

<b>REPORT TO:</b>	<b>CABINET 14 DECEMBER 2015</b>
<b>AGENDA ITEM:</b>	<b>8</b>
<b>SUBJECT:</b>	<b>QUARTER 2 FINANCIAL PERFORMANCE 2015/16</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON ASSISTANT CHIEF EXECUTIVE (CORPORATE RESOURCES AND SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>CLLR TONY NEWMAN LEADER OF THE COUNCIL CLLR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY</b>
<b>WARDS:</b>	<b>ALL</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT:</b></p> <p>The recommendations in the report will help to ensure effective management, governance and delivery of the Council's medium term financial strategy and ensure a sound financial delivery of the 2015/16 in-year budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.</p>	
<p><b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b></p> <p>Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 -2018, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.</p>	
<p><b>FINANCIAL IMPACT</b></p> <p>Since the Council set the 2015/16 budget there have been a number of policy changes made by Government that will impact on the in-year budget and are expected to increase the pressure on the budget of the Council. These include a reduction in Home Office funding for Unaccompanied Asylum Seeking Children, a cut to the Public Health Grant and the Youth Justice Board grant, changes to the Welfare and Housing Bill and changes impacting on income earned from Parking. This report sets out the measures which the Council will be taken to re-balance the impact from this Government policy change.</p> <p>These continuing cuts to funding for Croydon detailed above alongside the increasing demand on a range of statutory services that the Council provides has led to a pressure on the 2015/16 budget and the need for further consideration of more radical options that are open to the Council to ensure that key services to Croydon residents are protected wherever possible. The Council has also put in place a number of in-year actions to help manage the financial position and some of these are starting to have an impact and have been included within the forecast position. The current financial position and options are set out clearly in this report.</p> <p>The projected revenue outturn for 2015/16 is <b>£2.5m</b> greater than budget. The projected</p>	

outturn position has improved by **£0.64m** from the Autumn Financial Statement report to Cabinet in September.

If the projected outturn became the final outturn there would need to be a contribution of **£2.5m** from useable reserves. This would be if no further corrective action were taken over the remainder of the year. Work is continuing on the programme of action identified in the Autumn Statement to achieve a balanced budget position for 2015/16, and updates are included in this report.

The Housing Revenue Account is projected to underspend by £2m in 2015/16.

#### **FORWARD PLAN KEY DECISION REFERENCE NO.**

Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

### **1 RECOMMENDATIONS**

Cabinet is recommended :-

- i) Note the current Outturn forecast at the end of the second quarter of 2015/16 of **£2.519m** over budget and HRA position of a **£2m** underspend, and the actions put in place to reduce the overspend
- ii) Approve virements as detailed in paragraph 5.1 of this report;

### **2. EXECUTIVE SUMMARY**

- 2.1 This report updates the Council's financial outlook at the end of the second quarter of 2015-16, which remains against a context of a series of adverse national funding changes affecting Local Government finance.
- 2.2 In addition to the dramatic reduction of the Council's direct support grant, the borough continues to experience unfunded changes to national policy that put an even greater burden on the local tax payer. Updates on the issues identified in the Autumn Statement report presented to Cabinet on the 21 September 2015 are provided in Section 2.4 of this report.
- 2.3 Since quarter 1 the pressure on the People department has worsened in some key areas, including a continued growth in demand for both Children and Adult social care placements. Further actions have been put in place across the organisation which have a particular focus on staffing savings which include a council wide recruitment pause, further action on agency staff and a council wide voluntary severance scheme. In addition specific actions have been put in place in the People department.
- 2.4 Since the Council set the 2015/16 budget there have been a number of policy changes and grant cuts made by Government that are forecasted to increase the pressure on the budget by over **£8m** per annum. Progress on these funding cuts since the Autumn Statement report are set out against each item.

#### **2.4.1 Home Office – Unaccompanied Asylum Seeking Children (UASC) - £4m**

The Leader of the Council met with the Immigration Minister James Brokenshire on 21 October to discuss the UASC rates for Croydon in 2015/16. There were a number of questions raised by the Home Office at this meeting and a response was provided to the Home Office. The meeting was positive and a response on the UASC rates for 2015/16 is expected shortly. The loss of funding is not included within the Quarter 2 forecast position for this reason.

#### **2.4.2 No Resource to Public Funds - £0.28m**

The Council receives no funding for costs incurred as a result of providing services and support to those who have been classified as having no resource to public funds. The anticipated impact of this in 2015/16 is £280k and is shown as a corporate overspend item in the Quarter 2 forecast position.

#### **2.4.3 Public Health Grant - £1.3m**

The national consultation has now concluded, and the Government are implementing their preferred option of a 6.2% flat rate reduction to all authorities. This has resulted in the reduction of £1.3m to Croydon's Public Health Grant.

Funding is available on a one off basis from Public Health reserves to meet this reduction in 2015/16. However, a more fundamental review will be needed for future years, especially given announcements in the Spending Review made regarding future years.

#### **2.4.4 Croydon Adult Learning and Training (CALAT) - £0.6m**

Following central government's recent announcement that it is to cut more than £600,000 from Croydon's budget for the CALAT service, the council has been forced to make some tough decisions about the courses it currently offers. Staff and others affected have been informed about the proposed closure of the Coulsdon CALAT centre next year. It is proposed that many courses will be transferred to the three other learning centres in Thornton Heath, New Addington and Croydon town centre but some courses will have to cease. The council will continue to work with and consult all of the staff and adult learners affected by these proposed changes, and will ensure that priority subjects such as English and Maths, and apprenticeships and traineeships continue to be offered. This impact is being shown as a corporate overspend item in the Quarter 2 forecast position.

#### **2.4.5 Youth Justice Board - £0.057m**

Further in-year funding reductions were announced on the 5<sup>th</sup> November in relation to the Youth Justice Board grant. A 10.6% reduction in funding is being passed to Councils, which will result in the loss of £57k to Croydon. This cut will result in the need to reduce the level of service provided to some of the most vulnerable young people. The service are trying to minimise the impact but the following areas will be impacted :-

- IT provision;
- Reparation;
- Funding of travel expenses.

2.4.6 In response to all of the issues set out in Section 2.4, Croydon continues to make Government aware of the pressures it faces through submissions to the Spending Review and meetings with relevant Ministers. Croydon continues to work with other outer London boroughs, and a letter setting out clear evidence of pressures faced to Marcus Jones MP, Local Government Minister is attached as Appendix 2.

## 2.5 Projected Outturn

The Council's overall forecast over spend of £2.519m is made up of Departmental over spends of £11.639m; offset by non-departmental underspends of £9.120m. Details are provided in Table 2, Section 3 of this report. Detailed information about the projected outturn variances is set out in Appendix 1 to this report.

## 3. GENERAL FUND 2015/16 REVENUE SUMMARY

3.1 The second quarter of 2015/16 has continued to see high demand for a number of services in the People department. The Government grant system now takes no account of the rapidly changing population and also changing demographics in Croydon resulting in the delivery of a balanced budget becoming a much more challenging task.

3.2 The People Department is where the main overspend of the Council is. The projected overspend in 2015/16 is **£12.841m** and is mainly due to the following four areas set out in Table 1 below (and is before any impact of changes to UASC funding):-

**Table 1 – 2015/16 Main Demand Pressures within the People Department**

Service	Forecast Quarter 2 2015/16 £'000s	Forecast Quarter 1 2015/16 £'000s	Movement during 2015/16 £'000s	Outturn variance 2014/15 £'000s	Demand Pressure / Reason for movement
Looked After Children	1,875	1,045	830	3,648	Additional demand pressure has been caused by new high cost placements during the year.
SEN – Transport	982	1,351	-369	1,568	There has been year-on-year growth on demand and pressures due to previous supplier issues, although the new framework arrangements are beginning to take effect
Adult Placements	6,618	6,599	19	4,779	Population increase in the borough, alongside increase in number of complex cases
Temporary Accommodation	3,866	3,655	211	1,479	Increasing demand notably as a result of changes to the welfare system, though it is anticipated that savings from the new Gateway Division will start taking effect in the New Year.
<b>Total</b>	<b>13,341</b>	<b>12,650</b>	<b>691</b>	<b>11,474</b>	

3.3 Since the last report to Cabinet further actions have been implemented and these are starting to see results. The most significant area where the overspend has come down

is in SEN Transport as shown in the table. More medium term strategies have been put in place to address the above pressures. These include:

### **Think Family / top 50 families**

- undertake a holistic review of the highest costing families, looking at average costs, household composition, number of services known to;
- look at alternative solutions for the family's needs;
- look for how services and provision can be joined up to prevent the need for the level of intervention;
- look at options for health or other funding.

### **Demand Management (Adult Social Care and Housing)**

- Working with external consultancy to review how to manage the growing demand for services and implement a sustainable approach that will create a clear operating model that allows management of demand within available financial resources.

### **Placement Review**

- Creation of a regular Adult Social Care Placement Review Panel, that reviews all care placements greater than £250 per week. To ensure the correct level of support is provided and in the most cost efficient manner.

### **SEN Transport**

- Accelerating the work on independent travel training and greater use of personal budgets, as well as route optimisation and further work on use of in-house service.

### **Gateway Prevention**

- Use of gateway and early intervention to reduce demand in the short term

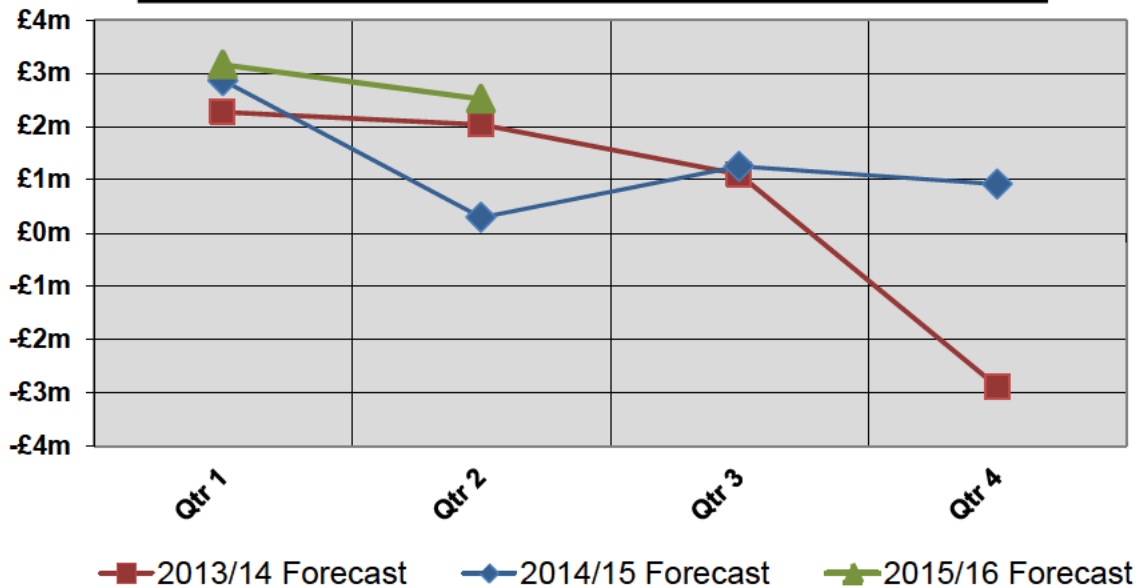
### **Housing**

- Procuring additional supply, as well as enhanced management of existing supply
- Focus on more rapid decision making
- Income optimisation

## **4. GENERAL FUND REVENUE SUMMARY POSITION 2015/16**

- 4.1 Graph 1 below shows the movement of forecast variances for 2015/16 compared to previous years. The Council continues to manage its finances through the rigorous monitoring and control of spending within the framework of the Financial Strategy. This is why the forecast position has improved in the past by the 3<sup>rd</sup> and 4<sup>th</sup> quarter as shown below.

### Comparison of Council Forecast Outturn 2013/14 to 2015/16



#### 4.2 Major Variances 2015/16

The key variances being reported at Quarter 2 are summarised in Table 2 below:

**Table 2 - Summary of Major Variances over £500k**

Department	Major Variances > £500k	Departmental Forecast	
		Qtr 2 £'000	Qtr 1 £'000
<b>PEOPLE</b>			
<b>SEN Transport</b>	Whilst Transport demand remains high, the position continues to improve since Quarter 1 following the commencement of the contract framework on 1 <sup>st</sup> September	982	1,351
<b>Looked After Children</b>	Increase in Special Guardianship Orders and adoption allowance costs paid to carers. Increased demand in Leaving Care costs. Additionally, 3 high cost placements have begun since the Quarter 1 position was estimated, which will run from September to year-end (and beyond) Use of agency staff to fill staff vacancies.	1,875	1,045
<b>Adult Care Placements</b>	Continued rise in demand for services. Staffing vacancies being filled by agency workers. Increased legal costs due to increased caseloads, although expenditure is being offset by an increase in independent living fund grant income.	6,618	6,599
<b>Temporary Accommodation</b>	Increasing demand arising as a result of the housing benefit cap, resulting in the need for additional placements and staff to manage demand.	3,866	3,655
	People Department Variances below £500k	-500	-207
	<b>PEOPLE Total</b>	<b>12,841</b>	<b>12,443</b>

<b>PLACE</b>			
	No variances over £0.500m		
	Place Department Variances below £500k	-200	-253
	<b>PLACE Total</b>	<b>-200</b>	<b>-253</b>
<b>RESOURCES</b>			
<b>All Divisions</b>	Review of expenditure	-	-1,000
	Legal Services – over-achievement of legal income	-505	-
	Resources Department Variances below £500k	-497	-27
	<b>RESOURCES Total</b>	<b>-1,002</b>	<b>-1,027</b>
<b>NON-DEPARTMENTAL BUDGETS</b>			
	Use of contingency	-1,000	-1,000
	Interest Payable savings	-1,500	-1,500
	Minimum Revenue Provision (MRP)	-3,000	-3,000
	Additional Grant Income	-1,500	-1,500
	Collection Fund surplus	-2,500	-1,000
	Non controllable overspends within CALAT and Looked After Children	880	-
	Anticipated prudent impact of in-year recovery actions	-500	-
	<b>NON-DEPARTMENTAL BUDGETS TOTAL</b>	<b>-9,120</b>	<b>-8,000</b>
<b>TOTAL VARIANCE</b>		<b>2,519</b>	<b>3,163</b>

4.3 As a result of the in-year projections, a number of actions were identified in the autumn statement to manage the financial challenges the Council currently faces. Given the continued overspend position, the following additional in-year actions are being put in place:

- Recruitment pause (this applies to interim, permanent and fixed term posts and also interim extensions)
- Launch of council wide voluntary severance programme
- Review of all long term interims (over 12 months) with target for all to leave by the end of December 15
- Further review of fees and charges increases in year
- Acceleration of top 50 families review in People department to report opportunities by mid-December
- Increase adult care placement controls and challenge in adult social care

4.4 Some of these actions are already beginning to have an impact on reducing the overspend, and have been included within the forecast outturn position contained in this report where they can be identified against a service. In addition, a prudent estimate of £0.5m has been included for the further impacts from these actions as a corporate item until it can be identified against services.



## 5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

5.1 Cabinet approval is requested for 3 virements totalling £6,031m, set out below:-

**Table 4 – Virements requiring Cabinet approval**

Ref	Purpose of Virement:	Amount (gross) £'000s
5.1.1	Budget for the “write out” of capital expenditure removed from both the People Department, and the Below the Line budgets, following changes to leasing arrangements which alter how assets are reflected in Croydon’s accounts. (Note: the level of capital expenditure is unaffected by this virement, as is actual ownership)	3,000
5.1.2	Transfer of income from Landlord licencing from Resources to Place department.	1,377
5.1.3	Realignment of Dedicated Schools Grant to the current allocation and spend profiles	1,654
	<b>Total</b>	<b>6,031</b>

## 6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The current forecast for the HRA is for an estimated underspend of £2m. The favourable in-year position remains set against the uncertainty around the impact of proposed funding changes announced by the Government, that were set out in the Autumn Statement.

6.2 The future position of the HRA remains subject to uncertain in light of policy proposals issued by the government. Two such proposals are explained further below, but not enough detail is available at the present time to accurately calculate the financial loss faced by the council:

6.2.1 **Disposal of “high value” properties:** Prior to the General Election in May 2015, the Government announced that it proposed to extend the right to buy to housing association tenants, funded from the proceeds of selling “high value” council houses as they become available. The initial indications were that “high value” homes would be those that are in the top third of values for their size and area. As the payments will be based on assumptions about receipts from void sales, it may be the case that actual receipts will fall short of the payments due. In this case local authorities will need to fund the payments from other resources. Croydon currently has an average of 900 void properties per annum. Therefore if the Government’s assumption that a third of these would be classed as “high value”, the impact could be the loss of 300 homes each year

6.2.2 **Pay to Stay:** The Summer Budget Statement included a policy announcement regarding high income social tenants (HIST). It stated that registered providers would be required to charge market or near market rents to tenants where the household income is in excess of £40,000 in London and £30,000 outside London, referred to as “pay to stay”. The accompanying policy costings report indicated that implementation of pay to stay proposals would commence in 2017/18 and in that year are expected to generate £365m of payments (from Councils) to the Treasury. Household income” takes into account the two highest incomes earned by the household, and it is expected that rents would be reviewed if the household experiences a sudden and ongoing reduction in income.



6.3 The current £2m underspend represents the available contingency. The HRA needs to maintain an appropriate level of revenue balances to maintain financial stability and to mitigate the future risks considered in the Autumn Statement. In line with the policy for the General Fund this has been set at a minimum of 3% over the period of the financial strategy. This was achieved in 2012/13 and is held in the Contingency Reserve detailed in Table 3 below. The current balance of £2.397m represents 3% of the budgeted HRA income for 2015/16 and will be increased each year to ensure that the balance is maintained at 3% of income. The current and proposed reserves are detailed in table 5 below:

**Table 5 – HRA Reserves**

HRA – 2015-16	Balance at 1 <sup>st</sup> April 2015 £m	Capital Funding £m	HRA forecast outturn £m	Balance at 31 March 2016 £m
Earmarked Reserve – new housing supply	(12.152)	-	(2.000)	(14.152)
Contingency Reserve	(2.397)	-	-	(2.397)
<b>Total</b>	<b>(14.549)</b>	<b>-</b>	<b>(2.000)</b>	<b>(16.549)</b>
Major Repairs Reserve	(0.947)	-	-	(0.947)
<b>Total</b>	<b>(15.496)</b>	<b>-</b>	<b>(2.000)</b>	<b>(17.496)</b>

6.4 The council's HRA rent collection performance is shown in Table 6 below. As per previous months, there are continued extenuating factors affecting the collection performance. The continued effect of the welfare reforms limiting payments to tenants under occupying properties combined with the benefit cap has resulted in an increase in arrears although directly affected tenants are continuing to receive household resilience support to enable them maintain their current tenancies.

**Table 6 – Rent Collection Rates as at 30th September 2015**

	Target	Actual	Variance (%)
Rent Collection Rate	98.2%	97.1%	(1.1%)
Rent Collection Amount	£45.72m	£44.38m	(£1.34m )
Target	98.2%		
Performance 2014/15	98.7%		

## 7. FORECAST CAPITAL OUTTURN POSITION

7.1 The Capital programme for 2015/16 shown in Table 7 below. An under spend of £14.9m is projected for 2015-16.

**Table 7 – 2015/16 Capital Programme**

Original 2015/16 Budget £'000s	Category	Slippage from 2014/15 £'000s	Re-profiling / Increases in Schemes £'000s	Revised Budget 2015/16 £'000s	Actuals April - Sept 2015 £'000s	Forecast Outturn £'000s	Forecast Variance £'000s
	<b>PEOPLE DEPT</b>						
1,600	DASHH - ICT / South West London Partnership / Disabled Facilities Grants	700	769	3,069	657	2,859	-210
0	Education - Academies Programme	3,860	-3,290	570	174	570	0
0	Education – DDA	251	3	254	38	92	-162
3,250	Education - Fixed term expansion	2,359	1,859	3,750	571	3,625	-125
3,125	Education - Major Maintenance	1,508	-1,688	2,945	1,992	3,672	727
2,300	Education - Miscellaneous	2,938	-2,339	2,899	0	2,899	0
45,207	Education - Permanent Expansion	20,856	-37,090	28,973	7,056	19,992	-8,981
15,152	Education - Secondary Schools	4,977	-7,964	12,165	4,263	13,075	910
15,874	Education - Special Educational Needs	12,940	-22,065	6,749	859	6,221	-528
<b>86,508</b>	<b>People sub-total</b>	<b>50,389</b>	<b>-75,523</b>	<b>61,374</b>	<b>15,610</b>	<b>53,005</b>	<b>-8,369</b>
	<b>PLACE DEPT</b>						
0	Bereavement Services	19	0	19	0	19	0
0	East Croydon Station Bridge	1,200	0	1,200	0	1,200	0
3,000	Fairfield Halls	1,649	0	4,649	903	2,800	-1,849
0	Feasibility Fund	118	0	118	72	118	0
6,000	Highways Programme	0	0	6,000	-1,132	6,000	0
0	Highways - Bridges Prog	642	0	642	111	642	0
0	Parking	107	0	107	4	111	4
7,429	Public Realm	6,229	2,006	15,664	5,778	15,544	-120
3,336	TFL - Local Implementation Prog.	0	802	4,138	-552	4,138	0
0	Revolving Investment Fund	0	10,700	10,889	8,574	10,889	0
0	Wandle Park	24	-24	0	91	47	47
500	Empty Homes Grant	0	0	500	1,005	500	0
750	Salt Barn	0	0	750	0	750	0
670	New Addington Leisure Centre	0	330	1,000	0	757	243

Original 2015/16 Budget £'000s	Category	Slippage from 2014/15 £'000s	Re-profiling / Increases in Schemes £'000s	Revised Budget 2015/16 £'000s	Actuals April - Sept 2015 £'000s	Forecast Outturn £'000s	Forecast Variance £'000s
2,160	Don't Mess With Croydon Investment	0	0	2,160	0	2,160	0
233	Measures to mitigate travellers in parks and open spaces	0	0	233	0	233	0
264	Thornton Heath Public Realm	0	0	264	2	264	0
500	Ashburton Library	0	-410	90	9	90	0
0	Section 106 Schemes	1,011	-21	990	145	468	-522
120	Ward Based Programme	0	0	120	0	120	0
<b>24,962</b>	<b>Place sub-total</b>	<b>11,188</b>	<b>13,384</b>	<b>49,534</b>	<b>15,011</b>	<b>46,848</b>	<b>-2,685</b>
	<b>RESOURCES DEPT</b>						
2,530	Corporate Property Maintenance Programme	7,686	0	10,216	364	6,343	-3,873
1,500	ICT	1,193	0	2,693	158	2,693	0
0	Miscellaneous Other	110	0	110	35	110	0
<b>4,030</b>	<b>Resources sub-total</b>	<b>8,989</b>	<b>0</b>	<b>13,019</b>	<b>557</b>	<b>9,146</b>	<b>-3,873</b>
<b>115,500</b>	<b>General Fund total</b>	<b>70,566</b>	<b>-62,140</b>	<b>123,926</b>	<b>31,178</b>	<b>108,999</b>	<b>-14,927</b>
40,621	Housing Revenue Account	2,336	0	42,957	8,477	42,910	-47
<b>156,121</b>	<b>Capital Programme Total</b>	<b>72,902</b>	<b>-62,140</b>	<b>166,883</b>	<b>39,655</b>	<b>151,909</b>	<b>-14,974</b>

7.2 The main variances are the Education Permanent Expansion programme (£8.981m underspend) and the Corporate Property Maintenance Programme (under-spend of £3.873m).

7.3 The key projects making up the Education Permanent Expansion underspends are set out below:

- Canterbury Road, West Thornton (£2.955m) – delays incurred through the pre-construction stage due to planning and highways issues. This project is now likely to be completed by Summer 2017
- St Josephs High School and other Central Croydon sites (£2.943m) – these projects are not now proceeding, and un-used budget has been transferred to Fiveways, a project which has been introduced into the programme in order to ensure that sufficient pupil places are available appropriately

The delays in completing these schools will not affect the Council's statutory duty to provide pupil places in the coming years.

7.4 The Corporate Property Maintenance Programme under-spend is a result of delays in the RE:FIT programme. Phase 1 of RE:FIT focussed on the Council's corporate properties and Housing, due to technical and legal issues this phase took longer to

complete than anticipated and has resulted in a delay to the start of Phase 2. Phase 2 of the programme will be extended to schools in 2016.

## 8. FINANCIAL MANAGEMENT

- 8.1 The Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 8 below:

**Table 8 - Council Tax and National Non Domestic Rates collection**

	Target collection– year to date %	Actual collection – year to date %	Variance to target – year to date %	Variance to Q2 - last year %
Council Tax	55.48	54.89	-0.59	-0.40
Business Rates	57.22	56.15	-1.07	-0.92

### **Council Tax**

Council tax collection stands at 54.89% at the end of September, down 0.59% on target and 0.40% on last year. The amount of council tax collectable in 2015-16 is now up £3.6 million on last year, following proactive work on reviewing discounts. The service remains confident that performance will exceed last year.

### **National Non-Domestic Rates**

Business rates collection is 56.15% at the end of September which is 0.92% down on last year, which can be explained by the greater take up of payments across 12 months instead of 10. The 2015 collectable amount for NNDR is also £3.6 million up on last year. Collection for this year remains consistent and the forecast outturn is positive; recovery action continues to be robust whilst the service looks to support smaller businesses that are struggling, awarding relief and agreeing payment arrangements where appropriate.

## 9. CONSULTATION

- 9.1 All departments have been consulted during the preparation of this report.

## 10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 10.1 This report sets out the current financial position of the Council, and actions being taken to address the projected overspend.

The report is submitted by the Assistant Chief Executive Corporate Resources and Section 151 Officer

## **11. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER**

- 11.1 The Solicitor to the Council comments that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Borough Solicitor and Monitoring Officer.

## **12. HUMAN RESOURCES IMPACT**

- 12.1 The items from the savings packages and action plans included in the report or those that need to be developed in response to the report are likely to have a significant HR impact. These can vary from posts not being filled as a result of the current recruitment pause in place across the organisation or deleted through restructures proposals leading to possible redundancies. Where that is the case, the Council's existing policies and procedures must be observed and HR advice must be sought. In addition, there is currently a voluntary severance scheme in place which will lead to further redundancies.

Approved by Adrian Prescod, HR Business Partner, for and on behalf of Director of HR, Resources department.

## **13 EQUALITIES IMPACT**

- 13.1 The key service areas that currently have over spend in budgets are Looked after children, SEN transport, Adult Care Placements and Temporary Accommodation. All of these are areas that provide services to customers from equality groups that share protected characteristics; such as younger people (Looked after Children), people with a disability (Children with special educational needs), older people and BME groups. There are a number of known equality and inclusion issues in the above mentioned service areas such as an over-representation of BME young people in looked after children, over-representation of BME groups and other vulnerable groups such victims of domestic abuse, homeless young people, pregnant women and young children in in temporary accommodation, young children with a disability who have a special educational needs and their carers, vulnerable older people with complex needs etc. The mitigating actions, on these specific services are unlikely to affect these groups more than the population as a whole. In fact, a number of those will affect these groups less.
- 13.2 In addition, there are policy changes made by Government that will impact on the in-year budget . The Council will work to ensure key services to Croydon residents are protected wherever possible. However, it is likely that some of the areas affected will be a reduction in Home Office funding for Unaccompanied Asylum Seeking Children, a cut to the Public Health Grant and the Youth Justice Board grant and changes to the Welfare and Housing Bill . There is a likelihood that these cuts will have a more significant adverse impact on some groups that share a protected characteristic such as age, race and disability. Changes to the Welfare and Housing Bill are also likely to have an adverse negative impact on the more vulnerable customers.

- 13.3 In order to ensure that our vulnerable customers that share a “protected characteristic” are not disproportionately affected by the actions proposed to reduce in year budget over spend we will ensure that the delivery of the cost reduction initiatives are informed by a robust equality analysis of the likely detrimental impact it could have on all services users and in particular those that share a “protected characteristic”.
- 13.4 If the equality analysis suggests that the cost reductions initiatives are likely to disproportionately impact on particular group of customers, appropriate mitigating actions will be considered. This will enable the Council to ensure that it delivers the following objectives that are set out in our Equality and Inclusion Policy:
- Make Croydon a place of opportunity and fairness by tackling inequality, disadvantage and exclusion.
  - Encourage local people to be independent and resilience by providing responsive and accessible services offering excellent customer care
  - Foster good community relations and cohesion by getting to know our diverse communities and understand their needs.

## **14. ENVIRONMENTAL IMPACT**

14.1 There are no direct implications contained in this report.

## **15. CRIME AND DISORDER REDUCTION IMPACT**

15.1 There are no direct implications contained in this report.

## **16. REASONS FOR RECOMMENDATION /PROPOSED DECISION**

16.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position.

## **17. OPTIONS CONSIDERED AND REJECTED**

17.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position. The alternative would be to over-spend and draw down on balances, which would not be prudent.

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### **CONTACT OFFICER:**

**Richard Simpson**            Assistant Chief Executive Corporate Resources and Section  
151 Officer. Tel number 020 8726 6000 ext 61848

**BACKGROUND PAPERS - none**



## REVENUE VARIATIONS OVER £50K WITH EXPLANATION

Appendix 1

### PEOPLE DEPARTMENT

Division	Explanation of variance	Qtr 2 Amount (£000)
Children Family Early Intervention and Children Social Care - LAC	Change in placement strategy resulting in more children placed with in house foster carer, along with an increase in Adoption and Special Guardianship Orders. Additional staff costs as a result of using agency staff to fill vacancies and cover increase in service demand	1,875
Children Family Early Intervention and Children Social Care – Early Intervention Service	Use of previously received external funding associated with the Troubled Families programme	(1,026)
Children Family Early Intervention and Children Social Care - SEN	Transport Demand continuing to increase. New transport framework introduced from September, and over-spend has reduced by £369k from quarter 1	982
Universal People Services	A combination of underspends within the School Improvement service, along with the Partnerships and Library services.	(231)
CFL Central Costs	All age disability service savings delayed until 2016/17. Budget pressure due to a change in the rules around what can be recharged to the Dedicated Schools Grant.	361
Gateway and Welfare	Increased Income in Registrars and Bereavement due to the implementation of additional services. Additional hours and the implementation of a deposit system on bookings.	(84)
Integrated Commissioning Unit & Adult Care Commissioning	Reduction in income from service users. Overspend on the Equipment budget as a result in increased demand. Shortfall in saving from LATC	482
Adult Care and 0-65 Disability Services	Increased demand for services regarding Learning Disability 2015/16 savings not being delivered Costs associated with outstanding Ordinary Residence cases	2,563
	Additional cost of agency staff in Older People, Increases in Section 117 after care packages, and cost of supporting people packages continues to exceed budgetary provision. Overspend has reduced by £314k due to independent living fund grant income.	3,155
	Physical disability service is under greater pressure substance misuse clients, as well as increases in staffing costs	900
Housing Need	Increase in number of homeless clients Additional staffing costs associated with increased service demand Under-recovery of client income and freezing of temporary accommodation benefits combined with market rents being higher than anticipated	3,866
	Other minor underspends	(2)
<b>Total Forecast Variance – People Department</b>		<b>12,841</b>

**PLACE DEPARTMENT**

<b>Division</b>	<b>Explanation of variance</b>	<b>Qtr 2 Amount (£000)</b>
<b>Streets</b>	Household Reuse and Recycling Centres income not deliverable in this year due to contractual delays	200
	Shortfall in New Street Works Act Fees, this is due to reduction in permit applications from utility companies.	130
	Additional Traffic Management Order income from backlog of TMO notice invoicing	(200)
	Additional costs due to fly tipping	100
	Additional travellers costs due to high volume of incidents in current year	60
	One off rebate in Traffic Signals Costs from TFL	(120)
	New Household Reuse and Recycling Centres Contract overspend due to transition from old contract	100
	Other Minor Variances < £100k	(31)
<b>Safety</b>	Reduced income and increased collection costs of waste disposal at Surrey Street Market	61
	License Fee income shortfall	60
	Reduction in PCN income due to CCTV legislation changes offset by increase in Pay & Display income mainly due to cashless parking	477
	Other Minor Variances < £100k	(42)
<b>Planning</b>	Additional Planning Income	(500)
	Other Minor Variances < £100k	(56)
<b>District Centres &amp; Regeneration &amp; Development</b>	Review of capitalisation & HRA	(130)
	Additional CDH Capital recharges (Additional Agency Expenditure charged 100%)	(128)
	Additional Income on non HRA properties	(28)
	Other Minor Variances < £100k	(87)
<b>Housing Central Costs &amp; Directorate</b>	Other Minor Variances < £100k	(66)
<b>Total Forecast Variance – Place Department</b>		<b>(200)</b>

**RESOURCES DEPARTMENT**

<b>Division</b>	<b>Explanation of variance</b>	<b>Qtr 2 Amount (£000)</b>
<b>Finance &amp; Assets</b>	Overspend based on realignment of total FM budgets	240
	Underspend on payments to former employees pensions	(130)
	Other Minor Variances < £100k	(128)
<b>Customer Transformation</b>	Other Minor Variances < £100k	(84)
<b>Strategies, Communities &amp; Commissioning</b>	Other Minor Variances < £100k	(50)
<b>Democratic &amp; Legal</b>	Over-achievement of legal income	(624)
	Other Minor Variances < £100k	119
<b>Human Resources</b>	Other Minor Variances < £100k	(95)
<b>Public Health</b>	Other Minor Variances < £100k	(250)
<b>Total Forecast Variance - Resources</b>		<b>(1,002)</b>

**NON DEPARTMENTAL ITEMS**

<b>Division</b>	<b>Explanation of variance</b>	<b>Qtr 2 Amount (£000)</b>
<b>Non-departmental</b>	Use of contingency budget	(1,000)
	Interest borrowing costs lower than projected, due to slippage within the capital programme	(1,500)
	Minimum Revenue Provision (MRP) costs lower than projected, due to slippage within the capital programme	(3,000)
	Additional government grant anticipated	(1,500)
	Anticipated surplus on the Collection Fund	(2,500)
	Non controllable overspends within CALAT and Looked After Children	880
	Anticipated prudent impact of in-year recovery plans	(500)
	<b>Total Forecast Variance – Non-departmental</b>	<b>(9,120)</b>
<b>Total Overspend</b>		<b>2,519</b>

## **Appendix 2 Letter to Marcus Jones MP, Local Government Finance Minister**

Marcus Jones  
Parliamentary Under Secretary of  
State (Minister for Local Government)  
Department for Communities  
& Local Government  
2 Marsham Street  
London SW1P 4DF

4 November 2015

Dear Minister

### **LOCAL GOVERNMENT FINANCE SETTLEMENT**

*Thank you for taking the time to meet representatives of north east London Boroughs most affected by the current local government funding settlement, on 15 September. As promised, this letter provides more detail in support of the points made during our meeting, and it is our intention that this should form part of the deliberations to finalise funding settlements in the forthcoming spending review, and subsequent distribution of funding from DCLG.*

*The current local government funding settlement is inequitable in its distribution methodology. Whilst the retention of business rates provides a good incentive for many Councils to grow their economic base, and is welcomed, the underlying need in each borough also needs to be recognised. Put simply, much as we might want and intend to have booming local economies, there will still be needs in our local populations that cannot be ignored. By funding those needs equitably, it gives every borough the chance to improve the quality of life for its citizens.*

*The previous funding distribution mechanism included the grant damping mechanism, which had the effect of moving funding away from Councils assessed as in need, to give all Councils, whether they were as assessed as in need or not, a minimum percentage funding increase. The impact on the funding settlement in 2012/13 is shown on the map in Appendix 1, and the per capita impact is shown (very markedly) in Appendix 2. Damping in itself is inequitable, but when the grant damping mechanism, which was originally intended to be unwound over a number of years, was frozen into the baselines that are now the foundation of the current funding settlement, the funding shortfalls became even more significant. Circumstances in London are unique across the country.*

*The rapid population growth in our boroughs is well above the National average. This growth has not been reflected in our funding settlements, and, on current plans, nor will they be until the baselines are reviewed and in place by 2020/21. Interestingly, in the consultation paper issued by the DOH in April 2015 on the public health funding formula, the need to reflect up to date population figures is very clearly recognised. Just like public health, the costs of services in our boroughs is driven by population size and deprivation (of which public health is a component), and we would like to see a consistent approach to the use of population data in the way financial settlements are calculated for local authorities.*

Similarly, our boroughs are experiencing worsening deprivation, which is driven by a number of factors explained later and which culminates in increasing demand for a range of services. As explained at the meeting, all boroughs represented are feeling the impact of this growing pressure on our demand led budgets, which is producing significant overspends across a range of service areas. The attachment to this letter explains these pressures in more detail.

Our case made to you on 15 September is twofold, and based on the evidence in the attached document. Our first request is that we are provided with an equitable share of funding to ensure that, within London, the growing needs in our borough are funded on the same basis as other authorities. That will enable us to deliver the services required to help grow our economic and housing base, and, at the same time, give all of our citizens a better chance of benefitting from that. Although the precise mechanism should be left to your officials to determine, this transitional funding should be made available to cover the gap between now and a longer term solution to this aspect of local government funding. The amount of the transitional relief should at least cover the cost/loss arising from grant damping in each borough, plus the ongoing impact of increasing deprivation and high population growth (the latter two points are not reflected in the current settlement because of the freezing of baselines in 2013/14), as well as significant additional costs not currently funded – cases with No Recourse to Public Funds and Unaccompanied Asylum Seekers.

Our second request is that our boroughs are actively involved in developing the longer term solution for local government, so that the good parts of the existing system are maintained, whilst the inequitable parts - resulting from damping and its hard wiring into current baselines – are addressed and replaced by a more balanced approach to resource allocation. Indeed, the recent announcement by the Chancellor provides many opportunities to improve the equity of funding for local authorities, as well as significant risks if not carefully managed, and officers in each of our boroughs would be pleased to be involved in developing the detail behind the new proposals.

We look forward to hearing from you and, should you require any further information, please do let us know.

Yours sincerely



**Doug Taylor**  
**Leader of Enfield Council**



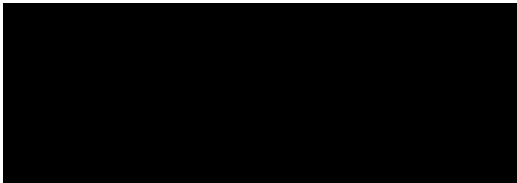
**Darren Rodwell**  
**Leader of Barking and Dagenham**





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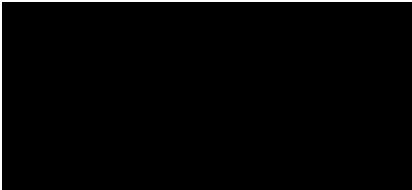
**Tony Newman**  
**Leader of Croydon Council**



Newham London

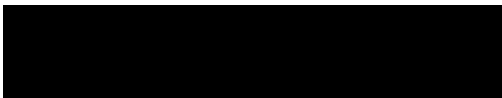
**Robin Wales**  
**Mayor of Newham Council**

London Borough of  
**Redbridge** 



**Jas Athwal**  
**Leader of Redbridge Council**

  
**Waltham Forest**



**Chris Robbins**  
**Leader of Waltham Forest Council**

Copy to:

Greg Clark, Secretary of State for Communities and Local Government

Cabinet Members for Finance: Barking & Dagenham, Croydon, Enfield, Newham, Redbridge, Waltham Forest

Chief Executives: Barking & Dagenham, Croydon, Enfield, Newham, Redbridge, Waltham Forest

Finance Directors: Barking & Dagenham, Croydon, Enfield, Newham, Redbridge, Waltham Forest