LONDON BOROUGH OF CROYDON

REPORT:		**CABINET**
DATE OF DECISION:		**23 July 2025**
REPORT TITLE:		**2024-25 Provisional Outturn Financial Performance Report**
CORPORATE DIRECTOR:		**Jane West** **Corporate Director of Resources (Section 151 Officer)**
LEAD OFFICER:		**Allister Bannin, Director of Finance (Deputy S151)**
LEAD MEMBER:		**Cllr Jason Cummings, Cabinet Member for Finance**
KEY DECISION?	**No**	**Reason: N/A**
CONTAINS EXEMPT INFORMATION?	**No**	**Public** **Grounds for the exemption: N/A**
WARDS AFFECTED:		**All**

1 SUMMARY OF REPORT

1.1 This report provides the Council's provisional outturn (prior to final accounting adjustments and external audit review) financial performance for 2024-25 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 and supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

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	360.6	(0.7)	(0.2%)
Revenue Forecast (Housing Revenue Account)	-	6.3	6.3	N/A
Capital Forecast (General Fund)	137.4	121.2	(16.2)	(11.8%)
Capital Forecast (Housing Revenue Account)	68.3	47.1	(21.2)	(31.1%)

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 provisional overspend of £29.2m after the one-off benefit of £3.7m transformation earmarked reserves not allocated to transformation/improvement projects. This reduces to a £0.7m underspend after the forecast utilisation of £51m capitalisation directions (including £13m not used in 2023-24), 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 the provisional outturn is the position prior to final accounting adjustments (e.g. capital accounting/revaluation/receipts) and any impact from potential changes in prior years' accounts which are being concluded (e.g. debt calculations). Any overspend after the use of non-recurrent mitigations (following final accounting adjustments and any changes required from the external audit) would require funding from other earmarked reserves and/or General Fund balances. Any final underspend would reduce the required use of earmarked reserves.

2.3 to note that the significant level of 2025-26 savings (£21.821m), agreed by Full Council in February 2025, include reduction in budgets that are delivering underspends in 2024-25 and will, therefore, not be recurrent underspends in 2025-26.

2.4 to note that all service directorates were asked to reduce their net expenditure through the in-year Financial Recovery Plan as set out from paragraph 4.16.

2.5 to note the unfunded Local Government cost pressures that 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.

2.6 to note the provisional outturn Medium Term Financial Strategy (MTFS) savings achievement of £22.3m (80.6%) against the total savings target of £27.7m as set out in paragraph 4.143.

2.7 to note the provisional outturn expenditure on the Council's Transformation Programme as set out from paragraph 4.137.

2.8 to note the Housing Revenue Account (HRA) revenue budget provisional outturn overspend of £6.3m.

2.9 to note the General Fund capital programme 2024-25 provisional outturn underspend of £16.2m against the capital budget of £137.4m.

2.10 to note the HRA capital programme 2024-25 provisional outturn underspend of £21.2m against the capital budget of £68.3m.

2.11 to note the Council's historic borrowing and subsequent debt burden and national, regional and local service pressures continue to be critical to the non-sustainability of the Council's revenue budget as set out from para 4.164. Dialogue with MHCLG continues around options of further financial support from Government to ensure the Council can deliver sustainable Local Government services.

2.12 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.

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

4.1 The 2024-25 budget approved by Council in March 2024 set a net revenue budget of £361.3m. This required capitalisation directions from Government of £38m to balance, owing to resolving historical inaccurate accounting treatments and to fund the ongoing annual cost of servicing the disproportionate level of debt.

4.2 The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget, with over £60m annual cost for the Council to service the debt. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.

4.3 Dialogue with MHCLG continues around options of further financial support from Government in regard to 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."

Local Government Funding Reform

4.4 The Chancellor presented the Spending Review, for the period 2026-27 to 2028-29, to Parliament on 11 June 2025. The local government Core Spending Power (CSP) real terms (above inflation) increase is 2.6% per annum over the Spending Review period, compared with the minimum of 4% that London Councils asked for. The CSP increase assumes annual council tax increases of 2.99% and an extra 2% for the Adult Social Care precept.

4.5 London Councils estimates the government grant funding portion of CSP (i.e. excluding Council Tax) will only increase by an average of 1.5% in real terms over the next three years. Based on current trends, London Councils expect the demand and costs for services to continue to outpace the funding announced for local government. For example, homelessness spending by boroughs increased by 50% in 2023-24, and there has been a 50% increase in special educational needs transport spending since 2021. Ultimately, the 1.5% average real-terms growth in CSP grant funding is unlikely to be sufficient to stabilise borough finances. Upcoming reforms to local government funding are now 'make or break' for London boroughs.

4.6 The Spending Review announcement stated that details on the local government funding reforms and multi-year allocations, together with simplification of the funding system, will be announced later in the year. The government is committed to multi-year allocations and moving to a more up-to-date assessment of each council's needs and resources through the upcoming 2026-27 Local Government Finance Settlement (LGFS).

4.7 On 20 June 2025, the government launched the Fair Funding Review 2.0 consultation stating that "Our up-to-date approach will use the best available evidence to take account of the different needs and costs faced by local authorities in urban and rural areas, and the ability of individual local authorities to raise council tax. The consultation also builds on proposals to reset the business rates retention system, and proposals to move away from restrictive grants with burdensome reporting requirements."

4.8 The consultation covers:

- determining local authority funding allocations
- approach to consolidating funding

- measuring differences in demand for services and the cost of delivering them
- measuring differences in locally available resources
- the New Homes Bonus
- transitional arrangements and keeping allocations up-to-date
- long-term approach to the business rates retention system
- devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement
- ways we can reduce demands on local government to empower them to deliver for communities; and sales, fees and charges reform.

4.9 The Fair Funding Review and changes to the business rates retention system will change the allocations between local authorities of the total national local government Departmental Expenditure Limit (DEL). Both of these changes are expected to include transitional funding to move to the new funding levels, potentially over a period of three years.

4.10 A multi-year settlement, once received, will support financial planning for the Medium Term Financial Strategy. However, the significant uncertainties around government grant and business rates funding levels, which may not be clarified until the provisional LGFS is received around November/December 2025, will make the MTFS update for October Cabinet very difficult.

GENERAL FUND REVENUE BUDGET SUMMARY

4.11 The General Fund revenue provisional outturn shows an overall overspend of £29.2m after the one-off benefit of £3.7m transformation earmarked reserves not allocated to transformation/improvement projects. This reduces to a £0.7m underspend after the utilisation of the £5.0m risk contingency budget, £13.0m corporate earmarked reserves, £3.9m business risk earmarked reserve and £51m capitalisation directions (including £13m not used in 2023-24). The Council received a letter from the Minister of State for Local Government and English Devolution on 20/2/25 which included "The Deputy Prime Minister is minded to approve revisions to previously agreed in-principle capitalisation directions of £63.0 million to £50.0m for 2023-24, and £38.0 million to £51.0 million for 2024-25" ((Public Pack)Supplementary Agenda No. 4 - Ministry of Housing, Communities & Local Government Letter, to the Executive Mayor of Croydon, 20 February 2025 Agenda Supplement for Council, 26/02/2025 18:30).

4.12 In 2023-24 the Council demonstrated a provisional outturn underspend, whereas many other councils were overspent. However, the 2024-25 provisional outturn is more aligned with the rest of London, demonstrating significant national and regional demand and market price pressures.

4.13 All service directorates were asked to reduce their net expenditure in-year. It should not be underestimated what a challenge this was 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)	Provisional Outturn (£m)	Provisional Outturn Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	164.0	169.0	169.0	**5.0**	5.3	(0.3)
Assistant Chief Executive	22.2	20.6	20.6	**(1.6)**	(1.5)	(0.1)
Children, Young People and Education	116.4	133.4	133.4	**17.0**	16.4	0.6
Housing	26.9	46.5	46.5	**19.6**	20.2	(0.6)
Resources	18.2	15.9	15.9	**(2.3)**	(2.3)	-
Sustainable Communities, Regeneration & Economic Recovery	89.5	90.4	90.4	**0.9**	1.8	(0.9)
Subtotal Service Directorates	**437.2**	**475.8**	**475.8**	**38.6**	**39.9**	**(1.3)**
Corporate Items and Funding (note 1)	(75.9)	(91.2)	(85.3)	(9.4)	(5.7)	(3.7)
Total Net Expenditure Budget	**361.3**	**384.6**	**390.5**	**29.2**	**34.2**	**(5.0)**

Note 1: The Corporate Items and Funding directorate position has improved by the release of one-off transformation earmarked reserves (£3.7m) which were not allocated to transformation/improvement projects.

Table showing non-recurrent mitigations

Mitigation	Budgeted usage (£m)	Provisional Outturn (£m)	Provisional Outturn Variance (£m)
Use of one-off corporate earmarked reserves	-	(13.0)	**(13.0)**
Use of one-off business risk earmarked reserve (note 1)	-	(3.9)	**(3.9)**
Proposed increased use of capitalisation directions (note 2)	(38.0)	(51.0)	**(13.0)**
Total non-current mitigations	**(38.0)**	**(67.9)**	**(29.9)**
Provisional Outturn over/(under)spend after use of non-recurrent mitigations (note 3)			**(0.7)**

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

Note 2: £50m capitalisation directions were used in 2023-24 compared to the "minded to" agreement by MHCLG for £63m and freed up £13m extra capitalisation directions for 2024-25 (MHCLG has provided "minded to" approval for this change).

Note 3: Final accounting adjustments are still being entered onto the ledger. The final usage of corporate and/or business risk earmarked reserves, that are required to result in a balanced position, may be lower or higher than in the table above.

4.14 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.

4.15 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

4.16 Over summer 2024 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, took place across all directorates around how the Council could address the in-year overspend.

4.17 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

4.18 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 25% (50 households per month) of presentations.

4.19 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.

4.20 There are other actions being taken to increase the supply of cost-effective temporary accommodation to rehouse homeless households. This included the acquisition of Zodiac Court which provided 73 units of mixed unit size. There is ongoing work to return 63 units which are currently vacant in Sycamore House back into use.

Children's Social Care Placements Financial Recovery Plan

4.21 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 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 are being used to create a programme of transformation. This programme includes 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.

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

<u>SEND Transport Financial Recovery Plan</u>

4.23 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.

4.24 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.

4.25 The SEND Transport transformation programme board, co-led by the SCRER and CYPE directorates, 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

4.26 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)	Provisional Outturn (£m)	Variance (£m)
Adult Social Care Operations	142.7	148.6	148.6	5.9
Adult Strategic Commissioning, Policy & Improvement	18.9	18.1	18.1	(0.8)
Central ASCH	2.4	2.3	2.3	(0.1)
Total ASCH	**164.0**	**169.0**	**169.0**	**5.0**
Public Health Grant Ringfenced Services	**-**	**-**	**-**	**-**

4.27 The provisional outturn for the ASCH directorate is an overspend of £5.0m (3.0%) against the budget of £164.0m. This includes one-off costs for the service delivery change of Croydon Equipment Services of £0.9m.

4.28 The ASCH directorate has exceeded the challenging savings target of £5m by £1.9m in 2024-25 on placements and care packages through demand management, commissioning and review of care packages.

<u>Adult Social Care Operations - provisional overspend of £5.9m</u>

4.29 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[1] (£20.0m after reserves), Haringey[2] (£15.4m), Redbridge[3] (£18.0m) and Newham[4] (£10.1m after £3m additional funding applied).

4.30 Despite best efforts, including over-delivering on savings targets, the directorate remains in an adverse position for its provisional outturn. As widely publicised as a national issue, the directorate is experiencing a continual increase in the demand for home care.

4.31 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 through 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

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[1] 2024/25 Overall Financial Position Report - March 2025 Agenda for Cabinet on Monday 23 June 2025, 6.00 pm

[2] 2024/25 Finance Update Quarter 3 Agenda for Cabinet on Tuesday, 18th March, 2025, 6.30 pm | Haringey Council

[3] Budgetary Control report for 2024/25 Cabinet - Thursday, 19th June, 2025 7.15 p.m.

[4] Overall Financial Position 2024/25 Quarter Three Budget Monitoring (Period 8) Agenda for Cabinet on Tuesday 4th February 2025, 10.00 a.m.

reablement service and ensuring that all residents have access to community health services.

4.32 The increasing demand in home care is in addition to the increasing cost of nursing and residential care beds for new placements which is another significant factor in the underlying overspend.

4.33 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.

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

4.35 Localities and Living Independently For Everyone (LIFE) have an overspend of £5.2m. This is made up of a net overspend on care of £6.6m, partially offset by an underspend on staffing (£1.0m) and equipment costs (£0.4m). LIFE includes integrated hospital discharge, rehabilitation and reablement services.

4.36 Working Age Adults and Transitions has an overspend of £3.9m. This comprises an overspend on care of £4.3m (owing to clients with increased care needs) which is partly mitigated by an underspend in staffing (£0.4m).

4.37 Provider Services has a £2.3m underspend owing to staffing vacancies (£1.6m) and additional income (£0.7m).

4.38 Safeguarding service has a £0.2m underspend on staffing owing to vacancies across the service.

4.39 Business Compliance and Early Intervention has a £0.5m underspend owing to staffing vacancies (£0.4m) and favourable income variances (£0.1m).

4.40 Mental health services have a £0.2m underspend owing to staffing vacancies.

<u>Adult Social Care Commissioning, Policy and Improvement – provisional underspend of £0.8m</u>

4.41 The division has a provisional underspend of £0.8m owing to contract underspends (£0.7m), additional income (£0.4m) and staffing underspend of (£0.6m), partially offset by one-off costs relating to the service delivery change of Croydon Equipment Services of £0.9m.

4.42 The division was holding spend in 2024-25 to assist with the overall outturn position, though this impacts on contractual provision to meet demand.

Central ASCH - provisional underspend of £0.1m

4.43 A provisional underspend of £0.1m against the budget for central staffing and non-pay budgets.

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

4.44 Public Health provisional outturn of contributing £0.461m into ringfenced Public Health reserves at the end of 2024-25.

4.45 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).

4.46 New one-off investment of £2m was also aligned to prevention related investment in public health services and activities.

ASSISTANT CHIEF EXECUTIVE (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Policy, Programmes and Performance	2.3	1.8	1.8	(0.5)
Elections Service	0.4	0.4	0.4	-
Croydon Digital	2.2	1.7	1.7	(0.5)
Chief People Officer	0.5	0.4	0.4	(0.1)
Central ACE	16.8	16.3	16.3	(0.5)
Total ACE (General Fund)	**22.2**	**20.6**	**20.6**	**(1.6)**

4.47 The ACE directorate had a provisional outturn underspend of £1.6m (7.2%) against a budget of £22.2m.

Policy, Programmes & Performance Division - provisional underspend of £0.5m

4.48 The division had an underspend owing to the implementation of staffing vacancy efficiencies, created through holding vacancies in the financial year.

Croydon Digital Division - provisional underspend of £0.5m

4.49 The division had an underspend owing to the implementation of staffing vacancy efficiencies. This included holding vacancies within the financial year pending the Croydon Digital Service restructure that commenced in March 2025.

Chief People Officer Division - provisional underspend of £0.1m

4.50 There was a staffing underspend in the Chief People Officer Division. The service implemented a reorganisation during the year and periods of vacant posts were a consequence of the process.

Central Assistant Chief Executive – provisional underspend of £0.5m

4.51 There was an underspend of £0.5m mainly relating to the Concessionary Travel Service owing to reduced concessionary travel recharged from Transport for London (which included the effect of a freeze on fare cost increases for 2024-25).

Risks

4.52 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. Both claims have been submitted and we are finalising the settlements with the relevant bodies. Earmarked election reserves were created at the end of 2023-24 to mitigate this risk.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	87.8	103.9	103.9	16.1
Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Experienced Young People	0.2	1.4	1.4	1.2
Asylum Seekers and Homes for Ukraine	-	-	-	-
Quality, Commissioning and Performance Improvement	10.1	9.8	9.8	(0.3)
Non-DSG Education Services	18.3	18.0	18.0	(0.3)
Central CYPE	-	0.3	0.3	0.3
Total CYPE (General Fund)	**116.4**	**133.4**	**133.4**	**17.0**
Dedicated Schools Grant (DSG) High Needs Education Services	82.1	82.6	86.8	4.7
Dedicated Schools Grant (DSG) Early Years Block	53.8	53.8	53.8	-
Total CYPE (Dedicated Schools Grant)	**135.9**	**136.4**	**140.6**	**4.7**

General Fund

4.53 The CYPE directorate provisional outturn overspend on general fund budgets was £17m (14.6%) against the budget of £116.4m.

4.54 The overspend primarily related to the rising cost of placements for looked after children. These pressures relate to managing the costs and availability of suitable placements, as well as ensuring that children's needs are met in the best possible way. The ongoing impact of these pressures has been reflected through the MTFS process and budget setting for 2025-26.

4.55 In order to mitigate the financial pressures, work occurred on a 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.

Children's Social Care Division (including UASC and UASC Care Experienced Young People) – provisional overspend of £17.3m

Placements

4.56 The placement budget had an overspend of £15.2m. Throughout 2024-25, the overall Children Looked After (CLA) numbers have remained fairly stable. However, the fourth quarter saw an increase, predominantly linked to external fostering placements. Within the overall numbers, 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.

4.57 The number of very high cost placements is following an upwards trajectory. Whilst the numbers are relatively small, the financial impact of each placement in this category is significant. The annual cost of a single £15k per week placement equates to £780k.

4.58 Whilst there is sufficient supply in the market, other boroughs continue to place in Croydon, limiting availability for Croydon placements. In addition, Croydon continues to negotiate with other boroughs where they have placed families in the borough and are not covering the costs.

4.59 Croydon is developing children's home and supported accommodation provision within the borough, which we own or have nomination rights for, to help manage the impact of high cost placements and ensure a clear pathway for care experienced young people.

4.60 The pressures impacting on Croydon are reflected regionally and nationally. Unless government proposes policy changes to control the market, the Council will continue to be impacted by the increasing costs of residential and supported accommodation placements. Another key challenge is around the use of in-borough provision by other councils.

4.61 Croydon has set up a cross London group for children's finance leads, which sits under the London Deputy Treasurers Group. This is a useful forum to discuss strategies used elsewhere, explore best practice and benchmark data with peers.

4.62 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.

Staffing

4.63 Overall provisional overspend of £0.6m against staffing budgets.

4.64 Croydon has experienced an increase in demand for children's social care services which has also been reflected nationally and regionally. Two additional short-term teams were put in place to respond to this demand costing £0.8m in 2024-25. These teams allowed Croydon to ensure that statutory safeguarding responsibilities were met, social worker caseloads were maintained at a safe level in the short term and supported efforts to reduce longer term caseloads and downstream placement costs.

4.65 Work has taken place across the structure to ensure staffing structures reflect the current demand, whilst maintaining safe caseload levels. Subject to consultations being concluded and implemented, this will allow the service to remain within budget going forward.

4.66 There are national and regional difficulties recruiting qualified social workers. The service have used specialist recruitment methods, working with partners and deploying a retention package to help with recruitment and retention. These actions have improved the level of permanent staffing.

4.67 In addition, in line with the recruitment and retention strategy, the service recruited newly qualified social workers into the structure. The ASYE (Assessed and Supported Year in Employment) is designed to support newly qualified social workers as they transition into practice. The investment in these posts created an extra short-term cost 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 and has been built into the long-term structure.

4.68 Periods of staffing vacancies across teams resulted in an underspend of £0.5m which partially offset the extra staffing costs detailed above.

Court ordered assessments

4.69 Provisional overspend of £0.4m owing to increased demand via the court.

Unaccompanied Asylum-Seeking Children

4.70 £1.2m 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.

4.71 The grant income for former UASC individuals was lower than 2023-24 owing to the number who are deemed non-grant claimable.

Legal

4.72 Provisional overspend of £0.2m resulting from legal costs being higher than forecast in the fourth quarter of the year.

Adoption

4.73 Provisional underspend of £0.4m owing to a decrease in our contribution to Adoption London South.

Other

4.74 Minor variances across section 17 spend, income and contracts, totalling a £0.1m provisional overspend.

Central CYPE – provisional overspend of £0.3m

4.75 Provisional overspend of £0.3m owing to short-term extra staffing to address increased demand and support long term practice improvements alongside the preparations that were done for the OFSTED inspection.

Quality, Commissioning and Performance Improvement Division – provisional underspend of £0.3m

4.76 This underspend was primarily related to additional grant income in 2024-25.

Non-Dedicated Schools Grant (DSG) Education services – provisional underspend of £0.3m

4.77 Income pressures of £0.3m, related to an unachieved 2022-23 MTFS savings target around NHS joint funding, were offset by staffing vacancies.

4.78 There was also £0.2m reduced staffing cost as a result of recharges to capital projects and £0.2m extra income from grants. These favourable variances were partially offset by a £0.1m overspend relating to Education Psychology costs which cannot be funded from DSG.

Dedicated Schools Grant (DSG)

DSG High Needs education services – provisional overspend of £4.7m

4.79 The DSG high needs block has a provisional overspend of £4.7m against a budget of £82.1m.

4.80 This adverse variance is above the performance target set by the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan and reflects the increase in SEND demand being experienced locally and nationally. The DfE published statistics[5] on 26 June 2025 that demonstrate a 10.8% national increase in the number of Education, Health and Care Plans (EHCPs) from January 2024 to January 2025.

4.81 The main areas of overspend were owing to the following factors:

- overspends in independent placements and Out of Borough placements, owing to a significant increase in demand with limited places available locally. The cost per placement of these provisions is significantly higher. The service is working with our special and mainstream schools to expand local provision and placement options.
- 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 pupils 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.
- significant demand for speech and language therapy provision outside the current contract with Croydon Integrated Care Board (ICB) health partners.
- 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.

4.82 The main favourable variances, partially offsetting overspends, were owing to the following factors:

- extra grant from the Schools Block to the High Needs Block as part of the approved Schools Forum and DfE disapplication request.
- clawback from specific Resource Provision (academies) for extra funding received from the Department for Education (DfE) and underspend in SEN Inclusion Fund (SENIF) budget.
- DSG grant set aside to support the DSG High Needs Transformation strategy and staffing underspend.

4.83 The 2024-25 provisional outturn leads to an overall DSG deficit projection of £12.9m by the end of 2024-25. Compared to the safety valve target of £10.078m, this represents an adverse position of £2.8m. The Safety Valve programme is aimed at reducing the deficit ahead of the 2026-27 target date, however, this is becoming increasingly difficult with the growth in SEND demand.

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[5] Education, health and care plans, Reporting year 2025 - Explore education statistics - GOV.UK

DSG Early Years Block – provisional breakeven position

4.84 The Department for Education (DfE) provided six key funding streams for the Early Years Block and there was a provisional breakeven position against the budget allocation of £53.8m.

HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Housing General Fund	26.9	46.5	46.5	19.6
Total Housing General Fund	**26.9**	**46.5**	**46.5**	**19.6**

4.85 The Housing directorate had a General Fund provisional overspend of £19.6m (73%) against the net budget of £26.9m owing to the demand pressures within temporary accommodation and specifically within the nightly paid accommodation portfolio.

4.86 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.

4.87 The provisional overspend is mainly attributable to a net spend of £27.6m on nightly paid accommodation against a £6.4m budget resulting in a £21.2m overspend. Despite prevention work, the service is experiencing an ongoing increase in demand with the number of paid units continuing to increase.

4.88 The average cost per night continues to increase with an increase from the Period 10 cost of £77.72 to a year end cost of £79.52. This represents a 42% increase from the £56 per night in the prior year. Collaborative work with the sub region to control nightly rates is underway.

4.89 The ongoing development of the NEC Housing IT system and implementation of additional features continues to refine the data quality and reporting from the system.

4.90 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[6] (£31.6m), Lambeth[7] (£31.3m), Hackney[8] (£13.6m), Westminster[9] (£15.7m) and Redbridge[10] (£14.6m).

4.91 The bad debt provision was increased by an additional £2.9m in 2024-25. This remains a prudent approach while data cleansing, debt recovery and bad debt write-offs are finalised. Significant work has been carried out in the latter months of 2024-25 to identify and tackle the current debt position and will continue to be progressed in the new financial year.

4.92 The pressures were partially offset by an additional £1.9m Homelessness Prevention Grant (HPG). Croydon also received additional Rough Sleeping Winter Pressures funding of £0.3m for 2024-25. Provisional underspends on the smaller portfolios within temporary accommodation and in staffing also partially mitigated ongoing pressures.

<u>Other Temporary Accommodation Pressures</u>

Income

4.93 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.

4.94 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

4.95 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. A joint sub-regional borough arrangement has been entered into since January 2025 with the intention of managing down the costs of nightly paid accommodation. Ongoing discussion at a pan London level is also taking place on this.

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[6] Overall Financial Position 2024/25 Quarter Three Budget Monitoring (Period 8) [Agenda for Cabinet on Tuesday 4th February 2025, 10.00 a.m.]

[7] Quarterly Finance Report: Q3 2024/25 [Agenda for Cabinet on Monday 24 February 2025, 5.00 pm | Lambeth Council]

[8] 2024/25 Overall Financial Position Report - March 2025 [Agenda for Cabinet on Monday 23 June 2025, 6.00 pm]

[9] 24/25 Year End Finance Monitor [Agenda for Audit and Performance Committee on Tuesday 8th July, 2025, 6.30 pm | Westminster City Council]

[10] Budgetary Control report for Quarter 3 2024/25 [Cabinet - Thursday, 13th February, 2025 7.15 p.m.]

4.96 Croydon experienced an increase in 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 42% across London councils in the past year and Croydon is experiencing landlords exiting this market and choosing to rent to private tenants. 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

4.97 The service is working with the housing benefits team to manage any impact of the work they are carrying out into providers of supported accommodation in Croydon. The review of the area has identified that some residents are not receiving their level of support commensurate with need and, therefore, changes to the higher supported accommodation payments to the providers has been implemented.

4.98 There is an ongoing potential financial risk from the fire at Sycamore House in Thornton Heath, which is dependent on the settlement of the insurance claim. Costs have been reflected in 2024-25 with an assumption of the insurance settlement as no agreement has yet been concluded.

4.99 NEC system functionality phase 2 implementation delays. There is additional functionality that will be gained from the system which will assist with forecasting and timely reporting and management of both costs and numbers of units within temporary accommodation.

Opportunities

4.100 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.

4.101 Opportunities such as the acquisition of Zodiac House continue to be investigated. Zodiac House completed in January 2025 and tenants have moved in as of early February. The acquisition was funded from the use of RTB (Right to Buy) receipts and part allocation from the third round of the Local Authority Housing Fund (LAHF R3) of £8m of capital funding available to Croydon to deliver 38 homes across 2024-25 and 2025-26.

4.102 The ongoing cultural changes within Housing and the impact of restructure changes for Housing Needs are leading to a more cohesive journey for a homeless household. The financial benefits are expected to continue to be realised in the longer term from better practice resulting in reduced spend on homelessness and improved management of demand.

RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Commercial Investment	2.4	0.6	0.6	(1.8)
Finance	11.6	10.7	10.7	(0.9)
Legal Services and Monitoring Officer	3.7	3.8	3.8	0.1
Insurance, Anti-Fraud and Risk	0.3	0.7	0.7	0.4
Internal Audit Service	0.1	0.1	0.1	-
Pensions and Treasury	-	-	-	-
Central Resources	0.1	-	-	(0.1)
Total Resources	**18.2**	**15.9**	**15.9**	**(2.3)**

4.103 The Resources directorate had a provisional outturn underspend of £2.3m (12.6%) against the budget of £18.2m.

Commercial Investment Division - provisional outturn underspend of £1.8m

4.104 There was an underspend of (£1.1m) in utilities including recovery of schools' utilities costs. Other underspends included improved income from recharging to external bodies and lease extensions (£0.5m). The division also reduced certain non-essential maintenance (0.2m).

Insurance, Anti-Fraud and Risk Division - provisional outturn overspend of £0.4m

4.105 The division overspent by £0.4m owing to the level of insurance claims.

Finance Division - provisional outturn underspend of £0.9m

4.106 There was 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 was 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.

4.107 The Finance Division underwent a restructure of the Strategic Finance service and recruited into roles which were 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.

4.108 There was a decreased postage cost of £0.1m since Council Tax bills were mailed out by second class post (instead of first class) as a result of agreeing 2025-26 Council Tax setting at the first Full Council meeting on 26/2/25.

4.109 A cross Council working group operated during the year to mitigate Housing Benefit (HB) subsidy risks by maximising HB subsidy income claims, increasing collection of HB overpayments and reducing costs.

SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Streets and Environment	66.8	69.2	69.2	2.4
Culture and Community Safety	11.6	10.3	10.3	(1.3)
Planning & Sustainable Regeneration	11.0	10.8	10.8	(0.2)
Central SCRER	0.1	0.1	0.1	-
Total SCRER	**89.5**	**90.4**	**90.4**	**0.9**

4.110 The SCRER directorate provisional outturn overspend was £0.9m (1.0%) against the budget of £89.5m.

<u>Streets and Environment Division - provisional overspend of £2.4m</u>

4.111 SEND children transport had a £6.0m provisional overspend owing to an unprecedented increase in demand and inflation. This is an issue which has been experienced and reported nationally – the DfE published statistics[11] on 26 June 2025 that demonstrate a 10.8% national increase in the number of Education, Health and Care Plans (EHCPs) from January 2024 to January 2025.

4.112 These budget pressures were partially offset by a staffing underspend owing to vacancies (£2.6m) and a forecast underspend in other services including lower waste tonnage and maximising income generation (£1.0m).

<u>Culture and Community Safety Division – provisional underspend of £1.3m</u>

4.113 The division had a provisional underspend of £1.3m. This was owing to burial income above budget within the Bereavement & Registrars service (£0.5m), increased grant funding secured and staff savings in the Violence Reduction Network (£0.5m), periods of staffing vacancy and underspends across the libraries service while the service was under redesign (£0.2m) and increased income from the GLL contract of (£0.1m).

<u>Planning and Sustainable Regeneration Division – provisional underspend of £0.2m</u>

4.114 The division had a provisional underspend of £0.2m, which included underspends in Building Control (£0.1m), Strategic Transport (£0.1m), and Economic Delivery and Employment Investment (£0.3m). This was partially offset by a pressure of £0.2m in the Employment Skills and Economic Development service owing to increased service

[11] Education, health and care plans, Reporting year 2025 - Explore education statistics - GOV.UK

charges and higher costs associated with seasonal lecturers and a £0.1m pressure in Development Management.

4.115 Although activity levels in planning major applications and planning performance agreements remained low and below budget, this was mitigated through utilisation of CIL funding (£0.2m), additional grant income in Growth and Regeneration (£0.1m) and salary savings across services.

4.116 The reduction in planning major applications is being experienced nationwide with the GLA reporting a similar trend across London. It is these applications which bring in the most significant fees. Staffing levels and invoices are being reviewed across Development Management to help address the pressure. The reduction in major applications can be attributed to several factors, which include:

- Economic factors such as increased building and material costs, along with higher 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.
- Changes to Permitted Development Rights (March 2024) increased the number of eligible developments. However, the number of issues which can be assessed by these applications are reduced and they generate lower income than if a full planning application was submitted.

CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Inflation Budget	(4.3)	-	-	4.3
Risk Contingency Budget	5.0	-	-	(5.0)
Transformation Programme revenue budget	5.0	-	-	(5.0)
Transformation Earmarked Reserves drawdown (surplus not allocated to projects)	-	(3.7)	(3.7)	(3.7)
Other corporate items *(note 1)*	(81.6)	(87.5)	(81.6)	-
Total Corporate Items and Funding	**(75.9)**	**(91.2)**	**(85.3)**	**(9.4)**

Note 1: Final accounting adjustments are still being entered onto the ledger which could change the outturn position.

4.117 The Corporate directorate has a provisional outturn underspend of £9.4m against the net budget of (£75.9m). The risk contingency budget of £5m is offsetting the inflation pressure of £4.3m. There is £5m 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). There is a further £3.7m underspend from transformation reserves which were not allocated to projects for usage.

4.118 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.

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

Collection Fund

4.120 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 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 year end (£m)	Variance Against Budget (£m)	Variance Against Budget (%)
Council Tax	332.7	331.6	(1.1)	(0.33%)

4.121 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 target is collection of 94.27% or £312.7m in this financial year, and £6m in Council Tax arrears for previous years, total forecast income collected in 2024-25 of £318.7m. The remaining £5.68m will be collected in future years.

4.122 The end of year collection rate was 93.95% or £311.5m, and the Council Tax arrears for previous years was £7.07m so total income £318.57m, £0.13m under the forecast. The remaining £5.81m will be collected in future years.

4.123 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.

4.124 The table below shows the performance on collecting Council Tax income.

Council Tax Income Target (NCD) at year end (£m)	Council Tax Income Collection at year end (£m)	Council Tax Income Target at year end (%)	Council Tax Income Collection at year end (%)	Council Tax Income Collection variance (%)
312.7	311.5	94.26	93.95	(0.31)

4.125 The end of year collection target was 94.26% and collection at the end of March 2025 was 93.95% which is 0.31% behind the target which equates to £1m.

4.126 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.

4.127 The table below shows the performance on collecting Business Rates income.

Business Rates Income Target (NCD) at year end (£m)	Business Rates Income Collection at year end (£m)	Business Rates Income Target at year end (%)	Business Rates Income Collection at year end (%)	Business Rates Income Collection variance (%)
119.5	120.03	99.25	99.69	0.44

4.128 The end of year collection target was 99.25% and collection at the end of March 2025 was 99.69% which is 0.44% above the target.

4.129 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.

4.130 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

4.131 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 Provisional Outturn (£m)	2024-25 Variance (£m)
Interest payable cost (note 1)	34.3	36.9	2.6
Interest receivable income (note 2)	(2.6)	(4.4)	(1.8)

Note 1: This excludes interest payable relating to CAH/CAT offset by surplus rent.

Note 2: This includes interest received from Brick By Brick and Real Property Lettings (Resonance). Adjusted for assumed 50% of other interest receivable is in respect to HRA balances.

4.132 The net overspend in interest cost detailed above (£0.8m), corporate savings not evidenced to date (£1.75m), redundancy costs linked to MTFS savings (£0.7m) and corporate legal costs (£0.3m) were offset in the corporate area through the receipt of the 2024-25 business rates levy account surplus from Government (£0.6m) and credits from the review of 2024-25 purchase order over-receipting.

Treasury Investments (Quarter Four)

4.133 During the quarter the average investment balances held by the Council were £114.3m, earning interest of £1.4m (a yield of 4.89%). Average investment balances for the year were £99.7m and interest earned was £5.03m (a yield of 5.04%). Investments were made in accordance with the Council's Investment Policy included in the Treasury Management Strategy Statement for 2024-25 agreed by Full Council. The Council's investments at 31 March 2025 are detailed in the table below:

Counterparty	Type	Principal (£m)	Start Date	End Date	Interest Rate (%)	Risk Rating
Insight	MMF	20.000			4.52	1
Aberdeen Sterling	MMF	20.000			4.48	1
Deutsche	MMF	12.300			4.47	1
Morgan Stanley	MMF	20.000			4.48	1
Blackpool	LA	10.000	20/01/25	30/04/25	5.65	1
Bournemouth	LA	10.000	05/02/25	19/05/25	5.80	1
Kingston-Upon-Hull	LA	5.000	03/03/25	06/05/25	5.80	1
Lewes	LA	10.000	10/03/25	10/06/25	6.00	1
Central Bedfordshire	LA	10.000	14/03/25	16/06/25	6.00	1
Cornwall	LA	10.000	25/03/25	25/06/25	5.75	1
LB of Hillingdon	LA	10.000	24/03/25	04/07/25	6.00	1
Total Investments		**137.300**				

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

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

Table showing maturity structure (liquidity)

Maturity Period (Liquidity)	Percentage of investments
< 1 Month	59.9%
1-3 Months	32.8%
3-6 Months	7.3%
6-9 Months	0.0%

Treasury Borrowing

4.135 During the quarter the Council refinanced £20m of maturing debt from other local authorities with the PWLB and £125m of new borrowing was taken on under the

General Fund. The level of General Fund external debt rose to £1,110m with an average interest rate of 3.94% as per the table below:

General Fund External Debt at 31 March 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
PWLB	963.084	4.11%	17.5
Market debt	127.000	2.49%	13.3
Other Local Authority	20.000	4.76%	0.2
Total General Fund external debt	**1,110.084**	**3.94%**	**16.7**

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

HRA External Debt at 31 March 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
PWLB	349.5	3.64%	19.0
Total HRA external debt	**349.5**	**3.64%**	**19.0**

Transformation Programme

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

4.138 In total there was £7.4m of the Transformation Programme budget allocated with £8.7m unallocated. The £8.7m unallocated contributes an underspend towards the Council's overall position. This included 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 moved from transformation revenue into the capital programme (to be financed through the flexible use of capital receipts).

4.139 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.

4.140 The new transformation one-off investment relates to the Council's Target Operating Model of £30.8m included in the 2025-26 Budget will provide cumulative ongoing annual savings of £24.7m and increased Council Tax income (from an improved collection rate target rising from 97.5% to 98.0% in 2025-26 and 98.5% in 2026-27) of circa £3m.

4.141 The underspend against allocations made in 2024-25 totalled £2.7m and will be carried forward in the transformation earmarked reserve to fund projects in 2025-26. A review is underway to identify which projects require slippage funding, which projects are moving into the new Target Operating Model transformation projects and which new improvement projects could be funded in 2025-26 within the £2.7m carried forward.

4.142 An internal audit was commissioned in 2024 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)	Provisional Outturn Expenditure (£m)	Variance (£m)
Transformation Revenue Budget		0.000	5.000	**5.000**		
Transformation Reserve Funding		5.240	5.812	**11.052**		
Total Transformation Funding		**5.240**	**10.812**	**16.052**		
Transformation Plan						
Croydon Campus	Council-wide (Resources)	0.018	0.023	**0.040**	0.040	-
Asset Rationalisation	Resources	0.125	(0.125)	**-**	-	-
A Customer First Programme	ACE	-	0.639	**0.639**	0.634	(0.005)
Transformation PMO	Council-wide (ACE)	0.005	1.105	**1.110**	1.055	(0.055)
Council Improvement Plan						
Parking Policy Review	SCRER	0.081	-	**0.081**	0.052	(0.029)
Community Hubs Programme	SCRER	0.249	-	**0.249**	0.135	(0.114)
HR Transformation	ACE	0.015	-	**0.015**	0.015	-
Digital & Resident Access Review/Digital Workforce	ACE	0.049	0.078	**0.127**	0.057	(0.070)
Passenger/SEND Transport Transformation	SCRER	0.080	-	**0.080**	0.038	(0.041)
Corporate Parenting Transformation	CYPE	0.335	0.700	**1.035**	0.343	(0.692)

Dynamic Purchasing System	Housing	0.047	-	**0.047**	0.045	(0.002)
Calleydown Transformation	CYPE	0.134	-	**0.134**	0.003	(0.131)
Joint Funding Arrangements	CYPE	0.110	-	**0.110**	-	(0.110)
Income & Debt Review	Resources	0.035	(0.035)	**-**	-	-
Customer Access Review	Council-wide (ACE)	0.083	(0.019)	**0.064**	0.064	-
Building Control Transformation	SCRER	0.387	-	**0.387**	0.062	(0.326)
Planning & CIL Transformation	SCRER	0.216	-	**0.216**	0.041	(0.175)
Housing Needs Restructure	Housing	0.080	-	**0.080**	0.080	-
Temporary Accommodation Case Review	Housing	0.451	0.026	**0.477**	0.191	(0.286)
Housing Occupancy Checks	Housing	0.048	-	**0.048**	0.046	(0.002)
Rent Accounts and Data Cleanse	Housing	0.026	(0.026)	**-**	-	-
Housing Association Recharges	Housing	0.059	-	**0.059**	-	(0.059)
Supported Housing Review	Housing	0.062	-	**0.062**	0.040	(0.022)
Adult Social Care Transformation	ASCH	0.372	0.447	**0.819**	0.679	(0.141)
Business Intelligence Review	Council-wide (Resources)	0.026	-	**0.026**	0.026	-
Community Equipment Service	Council-wide (ASCH)	0.087	0.176	**0.263**	0.230	(0.033)
Croydon Museum	SCRER	0.170	-	**0.170**	0.032	(0.138)
SCRER Business Improvement Team	SCRER	0.349	-	**0.349**	0.312	(0.037)
Procurement and Contract Management Improvement	RES	-	0.686	**0.686**	0.413	(0.273)
Total Revenue Budget and Reserves Allocated to Date		**3.699**	**3.675**	**7.373**	**4.633**	**(2.741)**
Unallocated				**8.679**		
Target Operating Model Council Vision (funded by Growth Zone, not Transformation)	ACE	-	0.360	**0.360**	0.360	-

Savings

4.143 The 2024-25 budgets included a challenging new savings target for services of £23.7m. Together with slippage of £4.0m from 2023-24, the total savings target was £27.7m. The provisional outturn achievement of savings was £22.3m (80.6%).

Directorates identified risks to achievement of individual savings and made plans to mitigate these risks, or identify alternative savings, if possible.

Table showing 2024-25 forecast savings achievement by directorate

	2024-25					
Directorate	Savings target £'000	Slippage from previous year £'000	Revised Savings target £'000	Forecast savings achievable £'000	Savings slippage £'000	Not yet evidenced or (over delivery) £'000
Adult Social Care & Health	5,000	-	5,000	5,000	-	-
Assistant Chief Executive	4,179	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	6,887	-	100
Sustainable Communities (SCRER)	1,419	225	1,644	1,310	334	-
Cross-Directorate / Corporate	1,500	500	2,000	250	-	1,750
Total	**23,731**	**3,955**	**27,686**	**22,315**	**926**	**4,445**

Savings achievement not yet evidenced

4.144 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 implemented efficiencies in other non-pay expenditure to offset the savings delay and achieve the £0.05m balance of the savings.

4.145 Children, Young People & Education: There were savings of £2.545m which were not 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 set up a Best Value Review Panel for high cost placements. This achieved reductions in cost through re-assessment of needs and identifying the most cost effective way of meeting these needs. The service also worked in partnership with the Strategic Delivery Partner (Impower) to identify quick wins.
- Reduce spend on placements for looked after children (LAC) - £0.9m not yet evidenced.

- o £900k new savings target in 2024-25 linked to corporate parenting transformation and reduction in placement spend through use of in house fostering.
  - o 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
  - o 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.
  - o Consists of £0.490m slippage from 2022-23 plus an additional saving in 2024-25 of £0.250m.
  - o 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.

4.146 Resources: There were £0.100m savings that have not been evidenced to date.

- Review of Town Hall Campus – this review is underway and savings will be achieved in 2025-26.

4.147 SCRER: There was forecast savings slippage of £0.334m owing to a delay in implementing the new parking policy caused by the pre-election periods. This saving is on track to be fully achieved with the full-year impact in 2025-26.

4.148 Cross-Directorate: There were £1.750m savings that were not evidenced to date.

- Customer access (council wide) £1.500m – this saving has been incorporated into the Target Operating Model "Digital Operating Model" project.
- Consider new structures through layers and spans review £0.250m - this saving has been incorporated into the Target Operating Model "Simplifying the Organisation" project.

Reserves

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

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

4.150 The provisional outturn position for the Council as a whole utilises £20.6m 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, and £3.7m Transformation earmarked reserves not allocated to projects). These earmarked reserves do not impact the General Fund balances. However, these earmarked reserves are funding 2024-25 service expenditure overspends which required permanent growth budget to set a balanced budget for 2025-26.

4.151 Furthermore, any overspend remaining after the use of non-recurrent mitigations (following final accounting adjustments and any changes required from the external audit) would require funding from other earmarked reserves and/or General Fund balances. Any final underspend would reduce the required use of earmarked reserves.

HOUSING REVENUE ACCOUNT (HRA)

4.152 The HRA provisional outturn is a revenue overspend of £6.3m. A drawdown from HRA reserves will be required to cover the overspend.

4.153 There was a £4.9m overspend in key areas of repairs. Disrepair and responsive void repairs activity was above the originally budgeted levels. The overspend included building repairs of £1.9m, void responsive repairs of £1.1m and damp and mould related repairs of £1.1m.

4.154 There was a £2.1m overspend against 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 resulted in a recharge to the HRA which was higher than had been budgeted for.

4.155 The £1.5m legal disrepair overspend was in line with the forecasting during the year as the Council dealt with a significant number of disrepair claims. Steps were taken to deal with these claims in a timely way, including through additional capacity. The service plan to reduce the number of disrepair claims was set out in the Repairs Contract Update paper presented to Cabinet in February 2024.

4.156 An overachievement of income recovery of £1m contributed to offsetting the overspend pressures.

4.157 Over the year, the Housing Management Team supported over 480 tenants to access circa £2m in benefits that they were not previously aware of having entitlement to access.

Damp and Mould

4.158 Significant priority has been 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

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

Repairs

4.160 Communal repairs and estate inspections identified that the areas around the communal blocks have had under-investment. Therefore, the budget of £1.0m was under pressure given the level of activity that the caretakers and inspectors presented as required works. The estate environment requires further investment. The Council is committed to ensuring it is meeting its requirements as a landlord.

4.161 Stock condition surveys have been used to model the future years' budgets for the major repairs and maintenance programme. These capital improvements should reduce the level of responsive repairs over the medium term. The level of properties with up to date stock condition surveys reached over 76% by the end of March 2025.

Control framework

4.162 The service team have mitigated the position by way of implementing new controls and analysing activity in the year to check that the new controls had the desired effect. 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 was 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 is 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

4.163 A breakeven provisional outturn, acknowledging that additional budget was allocated in 2024-25 to meet known pressures while structural changes were implemented within the directorate.

Table showing the 2024-25 HRA provisional outturn

Description	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Rental Income	(88.4)	(89.5)	(89.5)	(1.1)
Service Charge Income	(5.0)	(4.9)	(4.9)	0.1
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.6)	(3.6)	(3.6)	-
Other Income	(6.0)	(6.0)	(6.0)	-
Subtotal Income	**(103.0)**	**(104.0)**	**(104.0)**	**(1.0)**
Housing Capital Charges	39.2	-	39.2	-
Responsive Repairs & Safety	25.8	30.7	30.7	4.9
Centralised Directorate expenditure	11.5	13.6	13.6	2.1
Tenancy & Resident Engagement	11.8	11.8	11.8	-
Tenant Support Services	7.9	8.2	8.2	0.3
Concorde, Sycamore & Windsor expenditure	3.6	3.6	3.6	-
Asset Planning	1.9	1.9	1.9	-
Capital Delivery (Homes)	1.3	1.3	1.3	-
Subtotal Expenditure	**103.0**	**71.1**	**110.3**	**7.3**
Total HRA Net Expenditure *(note 1)*	**-**	**(32.9)**	**6.3**	**6.3**

Note 1: No actuals to date for Housing Capital Charges which are still to be posted on the ledger.

Capital Programme and Financial Sustainability

4.164 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 continued 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, is essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council to balance its books.

4.165 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.

4.166 Concerns were highlighted regarding value for money and investment decisions as the Council 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.

4.167 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 being refinanced in 2024 onwards and, therefore, likely to drive significant increases in annual repayment levels.

4.168 Over £60m was required to service this debt in 2024-25 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.

4.169 The Council 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 updated 2025-29 MTFS demonstrates a growing estimated budget gap which could reach £203m by 2028-29.

4.170 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 £85k per annum revenue cost). Also capital receipts from the Asset Disposal Strategy are being currently 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").

4.171 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 and the service pressures which have emerged nationally, regionally and locally over 2024-25 to ensure the Council can deliver sustainable Local Government services.

General Fund Capital Programme

4.172 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 agreed by Full Council through the 2024-30 Capital Programme and Capital Strategy Report is £137.4m.

4.173 The General Fund capital programme provisional outturn is an underspend of £16.2m (11.8%) 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 Provisional Outturn (£000's)	2024-25 Variance (£000's)
My Resources Interface Enhancement	87	83	83	(4)
Network Refresh	691	402	402	(289)
Tech Refresh	277	165	165	(112)
Geographical Information Systems	226	226	226	-
Laptop Refresh	3,250	3,440	3,440	190
Synergy Education System	392	377	377	(15)
NEC Housing System	507	399	399	(108)
Public Switched Telephone Network Digital Migration Phase 1	305	283	283	(22)
Subtotal Assistant Chief Executive	**5,735**	**5,375**	**5,375**	**(360)**
Adults Living Independently Programme (Strategic Operating Model)	4,386	4,296	4,296	(90)
Subtotal ASCH	**4,386**	**4,296**	**4,296**	**(90)**
Children Home DFE - Precious House (previously called Angel Lodge)	279	89	89	(190)
Woodlands Family Hub	116	-	-	(116)
Strategic Operating Model for CYPE	2,266	1,184	1,184	(1,082)
Subtotal CYPE	**2,661**	**1,273**	**1,273**	**(1,388)**
Disabled Facilities Grant	3,000	3,036	3,036	36
Empty Homes Grants	69	69	69	-
Freehold Acquisition (Zodiac House)	21,000	21,060	21,060	60
Discharge Temporary Accommodation	16,000	-	-	(16,000)
Subtotal Housing	**40,069**	**24,165**	**24,165**	**(15,904)**
Asset Strategy - Stubbs Mead	150	4	4	(146)
Asset Strategy Programme (stock condition surveys)	70	27	27	(43)
Clocktower Chillers	367	9	9	(358)
Corporate Property Maintenance Programme	2,000	1,714	1,714	(286)
Fairfield Halls - Council	600	114	114	(486)
Fieldway Cluster (Timebridge Community Centre)	200	80	80	(120)
Coroner's Court Relocation	250	65	65	(185)
Oracle Improvement Programme	4,419	3,631	3,631	(788)
Target Operating Model Transformation	2,246	1,980	1,980	(266)
Contingency	1,000	-	-	(1,000)
Education - Compliance and Fire Safety	472	113	113	(359)
Education - Fixed Term Expansions	26	1	1	(25)
Education - Major Maintenance	2,416	3,516	3,516	1,100
Education - Secondary Estate	-	8	8	8
Education - Miscellaneous	378	675	675	297
Education - Permanent Expansion	40	140	140	100
Education - SEN	3,513	2,994	2,994	(519)
Subtotal Resources	**18,147**	**15,071**	**15,071**	**(3,076)**

General Fund Capital Scheme	2024-25 Revised Budget (£000's)	2024-25 Actuals to Date (£000's)	2024-25 Provisional Outturn (£000's)	2024-25 Variance (£000's)
Ashburton Park Heritage Fund	298	254	254	(44)
Cashless Pay & Display	804	566	566	(238)
Grounds Maintenance Insourced Equipment	1,556	503	503	(1,053)
Highways	9,147	10,347	10,347	1,200
Highways - Department for Transport (DfT)	764	934	934	170
Highways - bridges and highways structures	1,213	840	840	(373)
Highways - flood water management	435	434	434	(1)
Highways - Tree works GLA	119	5	5	(114)
Local Authority Tree Fund	114	114	114	-
Trees Sponsorship	25	14	14	(11)
Park Asset Management	700	1,178	1,178	478
Parking cameras replacements	400	184	184	(216)
Sustainability Programme	547	108	108	(439)
Libraries Investment	3	164	164	161
Leisure centres equipment - contractual agreement	74	-	-	(74)
Safety - digital upgrade of CCTV	36	8	8	(28)
Tennis Court Upgrade	137	117	117	(20)
Fairfield Halls External Screen	92	3	3	(89)
Electric Vehicle Charging Point (EVCP)	208	102	102	(106)
Growth Zone	4,320	1,305	1,305	(3,015)
Amplifying Surrey Street	410	67	67	(343)
Kenley Good Growth	111	55	55	(56)
South Norwood Good Growth	409	135	135	(274)
Local Implementation Plan (LIP)	1,670	1,286	1,286	(384)
Reconnecting Croydon	4,755	1,239	1,239	(3,516)
Walking and Cycling Strategy	54	79	79	25
Subtotal SCRER	**28,401**	**20,041**	**20,041**	**(8,360)**
Capitalisation Direction	38,000	51,000	51,000	13,000
Subtotal Corporate Items and Funding	**38,000**	**51,000**	**51,000**	**13,000**
Total General Fund Capital	**137,399**	**121,221**	**121,221**	**(16,178)**

4.174 Education – Miscellaneous includes £46k section 106 funding as well as Department for Education (DfE) grant funding.

4.175 Park Asset Management includes £148k section 106 funding as well as borrowing.

4.176 The Libraries Investment spend above profiled budget is timing of using existing UK Shared Prosperity Fund (UKSPF) grant funding earlier in 2024-25 than in 2025-26.

4.177 The Walking and Cycling Strategy spend above budget is owing to extra Transport for London (TfL) funding granted in 2024-25 than originally budgeted.

Table showing 2024-25 General Fund Capital Programme Financing

General Fund Capital Financing	2024-25 Revised Budget (£000's)	2024-25 Provisional Outturn (£000's)	2024-25 Variance (£000's)
Community Infrastructure Levy (CIL)	6,600	9,000	2,400
CIL Local Meaningful Proportion (LMP)	547	108	(439)
Section 106	456	287	(169)
Grants & Other Contributions	26,109	22,032	(4,077)
Right to Buy Receipts	11,400	11,460	60
Growth Zone	4,400	1,372	(3,028)
HRA Contributions	620	620	-
Capital Receipts	74,830	47,346	(27,484)
Borrowing	12,437	28,996	16,559
Total General Fund Financing	**137,399**	**121,221**	**(16,178)**

HRA Capital Programme

4.178 The HRA capital programme has a provisional outturn underspend of £21.2m against the revised budget of £68.3m agreed by Full Council through the Capital Programme and Capital Strategy 2024-30 report.

4.179 The HRA revised budget for 2024-25 and the HRA business plan took account of ongoing pressures and priorities. Stock conditions surveys were 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.

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

Table showing 2024-25 HRA Capital Programme budget and forecast

HRA Capital Scheme	2024-25 Revised Budget (£000's)	2024-25 Actuals to Date (£000's)	2024-25 Provisional Outturn (£000's)	2024-25 Variance (£000's)
Major Repairs and Improvements Programme	18,832	25,242	25,242	6,410
Gas/Fire Servicing	7,270	-	-	(7,270)
Building Safety Works	5,452	1,907	1,907	(3,545)
Repairs Referrals	8,600	4,704	4,704	(3,896)
Regina Road	12,477	5,025	5,025	(7,452)
Acquisitions	15,026	9,382	9,382	(5,644)
NEC Housing System	330	516	516	186
ICT – Laptop/Tablet Refresh	290	290	290	-

HRA Capital Scheme	2024-25 Revised Budget (£000's)	2024-25 Actuals to Date (£000's)	2024-25 Provisional Outturn (£000's)	2024-25 Variance (£000's)
Total HRA Capital	**68,277**	**47,066**	**47,066**	**(21,211)**

Table showing 2024-25 HRA Capital Programme Financing

HRA Capital Financing	2024-25 Revised Budget (£000's)	2024-25 Provisional Outturn (£000's)	2024-25 Variance (£000's)
Major Repairs Reserve (MRR)	14,439	14,040	(399)
Revenue Contribution	12,196	12,196	-
Right To Buy (RTB) Receipts	17,983	9,382	(8,601)
Other Grants	1,997	1,258	(739)
Borrowing	21,662	10,190	(11,472)
Total HRA Capital Financing	**68,277**	**47,066**	**(21,211)**

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 None.

7. IMPLICATIONS

7.1 FINANCIAL IMPLICATIONS

7.1.1 Finance comments have been provided throughout this report.

7.1.2 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.

7.1.3 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 the year. 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.

7.1.4 The provisional outturn position for the Council as a whole utilises £20.6m 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, and £3.7m Transformation earmarked reserves not allocated to projects). These earmarked reserves do not impact the General Fund balances. However, these earmarked reserves are funding 2024-25 service expenditure overspends which required permanent growth budget to set a balanced budget for 2025-26.

7.1.5 The provisional outturn position is also supported by £13m capitalisation directions (on top of the budgeted £38m). £50m capitalisation directions were used in 2023-24 compared to the "minded to" agreement by MHCLG for £63m and freed up £13m capitalisation directions for 2024-25 (MHCLG has provided "minded to" approval for this change).

7.1.6 Any overspend remaining after the use of non-recurrent mitigations (following final accounting adjustments and any changes required from the external audit) would require funding from other earmarked reserves and/or General Fund balances. Any final underspend would reduce the required use of earmarked reserves.

7.1.7 The Council's historic legacy debt burden and national, regional and local service pressures are critical to the non-sustainability of the Council's revenue budget. Dialogue with MHCLG continues around options of further financial support from Government to ensure the Council can deliver sustainable Local Government services.

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

7.2 LEGAL IMPLICATIONS

7.2.1 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.

7.2.2 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.

7.2.3 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.

7.2.4 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.

7.2.5 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.

7.2.6 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.

7.2.7 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, Principal Lawyer Corporate Law and Litigation and Deputy Monitoring Officer, 04/07/2025.

7.3 HUMAN RESOURCES IMPLICATIONS

7.3.1 There are no immediate workforce implications arising from the content of this report, albeit there is potential for several 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.

7.3.2 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, 1/7/2025.

7.4 EQUALITIES IMPLICATIONS

7.4.1 The Council remains committed to upholding its statutory duties under the Public Sector Equality Duty (PSED), as set out in Section 149 of the Equality Act 2010. In doing so, the Council must have due regard to the need to:

- eliminate unlawful discrimination, harassment, and victimisation.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between different groups.

7.4.2 In line with our Equality Strategy 2023–2027 and anti-racism commitments, we recognise that financial decisions, particularly those relating to budget savings, service redesigns, and transformation programmes, have the potential to impact residents disproportionately and service users from protected characteristic groups, including disabled people, children and young people with SEND, care experienced young people, older adults and racially minoritised communities.

7.4.3 To ensure that equality considerations are embedded in both the planning and delivery of services, all directorates are required to complete robust Equality Impact Assessments (EQIAs) for new policies, budget proposals and service changes. The Equality function reviews these assessments to promote consistency, ensure legal compliance, and help identify risks and opportunities for mitigation. Where impacts are identified, appropriate actions are developed to address or reduce potential harm.

7.4.4 Given the complex challenges set out in this financial outturn report, including in areas such as children's placements, housing, homelessness, SEND transport and adult social care, EQIAs have played a critical role in informing recovery planning, service prioritisation and the targeting of resources. The Council will continue to monitor equality impacts throughout implementation and engage in regular review of EQIAs to ensure that decisions remain fair, inclusive and responsive to changing needs.

7.4.5 This ongoing commitment reflects our aim to not only comply with the letter of the law but to actively promote equity, reduce structural disadvantage and ensure that the needs of all Croydon residents are considered in our journey towards financial resilience and sustainable local public services.

Comments approved by Philip Conteh, Senior Equalities Officer, on behalf of the Head of Strategy and Policy, 2/7/2025.

8. APPENDICES

8.1 None.

9. BACKGROUND DOCUMENTS

9.1 None.