date	Forecast Spend	Forecast Variance
Transformation PMO	Council-wide (ACE)	0.005	1.100	<b>1.105</b>	0.854	1.105	-
<b>Council Improvement Plan</b>							
Parking Policy Review	SCRER	0.081	-	<b>0.081</b>	-	0.081	-
Library Service Review (Community Hubs Programme)	SCRER	0.249	-	<b>0.249</b>	0.061	0.249	-
HR Transformation	ACE	0.015	-	<b>0.015</b>	0.057	0.015	-
Digital & Resident Access Review/Digital Workforce	ACE	0.049	-	<b>0.049</b>	0.059	0.049	-
Passenger/SEND Transport Transformation	SCRER	0.080	-	<b>0.080</b>	0.004	0.080	-
Corporate Parenting Transformation	CYPE	0.335	0.700	<b>1.035</b>	0.203	0.463	(0.572)
Dynamic Purchasing System	Housing	0.047	-	<b>0.047</b>	-	0.047	-
Calleydown Transformation	CYPE	0.134	-	<b>0.134</b>	0.003	0.050	(0.084)
Joint Funding Arrangements	CYPE	0.110	-	<b>0.110</b>	-	-	(0.110)
Income & Debt Review	Resources	0.035	-	<b>0.035</b>	-	-	(0.035)
Customer Access Review	Council-wide (ACE)	0.083	-	<b>0.083</b>	0.064	0.064	(0.019)
Building Control Transformation	SCRER	0.387	-	<b>0.387</b>	0.162	0.200	(0.187)
Planning & CIL Transformation	SCRER	0.216	-	<b>0.216</b>	0.008	0.216	-
Housing Needs Restructure	Housing	0.080	-	<b>0.080</b>	0.288	0.080	-
Temporary Accommodation Case Review	Housing	0.451	-	<b>0.451</b>	-	0.451	-
Housing Occupancy Checks	Housing	0.048	-	<b>0.048</b>	0.049	0.048	-
Rent Accounts and Data Cleanse	Housing	0.026	-	<b>0.026</b>	-	0.026	-
Housing Association Recharges	Housing	0.059	-	<b>0.059</b>	-	0.059	-
Supported Housing Review	Housing	0.062	-	<b>0.062</b>	-	0.062	-
Adult Social Care Transformation	ASCH	0.372	0.368	<b>0.740</b>	-	0.740	-
Business Intelligence Review	Council-wide (Resources)	0.026	-	<b>0.026</b>	0.026	0.026	-

Project	Service Area	Slippage from 2023-24	2024-25 New Allocation	2024-25 Total Allocation	Actuals to Date	Forecast Spend	Forecast Variance
Community Equipment Service	Council-wide (ASCH)	0.087	0.100	<b>0.187</b>	0.220	0.187	-
Croydon Museum	SCRER	0.170	-	<b>0.170</b>	0.031	0.170	-
SCRER Business Improvement Team	SCRER	0.349	-	<b>0.349</b>	0.135	0.349	-
Procurement and Contract Management Improvement	RES	-	0.686	<b>0.686</b>	0.232	0.686	-
<b>Total Revenue Budget and Reserves Allocated to Date</b>		<b>3.699</b>	<b>3.593</b>	<b>7.291</b>	<b>2.683</b>	<b>6.152</b>	<b>(1.139)</b>
Unallocated To Date				<b>8.761</b>			

## Savings

**4.147** 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 £21.9m (79.1%). 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)
Adult Social Care & Health	5,000	-	5,000	5,000	-	-
Assistant Chief Executive	4,179	653	4,832	4,332	450	50
Children, Young People & Education	2,972	2,262	5,234	2,547	142	2,545
Housing	1,989	-	1,989	1,989	-	-
Resources	6,672	315	6,987	6,502	-	485
Sustainable Communities (SCRER)	1,419	225	1,644	1,310	334	-
Cross-Directorate / Corporate	1,500	500	2,000	250	-	1,750
<b>Total</b>	<b>23,731</b>	<b>3,955</b>	<b>27,686</b>	<b>21,930</b>	<b>926</b>	<b>4,830</b>

## **Savings achievement not yet evidenced**

- 4.148** Assistant Chief Executive: The Workforce restructure saving of £0.500m 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, with a further £0.1m achievable in 2026-27. The service is currently working on identifying the £0.05m balance of the savings.
- 4.149** Children, Young People & Education: There are savings of £2.545m which have not been evidenced to date:
- Reduce spend on placements for looked after children (LAC) - £0.905m not yet evidenced.
    - £0.330m new savings in 2024-25 plus slippage of £1.715m from 2023-24.
    - £1.140m of this saving has been achieved to date.
    - Children's Social Care has set up a Best Value Review Panel for high cost placements. This is achieving reductions in cost through re-assessment of needs and identifying the most cost effective way of meeting these needs. The service is also working in partnership with the Strategic Delivery Partner (Impower) to identify quick wins to achieve the remaining savings target in 2024-25.
  - Reduce spend on placements for looked after children (LAC) - £0.9m not yet evidenced.
    - £900k new savings target in 2024/25 linked to corporate parenting transformation and reduction in placement spend through use of in house fostering.
    - The service is working in partnership with the Strategic Delivery Partner (Impower), fostering is a key element of this review and will help to deliver this target in the longer term.
  - 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. Benchmarking by Impower in September 2024 evidenced that compared to Croydon receiving no joint funding towards care placements in 2024-25, other London statistical neighbour boroughs (including those in the South West London ICB area) do receive joint funding income.

**4.150** 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 of the total savings target of £0.250m remains not yet evidenced - 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 to date through revenue staffing cost being charged against appropriate Education capital projects.
- 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.

**4.151** 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.

**4.152** 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**

**4.153** 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.

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

- 4.154** The current forecast position for the Council as a whole utilises £16.9m of one-off corporate earmarked reserves (including £3.9m of the business risk earmarked reserve previously allocated to the Oracle Improvement programme which is now in the capital programme funded by capital receipts). These earmarked reserves do not impact the General Fund balances. However, these earmarked reserves are funding 2024-25 service expenditure overspends which require permanent growth budget in 2025-26 budget setting to set a balanced budget for 2025-26.
- 4.155** 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)**

- 4.156** At period 8, the HRA is forecasting a revenue overspend of £8.0m. A drawdown from HRA reserves will be required to cover the overspend.
- 4.157** A forecast overspend of £6.0m relates to forecast spend in key areas of repairs. There has been close monitoring of disrepair and responsive void repairs activity which indicates a level of spend higher than budget for the full year of between £6m to £9m. The forecast assumes these higher levels of activity will continue throughout the year and, therefore, result in spend above the originally budgeted levels.
- 4.158** The other £2.0m forecast overspend relates to 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 budgeted for.

### Damp and Mould

- 4.159** Significant priority is being given to address damp and mould in Council properties. Steps are also being taken to raise awareness with tenants as to factors which may contribute to damp and mould.

### Voids

- 4.160** Voids repairs is experiencing significant demand. The recorded volume and the costs of the repairs are higher than what was initially budgeted for. Approximately 60% of the voids are of a major cost nature with an average cost of £1,300 against the original budget allocated of £600 per void clearance.

### Disrepair

- 4.161** The Council is dealing with a significant number of disrepair claims. Steps have been taken to deal with these claims in a timely way. The service has proposed a plan to reduce the number of disrepair claims by 31 March 2025 and the details were set out



in the separate Repairs Contract Update paper presented to Cabinet in February 2024. Additional capacity is in place to reduce the volume of claims.

### Repairs

**4.162** Communal repairs and estate inspections have identified that the areas around the communal blocks have had under investment. Therefore, the current budget of £1.0m is under pressure given the level of activity that the caretakers and inspectors are presenting as required works. The estate environment requires further investment. Data is being collated to determine what work plans and corresponding budgets are required to address the issues that are being identified. The Council is committed to ensuring it is meeting its requirements as a landlord.

**4.163** 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.

### Control framework

**4.164** The service team have been mitigating the position by way of implementing new controls and are currently analysing activity for the year to date and whether the new controls are having the desired effect. The analysis will continue throughout the year and will be reflected in the forecasting. Implemented controls include:

- 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

**4.165** A breakeven forecast position at period 8, 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)	(61.6)	(88.4)	-
Service Charge Income	(5.0)	(3.3)	(5.0)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.6)	(1.8)	(3.6)	-
Other Income	(6.0)	(6.0)	(6.0)	-
<b>Subtotal Income</b>	<b>(103.0)</b>	<b>(72.7)</b>	<b>(103.0)</b>	<b>-</b>
Housing Capital Charges	39.2	-	39.2	-
Responsive Repairs & Safety	25.8	27.9	31.8	6.0
Centralised Directorate expenditure	11.5	7.1	13.5	2.0
Tenancy & Resident Engagement	11.8	5.5	11.8	-
Tenant Support Services	7.9	3.5	7.9	-
Concorde, Sycamore & Windsor expenditure	3.6	1.9	3.6	-
Asset Planning	1.9	1.2	1.9	-
Capital Delivery (Homes & Schools)	1.3	0.9	1.3	-
<b>Subtotal Expenditure</b>	<b>103.0</b>	<b>47.9</b>	<b>111.0</b>	<b>8.0</b>
<b>Total HRA Net Expenditure</b>	<b>-</b>	<b>(24.8)*</b>	<b>8.0</b>	<b>8.0</b>

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

#### 4.166 Risks

- A fire at a property in Upper Norwood on 27 July 2024 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 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 an 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 an increase to charges to the HRA.

## **Capital Programme and Financial Sustainability**

- 4.167** 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.
- 4.168** 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.
- 4.169** 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.
- 4.170** 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.
- 4.171** An estimated £66m per annum 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.

- 4.172** 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.
- 4.173** 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").
- 4.174** 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 the level of historic legacy structural indebtedness to ensure the Council can deliver sustainable Local Government services.

### General Fund Capital Programme

- 4.175** The 2024-25 capital budget agreed at the Council budget meeting in March 2024 was £90.3m for the General Fund. The revised 2024-25 budget being presented today to Cabinet through the 2024-30 Capital Programme and Capital Strategy Report is £137.4m.
- 4.176** At period 8, the General Fund capital programme has a forecast underspend of £2.7m (2.0%) against the revised budget of £137.4m.

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

General Fund Capital Scheme	2024-25 Revised Budget (£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	26	87	-
Network Refresh	691	125	691	-
Tech Refresh	277	107	277	-
Geographical Information Systems	226	114	226	-
Laptop Refresh	3,250	2,478	3,250	-
Synergy Education System	392	9	392	-
NEC Housing System	507	(9)	507	-
Public Switched Telephone Network Digital Migration Phase 1	305	190	305	-
<b>Subtotal Assistant Chief Executive</b>	<b>5,735</b>	<b>3,040</b>	<b>5,735</b>	<b>-</b>

Strategic Operating Model for ASCH	4,386	924	4,386	-
<b>Subtotal ASCH</b>	<b>4,386</b>	<b>924</b>	<b>4,386</b>	-
Children Home DFE	279	-	279	-
Woodlands Family Hub	116	116	116	-
Strategic Operating Model for CYPE	2,266	889	1,416	(850)
<b>Subtotal CYPE</b>	<b>2,661</b>	<b>1,005</b>	<b>1,811</b>	<b>(850)</b>
Disabled Facilities Grant	3,000	1,329	3,000	-
Empty Homes Grants	69	69	69	-
Freehold Acquisition	21,000	-	21,000	-
Discharge Temporary Accommodation	16,000	-	16,000	-
<b>Subtotal Housing</b>	<b>40,069</b>	<b>1,398</b>	<b>40,069</b>	-
Asset Strategy - Stubbs Mead	150	-	150	-
Asset Strategy Programme	70	27	70	-
Clocktower Chillers	367	9	367	-
Corporate Property Maintenance Programme	2,000	337	2,000	-
Fairfield Halls - Council	600	37	600	-
Fieldway Cluster (Timebridge Community Centre)	200	-	200	-
Coroner's Court Relocation	250	-	250	-
Oracle Improvement Programme	4,419	402	4,419	-
Target Operating Model Transformation	2,246	1,250	2,246	-
Contingency	1,000	-	1,000	-
Education - Compliance and Fire Safety	472	-	472	-
Education - Fixed Term Expansions	26	-	26	-
Education - Major Maintenance	2,416	2,091	2,416	-
Education - Secondary Estate	-	8	-	-
Education - Miscellaneous	378	104	378	-
Education - Permanent Expansion	40	78	40	-
Education - SEN	3,513	1,584	3,513	-
<b>Subtotal Resources</b>	<b>18,147</b>	<b>5,927</b>	<b>18,147</b>	-
Ashburton Park Heritage Fund	298	298	298	-
Cashless Pay & Display	804	73	804	-
Grounds Maintenance Insourced Equipment	1,556	503	1,556	-
Highways	9,147	4,513	9,147	-
Highways - Department for Transport (DfT)	764	496	764	-
Highways - bridges and highways structures	1,213	40	1,213	-
Highways - flood water management	435	188	435	-
Highways - tree works	119	119	119	-
Local Authority Tree Fund	114	114	114	-
Trees Sponsorship	25	5	25	-
Park Asset Management	700	276	700	-
Parking cameras replacements	400	321	400	-
Sustainability Programme	547	44	547	-
Libraries Investment	3	3	3	-
Leisure centres equipment - contractual agreement	74	-	74	-
Safety - digital upgrade of CCTV	36	36	36	-

Tennis Court Upgrade	137	110	137	-
Fairfield Halls External Screen	92	-	92	-
Electric Vehicle Charging Point (EVCP)	208	-	208	-
Growth Zone	4,320	235	4,320	-
Amplifying Surrey Street	410	-	410	-
Kenley Good Growth	111	29	111	-
South Norwood Good Growth	409	45	409	-
Local Implementation Plan (LIP)	1,670	758	1,670	-
Reconnecting Croydon	4,755	5	2,875	(1,880)
Walking and Cycling Strategy	54	13	54	-
<b>Subtotal SCRER</b>	<b>28,401</b>	<b>8,224</b>	<b>26,521</b>	<b>(1,880)</b>
Capitalisation Direction	38,000	-	38,000	-
<b>Subtotal Corporate Items and Funding</b>	<b>38,000</b>	<b>-</b>	<b>38,000</b>	<b>-</b>
<b>Total General Fund Capital</b>	<b>137,399</b>	<b>20,518</b>	<b>134,669</b>	<b>(2,730)</b>

**Table showing 2024-25 General Fund Capital Programme Financing**

<b>General Fund Capital Financing</b>	<b>2024-25 Revised Budget</b>	<b>2024-25 Forecast</b>	<b>2024-25 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Community Infrastructure Levy (CIL)	6,600	6,600	-
CIL Local Meaningful Proportion (LMP)	547	547	-
Section 106	456	456	-
Grants & Other Contributions	26,109	24,229	(1,880)
Right to Buy Receipts	11,400	11,400	-
Growth Zone	4,400	4,400	-
HRA Contributions	620	620	-
Capital Receipts	74,830	73,980	(850)
Borrowing	12,437	12,437	-
<b>Total General Fund Financing</b>	<b>137,399</b>	<b>134,669</b>	<b>(2,730)</b>

### **HRA Capital Programme**

- 4.177** At period 8, the HRA capital programme has a forecast breakeven position against the revised budget of £68.3m. The revised budget is in line with the Capital Programme and Capital Strategy 2024-30 report presented to Cabinet today.
- 4.178** The HRA revised 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.
- 4.179** 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**

<b>HRA Capital Scheme</b>	<b>2024-25 Revised Budget</b>	<b>2024-25 Actuals to Date</b>	<b>2024-25 Forecast</b>	<b>2024-25 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs and Improvements Programme	18,832	6,192	18,832	-
Gas/Fire Servicing	7,270	-	7,270	-
Building Safety Works	5,452	-	5,452	-
Repairs Referrals	8,600	2,391	8,600	-
Regina Road	12,477	3,110	12,477	-
Acquisitions	15,026	1,230	15,026	-
NEC Housing System	330	-	330	-
ICT – Laptop/Tablet Refresh	290	-	290	-
<b>Total HRA Capital</b>	<b>68,277</b>	<b>12,923</b>	<b>68,277</b>	<b>-</b>

**Table showing 2024-25 HRA Capital Programme Financing**

<b>HRA Capital Financing</b>	<b>2024-25 Revised Budget</b>	<b>2024-25 Forecast</b>	<b>2024-25 Forecast Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs Reserve (MRR)	14,439	14,439	-
Revenue Contribution	12,196	12,196	-
Right To Buy (RTB) Receipts	17,983	17,983	-
Other Grants	1,997	1,997	-
Borrowing	21,662	21,662	-
<b>Total HRA Capital Financing</b>	<b>68,277</b>	<b>68,277</b>	<b>-</b>

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 None.

## **6 CONSULTATION**

6.1 None.

## **7. CONTRIBUTION TO EXECUTIVE MAYOR PERRY'S BUSINESS PLAN**

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 £16.9m of one-off corporate earmarked reserves (including £3.9m of the business risk earmarked reserve previously allocated to the Oracle Improvement programme which is now in the capital programme funded by capital receipts). These earmarked reserves do not impact the General Fund balances. However, these earmarked reserves are funding 2024-25 service expenditure overspends which require 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 in 2024-25 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 the level of structural indebtedness to ensure the Council 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** 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.
- 8.2.4** 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, Capital Programme and the position relating to the Housing Capital Programme and Housing Revenue Account as set out in this report. In addition, Section 114 of the Local Government Act 1988 requires the Council's Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 8.2.5** 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.
- 8.2.6** 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.
- 8.2.7** 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 Gina Clarke, Corporate Lawyer, Corporate Law and Litigation on behalf of the Director of Legal Services and Monitoring Officer, 31/01/2025.

### **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, 31/01/2025.

### **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, colleagues responsible for key projects or savings proposals are 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 Philip Conteh, Senior Equalities Officer, on behalf of the Head of Strategy and Policy, 30/01/2025.

## **9. APPENDICES**

**9.1** None.

## **10. BACKGROUND DOCUMENTS**

**10.1** None.