

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION:	25 March 2026	
REPORT TITLE:	2025-26 Period 9 Financial Performance Report	
CORPORATE DIRECTOR:	Conrad Hall 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	
REPORT FOR: (Noting or Decision/Approval):	Noting	
KEY DECISION?	No	Reason: N/A
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 EXECUTIVE SUMMARY

- 1.1** The Period 9 (December 2025) financial performance for General Fund revenue shows a forecast underspend of £26.2m against the 2025-26 budget. This is an improvement of £0.5m since Period 8.
- 1.2** Across London most local authorities (24 out of 32) are forecasting a General Fund overspend owing to demand and cost pressures experienced across the local government sector. The average is an overspend of £8m, rising to £13m if the underspending and breakeven councils are excluded from the calculation.
- 1.3** The Council is forecast at Period 9 to achieve £26.8m of the Stabilisation Plan target in addition to £21.9m of the Medium Term Financial Strategy (MTFS) savings. A forecast total of £48.7m cost efficiencies and income generation.
- 1.4** The General Fund capital programme shows a forecast underspend of £3.1m.

- 1.5** The Housing Revenue Account (HRA) shows a revenue forecast breakeven position for 2025-26. The HRA capital programme shows a forecast underspend of £3.8m.

Financial Performance Summary Table

Financial Performance Area	2025-26 Budget (£m)	2025-26 Forecast (£m)	2025-26 Forecast Variance (£m)	2025-26 Forecast Variance (%)
Revenue Forecast (General Fund)	375.8	349.6	(26.2)	(7.0%)
Revenue Forecast (Housing Revenue Account)	-	-	-	N/A
Capital Forecast (General Fund)	214.5	211.4	(3.1)	(1.4%)
Capital Forecast (Housing Revenue Account)	108.5	104.7	(3.8)	(3.5%)

2 RECOMMENDATIONS

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

- 2.1** Note the General Fund revenue budget outturn is forecast at Period 9 to underspend at financial year end by £26.2m, contributing to the target as required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £109.8m.
- 2.2** Note that service directorates have been asked to reduce their net expenditure below their budgets so that the annual budget can be balanced with reduced use of capitalisation directions, including achievement of the £27.3m Stabilisation Plan target as set out from paragraph 5.9.
- 2.3** Note the unfunded local government cost pressures that exist nationally, regionally and locally relating to increases in demand and market prices which need to be addressed by Government changes to policy and/or funding levels.
- 2.4** Note the progress in Medium Term Financial Strategy (MTFS) savings achievement of £21.9m (87.3%) against the total savings target of £25.1m as set out from paragraph 5.127.
- 2.5** Note the Housing Revenue Account (HRA) revenue budget forecast outturn is a breakeven position.

- 2.6** Note the General Fund capital programme 2025-26 forecast underspend of £3.1m (1.4%) against the revised budget of £214.5m. The capital budget includes expected capitalisation directions of £108.7m (£136.0m less the Stabilisation Plan target underspend of £27.3m). £26.8m is evidenced to date at Period 9 against the Stabilisation Plan with directorates continuing to reduce their net expenditure wherever possible.
- 2.7** Note the HRA capital programme 2025-26 forecast underspend of £3.8m (3.5%) against the revised capital budget of £108.5m.
- 2.8** 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 paragraph 5.147.
- 2.9** Note that the Council continues to operate Spend Control Panels, and tightened the criteria from July 2024, to ensure that stringent financial control and assurance oversight are maintained.
- 2.10** Note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The Financial Performance Report is presented quarterly 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.
- 3.2** The quarterly Financial Performance Reports (presented to Cabinet) and the summary updates for intervening periods from Period 2 to Period 10 are published on the Council's Corporate Performance and Finance Reporting webpage (link: [Corporate Performance and Finance Reporting | Croydon Council](#)).

4 CONTRIBUTION TO EXECUTIVE MAYOR PERRY’S BUSINESS PLAN

Outcome 1: The Council balances its books, listens to residents and delivers good sustainable services.	Outcome 2: Croydon is a place of opportunity for business, earning and learning.	Outcome 3: Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.	Outcome 4: Croydon is a cleaner, safer and healthier place, a borough we’re proud to call home.	Outcome 5: People can lead healthier and independent lives for longer.
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5 BACKGROUND AND DETAILS

- 5.1** The 2025-26 budget approved by Council in February 2025 set a net revenue budget of £375.8m. This required capitalisation directions from Government of £136m to balance, owing to funding the ongoing annual cost of servicing the disproportionate level of debt and unfunded local government cost pressures that exist nationally, regionally and locally relating to increases in demand as well as market prices.
- 5.2** On 23 February 2026, the Government published the in-principle Exceptional Financial Support for local authorities for 2026-27 ([Exceptional Financial Support for local authorities for 2026-27 - GOV.UK](#)). This included a revision to Croydon’s 2025-26 in-principle amount from £136.0m to £110.3m.
- 5.3** The Council’s historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council’s revenue budget, with an estimated £72m cost in 2025-26 for the Council to service the debt. The CIPFA Financial Resilience Index shows Croydon’s 2024-25 Gross External Debt to Income (Council Tax, Business Rates and fees) ratio as 211% compared to an average 124% for the other 32 London boroughs.

GENERAL FUND REVENUE BUDGET SUMMARY

- 5.4** The General Fund revenue budget outturn is forecast at Period 9 to underspend at financial year end by £26.2m, contributing to the target as

required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £109.8m.

- 5.5** All service directorates have been asked to reduce their net expenditure below their budgets so that the annual budget can be balanced with reduced use of capitalisation directions, including achievement of the £27.3m Stabilisation Plan target.
- 5.6** It should not be underestimated what a challenge this will be against the background of increased demand pressures which are continuing to build across local government as well as increased market prices.

Table showing the revenue forecasts by Directorate

Directorate	Net Budget	Actuals to Date	Forecast	Forecast Variance	Prior Month Forecast Variance	Change in Forecast Variance
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Adult Social Care and Health	191.4	148.6	187.4	(4.0)	(4.0)	-
Assistant Chief Executive	22.6	35.0	20.4	(2.2)	(2.2)	-
Children, Young People and Education	161.6	103.3	162.1	0.5	0.5	-
Housing	55.5	28.1	52.4	(3.1)	(3.1)	-
Resources	20.4	122.2	19.3	(1.1)	(0.7)	(0.4)
Sustainable Communities, Regeneration & Economic Recovery	76.7	39.3	76.0	(0.7)	(0.6)	(0.1)
Subtotal Service Directorates	528.2	476.5	517.6	(10.6)	(10.1)	(0.5)
Corporate Items and Funding	(152.4)	(20.6)	(168.0)	(15.6)	(15.6)	-
Total Net Expenditure	375.8	455.9	349.6	(26.2)	(25.7)	(0.5)

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

- 5.7** The Council continues to build on the improvements in financial management that were made in recent years. However, the Council is still on a journey of improvement, which is fully recognised within the organisation.
- 5.8** A financial assurance process and independent challenge of expenditure and income takes place on a monthly basis. This is in addition to Executive Mayor, Cabinet and Scrutiny & Overview Committee reviews. The assurance meetings provide the Corporate Director of Resources (Section 151 Officer) 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 at a local level to reduce costs, deliver savings, manage in-year demand and deliver the balanced budget.

Stabilisation Plan

5.9 The Executive Mayor and Cabinet approved the Stabilisation Plan at the Cabinet Meeting on 25 June 2025. The target is £27.3m of unused capitalisation directions.

Table showing the current Stabilisation Plan actions

Action	Lead Directorate	Target (£m)	Forecast evidenced to date (£m)	Status
Non-pay inflation budget not used	Corporate	9.000	9.000	On Track
Pay inflation not used	Corporate	-	3.686	Completed
Risk contingency budget not used	Corporate	5.000	5.000	On Track
Overall Housing target (detail below)	Housing	3.940	3.392	Amber
<i>General Needs allocation to TA</i>	<i>Housing</i>	<i>2.100</i>	<i>0.870</i>	<i>Amber</i>
<i>Reduce TA placements from 25% to 20% of presentations</i>	<i>Housing</i>	<i>1.200</i>	<i>1.680</i>	<i>On Track</i>
<i>Accelerate House Buying Process for homeless families</i>	<i>Housing</i>	<i>0.350</i>	<i>0.253</i>	<i>Amber</i>
<i>Introduce more Out of Borough private sector placements</i>	<i>Housing</i>	<i>0.290</i>	<i>0.589</i>	<i>On Track</i>
Accelerate Target Operating Model Programme	Corporate	3.700		Red
In year savings overachievement, cost reductions and income generation (detail below of directorate underspends above specific actions)	Corporate	3.000	3.608	On Track
<i>Forecast underspend above ALI programme</i>	<i>ASCH</i>		<i>3.600</i>	
<i>Forecast underspend above Access Croydon</i>	<i>ACE</i>		<i>2.100</i>	
<i>Forecast underspend</i>	<i>CYPE</i>		<i>(0.500)</i>	
<i>Forecast underspend above specific actions</i>	<i>Housing</i>		<i>(0.292)</i>	
<i>Forecast underspend above BWH floor maximisation</i>	<i>Resources</i>		<i>1.100</i>	
<i>Forecast underspend above parking income</i>	<i>SCRER</i>		<i>(0.300)</i>	
<i>Forecast underspend above inflation & risk budgets</i>	<i>Corporate</i>		<i>(2.100)</i>	
Increased parking income	SCRER	1.000	1.000	On Track
Maximise floor occupancy BWH	Resources	0.500	-	Red
Disabled Facilities Grant maximisation	Housing	0.500	0.529	Completed
Accelerate Adults Living Independently (ALI) Programme	ASCH	0.400	0.400	On Track
Access Croydon	ACE	0.111	0.111	Completed
Open Precious House (previously Angel Lodge) children's home	CYPE	0.100	-	Red
Capital programme reduction (£1.5m removed from 2025-26 and £500k deferred to 2026-27)	Corporate	0.050	0.050	Completed
	Total	27.301	26.776	

*Key: Completed = Actioned and achievement figure will not change during the year.
On Track = Current forecast is that the target will be met in full or over-achieved.
Amber = Current forecast is that the target will be partially met.
Red = Forecast achievement has not been evidenced to date.*

Housing

5.10 Given the rapid escalation of homelessness over the last couple of years and the seriousness of the impact, a dedicated strategic response has been developed, and this is outlined in the Stabilisation Plan. The plan is focussed on three key objectives which are shown below along with key strands of work associated with each objective. This has ensured a reduction in demand by 20% compared to 2024-25, the reduction was achieved by reducing the new placements into temporary accommodation from 60% in 2023-24 to 25% in 2024-25 and further to 13% in 2025-26; and an increase in the number of households moved out of temporary into settled housing (private and social housing).

5.11 The plan is focussed on three key objectives along with key strands of work associated with each objective as set out below:

(a) Reduce homelessness demand.

- Providing clear information on the website to help applicants make timely and informed choices on their housing options including a video message. [Support if you are homeless or at risk of becoming homeless | Croydon Council](#);
- Actively promoting self-service and 'find your own' housing options to residents – with financial assistance offered through Discretionary Housing Payment (DHP) grant;
- Implementation of 'appointment only' service for homeless assistance to improve deployment of resources and ensure effective response to those in urgent need;
- Visiting households where family exclusion is the cause of presentation, to prevent homelessness through mediation; and
- Actively working with private landlords to reduce evictions through initiatives as 'call before you serve' - [Call before you serve - Croydon Council](#)

(b) Increase housing supply to support move-on from temporary to settled accommodation.

- Increased access to supply of social rented re-lets from the Council and Registered Providers for temporary accommodation households;
- Expanded the supply of affordable private rented sector accommodation out of London to accelerate move on from temporary accommodation into long-term sustainable solutions;
- Embedded a 'one-reasonable-offer' approach; and
- Moved and eliminated use of Bed & Breakfast with shared facilities for families from April 2025.

(c) Reduce expenditure on temporary accommodation.

- Negotiating reduced nightly rates with temporary accommodation providers;
- Reviewing and undertaking occupancy audit of temporary accommodation to identify any voids, fraud, or irregular arrangements and recovering the units;
- Reducing the volume of spot commissioned nightly charged temporary accommodation by moving to a sustainable model including long-term leased accommodation;
- Increasing the supply of additional social rented housing through an acquisitions programme; and
- Moved and eliminated use of commercial hotels since August 2024.

Open Precious House (previously Angel Lodge) children's home

5.12 The Stabilisation Plan included a target aiming to achieve the Precious House MTFs savings earlier than 2026-28. Whilst the Council has successfully procured the care provider contract and the provider has had staff available from July, the opening of the children's care home is dependent on OFSTED being able to complete the registration process. The Council submitted the registration application in May 2025, and OFSTED approval is now secured. OFSTED are currently experiencing a very high volume of requests. OFSTED have added Precious House to a fast-track list and the OFSTED inspection has taken place. The Stabilisation Plan financial target is not achievable in 2025-26 owing to the period of experiencing costs prior to being able to place young people into the care home.

DIRECTORATE VARIANCES

ADULT SOCIAL CARE AND HEALTH (ASCH)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care Operations	174.9	141.7	171.9	(3.0)
Adult Strategic Commissioning, Policy & Improvement	14.6	5.4	13.6	(1.0)
Central ASCH	1.9	1.5	1.9	-
Total ASCH	191.4	148.6	187.4	(4.0)
Public Health Grant Ringfenced Services (note 1)	-	(12.1)	-	-

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

- 5.13** At period 9, the ASCH directorate has a forecast underspend of £4.0m (2.1%) against the budget of £191.4m.
- 5.14** The ASCH Directorate is forecast to deliver the savings target of £5.0m in 2025-26, delivered primarily through the Adults Living Independently (ALI) programme. In addition a further £0.4m will be achieved as part of the ALI programme as a contribution toward the stabilisation plan.

Adult Social Care Operations - forecast underspend of £3.0m

- 5.15** All services within operations, except Disabilities & Transitions, are currently forecasting an underspend position.
- 5.16** Disabilities & Transitions are forecasting an overspend of £0.55m which relates to services provided to people with no recourse to public funds. Work is ongoing with the market to provide more cost effective accommodation options.
- 5.17** The demand and levels of need from acute hospitals continues to be high. Croydon University Hospital are operating at bed capacity of nearly 99% and have high numbers each day awaiting admission from urgent treatment centres and emergency departments. This is a similar position across South West London boroughs and acute hospitals. The integration of health and social care services via the Discharge Transformation Programme is crucial to address these challenges effectively and ensure residents receive care and support via the correct discharge pathways that support enablement/reablement. This includes increasing/re-modelling the current intermediate care bed service, improving our reablement service and ensuring that all residents have access to community health services.

- 5.18** Increased demand for care particularly for older people, but also in working age, is creating ongoing budgetary pressure which we are seeking to mitigate through the initiatives underway as part of the ALI programme. In addition, in this financial year, contract re-provisioning has been required owing to quality concerns in respect of a significant provider of services.
- 5.19** In recent years, the country, London and Croydon have experienced market pressures 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 placements. This is a situation where, over time, the cost of new care placements are higher than the cost of a recently closed placement that it was effectively replacing. The amount they are higher by is greater than the levels of inflation that have been awarded to the older existing packages of care.
- 5.20** To mitigate the impact of these in year market cost pressures, negotiations have been taking place with key suppliers to agree placement costs for this financial year with the aim of significantly reducing the level of market pressure inflation required.

Adult Social Care Commissioning, Policy and Improvement - forecast underspend of £1.0m

- 5.21** The Commissioning, Policy and Improvement division is forecasting an underspend of £1.0m owing to overachievement of income (£0.6m), underspend on contracts (£0.3m) and periods of staffing vacancy (£0.1m). However, additional staffing and commissioned resources may be required for the mobilisation of the PFI Care Homes re-procurement and development of intermediate care bed and extra care housing capacity.

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

- 5.22** A forecast breakeven position for Public Health after forecast drawdown of £1.8m from ringfenced Public Health reserves. The planned drawdown from reserves supports prevention related investment in public health services and activities.

5.23 Risks

- Failure of care providers to maintain required Care Quality Commission standards resulting in care needing to be reprovisioned. High likelihood currently, but the impact is dependent on client cohort, care type and volume. Estimated impact is up to £0.5m per provider e.g. for a high volume residential over 65 years provider;
- Replacement costs of new placements continue to increase above the rate of inflation. Measures have and continue to be put in place with the market to mitigate this which has led to minimal in year cost increases. Low likelihood currently, but the impact is dependent on client cohort, care type and volume. Estimated impact is up to £0.5m per provider e.g. for a high volume residential over 65 years provider;
- Continued grip on sustainability as the strategic partner steps away from the ALI programme. Low likelihood currently, impact would likely be limited to the value of savings of £2.9m for full year;
- Demand for home care in older people. The trend has been an increasing number of clients but reducing care hours. Medium likelihood, an increase of 5% on 2024-25 spend is £1.2m. However, home care demand management and reviews of existing care are a key focus of the ALI programme and business as usual savings; and
- Potential impact of NHS savings and remodelling of Integrated Care Boards (ICBs) under the 10-year NHS plan.

5.24 Opportunities

- Savings achievement will continue to support the forecast outturn for the ASCH directorate, through both the accelerated delivery of the ALI programme and continued efforts to reduce costs; and
- The service will continue to ensure the use of grant funding is applied within the grant conditions and to maximise the mitigating effect on revenue expenditure.

ASSISTANT CHIEF EXECUTIVE (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Policy, Programmes and Performance	1.4	4.7	1.2	(0.2)
Elections Service	0.4	0.7	0.4	-
Croydon Technology Service	4.4	12.4	2.7	(1.7)
Chief People Officer	0.1	3.2	0.1	-
Central ACE	16.3	14.0	16.0	(0.3)
Total Assistant Chief Executive	22.6	35.0	20.4	(2.2)

5.25 At period 9, the ACE directorate has a forecast underspend of £2.2m (9.7%) against the budget of £22.6m.

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

5.26 The division has a forecast underspend owing to the implementation of staffing vacancy efficiencies. These vacancies are being held to accommodate the Integrated Shared Services Target Operating Model.

Croydon Technology Service Division – forecast underspend of £1.7m

5.27 The division has a forecast underspend in contracts (£1.1m) and a forecast underspend in staffing owing to unfilled vacancies and staffing recharges to capital (£0.6m). The forecast underspend is partially reduced by non-recurrent costs involved in the Information Management transition project.

Chief People Officer Division – forecast breakeven position

5.28 The division is reporting a breakeven position against budget. There is a £0.1m MTFs saving on staffing which will be achieved from 1 April 2026 when the Oracle Time and Labour module is fully implemented and reductions in payroll staffing will occur. In 2025-26 this pressure is being offset by the Learning and Development Service.

Central Assistant Chief Executive - forecast underspend of £0.3m

5.29 The forecast underspend is mainly relating to Concessionary Travel owing to reduced concessionary travel recharged from Transport for London (£0.4m). There is a further underspend of £0.1m in the Resident Contact Centre resulting from the Stabilisation Plan action regarding Access Croydon. The underspend is partially reduced by non-recurrent costs involved in the Information Management transition project.

Risks

- 5.30** Croydon Technology Service Restructure - the service is affected by the lower supply and higher demand in the IT recruitment market. However, it will deliver the expected savings.
- 5.31** The cost of IT assets - this risk is being mitigated through an automated process being developed, aligned to improvements in Oracle establishment management.
- 5.32** Filming income - the film income achievement is challenging to profile, as securing a major production can quickly shift the financial picture. The service is working to drive activity through proactive contract management to maximise income opportunities.

Opportunities

- 5.33** A review of earmarked reserves is being undertaken to understand the balances and to quantify the requirements against these reserves with a view to releasing any reserve balances no longer required.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	114.1	70.2	113.1	(1.0)
Unaccompanied Asylum-Seeking Children (UASC) <18	1.8	5.8	1.8	0
UASC Care Experienced Young People >18	(1.4)	2.3	0.3	1.7
Asylum Seekers and Homes for Ukraine	0.2	0.1	-	(0.2)
Non-DSG Education Services	36.9	18.6	36.8	(0.1)
Central CYPE	10.0	6.3	10.1	0.1
Total CYPE	161.6	103.3	162.1	0.5

Dedicated Schools Grant (DSG) High Needs Education Services	86.7	99.3	106.7	20.0
Dedicated Schools Grant (DSG) Early Years Block	72.5	48.7	71.5	(1.0)

Note 1: The actuals to date are high in the DSG areas owing to grant income yet to be allocated to cost centres.

General Fund

- 5.34** At period 9, the CYPE directorate has a General Fund forecast overspend of £0.5m (0.3%) against the budget of £161.6m.

Children's Social Care Division (including UASC and UASC Care Experienced Young People) - forecast overspend of £0.7m

Staffing

- 5.35** Forecast overspend of £0.3m against salary budgets.
- 5.36** Following a detailed review of forecasts in period 9, the forecast has moved in a favourable direction by £0.1m since period 8. Work will continue to identify any further ways to mitigate this overspend.
- 5.37** The forecast overspend includes the review of youth engagement services which has been implemented in 2025-26. The full-year savings effect of the changes will be achieved in 2026-27.
- 5.38** Staffing structures were reviewed last year to ensure they reflect current demand, whilst maintaining safe caseload levels. The new structures are being implemented through the financial year. Whilst there is not expected to be a long-term pressure, there is a residual pressure whilst the new structures are implemented. CYPE are working closely with HR and Transformation colleagues to ensure the structures are finalised and take into account the Target Operating Model.

Unaccompanied Asylum-Seeking Children (UASC)

- 5.39** Forecast overspend of £1.7m relating to the placement and social care costs associated with this cohort.
- 5.40** The current funding model is not adequate to cover the full costs of supporting UASC cohort of young people, especially as the number of care-experienced young people continues to rise. There is a legacy of increased numbers owing to the period before the National Transfer Scheme (NTS) became mandatory for all local authorities with children's services in November 2021. This now facilitates a more equitable distribution of new cases among local authorities across the country. There is a reduction in grant once young people turn 18 years old.
- 5.41** Work is underway to review those that are deemed non-grant claimable, to ensure we are maximising all possible funding streams and providing the best outcomes for this cohort. The number of NEET clients continue to reduce each month, from 135 in April 2025 to 91 at December 2025.

Placements

- 5.42** Forecast underspend of £1.1m in placement costs which is partially offsetting the aforementioned pressure on UASC. No change since Period 8.
- 5.43** Significant growth was added into this budget area for 2025-26 to address the demand needs related to placement costs. Work is underway to review activity and realign budgets to match activity and planned savings through the Helping Families Thrive Programme.
- 5.44** Volatility remains a challenge and high-cost placements have a disproportionate impact on overall placement spend. The current highest open placement cost is £14,000 per week (£729,960 per year).
- 5.45** Initiatives underway to mitigate the market volatility, including as part of the Helping Families Thrive Programme, include:
- Development of Council owned children's homes - Croydon is developing children's homes 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;
 - Market engagement and exploring block contracting - this will help to stabilise costs and address the challenge of in borough provision being used by other councils;
 - Development of specialist foster carers; and
 - Increased use of kinship care.
- 5.46** These initiatives represent a comprehensive, proactive approach to managing current budget challenges whilst establishing a long-term sustainable approach for placements moving forward. This will contribute towards the achievement of the MTFs savings. Progress against these targets is being closely monitored through the year.
- 5.47** The Stabilisation Plan included a target aiming to achieve the Precious House MTFs savings earlier than 2026-28. Whilst the Council has successfully procured the care provider contract, and the provider has had staff available from July; the opening of the children's care home is dependent on Ofsted being able to finalise the registration process. The Council submitted the registration application in May. OFSTED are currently experiencing a very high volume of requests. OFSTED have added Precious House to a fast-track list and the OFSTED inspection took place in March 2026. There is a financial pressure in 2025-26 owing to the period of experiencing costs prior to being able to place young people into the care home. The pressure is currently

estimated to be £0.6m, based on a March opening date, and this is included in the forecast position on placements.

Asylum Seekers and Homes for Ukraine

- 5.48** Forecast underspend of £0.2m against the General Fund net expenditure budget of £0.2m. Costs are being maintained within the level of grant income and the net expenditure budget within this area will be realigned within CYPE.

Central CYPE

- 5.49** Forecast overspend of £0.1m, mainly relating to staffing within the Safeguarding and Quality Assurance teams.

Non-Dedicated Schools Grant (DSG) Education services

- 5.50** Forecast underspend of £0.1m General Fund Education services.
- 5.51** Home to school travel assistance for children with special educational needs and disabilities (SEND) is a national pressure. Croydon, like many other boroughs, experienced significant financial pressures in 2024-25 as a result of the growing number of SEND pupils requiring travel assistance.
- 5.52** Significant growth was allocated to travel assistance budgets for 2025-26. Following the commencement of the new academic year in September, forecasts have been reviewed and updated to reflect a forecast underspend of £0.5m.
- 5.53** Within Education there is one Private Finance Initiative (PFI) contract. Following completion of modelling to re-assess the affordability model, it has been identified that current modelling demonstrates that there will be a deficit by the end of the contract. This is caused by the period of higher inflation experienced over recent years (above the general average assumption of 2.5% over the life of the contract). The amount of deficit will be affected by the level of inflation in future years and options are being explored around how the cost pressure could be mitigated. The forecast includes this pressure for 2025-26 as options to mitigate this have to date not transpired.
- 5.54** The Education division includes General Fund pressures in the Education Psychology service and historic teachers pensions payments.

Dedicated Schools Grant (DSG)

DSG High Needs education services – forecast overspend of £20m

DSG Early Years Block – forecast underspend of £1m

- 5.55** At period 9, the DSG high needs block has a forecast overspend of £20m (23%) against a budget of £86.7m.
- 5.56** The 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 statistics¹ 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.
- 5.57** The Council commissioned CIPFA to carry out a review of processes to identify improvements that can be made in placement cost recording and payment processing. These improvements are being taken forward and data cleansers are working through the information on the system to improve data quality for forecasting.
- 5.58** The main areas of overspend are owing to the following factors:
- overspends in the independent placements and out of borough placements budget, owing to a significant increase in demand for new specialist placements, particularly in reception and year 7. The average cost per placement on non-maintained independent provision is significantly higher. The service is working with 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;
 - continuing growth in demand for speech and language therapy provision;
 - increased number of complex cases, which the local authority has agreed to fund under a separate pathway, to prevent placement in out of borough and independent provisions.
- 5.59** One measure to partially reduce this overspend is by increasing provision:

¹ [Education, health and care plans, Reporting year 2025 - Explore education statistics - GOV.UK](https://www.gov.uk/government/statistics/education-health-and-care-plans-reporting-year-2025)

- In discussion with two mainstream schools to open Special School Annexes – Chipstead Valley and Heavers Farm Primary; and
- Working with two academy trusts to reduce the Published Admission Number (PAN) and increase Enhanced Learning Provision (ELP) placements.

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

- Transfer from the Schools Block to the High Needs Block as part of the DSG deficit management plan as approved by Schools Forum; and
- DSG grant set aside to support the DSG High Needs Transformation strategy and staffing underspend.

- 5.60** The Safety Valve programme is aimed at reducing the deficit ahead of the 2026-27 target date. However, this has become increasingly difficult with the growth in SEND demand.
- 5.61** Alongside the Final Local Government Finance Settlement (LGFS), the Government published an explanatory note on the Government's approach to Dedicated Schools Grant deficits: [Explanatory note on the government's approach Dedicated Schools Grant deficits - GOV.UK](#). This note details the calculation of the High Needs Stability Grant allocations, arrangements for local authorities that participated in the Safety Valve programme and grant conditions.
- 5.62** To determine the allocation of the High Needs Stability Grant that an individual local authority will receive, DfE and MHCLG will look at the full range of sources available on local authority expenditure to determine the total Dedicated Schools Grant deficit that is eligible for a grant (90% of the eligible deficit at 31/3/26).
- 5.63** Given this new approach to DSG deficits, the Safety Valve programme will end. No local authority will be disadvantaged by its participation: every Safety Valve local authority will receive at least the same amount of grant through this arrangement as they would have through Safety Valve, and any local contributions already made will count as part of the 10% remaining deficit that will fall to local authorities to cover.
- 5.64** Grant allocations will be paid by DfE as a Section 31 grant from the autumn. Exact payment timings will depend on local authorities meeting local SEND reform plans conditions. Local SEND reform plans are to be developed collaboratively by local area partnerships - including schools, health, early years settings and post-16 providers – to ensure the plan reflects the shared responsibility of the whole local system in supporting children and young people.

- 5.65** As at 31/3/25, the deficit balance on the DSG adjustment account was £38.0m. The net effect of the adjustment account and £9.9m DSG reserve is a deficit of £28.1m at 31/3/25. The 2025-26 forecast overspend for the DSG is £19m, being £20m for the high needs block less a £1m forecast underspend in the early years block.
- 5.66** Initial estimates suggest the High Needs Stability Grant grant for Croydon could be in the range of £35m to £40m. This will significantly reduce the deficit as at the end of the 2025-26 financial year (with the grant expected to be received in the 2026-27 financial year). However, a significant deficit will remain and the deficit is set to grow annually.
- 5.67** The risk relating to the DSG deficit impact on the General Fund is currently mitigated through the statutory override up to the end of 2025-26 (with the Government previously committing to extend this to March 2028). This means that the DSG deficit does not need to be recovered in full by the General Fund or held against non-earmarked General Fund reserves up to this date.
- 5.68** On 23 February 2026 the DfE published its policy on “Reforms to the schools and SEND systems in England to ensure that every child can achieve and thrive”. ‘Every child achieving and thriving’ outlines the Government’s ambition to improve the lives of all children and young people by:
- shifting children’s school experience from narrow to broad;
 - ensuring those who have been sidelined are included; and
 - taking children and communities from withdrawn to engaging with schools.
- 5.69** Alongside the policy paper, the Government also published a 6,500 additional teachers delivery plan and a consultation on [SEND reform: putting children and young people first](#). The consultation covers proposed changes to improve outcomes for children and young people with SEND, including early, fair support, with shared accountabilities across local partners. The consultation closes on 18 May 2026.

DSG Early Years Block – forecast underspend of £1m

- 5.70** At period 9, the Early Years Block has a forecast underspend of £1m against a budget of £72.5m.

Risks

PFI contract

- 5.71 Options to mitigate this risk continue to be pursued within 2025-26 and for future years. Croydon are also working with the school concerned to review their contributions, this presents a further risk of increased costs.

Dedicated Schools Grant (DSG)

- 5.72 The "high needs pressures" within the DSG refers to the growing financial strain on local authorities in England to meet the needs of children and young people with special educational needs and disabilities (SEND). This pressure stems from increased demand for services, rising costs of specialist placements, and complexities in diagnosis and support. Croydon has an overall deficit owing to pressures within this area and are subject to a safety valve agreement to manage this deficit position.

Opportunities

- 5.73 Transformation projects are underway which will generate savings. There is an expectation within the forecast that any associated costs will either be covered by in-year savings or funded through transformation. Bids are in the process of being compiled to demonstrate the anticipated savings. Once quantified, both the costs and savings will need to be factored into the forecast taking into account the phasing of savings over multiple years.

HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Housing (General Fund)	55.5	28.1	52.4	(3.1)
Total Housing (General Fund)	55.5	28.1	52.4	(3.1)

- 5.74 At period 9, the Housing directorate has a General Fund forecast underspend of £3.1m (5.6%) against the budget of £55.5m.
- 5.75 The actuals to date include Homelessness Prevention Grant (£13m) and Rough Sleeping Initiative Grant (£1.1m) income paid in advance, whereas related expenditure for landlord and contractor payments are paid in arrears.
- 5.76 There is ongoing demand within the nightly paid portfolio, in line with the increased activity experienced in the 2024-25 financial year and is consistent with other London boroughs' experiences. London Councils reported the

number of homelessness Londoners requiring temporary accommodation reached the highest level ever recorded².

- 5.77** The pressure in temporary accommodation is being managed through prevention work. The service has set, within the Stabilisation Plan, the initiatives to manage the demand of paid accommodation units per month. A reduction in new temporary accommodation demand was achieved through tighter case management, better access to private rented sector housing, and consistent occupancy checks ensuring the accommodation is being used appropriately and only by households who genuinely need it. Together, these measures reduced new demand for TA to 46 against a YTD target of 90 households and improved the overall efficiency of temporary accommodation use. This has supported the achievement of £3.3m of stabilisation saving against the target of £3.9m.
- 5.78** The average cost per night has increased from the prior year end value of £79.52 to £81.99 at the end of December. Work with the sub region to control rates per night has supported a more contained increase in average cost as new units procured are within the agreed 'Pan London' level. However, we remain cautious as the average values per night continue to fluctuate. The forecast assumes the average cost per night will continue to rise.
- 5.79** The forecasting accuracy has improved with the placements income interface from the NEC Housing IT system to Oracle successfully implemented and the outputs on both systems are reconciling.
- 5.80** There is further work underway to improve the forecasting accuracy of expenditure. A new temporary accommodation projection tool-kit has been developed to inform the basis and future activity levels going forward based on the variables and complexities of this area. The ongoing development of functionality within NEC has supported this and will continue to strengthen the ability to refine forecasting going forward.

Temporary Accommodation Income Pressure

- 5.81** 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. In 2024-25 the subsidy gap was £5.7m for temporary/emergency accommodation and £5.0m for private tenants,

² London Councils reporting of the worsening homelessness risk to boroughs' finances [£330m homelessness overspend as housing crisis threatens to bankrupt London boroughs | London Councils – Home](#)

equating to actual cost to the Council of £10.7m. By contrast, registered social landlords in the borough receive HB at the value of the actual accommodation costs. This is clearly an unlevel playing field and is a cost transfer from national government to local government.

- 5.82** In addition, there is a pressure owing to temporary accommodation management fees (extra payment to secure properties from some private landlords) 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. In previous years this pressure was experienced in the central Housing Benefit subsidy budget held in the Resources directorate, with a partial recharge to Housing. From April 2025 this has been simplified with the extra costs (non-claimable from HB) recorded in the NEC housing IT system and no longer counted as part of the rent cost for housing benefit subsidy.

Risks

- 5.83** The ongoing reduction in the number of properties available for private rent and supply constraints as landlords exit the market.

Opportunities

- 5.84** The Housing Service 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.
- 5.85** Opportunities such as the acquisition of properties including bulk purchases continue to be investigated. The acquisitions are funded from the use of Right to Buy (RTB) receipts and, as a result of the change in legislation last year, can also use other grants to part fund acquisitions.

RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Property, Procurement and Capital	6.5	15.3	6.8	0.3
Finance (<i>refer note 1</i>)	9.0	99.4	8.0	(1.0)
Legal Services and Monitoring Officer	3.8	2.5	3.8	-
Insurance, Anti-Fraud and Risk	1.1	2.9	0.8	(0.3)
Internal Audit Service	-	0.6	-	-
Pensions and Treasury Management	-	1.3	-	-
Central Resources	-	0.2	(0.1)	(0.1)
Total Resources	20.4	122.2	19.3	(1.1)

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

- 5.86** At period 9, the Resources directorate has a forecast underspend of £1.1m (5.4%) against the budget of £20.4m.

Property, Procurement and Capital Division – forecast overspend of £0.3m

- 5.87** The division is forecasting a £0.6m overspend in utilities costs owing to legacy costs and there is a £0.2m forecast pressure in advertising income. These are being partially offset through £0.5m recovery of schools' utilities costs.

Finance Division – forecast underspend of £1.0m

- 5.88** Forecast underspend owing to additional income (land charges and street naming, and court cost income) and staffing vacancies in the Payments, Revenues, Benefits and Debt service. This is being partially offset by a forecast staffing overspend in Strategic Finance owing to temporarily increased agency staffing to work through historic accounting issues, including the prior years' accounts, the 2024-25 external audit and preparation for the 2025-26 closing of accounts.
- 5.89** The Finance Division holds the Improvement Costs cost centre which has a £0.6m budget. This funded the cost of the Improvement and Assurance Panel up to July and now funds the cost of the four Commissioners appointed by MHCLG to support the Council in meeting its Best Value Duty. The level of cost incurred in 2025-26 will depend on the number of days worked by the Commissioners. However, it is currently expected that the costs will be contained within the £0.6m budget.

Insurance, Anti-Fraud and Risk Service - forecast underspend of £0.3m

- 5.90** There is a forecast underspend of £0.2m owing to projected reduced insurance claims and £0.1m owing to periods of staffing vacancies.

Risks

- 5.91** There is a risk in the Property, Procurement and Capital Division in relation to potential increased cost of energy owing to market fluctuations.
- 5.92** A review of all the Council's portfolio of properties is currently underway to ascertain whether all the sites are fully metered and to establish the frequency of readings from these meters. There could be a risk that there are utility costs which have not been identified and charged.
- 5.93** Increase in cost of external audit fees. The Financial Improvement earmarked reserve is being used to offset extra costs above budget in 2025-26, estimated as a £0.4m overspend pressure. An increase in the annual budget has been provided for through growth in the 2026-27 budget.

Opportunities

- 5.94** Potential increased recharge income recovery in year for utility costs incurred by the Council, above the £0.5m estimate already included in the forecast above.

SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Streets and Environment	55.7	28.2	55.2	(0.5)
Culture and Community Safety	12.4	5.9	12.1	(0.3)
Planning & Sustainable Regeneration	8.0	4.7	8.1	0.1
Central SCRER	0.6	0.5	0.6	-
Total SCRER	76.7	39.3	76.0	(0.7)

- 5.95** At period 9, the SCRER directorate has a forecast underspend of £0.7m (0.9%) against the budget of £76.7m.

Streets and Environment Division - forecast underspend of £0.5m

- 5.96** Parking is forecasting a favourable income variance of £1m owing to the London-wide Penalty Charge Notice (PCN) increase for 2025-26, new Key Performance Indicators (KPIs) for enforcement of warrants and procuring a new digital debt recovery agency for aged debts. There is a further £0.3m underspend resulting from staffing vacancies within the service.
- 5.97** The decision by the High Court to rule Croydon's Low Traffic Neighbourhoods (LTN) as unlawful will have a financial impact on the Council's outturn. Work is underway to assess this, and it will be reported in the next financial performance report.
- 5.98** There is a net forecast overspend of £0.8m across the remaining areas of the division, mainly in Ground Maintenance and Adult Travel Assistance.

Culture and Community Safety Division - forecast underspend of £0.3m

- 5.99** The division is forecasting an underspend of £0.3m. This is owing to higher income in the Bereavement and Registrars service (£0.2m) and periods of staffing vacancy and additional income in Culture, Leisure and Libraries (£0.1m).

Planning and Sustainable Regeneration Division - forecast overspend of £0.1m

- 5.100** There is a projected budget pressure of £0.1m, primarily driven by a £0.3m overspend within the Employment, Skills and Economic Development service. This overspend is largely owing to employee costs and rent/facilities management recharges. Mitigation measures for Croydon Adult Learning and Training (CALAT) are being implemented, including recruitment restrictions and a strategic review of staffing and premises to reduce costs and support long-term sustainability. This pressure is partially offset by underspends of £0.2m across other services in the division.

CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Non-pay Inflation Budget	9.0	-	-	(9.0)
Pay Inflation budget	3.7	-	-	(3.7)
Risk Contingency Budget	5.0	-	-	(5.0)
Other corporate items	(170.1)	(20.6)	(168.0)	2.1
Total Corporate Items and Funding	(152.4)	(20.6)	(168.0)	(15.6)

- 5.101** At period 9, the corporate directorate has a forecast underspend of £15.6m. The forecast underspend relates to £9.0m of non-pay inflation budget and £3.7m pay inflation budget not required by services, and the non-utilisation of the £5.0m risk contingency budget. This is reduced by £0.550m Target Operating Model savings held centrally (which will be achieved in 2026-27) and £1.500m “Customer access (Council wide) savings” (which have been cancelled through growth in 2026-27 to avoid double counting against transformation savings).
- 5.102** 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.
- 5.103** Corporate holds the £9m balance of non-pay inflation budget and £3.7m balance of pay inflation budget not required by services. The 2025-26 national pay award was agreed at 3.2% by the National Joint Council of employers and trade unions.
- 5.104** The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFs savings. There may be a pressure in 2025-26 if costs, above those that can be allocated to transformation capital schemes, exceed the budget of £0.6m.

Collection Fund

- 5.105** The table below shows a summary of the Council Tax annual income estimated in the 2025-26 budget agreed by Full Council in February, the updated billing amount following changes in the Council Tax Base during the year (net collectable debit) and the expected Council Tax net collectable debit at year end.

Total Council Tax income (for Council and Government bodies)	Annual Net Collectible Debit (NCD) at budget setting (£m)	Revised Annual NCD at current period (£m)	Forecast Annual NCD at year end (£m)	Variance Forecast Against Budget (£m)	Variance Forecast Against Budget (%)
Council Tax	350.3	350.4	350	-0.4	-0.4

5.106 When the budget was set it was assumed that the Council would collect 98% of the £350.3m NCD, this is budgeted income equal to £343.3m. The current forecast is collection of 94.26% or £330.1m in this financial year, and £8.4m in Council Tax arrears for previous years, total forecast income collected in 2025-26 of £338.5m. The remaining £4.8m will be collected in future years.

5.107 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.

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

Council Tax Income Target (NCD) to date (£m)	Council Tax Income Collection to date (£m)	Council Tax Income Target to date (%)	Council Tax Income Collection to date (%)	Council Tax Income Collection to date variance (%)
270.3	268.6	77.16	76.65	(0.51)

5.109 The end of December 2025 collection target is 77.16% and collection to date is 76.65% which is 0.51% behind the target which equates to £1.7m. One contributing factor to the lower collection rate has been delays by the Valuation Office in processing property bandings. This has caused properties to be brought into Council Tax several months after completion, with bills having to be backdated.

5.110 The Council Tax premiums on empty properties and the introduction of the second homes premium has contributed to lower collection rates. These accounts are typically more difficult to recover owing to absentee ownership and reduced payment compliance. The increase in premium levels has increased arrears among these higher-risk accounts.

5.111 This year the Council has 2,398 more residents paying over 12 months rather than 10 months. This results in an additional £2.2m (0.63% of Net Collectible Debit (NCD)) expected in February and March. Often these extended plans are owing to those experiencing difficulty and, as a result, not all of the expected instalments may be fully received.

5.112 The factors detailed above, combined with broader economic pressures affecting taxpayers' ability to pay, have contributed to the current collection shortfall. There have been 619 more summonses issued this year compared to the same period last year.

5.113 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.

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

Business Rates Income Target (NCD) to date (£m)	Business Rates Income Collection to date (£m)	Business Rates Income Target to date (%)	Business Rates Income Collection to date (%)	Business Rates Income Collection to date variance (%)
107.5	106.1	82.91	81.78	(1.13)

5.115 The end of December 2025 collection target is 82.91% and collection to date is 81.78% which is 1.13% behind the target equating to approximately £1.5m.

5.116 The shortfall is partly attributable to amendments to rateable values made by the Valuation Office, which have resulted in refunds and backdated liabilities. In addition, several companies with relatively large outstanding balances, who would normally have paid by this point in the year, remain unpaid. We are currently in contact with these businesses to negotiate payment. There are five companies across 30 accounts which together represent 1.19% of the total collectable base.

5.117 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.

5.118 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

5.119 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	2025-26 Budget (£m)	2025-26 Forecast (£m)	2025-26 Forecast Variance (£m)
Interest payable cost	43.1	43.3	0.2
Interest receivable income*	(3.0)	(2.7)	0.3

*Note we are currently assuming 50% of interest receivable is in respect of HRA balances.

5.120 The forecast pressure in interest payable and interest receivable is being offset in the corporate area through miscellaneous income and underspends in supplies and services.

Treasury Investments (Quarter Three)

5.121 During the quarter the average investment balances held by the Council were £105.6m, earning interest of £1.1m (a yield of 4.12%). Average investment balances for the year to 31 December 2025 were £135.0m, earning £4.5m (a yield of 4.43%). Investments were made in accordance with the Council's Investment Policy included in the Treasury Management Strategy Statement for 2025-26 agreed by Full Council. The Council's investments at 31 December 2025 are detailed in the table below:

Counterparty	Type	Principal (£m)	Start Date	End Date	Interest Rate (%)	Risk Rating
Insight	MMF	20.000			3.90	1
Aberdeen Sterling	MMF	20.000			3.86	1
Deutsche Managed Fund	MMF	10.600			3.84	1
Lancashire	LA	10.000	06/10/25	27/02/26	4.30	1
Trafford Council	LA	10.000	03/10/25	31/03/26	4.60	1
Wokingham Council	LA	10.000	18/12/25	19/01/26	4.10	1
DBS Bank	Bank	10.000	20/08/25	23/01/26	4.14	1
Total Investments		90.600				

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

5.122 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	77.9%
1-3 Months	22.1%
3-6 Months	-
6-9 Months	-

Treasury Borrowing

5.123 During the quarter the Council refinanced £34.4m of maturing debt from the Public Works Loan Board (PWLB), with the PWLB under the General Fund. A further £40.6m of debt was added with the PWLB. The level of General Fund external debt increased to £1,147.0m. The average interest rate decreased from 3.83% to 3.82% as per the table below:

General Fund External Debt at 31 December 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	1,020.040	3.98%	16.1
Market Debt	127.000	2.49%	12.6
Total General Fund External Debt	1,147.040	3.82%	15.7

5.124 During the quarter the £0.6m of debt matured under the Housing Revenue Account. The following table shows the position of Housing Revenue Account (HRA) external debt:

HRA External Debt at 31 December 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	363.9	3.67%	21.5
Total HRA External Debt	363.9	3.67%	21.5

Transformation Programme (non-capital)

5.125 The Transformation Programme (non-capital) has £2.741m earmarked reserve which can be used to support the Transformation Plan 2025-26. The earmarked reserve was the result of the closedown, at the end of 2024-25, of the Corporate Improvement Plan and clawback of all unspent budget allocations. There are a number of one-off financial commitments which the Corporate Director of Resources (S151 Officer) is reviewing and may approve for funding from this reserve. Those currently approved are set out in the table below. The revenue base budget for the Transformation Management Office is £1.1m.

Transformation Programme (non-capital) Allocations

Project	Detail	Lead Directorate	2025-26 Allocation (£m)
Opening Balance at 1/4/25			2.741
Procurement and Contract Management Improvement Project 2025-26	Original funding was approved until 31/7/25	Resources	0.292
Adults Living Independently	Business Intelligence Strategic Lead (extended to 31/3/26)	ASCH	0.143
Planning	Improving performance to maximise income by setting own fees through new legislation	SCRER	0.111
Building Control	Income project to increase market share	SCRER	0.147
Corporate File Transfer Project	Develop data infrastructure to support the Digital Operating Model	ACE	0.301
Housing Transformation Plan	Housing Transformation Lead	Housing	0.028
Unallocated to date			1.719

5.126 The main transformation plan investment in 2025-26 is through the capital projects listed below which feature in the General Fund Capital Programme reported later in this report.

- Oracle Improvement Programme
- Improving Payments
- Digital Foundations
- Unified Front Door (including Information, Advice & Guidance)
- Demand management
- Community Partnerships
- Commercial Excellence
- Shared Services
- Simpler Organisation
- Strategic Delivery Support

5.127 The Adults Living Independently and Helping Families Thrive programmes are funded in revenue through the Business Risk earmarked reserve.

Savings

5.128 The 2025-26 budgets include a challenging MTFS savings target of £21.8m. Together with slippage of £3.3m from 2024-25, the total savings target is £25.1m. The forecast achievement of savings is £21.9m (87.3%). Directorates have identified risks to achievement of individual savings and have made plans to mitigate these risks, or identify alternative savings, if possible.

5.129 The new MTFs savings target of £21.821m includes the £21.705m savings shown in the Full Council Budget Meeting schedule plus the £0.116m extra contracts saving agreed through the budget amendment.

Table showing 2025-26 forecast savings achievement by Cabinet portfolio

Cabinet Portfolio	2025-26					
	Savings target	Slippage from previous year	Revised savings target	Forecast savings achievable	Savings slippage	Not yet evidenced or (over delivery)
	£000's	£000's	£000's	£000's	£000's	£000's
Health & Adult Social Care	4,975	-	4,975	4,975	-	-
Children & Young People	3,734	649	4,383	4,000	149	234
Homes	634	-	634	634	-	-
Finance	8,871	600	9,471	8,805	550	116
Planning & Regeneration	280	-	280	280	-	-
Streets & Environment	2,821	334	3,155	3,015	140	-
Communities & Culture	90	-	90	90	-	-
Community Safety	-	-	-	-	-	-
Cross-Portfolio	416	1,750	2,166	116	550	1,500
Total	21,821	3,333	25,154	21,915	1,389	1,850

Savings achievement not yet evidenced

5.130 Children and Young People portfolio: Forecast slippage of £0.149m relates to the timing of changes in 2025-26 relating to the review of youth engagement services and safeguarding partnership back-office support savings. These will be achieved in full in 2026-27 through the full-year effect of changes implemented in 2025-26.

5.131 There are £0.234m savings not yet evidenced relating to “Calleydown - Increasing capacity and reducing respite costs (transformation project)”. This has reduced from £0.284m following the achievement of an alternative saving in relation to the centre. Due diligence is underway to explore other alternative options to achieve this saving.

5.132 NHS Funding savings of £0.400m relate to funding from the Integrated Care Board (ICB) for packages of care and support and specialist placements. 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. The Council has employed a nurse assessor to review individual cases, providing backing evidence for negotiations with Health. Based on the evidence the £0.400m target is achievable and conversations have commenced. However, risk remains and progress with the ICB NHS colleagues has been very slow.

- 5.133** Finance portfolio: There is potential savings slippage of £0.550m. The “Increasing advertising income from Council assets and property” saving of £0.100m is being offset in 2025-26 through increased rental income. The achievement of the “Reduction in legal demand including reduced use of external legal advice” saving of £0.250m is dependent on the level of legal casework across the Council and will be monitored through the year. The achievement of Human Resources and Organisation Development savings of £0.1m are delayed until 2026-27 when the Oracle Time and Labour module is fully implemented and reductions in payroll staffing will occur.
- 5.134** The workforce restructure saving in Croydon Technology Service of £0.5m is linked to the End User Service re-procurement and subsequent service transformation. £0.3m is achieved in 2025-26 through the expiry of the contract extension, with a further full-year effect of £0.1m achievable in 2026-27. The service is currently working on permanently identifying the £0.1m balance of the savings. However, it has implemented efficiencies in 2025-26 non-pay expenditure to offset the savings delay.
- 5.135** The Film Office income generation saving of £0.016m is not yet evidenced. The film income achievement is challenging to profile, as securing a major production can quickly shift the financial picture. The service is working to drive activity through proactive contract management to maximise income opportunities.
- 5.136** Streets and Environment portfolio: There is slippage on the ‘Proactive marketing & use of Council maintained green spaces for public events’ saving of £0.140m. The Streets & Environment and Planning teams are liaising around the number of days that events can be held in parks. Slippage is being offset by staffing underspends within the service.
- 5.137** Cross-portfolio: There are £2.050m savings that have not been evidenced to date:
- The “Customer access (Council wide)” saving of £1.500m slipped from 2024-25 which has been cancelled through growth in the 2026-27 budget to avoid double counting against transformation savings;
 - Target Operating Model (TOM) - Digital Operating Model savings of £0.300m slipping to 2026-27; and

- The “Consider new structures through layers and spans review” saving of £0.250m slipped from 2024-25 which will be delivered in 2026-27 as part of the TOM - Simplifying the Organisation project.

Reserves

- 5.138** There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2025-26. General Fund balances serve as a cushion should any overspend remain at the end of 2025-26. 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.
- 5.139** The current forecast position for the Council utilises £1.249m of Collection Fund earmarked reserves (as agreed by Full Council in the budget to fund the prior year Collection Fund deficit) and utilises up to £2.741m of transformation earmarked reserves carried forward from 2024-25. The Financial Improvement earmarked reserve is forecast to be used for the estimated Housing Benefit subsidy loss risk above budget (£2.4m) whilst the external audit of Housing Benefit subsidy claims from 2020-21 to 2024-25 are still being completed, and estimated external audit fee costs above budget (£0.4m). The Business Risk earmarked reserve is forecast to be used for the Adults Living Independently programme (£5.388m) and Helping Families Thrive programme (£2.500m), which have both moved from capital to revenue. These earmarked reserves do not impact the General Fund balances.
- 5.140** The earmarked reserves balances at 1/4/25 have been updated following the closure of the audit of the 2024-25 annual accounts. The following table shows the updated current earmarked revenue reserves and forecast changes in 2025-26:

Earmarked Revenue Reserve	Service Area	Balance at 1/4/25	Forecast Change	Forecast Balance at 31/3/26
		(£m)	(£m)	(£m)
General Fund Balances	Corporate	27.5	-	27.5
Collection Fund (Council Tax and Business Rates)	Corporate	6.8	(1.2)	5.6
Business Risk	Corporate	12.0	(7.9)	4.1
Financial Improvement	Corporate	3.4	(2.8)	0.6
Transformation	Corporate	2.7	(2.7)	-
Insurance	Resources	2.9	-	2.9
Growth Zone	SCRER	30.0	(7.5)	22.5
Borough CIL – Local Meaningful Proportion	SCRER	5.1	(3.0)	2.1
Street Lighting PFI	SCRER	7.8	(0.6)	7.2
Public Health Grant	ASCH	12.5	(1.8)	10.7

Dedicated Schools Grant (DSG) <i>(please note comments below table)</i>	CYPE	9.9	-	9.9
Homes for Ukraine - Tariff Grant	CYPE	4.0	(1.7)	2.3
Other earmarked revenue reserves (under £2m)	Various	22.4	-	22.4
Total General Fund Earmarked Revenue Reserves		147.0	(29.2)	117.8
Balances held by schools	CYPE	5.4	-	5.4
Housing Revenue Account (HRA) reserves	Housing	22.4	(12.5)	9.9

5.141 The accounting treatment for the Dedicated Schools Grant dictates that prior year surpluses need to be held in a DSG reserve as above. However, where the authority has incurred a deficit on its schools' budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in a DSG adjustment account. This is commonly known as the DSG statutory override and the Government has indicated its intention to extend this from March 2026 to March 2028.

5.142 The deficit balance on the DSG adjustment account at 31/3/25 was £38.0m. The net effect of the adjustment account and reserve is a deficit of £28.1m at 31/3/25. Alongside the Final LGFS, the Government published an explanatory note on the Government's approach to Dedicated Schools Grant deficits, as set out from paragraph 5.61.

HOUSING REVENUE ACCOUNT (HRA)

5.143 At period 9, the HRA is forecasting a breakeven position. Cost controls in the responsive repairs service are key to ensuring the budget remains on track. Demand and job volume activity are closely monitored.

5.144 Staffing: The consultation period for the restructures within the Housing Assets & Repairs division and Housing Tenancy division have concluded and the new structures went live in September. Amendments to existing budget allocations within the overall Housing Directorate following the outcomes of the consultations have been implemented for the new financial year budget setting.

Table showing 2025-26 HRA revenue budget and forecast

	Budget	Actuals to Date	Forecast	Forecast Variance
	(£m)	(£m)	(£m)	(£m)
Rental Income	(90.3)	(67.2)	(93.1)	(2.7)
Service Charge Income	(7.2)	(4.3)	(7.9)	(0.7)

Other Income	(4.7)	(2.1)	(4.7)	-
Subtotal Income	(102.2)	(73.6)	(105.6)	(3.4)
Responsive Repairs & Safety (Works)	33.4	20.3	34.8	1.4
Responsive Repairs & Safety (Non-works)	4.3	3.8	4.9	0.6
Asset Planning & Capital Delivery	3.4	2.3	3.7	0.3
Tenancy & Resident Engagement	9.2	6.5	11.0	1.8
Tenant Support Services	6.6	4.4	6.4	(0.2)
Housing Compliance & Transformation	3.5	1.7	2.1	(1.4)
Regeneration	1.4	4.0	1.4	-
Regina Road	0.5	0.5	0.9	0.4
Centralised Directorate Expenditure	5.1	0.9	5.5	0.5
Corporate Overheads (SERCOP)	4.6	-	4.8	0.1
Housing Capital Charges	30.1	-	30.1	-
Subtotal Expenditure	102.2	44.4	105.6	3.4
Total HRA Net Expenditure	-	(29.2)	-	-

Note 1: The actuals contain repair costs yet to be capitalised (but allowed for in the forecast).

Note 2: No actuals for Housing Capital Charges have been posted as these journals are processed at year end.

Risks

Damp and Mould

- 5.145** The impact of the legislative changes with Awaab's Law coming into effect from 27 October 2025 will be monitored. As a landlord the Council must address damp, mould and emergency hazards within strict timeframes to ensure tenant safety.

Disrepair

- 5.146** This area remains a concern as the Council is dealing with a significant number of disrepair claims. The newly appointed disrepair manager has completed a Service Review and is working to an action plan to address the cases and performance.

Rent debtor balances on the General Ledger

- 5.147** Rent debtor balances on the general ledger are under review. A new policy for the recovery of former Council tenant rent arrears is in progress which will be more transparent and allow for more robust monitoring of payments. The new policy will ensure that debt will only be written -off in cases where it has

proved impossible to recover, or when the cost of further recovery actions would exceed the debts themselves.

Capital Programme and Financial Sustainability

- 5.148** The Capital strategy and programme was approved by Council in February 2025. With £1.388bn of General Fund debt (excluding the IFRS16 leases technical accounting adjustment of an extra £0.070bn) and an environment of higher interest rates, the delivery of an effective Asset Management Plan and a challenging Asset Disposal Strategy, including reducing the number of buildings used by the Council, continues to be essential to mitigate rising cost pressures, reduce the speed of increases to the overall debt burden and help the Council to balance its books.
- 5.149** 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.
- 5.150** Concerns were highlighted in the RIPIs regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets, e.g. Fairfield Halls, Croydon Park Hotel and the Colonnades. This includes the debt write-off against loans historically given to Brick By Brick.
- 5.151** In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced in 2025 onwards and, therefore, likely to drive increases in annual repayment levels.
- 5.152** An estimated £72m is required to service debt in 2025-26 from the General Fund which represents around 19% of the Council's net budget. The CIPFA Financial Resilience Index shows Croydon's 2024-25 Gross External Debt to Income (Council Tax, Business Rates and fees) ratio as 211% compared to an average 124% for the other 32 London boroughs. The Council's historic legacy borrowing and debt burden is, therefore, critical to the non-sustainability of the Council's revenue budget.
- 5.153** The Council concluded that the expenditure it is anticipated to incur in each year of the period of 2025-29 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 2025-26 budget required capitalisation directions from Government of up to £136m to balance and the updated 2026-30 MTFS presented to Full Council in February 2026 demonstrated an estimated budget gap of £119m for 2026-27, reducing to £69m for 2029-30.

- 5.154** 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 circa £85k per annum revenue cost). Also, capital receipts from the Asset Disposal Strategy are no longer sufficient to cover the capitalisation directions and, therefore, the Council's debt will begin to increase again. Therefore, a request was made to MHCLG in January 2023 for Government funding to write-off £540m of the Council's General Fund debt or secure another solution that would have the equivalent effect.

General Fund Capital Programme

- 5.155** At period 9, the General Fund capital programme has a forecast underspend of £3.1m (1.4%) against the revised budget of £214.5m. The capital budget includes expected capitalisation directions of £108.7m (£136.0m less the Stabilisation Plan target underspend of £27.3m).

Table showing 2025-26 General Fund Capital Programme budget and forecast

General Fund Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Network Refresh	1,166	69	336	(830)
Tech Refresh	112	57	112	-
Laptop Refresh and Re-imaging	424	213	424	-
Hosting Transition (Cloud and Disaster Recovery)	616	53	320	(296)
Synergy Education System	220	(22)	220	-
NEC Housing System Phase 1	108	(60)	108	-
Public Switched Telephone Network Digital Migration Phase 1	240	22	240	-
Windows 2016 Server Upgrades	10	-	10	-
Uniform Planning System module updates	83	-	83	-
Subtotal Assistant Chief Executive	2,979	332	1,853	(1,126)

General Fund Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Samuel Coleridge Taylor Hub	25	-	25	-
Children Home DFE (Precious House)	215	213	215	-
Children Home DFE (South Norwood)	280	-	280	-
Childcare Reform Expansion	234	45	234	-
Subtotal CYPE	754	258	754	-
Disabled Facilities Grant	4,112	2,127	4,112	-
Discharge Temporary Accommodation	16,000	-	16,000	-
NEC Housing System Phase 2	810	241	810	-
Subtotal Housing	20,922	2,368	20,922	-
Asset Strategy - Stubbs Mead	146	-	146	-
Asset Strategy Programme (stock condition surveys)	60	-	60	-
Clocktower Chillers	19	-	19	-
BWH utilities sub-metering infrastructure	200	-	200	-
Corporate Property Maintenance Programme	1,786	603	1,786	-
Fairfield Halls - Council	800	369	800	-
Fairfield Halls External Screen	8	8	8	-
Fieldway Cluster (Timebridge Community Centre)	59	59	59	-
Coroner's Court Relocation	255	105	255	-
Mortuary Services - Design/appraisal work	150	44	150	-
Contingency	1,000	-	1,000	-
Oracle Improvement Programme	3,693	1,944	3,591	(102)
Education - Compliance and Fire Safety	815	94	815	-
Education - Major Maintenance	4,607	2,065	4,607	-
Education - Miscellaneous	749	455	749	-
Education - Permanent Expansion	50	-	50	-
Education - SEN	4,750	1,510	4,750	-
The Hayes Primary School - Wraparound Provision	60	-	60	-
NHS Coulsdon - GP Hub	1,581	-	1,581	-
Subtotal Resources	20,788	7,256	20,686	(102)
Ashburton Park Heritage Fund	374	81	374	-
Cashless Pay & Display	500	298	500	-
Grounds Maintenance Insourced Equipment	1,133	340	1,133	-
Waste and Street Cleansing Fleet Vehicles	16,900	12,311	16,900	-
Highways	7,418	4,737	7,418	-
Highways – DfT	1,243	876	1,243	-
Highways - bridges and structures	1,500	74	1,500	-
Highways - flood water management	436	319	436	-
Highways - Tree works GLA	114	-	114	-
Highway Improvement	411	98	411	-
Open Space Improvement	116	44	116	-

General Fund Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Local Authority Tree Fund	67	-	67	-
Trees Sponsorship	11	15	11	-
Park Asset Management	1,000	404	1,000	-
Parking cameras replacements	168	-	168	-
Parking IT system replacement	75	-	75	-
Street Lighting LED replacement	500	-	500	-
Libraries Investment	405	324	378	(27)
Archive Stores	90	-	30	(60)
Museum Refurbishment	150	-	150	-
Leisure centres equipment - contractual agreement	574	209	574	-
PlayZones	170	-	170	-
Safety - digital upgrade of CCTV	1,524	12	100	(1,424)
Tennis Court Upgrade	20	12	20	-
Electric Vehicle Charging Point (EVCP)	196	5	196	-
Growth Zone	5,724	900	5,233	(491)
Amplifying Surrey Street	976	261	672	(304)
Surrey Street Drinking Fountain	36	35	36	-
Kenley Good Growth	85	40	85	-
South Norwood Good Growth	269	241	255	(14)
Local Implementation Plan (LIP)	2,470	764	2,150	(320)
Reconnecting Croydon	6,600	3,009	7,354	754
District Centre Improvements	233	121	233	-
District Centre and Park Improvements (UKSPF)	957	114	957	-
CIL Local Meaningful Proportion (LMP) Small Schemes	40	34	40	-
Town Centre Regeneration (ILTA)	1,136	-	1,136	-
Walking and Cycling Strategy	97	56	97	-
Subtotal SCRER	53,718	25,734	51,832	(1,886)
TOM - Improving Payments	861	158	861	-
TOM - Digital Foundations	2,399	730	2,399	-
TOM - Unified Front Door (including Info, Advice, Guidance)	557	366	557	-
TOM – Demand management	713	337	713	-
TOM – Community Partnerships	209	32	209	-
TOM - Commercial Excellence	200	47	200	-
TOM - Shared Services	157	139	178	21
TOM - Simpler Organisation	232	203	232	-
TOM - Strategic Delivery Support	1,326	512	1,326	-
TOM - Contingency	50	-	-	(50)
Capitalisation Direction	108,700	-	108,700	-
Subtotal Corporate Items and Funding	115,404	2,524	115,375	(29)
TOTAL GENERAL FUND CAPITAL	214,565	38,472	211,422	(3,143)

Table showing 2025-26 General Fund Capital Programme Financing

General Fund Capital Financing	2025-26 Revised Budget	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)
Community Infrastructure Levy (CIL)	2,372	2,372	-
CIL Local Meaningful Proportion (LMP)	460	373	(87)
Section 106	749	749	-
Grants & Other Contributions	30,256	30,676	420
Growth Zone	6,348	5,553	(795)
HRA Contributions	797	797	-
Reserves	1,261	1,261	-
Capital Receipts	12,878	12,747	(131)
Borrowing	159,444	156,894	(2,550)
Total General Fund Financing	214,565	211,422	(3,143)

5.156 The level of Community Infrastructure Levy (CIL) income in receipt by the Council has decreased in recent years. The forecast income for 2025-26 is £3.4m. After allocations to fund revenue service activities and administration costs, the forecast income available to fund capital expenditure is estimated as £2.4m.

HRA Capital Programme

5.157 At period 9, the HRA capital programme has a forecast underspend of £3.8m (3.5%) against the revised budget of £108.5m. The budgets have been updated following the revisions made in the 2026-27 HRA Business Plan budget setting.

5.158 The forecast underspend is within repairs-related capital referrals. There has been a strengthening of the delivery programme in respect of lifecycle replacements, major works, and compliance programmes. This has led to a more accurate separation between capital and revenue activity at the earlier stage of the repair being raised and categorised.

Table showing 2025-26 HRA Capital Programme budget and forecast

HRA Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Major Repairs and Improvements Programme	21,657	11,488	22,623	966
Building Safety	12,345	4,262	12,345	-
Compliance	11,531	4,467	10,568	(963)
Special Projects	2,300	640	2,300	-
Support Costs	2,584	944	2,584	-
Repairs Referrals	6,000	2,148	2,148	(3,852)
Regina Road	10,379	5,550	10,379	-
Acquisitions	40,755	24,980	40,755	-
Regeneration Feasibility Studies	250	138	250	-
NEC Housing IT System	727	181	727	-
Total HRA Capital	108,529	54,799	104,680	(3,849)

Table showing 2025-26 HRA Capital Programme Financing

HRA Capital Financing	2025-26 Revised Budget	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)
Major Repairs Reserve (MRR)	14,294	14,294	-
Right To Buy (RTB) Receipts	3,261	3,261	-
Other Receipts, Reserves and Grants	40,755	40,755	-
Revenue Contributions	1,609	1,609	-
Release of Revenue Reserve	12,470	12,470	-
Borrowing	36,140	32,291	(3,849)
Total HRA Capital Financing	108,529	104,680	(3,849)

6 ALTERNATIVE OPTIONS CONSIDERED

6.1 None.

7 CONSULTATION

7.1 None.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 Finance comments have been provided throughout this report.

- 8.1.2** The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers. This has also been supported through improvements to the revenue and capital budget monitoring modules in the Oracle IT system from the beginning of 2025-26, as part of the Oracle Improvement Programme.
- 8.1.3** There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2025-26. General Fund balances serve as a cushion should any overspend remain at the end of 2025-26. The use of General Fund balances to support the budget is not a permanent solution and must be replenished back to a prudent level in subsequent years if used.
- 8.1.4** The current forecast position for the Council utilises £29.2m of General Fund revenue earmarked reserves in 2025-26. These earmarked reserves do not impact the General Fund balances.
- 8.1.5** A General Fund revenue underspend would mean that a reduced amount of capitalisation directions would be needed in 2025-26 than the budgeted £136.0m. The Stabilisation Plan target is to reduce capitalisation directions by £27.3m.
- 8.1.6** 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.

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

8.2 LEGAL IMPLICATIONS

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

Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

- 8.2.3** In the exercise of its functions, including taking actions to mitigate budget pressures, the Council is required to have due regard to the need to: eliminate discrimination, harassment, victimisation or other prohibited conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who do not (Section 149 of the Equality Act 2010). Furthermore, depending on the functions to which the proposed mitigations apply and the nature of those mitigations, there may be specific additional statutory duties including, by way of example, Childcare Act 2006 s 5A as regards the provision of Children’s centres, such that specific legal advice regarding proposed mitigation measures may be required. The Council also owes specific employment related duties to its employees who may be impacted by the proposals as summarised in section 8.3 below.
- 8.2.4** In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council’s Chief Finance Officer has established financial procedures to ensure the Council’s proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the current situation regarding the General Fund, Capital Programme and the position relating to the Housing Capital Programme and Housing Revenue Account as set out in this report. Section 114 of the Local Government Finance Act 1988 requires the Council’s Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget.
- 8.2.5** The operation of the Housing Revenue Account (HRA) is governed by Schedule 4 of the Local Government and Housing Act 1989 (the 1989 Act). Section 76 of the 1989 Act requires the Council to prevent debit balances on the HRA. Where a debit balance occurs, the Council must take appropriate action to maintain a balanced budget.
- 8.2.6** The monitoring of financial information is also a significant contributor to meeting the Council’s Best Value legal duty. The Council as a best value authority “must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness” (Section 3 Local Government Act 1999, “the 1999 Act”). The Best Value Duty applies to all functions of the Council including to deliver a balanced budget, providing statutory services such as adult social care and children’s services and securing value for money in all spending decisions.

- 8.2.7** The Council has a Dedicated Schools Grant ‘Safety Valve’ Agreement which sets out undertakings and requirements placed on the Council with which it needs to comply or risk the additional DSG support. The authority has undertaken to reach a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2025-26 and in each subsequent year. The authority also undertook to control and reduce the cumulative deficit as set out in the agreement and to implement the DSG management plan that it has set out. This includes adherence to the DfE’s ongoing monitoring requirements. The agreement is subject to review at any time by the DfE, for example as a result of the following events: Higher or lower DSG formula funding levels for the authority in future financial years than those the authority has assumed; Significant changes to national SEND policy which impact on elements of the plan; Insufficient progress being made towards the authority reaching and sustaining an in-year balance on its DSG account as set out in the plan. As detailed in the report above, the Safety Valve programme is coming to an end and is to be replaced by a High Needs Stability Grant.
- 8.2.8** The [Explanatory note on the government’s approach Dedicated Schools Grant deficits](#) published on 9 February 2026, sets out how the calculation of total Dedicated Schools Grant Deficit eligible for grant payment will be made, what constitutes ineligible spend, the anticipated initial grant term parameters which will apply including around failures to adhere to funding terms, repayment and withholding of any future funding from government. The note also indicates as regards those authorities with Safety Valve agreements that: *“No local authority will be disadvantaged by its participation: every Safety Valve local authority will receive at least the same amount of grant through this arrangement as they would have through Safety Valve, and any local contributions already made will count as part of the 10% remaining deficit that will fall to local authorities to cover, meaning no Safety Valve local authority will be expected to contribute more.”*
- 8.2.9** It is proposed that the High Needs Stability Grant is offered to local authorities pursuant to Section 31 of the Local Government Act 2003 which provides, among other things, that a grant under this section may be paid on such conditions as the person paying it may determine. Conditions may, in particular, include—(a)provision as to the use of the grant and (b)provision as to circumstances in which the whole or part of the grant must be repaid. In the case of a grant to a local authority in England, the powers under section 31 are exercisable with the consent of the Treasury.
- 8.2.10** The Council is the subject of Directions from the Secretary of State issued under the 1999 Act (dated 17th July 2025) that requires the Council, amongst others, to continue to develop and implement the stabilisation and transformation Plans and to improve on its financial management.

This report sets out how the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

Comments approved by Gina Clarke, Interim Head of Corporate, Commercial and Planning Law and Deputy Monitoring Officer on behalf of Stephen Lawrence-Orumwense, Director of Legal Services and Monitoring Officer, 20/02/2026.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate workforce implications arising from the content of this report, albeit there is potential for several proposals to have an impact on staffing. Any mitigation of budget implications that may have a direct effect on staffing will be managed in accordance with relevant human resources policies and procedures, which includes consultation with the recognised trade unions.

8.3.2 The Council is aware that many staff may also be impacted by the increase in cost of living. 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, 19/2/2026.

8.4 EQUALITIES IMPLICATIONS

8.4.1 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 exercising its functions, 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; and
- foster good relations between different groups.

- 8.4.2** In considering the recommendations within this report, the Executive Mayor and Cabinet are required to have due regard to these equality considerations. Equality impact assessments have informed the development and implementation of the Stabilisation Plan, Medium Term Financial Strategy (MTFS) savings delivery and service prioritisation decisions referenced in this report. Decision-makers are asked to consider equality impacts alongside financial sustainability when noting this report.
- 8.4.3** The Council recognises that financial decisions, particularly those relating to budget savings, service redesign, demand management and transformation programmes, may have a disproportionate impact on residents who share protected characteristics. This is particularly relevant in service areas experiencing significant demand pressures, including:
- Adult Social Care and Health;
 - Children’s Social Care and SEND/High Needs provision; and
 - Homelessness and temporary accommodation.
- 8.4.4** These services disproportionately support disabled people, children and young people with SEND, care experienced young people, older residents, and racially minoritised communities.
- 8.4.5** In line with the Council’s Equality Strategy 2023–2027 and anti-racism commitments, equality analysis considers structural disadvantage and potential racial disproportionality in access to services and outcomes.
- 8.4.6** All directorates are required to complete Equality Impact Assessments (EQIAs) for new policies, budget proposals and significant service changes. EQIAs are reviewed by the Council’s equality function to ensure consistency, promote legal compliance, and identify risks and opportunities for mitigation. Equality analysis draws on local demographic data, service user profiles, consultation feedback and relevant national research.
- 8.4.7** The Council recognises that while individual savings proposals may appear proportionate in isolation, cumulative impacts across multiple service areas may affect some protected groups more significantly. The equality function supports directorates in reviewing potential cumulative impacts where multiple changes affect the same cohorts.
- 8.4.8** Where adverse impacts are identified, mitigating actions are developed and monitored through directorate governance and performance

management arrangements. This may include phased implementation, reasonable adjustments, targeted communication, community engagement, and prioritisation of statutory duties and safeguarding responsibilities. Equality impacts continue to be monitored throughout the financial year as part of ongoing budget monitoring and transformation oversight.

Comments approved by Caroline Bruce, Head of Strategy and Policy, 10/02/2026.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.