LONDON BOROUGH OF CROYDON

REPORT:		**CABINET**
DATE OF DECISION:		**23 September 2026**
REPORT TITLE:		**2026-27 Period 3 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** **Deputy Mayor and Cabinet Member for Finance**
REPORT FOR:		**Decision / Approval**
KEY DECISION?	**Yes**	**1426CAB** **Reason:** **Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council's budget for the service or function to which the decision relates.**
CONTAINS EXEMPT INFORMATION?	**No**	**Public** **Grounds for the exemption: N/A**
WARDS AFFECTED:		**All**

EXECUTIVE MAYOR'S INTRODUTION

The Period 3 Financial Performance Report demonstrates that Croydon Council is continuing to make progress in strengthening its financial management despite significant external pressures and the legacy of historic debt. The General Fund is currently forecasting a £2.3m overspend, an improvement of £0.8m since Period 2, showing that action to control expenditure is already having an impact. It remains the clear objective of this administration to balance all departmental budgets.

The Council has made substantial progress against its challenging savings programme, with £26.5m - 76.4% of the £34.7m target - forecast to be achieved. Adult Social Care and the Assistant Chief Executive directorates are both forecasting underspends, while Housing and Resources are currently forecasting balanced positions. The Children's department is confident of mitigating their current overspend.

The Council continues to build on recent improvements in financial management, with directorates required to identify further mitigations to bring the overall budget back into balance. There is also evidence of proactive action in some of the most financially challenging areas, including developing council-owned children's homes, increasing kinship care and improving commissioning to control the cost of children's placements.

Housing is maintaining a balanced General Fund position despite severe national pressures around temporary accommodation, supported by work to control provider costs and reduce reliance on temporary accommodation through prevention and earlier intervention.

The Council is also taking a prudent approach to treasury management, with investments carrying the lowest risk rating and interest costs forecast below budget. Overall, while substantial challenges remain - particularly around SEND, housing, children's services and the historic debt burden - the report demonstrates improving financial control, active management of emerging pressures and a clear strategy to move Croydon towards long-term financial sustainability. Lots done, lots more to do.

1 REPORT SUMMARY

1.1 At this early stage, the Period 3 (June 2026) financial performance for General Fund revenue shows a forecast overspend of £2.3m against the 2026-27 budget. This is an improvement of £0.8m since Period 2.

1.2 The General Fund capital programme shows a forecast underspend of £13.7m.

1.3 The Housing Revenue Account (HRA) shows a revenue forecast overspend of £3.9m. The HRA capital programme shows a forecast underspend of £14.6m.

1.4 The Dedicated Schools Grant (DSG) shows a forecast overspend of £45.0m.

Financial Performance Summary Table

Financial Performance Area	2026-27 Budget (£m)	2026-27 Forecast (£m)	2026-27 Forecast Variance (£m)	2026-27 Forecast Variance (%)
Revenue Forecast (General Fund)	485.4	487.7	2.3	0.5%
Revenue Forecast (Housing Revenue Account)	-	3.9	3.9	N/A
Capital Forecast (General Fund)	256.7	243.0	(13.7)	(5.3%)
Capital Forecast (Housing Revenue Account)	118.4	103.8	(14.6)	(12.3%)
Dedicated Schools Grant (DSG) High Needs Education Services	91.9	136.9	45.0	49.0%
Dedicated Schools Grant (DSG) Early Years Block	88.6	88.6	-	-

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 3 to overspend at financial year end by £2.3m. This is an improvement of £0.8m since Period 2.

2.2 Note that service directorates are expected to reduce their net expenditure, or bring forward mitigations, so that the annual budget can be balanced within the budgeted level of capitalisation directions. 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.

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. For example, the current Government policy of holding housing rent level subsidies at 90% of the Local Housing Allowance (LHA) rates in 2011 currently costs Croydon c£45m per annum.

2.4 Note the progress in Medium Term Financial Strategy (MTFS) forecast savings achievement of £26.5m (76.4%) against the total savings target of £34.7m.

2.5 Note the Housing Revenue Account (HRA) revenue forecast overspend of £3.9m.

2.6 Note the Dedicated Schools Grant (DSG) forecast overspend of £45.0m.

2.7 Approve the various General Fund capital budget additions, virements and re-profiling across years (including slippage) as set out in paragraph 5.61 (and detailed in the table following paragraph 5.63), which in total comprise a net budget increase to the 2026-27 General Fund capital programme of £36.6m (being slippage of £36.9m and a net decrease from changes of £0.3m).

2.8 Note the General Fund capital programme 2026-27 forecast underspend of £13.7m (5.3%) against the revised budget (including the net increase to be agreed through this report) of £256.7m. The capital budget includes expected capitalisation directions of £119.0m.

2.9 Approve the HRA capital budget increase, as a result of prior year slippage, of £8.7m as set out from paragraph 5.64.

2.10 Note the HRA capital programme 2026-27 forecast underspend of £14.6m (12.3%) against the revised capital budget (including slippage to be agreed through this report) of £118.4m.

2.11 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 5.56.

2.12 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 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

A Cleaner, and Safer Croydon.	A town centre that is busy, confident and thriving	Stronger local high streets and economies	A fair deal for residents	Better roads, better journeys	Places people can be proud to call home	Backing families, young people and adults
			✓			

To note, Executive Mayor Perry's Business Plan for 2026-2030 approved at Cabinet, pending final approval at Full Council, anticipated October 2026.

5 BACKGROUND AND DETAILS

5.1 The 2026-27 budget approved by Council in February 2026 set a net revenue budget of £485.4m. This required capitalisation directions from Government of £119m 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 The Financial Strategy 2027-30 report, presented to Cabinet in July, set out the approach for returning Croydon to long-term financial sustainability, with the objective of achieving balanced budgets in future without reliance on Exceptional Financial Support (EFS). The Strategy proposed a stronger focus on demand management within the Council's highest-cost services, including social care, housing and special educational needs and disabilities (SEND). Greater emphasis is being placed on prevention, earlier intervention and stronger cost control measures, with the aim of improving outcomes for residents while reducing long-term financial pressures. The Strategy recognised the need for the Council to demonstrate that it had taken all reasonable steps to address its own financial position before seeking any longer-term Government intervention in respect of its historic debt burden.

GENERAL FUND REVENUE BUDGET SUMMARY

5.3 Early indications forecast that the General Fund revenue budget outturn at Period 3 could be overspent at financial year end by £2.3m. This is an improvement of £0.8m since Period 2.

5.4 All service directorates are expected to reduce their net expenditure, or bring forward mitigations, so that the annual budget can be balanced within the budgeted level of capitalisation directions and with reduced usage of earmarked reserves.

5.5 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 (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	204.1	59.9	202.9	**(1.2)**	(1.2)	-
Assistant Chief Executive	19.9	9.1	19.6	**(0.3)**	(0.3)	-
Children, Young People and Education	165.1	35.2	168.5	**3.4**	3.4	-
Housing	65.3	5.3	65.3	**-**	-	-
Place	76.8	16.9	78.8	**2.0**	2.8	(0.8)
Resources	26.9	51.2	26.9	**-**	-	-
Subtotal Service Directorates	**558.1**	**177.6**	**562.0**	**3.9**	**4.7**	**(0.8)**
Corporate Items and Funding	(72.7)	(27.3)	(74.3)	**(1.6)**	(1.6)	-
Total Net Expenditure	**485.4**	**150.3**	**487.7**	**2.3**	**3.1**	**(0.8)**

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.

5.6 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.

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	187.1	57.9	186.6	(0.5)
Adult Strategic Commissioning, Policy & Improvement	14.0	1.6	13.3	(0.7)
Central ASCH	3.0	0.4	3.0	-
Total ASCH	**204.1**	**59.9**	**202.9**	**(1.2)**
Public Health Grant Ringfenced Services *(note 1)*	**-**	**(10.9)**	**-**	**-**

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.

5.7 At period 3, the ASCH directorate has a forecast underspend of 1.2m (0.6%) against the budget of 204.1m.

<u>Adult Social Care Operations - forecast underspend of £0.5m</u>

5.8 All services within operations, except Disabilities & Transitions, have a forecast underspend position. The underspends are primarily related to periods of staffing vacancy.

5.9 The forecast overspend in Disabilities & Transitions primarily relates to services for people with no recourse to public funds owing to both increasing activity numbers and unit costs (£1.1m).

5.10 There is a risk in care package costs owing to ongoing price negotiations with some providers.

Adult Strategic Commissioning, Policy and Improvement - forecast underspend of £0.7m

5.11 The division has a forecast underspend owing to one-off income (£0.3m), contracts (£0.3m) and periods of staffing vacancy (£0.1m).

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

5.12 Forecast breakeven position after the drawdown of £2.7m from ringfenced Public Health reserves. The planned drawdown from reserves supports prevention related investment in public health services and activities.

ASSISTANT CHIEF EXECUTIVE (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Central ACE	0.6	0.2	0.6	-
Customer Experience	16.1	6.2	15.9	(0.2)
Policy, Programmes and Performance	2.8	1.7	2.7	(0.1)
Elections	0.4	1.0	0.4	-
Total Assistant Chief Executive	**19.9**	**9.1**	**19.6**	**(0.3)**

5.13 At period 3, the ACE directorate has a forecast underspend of £0.3m (1.5%) against the budget of £19.9m. The divisional forecasts include:

- Customer Experience - £0.2m forecast underspend owing to reduced Concessionary Travel expected to be recharged from Transport for London; and
- Policy, Programmes and Performance - £0.1m forecast underspend owing to periods of staffing vacancies.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	117.3	20.8	119.9	2.6
Unaccompanied Asylum-Seeking Children (UASC) <18	(0.9)	0.8	(0.5)	0.4
UASC Care Experienced Young People >18	0.1	0.5	0.5	0.4
Non-DSG Education Services	40.1	10.6	40.1	-
Central CYPE	8.5	2.5	8.5	-
Total CYPE	**165.1**	**35.2**	**168.5**	**3.4**

Dedicated Schools Grant (DSG) High Needs Education Services	91.9	(40.4)	136.9	45.0
Dedicated Schools Grant (DSG) Early Years Block	88.6	62.4	88.6	-

General Fund

5.14 At period 3, the CYPE directorate has a General Fund forecast overspend of £3.4m (2.1%) against the budget of £165.1m.

Children's Social Care Division (including UASC and UASC Care Experienced Young People) - forecast overspend of £3.4m

5.15 The Children's Social Care division forecast overspend primarily consists of:

- **Placements** overspend of £1.7m against the £49.7m budget, with an additional £0.5m pressure on NHS income for joint funded placements (where "continuing health care" needs remain an on-going funding challenge for Croydon). Volatility remains a challenge and high-cost placements have a disproportionate impact on placement spend. In June, the highest placement cost was £14,004 per week (£0.7m per annum).
- **Unaccompanied Asylum-Seeking Children (UASC)** overspend of £0.8m relating to over and under 18 years placements. Work is underway to review the over 18 years young people that are deemed non-grant claimable. In June 2026, there were 70 clients over 21 years old and Not in Education, Employment or Training (NEET). Regarding the under 18 years old cohort, there are 12 clients which are awaiting finalisation of age assessments (this could result in extra grant of up to £0.6m if the age assessments result in being agreed as under 18 years old);
- **Court proceedings** overspend of £0.6m owing to a rise in care proceedings and pre-proceedings leading to more court directed

assessments, and more complex family situations requiring multiple or extended assessments;

- **NHS funding shortfall** of £0.5m for Children with Disabilities domiciliary services (in addition to the shortfall of NHS income detailed above in placements);
- **Section 17 (Children in Need)** overspend of £0.3m owing to higher demand requiring support (e.g. emergency accommodation, subsistence and travel);
- **Staffing** underspend of £0.9m against the £45m budget. Vacancies are being held, where possible, to meet savings targets; and
- **Adoption** underspend of £0.2m owing to ongoing review of placements (ending over 18-year-old placements when no longer required).

Placements

5.16 Initiatives underway to mitigate the market volatility, as part of the Helping Families Thrive (HFT) 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;
- Creation of Keeping Families Together (KFT) framework within current practice and process;
- KFT panel held weekly to ensure all agencies, and commissioned services, are fully focussed on keeping children with families where safe to do so. There is a focus on current care to understand opportunities to reunify clients with their family network;
- Review of current residential cohort (working with the Strategic Partner) to support reunification, commissioning of services and specialist foster care;
- Market engagement and exploring block contracting to help stabilise costs and address the challenge of in borough provision being used by other councils; and
- Increased use of kinship care.

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

Dedicated Schools Grant (DSG) High Needs Education Services - forecast overspend of £45.0m

5.18 On 9 February 2026, the High Needs Stability Grant was announced alongside the Local Government Finance Settlement. Payment of the High Needs Stability grant will be made by the DfE as a Section 31 grant during 2026-27, following local authorities meeting local SEND reform plan conditions. Local SEND reform plans have been developed collaboratively by local area partnerships (including schools, health, early years settings and post 16 providers) to ensure plans reflect the shared responsibility of the whole local system in supporting children and young people.

5.19 The deficit balance on the DSG adjustment account at 31/3/26 was £67.5m. The net effect including the reserve at 31/3/26 was a deficit of £57.6m. The High Needs Stability Grant will fund 90% of eligible deficit amounts up to 31/3/26. This would fund c£52m of the deficit, leaving a residual deficit of c£6m.

5.20 The risk relating to the DSG deficit impact on the General Fund is currently mitigated through the statutory override up to the end of 2027-28. 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.

5.21 Based on an assumption of a residual deficit of £6m, plus an annual overspend of £45m in each of 2026-27 and 2027-28, the Council would face a deficit of £96m on the DSG, at the point the statutory override ends. The cumulative deficit is currently forecast to continue to grow annually, with a forecast of continuing increases in demand for Education, Health and Care Plans (EHCPs). There is currently no guarantee that the Department for Education (DfE) will continue to fund the majority of ongoing deficits in 2026-27 and beyond through the High Needs Stability Grant.

HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Housing (General Fund)	65.3	5.3	65.3	-
Total Housing (General Fund)	**65.3**	**5.3**	**65.3**	**-**

5.22 At period 3, the Housing directorate has a General Fund forecast breakeven position against the budget of £65.3m.

5.23 The number of households living in temporary accommodation (TA) increased significantly during 2024, consistent with other London boroughs' experiences.

5.24 At the end of June 2026 there were 3,283 homeless households in TA of which 1,930 were in nightly paid accommodation.

5.25 There has been significant activity to manage the cost of nightly-paid provider rates. This has resulted in new placement rates being contained within the agreed 'Pan London' level or lower. The existing agreements are also being reviewed.

5.26 The Temporary Accommodation Strategy 2026-30 and action plan are focusing on significantly reducing the reliance on TA and increasing earlier prevention and support to maintain tenancies. The Strategy and plan are being presented to today's Cabinet meeting and the delivery targets will be monitored monthly.

Temporary Accommodation Income Pressure

5.27 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. By contrast, registered social landlords in the borough receive HB at the value of the actual accommodation costs. This is clearly far from a level playing field. The estimated cost of the policy decision to Croydon is c£45m per annum (c£40m on the nightly paid element).

PLACE

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Streets and Environment	57.0	10.9	58.4	1.4
Culture and Community Safety	11.5	3.6	11.5	-
Planning & Sustainable Regeneration	10.0	2.2	10.6	0.6
Central Place	(1.7)	0.2	(1.7)	-
Total Place	**76.8**	**16.9**	**78.8**	**2.0**

5.28 At period 3, the Place directorate has a forecast overspend of £2.0m (2.6%) against the budget of £76.8m. The divisional forecasts include:

- Streets and Environment - forecast overspend of £1.4m owing to a pressure in Parking Services of £3m following the court judgement in March 2026 ceasing the operation of six Low Traffic Neighbourhoods (LTN's). Efficiencies of £1.8m have been identified to reduce this pressure to £1.2m. The division has a further pressure of £0.3m in Grounds Maintenance offset by an underspend of £0.1m in Highways resulting from periods of staff vacancy; and

- Planning and Sustainable Regeneration - forecast overspend of £0.6m owing primarily to an overspend within the Croydon Adult Learning and Training (CALAT) service owing to premises & staffing costs.

RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Chief People Officer	(0.1)	1.2	(0.1)	-
Croydon Technology Service	5.1	3.9	3.8	(1.3)
Finance *(note 1)*	9.7	38.8	9.7	-
Internal Audit Service	(0.2)	0.2	(0.2)	-
Legal Services and Monitoring Officer	2.9	0.9	2.9	-
Pensions and Treasury Management	0.1	0.4	0.1	-
Property, Procurement and Capital	8.4	5.8	9.6	1.2
Central Resources	1.0	-	1.1	0.1
Total Resources	**26.9**	**51.2**	**26.9**	**-**

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.

5.29 At period 3, the Resources directorate has a forecast breakeven position against the budget of £26.9m.

5.30 The divisional forecasts include:

- Croydon Technology Service - £1.3m forecast underspend owing to unfilled staffing vacancies because of an impending restructure of the division (£0.7m) and ICT contracts and licencing costs (£0.6m);
- Finance – breakeven forecast position. There is increased agency staffing in Strategic Finance to work through the 2025-26 external audit and preparation for the 2026-27 closing of accounts, which is being offset by staffing vacancies in the Payments, Revenues, Benefits and Debt service. The Finance Division holds the Improvement Costs cost centre (£0.6m budget) which funds the cost of the four Commissioners (appointed by MHCLG to support the Council in meeting its Best Value Duty) and the cost of external review work and strategic project support for improvements;
- Property, Procurement and Capital - £1.2m forecast overspend owing to £1.0m of staffing and corporate disposals savings not fully evidenced in 2026-27 (expected to be fully achieved in 2027-28) and a £0.2m pressure in advertising income. The service will aim to mitigate these

pressures through increased rent & service charge income and recovery of utilities income; and

- Central Resources - £0.1m forecast overspend owing to staffing costs.

CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Pay Inflation budget	6.5	-	6.5	-
Risk Contingency Budget	5.0	-	-	(5.0)
Minimum Revenue Provision (MRP)	32.7	-	35.7	3.0
Interest Payable	55.9	-	50.7	(5.2)
Interest Receivable	(2.5)	-	(2.3)	0.2
Housing Benefit Administration Grant	(1.6)	-	(1.2)	0.4
Other corporate items	(168.7)	(27.3)	(163.7)	5.0
Total Corporate Items and Funding	**(72.7)**	**(27.3)**	**(74.3)**	**(1.6)**

5.31 At period 3, the corporate directorate has a forecast underspend of £1.6m (2.2%) against the budget of (£72.7m).

5.32 Corporate holds the £6.5m pay inflation budget, which allows for a circa 3.0% pay award for 2026-27. The pay award has not been agreed (at Period 3) by the National Joint Council of employers and trade unions. The non-pay inflation budget of £16.5m has been allocated to directorates in Period 3 as shown in the table below.

Allocation of 2026-27 non-pay inflation budget

Directorate	Budget Allocation (£m)
Adult Social Care and Health	5.947
Assistant Chief Executive	0.052
Children, Young People and Education	3.039
Housing	3.404
Place	3.126
Resources	0.736
Corporate	0.196
Total	**16.500**

Collection Fund

5.33 The table below shows a summary of the Council Tax annual income estimated in the 2026-27 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	366.9	369.2	366.9	-	-

5.34 When the budget was set it was assumed that the Council would collect 98% of the £366.9m NCD, this is budgeted income equal to £359.6m. The current forecast is in-year collection of 94.26% or £345.8m in this financial year, with the remainder to be collected in following years.

5.35 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.

Table showing 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 (%)
98.98	99.08	26.98	26.84	(0.14)

5.36 The end of June 2026 collection target is 26.98% and collection to date is 26.84% which is 0.14% behind the target. However, the Council has collected more income compared to the budgeted amount at this point of the year since the NCD is currently higher than the budget.

5.37 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.

Table showing 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 (%)
44.00	43.33	32.05	30.90	(1.15)

5.38 The end of June 2026 collection target is 32.05% and collection to date is 30.90% which is 1.15% behind the target.

5.39 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. However, the Business Rates risk is mitigated in 2026-27 through a 100% income protection by Government through the 100% safety net threshold.

5.40 There is 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

5.41 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	2026-27 Budget (£m)	2026-27 Forecast (£m)	2026-27 Forecast Variance (£m)
Interest payable cost	55.9	50.7	(5.2)
Interest receivable income	(2.5)	(2.3)	0.2

Treasury Investments (Quarter One)

5.42 During the quarter the average investment balances held by the Council were £88.9m, earning interest of £0.97m (a yield of 4.35%). Investments were made in accordance with the Council's Investment Policy included in the Treasury Management Strategy Statement for 2026-27 agreed by Full Council. The Council's investments at 30 June 2026 are detailed in the table below:

Counterparty	Type	Principal (£m)	Start Date	End Date	Interest Rate (%)	Risk Rating
Insight	MMF	20.000			3.94	1
Aberdeen Sterling	MMF	20.000			3.83	1
Morgan Stanley	MMF	20.000			3.82	1
Deutsche Managed Fund	MMF	15.350			3.75	1
Blackpool Council	LA	10.000	29/06/26	23/10/26	4.25	1
Hackney Council	LA	10.000	24/03/26	08/10/26	5.75	1
Gloucester Council	LA	10.000	15/01/26	15/07/26	4.55	1
Total Investments		**105.350**				

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

5.43 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	81.0%
1-3 Months	0.0%
3-6 Months	19.0%
6-9 Months	0.0%

Treasury Borrowing (Quarter One)

5.44 During the quarter the Council refinanced £50.0m of maturing debt from the Public Works Loan Board (PWLB), with the PWLB under the General Fund. A further £40.0m of debt was added with the other Local Authorities. The level of General Fund external debt increased to £1,261.0m. The average interest rate decreased from 3.88% to 3.85% as per the table below:

General Fund External Debt at 30 June 2026	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	1,094.040	4.04%	14.9
Market Debt	127.000	2.49%	12.1
Other Local Authorities	40.000	4.59%	0.7
Total General Fund External Debt	**1,261.040**	**3.88%**	**14.1**

5.45 During the quarter the Council added nil debt under the Housing Revenue Account. The following table shows the position of Housing Revenue Account (HRA) external debt:

HRA External Debt at 30 June 2026	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	374.8	3.69%	16.9
Total HRA External Debt	**374.8**	**3.69%**	**16.9**

Savings

5.46 The 2026-27 budgets include a challenging MTFS savings target of £34.1m. Together with slippage of £0.6m from 2025-26, the total savings target is £34.7m. The forecast achievement of savings is £26.5m (76.4%). Directorates have identified risks to achievement of individual savings and have made plans to mitigate these risks, or identify alternative savings, if possible.

Table showing 2026-27 savings achievement by Cabinet portfolio

	2026-27					
	Savings target £000's	Slippage from previous year £000's	Revised savings target £000's	Forecast savings achievable £000's	Savings slippage £000's	Not yet evidenced or (over delivery) £000's
Cabinet Portfolio						
Health & Adult Social Care	8,337	-	8,337	8,337	-	-
Children & Young People	4,741	149	4,890	209	125	4,556
Homes	6,491	-	6,491	5,742	-	749
Finance	8,118	316	8,434	7,380	918	136
Planning & Regulatory Services	419	-	419	419	-	-
Streets & Enforcement	4,122	140	4,262	3,755	507	-
Parks & Culture	10	-	10	10	-	-
Communities, Safety & Justice	-	-	-	-	-	-
Cross-Portfolio	1,860	-	1,860	620	-	1,240
Total	**34,098**	**605**	**34,703**	**26,472**	**1,550**	**6,681**

Reserves

5.47 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2026-27. The forecast utilises £1.308m of Collection Fund earmarked reserves and £0.063m of Business Risk earmarked reserves (as agreed by Full Council in the budget).

5.48 The following table shows the current earmarked revenue reserves and forecast changes in 2026-27:

Earmarked Revenue Reserve	Service Area	Balance at 1/4/26 (£m)	Forecast Change (£m)	Forecast Balance at 31/3/27 (£m)
General Fund Balances	Corporate	27.5	-	27.5
Collection Fund (Council Tax and Business Rates)	Corporate	5.5	(1.3)	4.2
Business Risk	Corporate	7.5	(6.5)	1.0
Financial Improvement	Corporate	2.2	-	2.2
Transformation	Corporate	2.1	(0.4)	1.7
Insurance	Resources	2.8	-	2.8
Growth Zone	Place	25.3	(12.1)	13.2
Borough CIL - Local Meaningful Proportion	Place	4.8	(2.2)	2.6
Street Lighting PFI	Place	4.8	(0.5)	4.3
Public Health Grant	ASCH	11.2	(2.7)	8.5
Dedicated Schools Grant (DSG) *(please note comments below table)*	CYPE	9.9	-	9.9
Homes for Ukraine - Tariff Grant	CYPE	3.3	(1.0)	2.3
Other earmarked revenue reserves (under £2m)	Various	30.9	-	30.9
Total General Fund Earmarked Revenue Reserves		**137.8**	**(26.7)**	**111.1**
Balances held by schools	CYPE	4.4	-	4.4
Housing Revenue Account (HRA) reserves	Housing	13.1	(3.9)	9.2

5.49 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) (England) Regulations 2003 as amended do not allow for such amounts to be included in the General Fund and instead must be held in a DSG adjustment account. The Government has extended this DSG statutory override to March 2028.

5.50 The deficit balance on the DSG adjustment account at 31/3/26 was £67.5m. The net effect including the reserve at 31/3/26 was a deficit of £57.6m.

HOUSING REVENUE ACCOUNT (HRA)

5.51 At period 3, the HRA has a forecast overspend of £3.9m, primarily owing to a forecast overspend in disrepair works and an update to the Service Reporting Code of Practice (SERCOP) corporate overhead charges.

Table showing 2026-27 HRA revenue budget and forecast

	Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Rental Income	(95.6)	(24.2)	(95.6)	-
Service Charge Income	(8.5)	0.7	(8.5)	-
Other Income	(4.8)	(2.4)	(5.8)	(1.0)
Subtotal Income	**(108.9)**	**(25.9)**	**(109.9)**	**(1.0)**
Responsive Repairs & Safety (Works)	31.3	1.9	34.1	2.8
Responsive Repairs & Safety (Non-works)	4.9	1.2	4.8	(0.1)
Asset Planning & Capital Delivery	3.3	0.8	3.7	0.4
Tenancy & Resident Engagement	10.5	1.9	10.7	0.2
Tenant Support Services	6.4	1.0	6.5	0.1
Housing Compliance & Transformation	2.7	0.5	2.3	(0.4)
Regeneration	1.5	4.7	1.8	0.3
Regina Road	-	0.2	-	-
Centralised Directorate Expenditure	6.6	0.3	6.5	(0.1)
Corporate Overheads (SERCOP)	4.8	-	6.5	1.7
Housing Capital Charges	36.9	-	36.9	-
Subtotal Expenditure	**108.9**	**12.5**	**113.8**	**4.9**
Total HRA Net Expenditure	**-**	**(13.4)**	**3.9**	**3.9**

Note 1: No actuals for Housing Capital Charges have been posted as these journals are processed at year end.

5.52 There is a £1.0m forecast over-achievement in Other Income against the budget owing primarily to rent from telecommunication masts and capitalisation of staffing costs.

5.53 Disrepair remains a concern as the Council is dealing with a significant number of disrepair claims and the related repair costs have contributed to the forecast overspend.

5.54 The legislative changes from Awaab's Law Part 2 come into force on 30 November 2026 and will expand the scope of the law to cover a wider range of serious hazards in tenants' homes. Addressing these issues remains a priority to ensure that, as a landlord, the Council remedies issues within strict timeframes to ensure tenant safety.

5.55 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 to 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 debt values.

Capital Programme and Financial Sustainability

5.56 The Capital strategy and programme was approved by Council in February 2026. At the end of 2025-26, the Council had £1.497bn of General Fund debt (excluding the IFRS16 leases technical accounting adjustment of an extra £0.030bn).

5.57 Absolute debt levels are high, but roughly equivalent to that of a small number of other London boroughs. However, in Croydon's case a high proportion of the debt (c£1.1bn) could reasonably be described as 'overhanging' debt. There are no assets attached to it: it was either incurred in pursuit of unsuccessful commercial ventures (£545m) or to fund the EFS that was a consequence of those (£526m to date). Without that 'overhanging' debt the absolute level would be more typical of, or lower than, other London boroughs.

5.58 The Council's 2026-27 budget required capitalisation directions from Government of £119m to balance. 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 continue to increase.

5.59 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. However, to justify Government intervention in the form of a debt write-off, or similar, Croydon will need to demonstrate that it has taken budget decisions that reflect its status as one of the most financially stressed councils in the country.

General Fund Capital Programme

5.60 The 2026-27 capital budget agreed at the Council Budget Meeting in February 2026 was £220.1m for the General Fund (including capitalisation directions of £119.0m).

5.61 The Executive Mayor and Cabinet are asked through this report to agree slippage of £36.9m from 2025-26 and changes totalling a net decrease of £0.3m as detailed in the table below.

5.62 The main changes are:

- Coroner's Court Relocation - reduction in budget required to relocate from Davis House to Bernard Weatherill House (BWH);
- Consolidation of Front Door Services (Cavendish House) - addition following report to Cabinet on 29/7/26;

- CCTV Control Room Relocation - addition to move from Strand House to BWH to support asset disposal and generate revenue savings in facilities management and telecommunication contract;
- The Hayes Primary School Wraparound Provision - removed as a separate project because this is being delivered through the Childcare Reform Expansion project;
- NHS Coulsdon GP Hub - increased capital budget funded through extra NHS funding;
- Waste and Recycling Investment - reprofiled to 2027-28;
- Parking cameras - new sites have been separated out from replacements;
- Pride in Place - addition to deliver MHCLG grant funded regeneration in New Addington North and the University Hospital & Queen's Road corridor (£40m over 10 years);
- Pride in Place Impact Fund - addition to deliver MHCLG grant funded immediate, visible improvements to high streets and community spaces; and
- Walking and Cycling Strategy - removed as a separate project because this is being delivered through the Local Implementation Plan (LIP) programme.

5.63 At period 3, the General Fund capital programme has a forecast underspend of £13.7m (5.3%) against the revised budget (including slippage and changes to be agreed through this report) of £256.7m.

Table showing 2026-27 General Fund Capital Programme budget and forecast

General Fund Capital Scheme	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Changes (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Network Refresh	-	867	-	867	867	-
Tech Refresh	-	93	-	93	93	-
Cloud and Disaster Recovery (Hosting Transition)	-	328	-	328	328	-
Synergy Education System	-	132	-	132	132	-
Public Switched Telephone Network Digital Migration Phase 1	-	108	-	108	108	-
Windows 2016 Server Upgrades	990	1	-	991	991	-
Uniform Planning System module updates	-	70	-	70	70	-
Subtotal Assistant Chief Executive	**990**	**1,599**	**-**	**2,589**	**2,589**	**-**
Samuel Coleridge Taylor Hub	-	23	78	101	101	-
Children Home DFE (South Norwood)	500	230	-	730	730	-

General Fund Capital Scheme	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Changes (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Childcare Reform Expansion	-	159	26	185	185	-
Subtotal CYPE	**500**	**412**	**104**	**1,016**	**1,016**	**-**
Disabled Facilities Grant	3,335	883	-	4,218	4,218	-
Discharge Temporary Accommodation	-	16,000	-	16,000	16,000	-
NEC Housing System Phase 2	-	103	-	103	103	-
Subtotal Housing	**3,335**	**16,986**	**-**	**20,321**	**20,321**	**-**
Asset Strategy - Stubbs Mead	500	146	-	646	646	-
Asset Strategy Programme (stock condition surveys)	26	42	-	68	68	-
Clocktower Chillers	441	19	-	460	460	-
BWH utilities sub-metering infrastructure	-	200	-	200	200	-
Corporate Property Maintenance Programme	2,000	-	-	2,000	2,000	-
Fairfield Halls – Council	206	254	-	460	460	-
Fairfield Halls External Screen	81	(71)	-	10	10	-
Fieldway Cluster (Timebridge Community Centre)	109	-	-	109	109	-
Coroner's Court Relocation	4,305	80	(2,385)	2,000	2,000	-
Consolidation of Front Door Services - Cavendish House	-	-	757	757	757	-
CCTV Control Room Relocation	-	-	1,846	1,846	1,846	-
Mortuary Services - Design/appraisal work	100	54	-	154	154	-
Contingency	1,000	-	-	1,000	1,000	-
Oracle Improvement Programme	-	159	-	159	159	-
Education - Compliance and Fire Safety	800	675	-	1,475	1,475	-
Education - Major Maintenance	3,953	1,231	-	5,184	5,184	-
Education - Miscellaneous	2,380	14	198	2,592	2,592	-
Education – SEN	3,150	2,624	-	5,774	5,774	-
The Hayes Primary School - Wraparound Provision	223	-	(223)	-	-	-
NHS Coulsdon - GP Hub	2,856	1,237	851	4,944	4,944	-
Subtotal Resources	**22,130**	**6,664**	**1,044**	**29,838**	**29,838**	**-**
Ashburton Park Heritage Fund	-	167	-	167	167	-
Grounds Maintenance Insourced Equipment	-	457	-	457	457	-
Waste and Recycling Investment	2,925	-	(2,925)	-	-	-
Waste and Street Cleansing Fleet Vehicles	-	1,725	-	1,725	1,725	-
Highways	8,618	-	-	8,618	8,618	-
Highways - DfT	2,707	-	-	2,707	2,707	-

General Fund Capital Scheme	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Changes (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Highways - bridges and structures	9,377	934	-	10,311	10,311	-
Highways - flood alleviation	435	(130)	-	305	305	-
Highway Improvement	-	257	-	257	257	-
Open Space Improvement	-	72	10	82	82	-
Park Asset Management	1,283	(171)	-	1,112	1,112	-
Crematorium compact coolers	-	-	130	130	130	-
Parking cameras replacements	1,000	-	(700)	300	300	-
Parking cameras (new sites)	-	-	300	300	300	-
Parking IT system replacement	75	75	-	150	150	-
Street Lighting LED replacement	2,711	500	-	3,211	3,211	-
Libraries Investment	900	22	-	922	922	-
Archive Stores	89	90	-	179	179	-
Museum Refurbishment	38	14	-	52	52	-
Leisure centres equipment - contractual agreement	355	77	-	432	406	(26)
PlayZones	431	161	-	592	389	(203)
Emergency Response Trailers	-	-	25	25	25	-
Safety - digital upgrade of CCTV	-	1,204	-	1,204	1,204	-
Electric Vehicle Charging Point (EVCP)	950	42	-	992	992	-
Growth Zone	8,893	2,246	-	11,139	7,254	(3,885)
Amplifying Surrey Street	1,581	523	-	2,104	1,540	(564)
Kenley Good Growth	-	37	-	37	37	-
South Norwood Good Growth	-	20	-	20	20	-
Local Implementation Plan (LIP)	5,356	-	104	5,460	5,460	-
Reconnecting Croydon	10,200	1,120	-	11,320	10,579	(741)
Pride in Place	-	-	240	240	240	-
Pride in Place - Impact Fund	-	-	1,500	1,500	1,500	-
District Centre Improvements	-	86	-	86	86	-
District Centre and Park Improvements (UKSPF)	-	42	-	42	42	-
CIL Local Meaningful Proportion (LMP) Small Schemes	217	(15)	-	202	202	-
Walking and Cycling Strategy	97	7	(104)	-	-	-
Subtotal Place	**58,238**	**9,562**	**(1,420)**	**66,380**	**60,961**	**(5,419)**
TOM - Improving Payments	543	449	-	992	992	-
TOM - Digital Foundations	9,296	807	-	10,103	4,202	(5,901)
TOM - Unified Front Door (including Info, Advice, Guidance)	735	2	-	737	722	(15)
TOM - Demand Management	1,343	335	(1,678)	-	-	-
TOM - Community Partnerships	135	32	-	167	39	(128)

General Fund Capital Scheme	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Changes (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
TOM - Commercial Excellence	330	17	-	347	347	-
TOM - Shared Services	185	(33)	-	152	80	(72)
TOM - Simpler Organisation	168	(1)	-	167	167	-
TOM - Strategic Delivery Support	1,374	75	-	1,449	1,449	-
TOM - HR Support	1,273	-	-	1,273	1,273	-
TOM - Contingency	493	-	1,678	2,171	-	(2,171)
Capitalisation Direction	119,000	-	-	119,000	119,000	-
Subtotal Corporate Items and Funding	**134,875**	**1,683**	**-**	**136,558**	**128,271**	**(8,287)**
TOTAL GENERAL FUND CAPITAL	**220,068**	**36,906**	**(272)**	**256,702**	**242,996**	**(13,706)**

Table showing 2026-27 General Fund Capital Programme Financing

General Fund Capital Financing	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Changes (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Community Infrastructure Levy (CIL)	2,000	232	140	2,372	2,372	-
CIL Local Meaningful Proportion (LMP)	1,324	109	-	1,433	1,353	(80)
Section 106	2,475	261	-	2,736	2,736	-
Grants & Other Contributions	38,155	8,691	881	47,727	46,863	(864)
Growth Zone	10,012	2,580	-	12,592	8,143	(4,449)
HRA Contributions	-	92	-	92	92	-
Reserves	-	12	-	12	12	-
Capital Receipts	25,765	1,842	-	27,607	19,320	(8,287)
Borrowing	140,337	23,087	(1,293)	162,131	162,105	(26)
Total General Fund Financing	**220,068**	**36,906**	**(272)**	**256,702**	**242,996**	**(13,706)**

HRA Capital Programme

5.64 The 2026-27 HRA capital budget agreed by Full Council was £109.7m and the Executive Mayor and Cabinet are asked through this report to agree slippage from 2025-26 of £8.7m relating to the Regina Road development and the acquisition programme.

5.65 At period 3, the HRA capital programme has a forecast underspend of £14.6m against the revised budget (including slippage to be agreed) of £118.4m. The budgets for Regina Road and acquisitions will be re-profiled across years as part of the capital budget update to be presented to Cabinet in December.

Table showing 2026-27 HRA Capital Programme budget and forecast

HRA Capital Scheme	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Major Repairs and Improvements Programme	18,733	-	18,733	18,733	-
Building Safety	14,969	-	14,969	14,969	-
Compliance	12,358	-	12,358	12,358	-
Special Projects	2,568	-	2,568	2,568	-
Support Costs	2,670	-	2,670	2,670	-
Repairs Referrals	2,054	-	2,054	2,054	-
Regina Road	18,595	2,973	21,568	12,711	(8,857)
Acquisitions	36,266	5,776	42,042	36,266	(5,776)
Regeneration Feasibility Studies	514	-	514	514	-
Extra Care Scoping	254	-	254	254	-
NEC Housing IT System	706	-	706	706	-
Total HRA Capital	**109,687**	**8,749**	**118,436**	**103,803**	**(14,633)**

Table showing 2026-27 HRA Capital Programme Financing

HRA Capital Financing	2026-27 Current Budget (£000's)	2026-27 Slippage from 2025-26 (£000's)	2026-27 Revised Budget (to be approved) (£000's)	2026-27 Forecast (£000's)	2026-27 Forecast Variance (£000's)
Major Repairs Reserve (MRR)	14,590	-	14,590	14,590	-
Other Receipts, Reserves and Grants including Right To Buy (RTB) Receipts	58,800	-	58,800	58,800	-
Revenue Contributions	7,045	-	7,045	7,045	-
Borrowing	29,252	8,749	38,001	23,368	(14,633)
Total HRA Capital Financing	**109,687**	**8,749**	**118,436**	**103,803**	**(14,633)**

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 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2026-27. General Fund balances serve as a cushion should any overspend remain at the end of 2026-27. 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.

8.1.3 The forecast position for the Council utilises £26.7m of General Fund revenue earmarked reserves in 2026-27. These earmarked reserves do not impact the General Fund balances.

8.1.4 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 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.

8.2.4 Recommendations 2.7 and 2.9 are within the constitutional authority of the Executive Mayor and Cabinet because the Financial Regulations expressly delegate approval of capital programme additions, capital virements, budget reprofiling and slippage adjustments of £1 million or above to the Executive Mayor or Cabinet. The recommendations do not constitute approval of a new budget or amendment to the Council's Budget and Policy Framework, which remains reserved to Full Council under Article 4 of the Constitution. Rather, they relate to the in-year management and implementation of the approved capital programme in accordance with Financial Regulations 5.6 and 5.7.

Comments approved by Stephen Lawrence-Orumwense, Director of Legal Services and Monitoring Officer, 15/09/2026.

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, 04/08/2026.

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 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 improvements 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.

8.4.7 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.

Comments approved by Felisha Dussard, Acting Senior Equality Officer on behalf of Helen Reeves, Head of Strategy and Policy, 10/08/2026.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.