

# Response to the S114 notice

Lisa Taylor

Director of Finance, Investment and Risk and S151  
Officer

Resources Department

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## **Council is recommended to**

- Accept the views in the S114 report issued on 11 November 2020
- Agree the in year savings identified of £0.5m arising from a reduction in agency staff costs
- Note - 2020/21 budget remains unbalanced and that external support is being sought in the form of a Capitalisation Direction from MHCLG
- Note - that if the budget can not be balanced after the statutory 21 day period a further S114 notice will be issued and S114 notices will continue to be issued every 21 days until the budget can be balanced

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## **Definition S114 notice**

The Local Government Act 1988, Section 114 places certain responsibilities on the Chief Finance Officer.

*'The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.'*

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# S114 Timeline and restrictions

TIMELINE	ACTION/RESTRICTIONS
Day 1 – 11 November 2020	CFO issues Section 114 notice to all Members and the auditor
<p><u>'prohibition period'</u></p> <p>(from day 1 to the day after Council meeting)</p>	<p>No new agreements which incur expenditure are permitted to be entered unless authorised by the CFO; The CFO may only authorise expenditure that :-</p> <p>Improves the situation, prevents it from getting worse, or prevents it from recurring.</p> <p>The following is acceptable expenditure:</p> <ul style="list-style-type: none"> <li>• existing staff and payroll costs,</li> <li>• expenditure on goods and services which have already been received</li> <li>• expenditure required to deliver the Council's statutory services at a minimum possible level</li> <li>• urgent expenditure to safeguard vulnerable citizens</li> <li>• contractually committed expenditure</li> <li>• expenditure through ring fenced grants</li> <li>• expenditure necessary to achieve value for money and / or mitigate additional in year costs.</li> </ul>
'as soon as reasonably practicable' ... (from day 1) – notified 19 November 2020	<p>Notify auditor of date, time and place of Meeting of the Council</p> <p>The auditor is defined as the person who has the duty to audit the Council's accounts.</p>

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## S114 Timeline continued

<b>Meeting of the Council</b> (within 21 days of day 1). <b>1 December 2020</b>	<p>'the meeting must be held not later than the period of 21 days beginning with the day on which copies of the report are sent'</p> <p>(no ability to delegate to a committee)</p> <p>The meeting is to decide if Council agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it.</p>
<b>'as soon as reasonably practicable' after Meeting of the Council</b> <b>2 December 2020</b>	Inform the auditor of the outcome

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## **CIPFA and MHCLG guidance**

- Issued a temporary modification to the S114 guidance at the start of the Covid-19 pandemic
- To allow LA's to explore further options or financial assistance ahead of formally issuing a S114 notice
- This temporary modification included LA's engaging in informal conversations with MHCLG
- Croydon commenced these conversations in early summer 2020
- Cabinet and Scrutiny and Overview Committee were advised in July and August that I could not guarantee that a S114 notice would not be issued and that these conversations remained ongoing
- Regular review of financial position over the summer in light of modified guidance
- Lack of progress to deliver savings, uncertainty and timing of decision regarding the capitalisation direction and confirmation from CIPFA re temporary modification led to issuing of S114 notice on 11 November 2020

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## Why issue S114 now (11 November 2020)?

- CIPFA clarification – re modified guidance
- Letter from MHCLG 10 November 2020 – capitalisation request confirmation will be too late
- Q2 revenue budget forecast not improving - £67m overspend forecast
- Brick By Brick – ongoing review of group companies and likely non delivery of income
- Budget development meetings – failing to deliver savings and rising growth required
- Spending controls implemented – but not taking fast enough radical decisions to reduce costs
- Finance Review Panel – support to issuing notice
- RIPI – Issued by auditors 23 October, raising concern re deteriorating financial resilience
- Time – lack of pace, urgency and radical options, end of financial year fast approaching
- Budget can not be balanced and plans insufficient to demonstrate confidence

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## Since the issue of the S114 notice

- Spending Control Panel - formally implemented reviewing ALL expenditure
- Communications with staff
- Briefings with partners
- Meetings with lenders
- Identified further savings of £0.5m
- Continuing to work closely with MHCLG regarding capitalisation direction
- Ongoing development of Croydon Renewal Improvement Plan which includes a plan for financial recovery
- 2021/22 budget development ongoing

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# Thank you

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