

REPORT TO:	CABINET 19 September 2019
SUBJECT:	QUARTER 1 FINANCIAL PERFORMANCE 2019/20
LEAD OFFICER:	Jacqueline Harris Baker, Executive Director Resources Lisa Taylor Director of Finance, Investment And Risk (Interim Section 151 Officer)
CABINET MEMBER:	Cllr Tony Newman, Leader Of The Council Cllr Simon Hall, Cabinet Member For Finance And Resources
WARDS:	ALL

CORPORATE PRIORITY/POLICY CONTEXT:

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 2019/20 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.

AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan, 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.

FINANCIAL IMPACT

The reduced financial settlement and ongoing demand pressures on a range of statutory services is resulting in pressures to the Council's budget, and resulting in a forecast overspend at Quarter 1.

FORWARD PLAN KEY DECISION REFERENCE NO. N/A

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 to :

- i) Note the current revenue outturn forecast at the end of the first quarter of 2019/20 of **£0.025m**, this is before exceptional items of **£9.415m**, resulting in a total overspend of **£9.440m**;
- ii) Note that the exceptional items of £9.4m relate to costs incurred by Croydon Council for Unaccompanied Asylum Seeking Children (UASC) and No Recourse To Public Funds (NRPF), due to insufficient funding from the Home Office.
- iii) Note the ongoing engagement with and lobbying of Government by the Council for additional funding for Croydon, both in general terms and specifically Unaccompanied Asylum Seeking Children given Croydon's gateway status.

- iv) Note the HRA position of a **£0.213m** forecast underspend against budget;
- v) Note the capital outturn projection of **£341.3m**, forecast to be an underspend of **£95.4m** against budget;
- vi) Agree that an additional four new pipeline sites are disposed of to Brick by Brick Croydon Ltd, as detailed in paragraph 7.8 of this report.
- vii) Note the recommendation to Full Council to increase the Capital Programme, this includes an additional £100m for asset investment.

RECOMMEND TO COUNCIL

- viii) The approval to increase to the capital programme by **£112.816m** as set out in Table 6.
- ix) The approval of an increase to the Operational Boundary for borrowing, and Authorised Borrowing Limit of **£219.296m** set out in Table 7.

2. EXECUTIVE SUMMARY

- 2.1 This report updates the Council's financial outlook at the end of the first quarter of 2019/20, which remains against a context of a series of adverse national funding changes affecting Local Government finance. This includes an ongoing chronic underfunding of Unaccompanied Asylum Seeking Children (UASC).
- 2.2 The budget set in February 2019 for 2019/20 assumed grant reductions of £7.8m (8.2%) in the financial year. To manage this reduction there were a number of savings totalling **£27.9m** built in to the budget. Alongside these savings there was growth of **£28.8m** for areas where demand and costs have increased with a continued shift of resources into Children, Families and Education. A sum of **£5.4m** will also be added to revenue reserves in 2019/20, replacing the amount drawn down at the end of 2018/19. This sum represents the surplus available from the collection fund during 2018/19, which was not available until after 1 April 2019.
- 2.3 Croydon Council continues to remain under huge financial pressures, deriving notably from:
 - Historic underfunding of Croydon over the last 15-20 years,
 - Cumulative cuts of more than 75% of government funding between 2010/11 and 2019/20,
 - Failure to recognise the inflationary pressures the Council is subject to,
 - The Local Government Association (LGA) have predicted that there is a funding shortfall of £8bn across the Public Sector by 2025. This is as a result of growing demand for services and increases in population particularly in social care services where the gap for adult social care is predicted to be £3.6bn by 2025 and £3.1bn in children's services.
 - There are also predicted funding shortfalls in a number of other areas, with key ones being, Homelessness at £421m and Public Health £655m
 - Substantial population increase,
 - Significant growth in demand for services, both from demographic pressures, such as an aging population and changes to the make-up of the Croydon population
 - Impact of welfare reform, notably the benefits cap, freezing of in-work benefits, local housing allowance, universal credit,

- Underfunding of new duties, such as Health Visiting, Deprivation of Liberty assessments and the Homelessness Reduction Act,
- Continued Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC), even in the face of increased funding for other authorities,
- Impact of the underfunding of the health economy,
- Failure to fund the cost of High Needs via Dedicated Schools Grant adequately
- Restrictions on council housing, including rent restrictions and rules on right-to-buy receipts.
- Delivering improvement as a result of the recent Ofsted inspection findings in Children's Social Care.

2.4 The financial monitoring process has identified a number of pressures across the council with the most significant being within the Health, Wellbeing and Adults department. The Council's overall forecast revenue over spend of **£9.440m** is made up of Departmental over spends of **£7.309m**, non-departmental under-spends of **£7.284m** and exceptional items of **£9.415m**. These exceptional costs relate to additional costs associated with UASC. Without these exceptional items the forecast overspend would be **£25k**, as shown in Table 1 below.

Table 1 – Summary of forecast revenue outturn position at Quarter 1

Department	Quarter 1 Forecast Variance £'000s
Children, Families and Education	100
Health, Wellbeing and Adults	4,959
Place	0
Residents and Gateway Services	1,255
Resources	995
Departmental Overspend	7,309
Corporate Items	-7,284
Sub Total - Before Exceptional Items	25
Exceptional Items - Unaccompanied Asylum Seekers (UASC)	9,415
Total Projected Over-spend	9,440

2.5 If the **£9.440m** forecast overspend is not reduced by the end of the year then the £5.4m contribution to reserves identified in paragraph 2.2 will be reduced to zero, and amounts would have to be drawn out of either earmarked reserves or general balances.

2.6 Based on the significant demand pressures and challenges that still continue to impact the council work is underway to look at how these pressures can be reduced, these include:

- Review of Adult Social Care to ensure services are delivered efficiently and effectively
- Review of fees and charges.
- Review of licensing and other fees.
- Review of SEN travel provision.
- Establishment of a High Needs Cost Panel to review all out of borough placements and bringing them in house
- Optimisation of use of in-house foster carers and in sourcing of our fostering recruitment from Coram to provide more and higher quality local placements

- Implementation of the High Needs strategy which sets out a five year plan to address the current overspend and supports delivery of improvements and planning for resources to meet identified needs
- Review of service provision for Appeal Rights Exhausted individuals and families.
- Review of services provided by external contractors.
- Continued lobbying of government to fund Croydon adequately for services provided including High Needs DSG and UASC costs.
- Increased controls on recruitment and use of agency staff.

- 2.7 The Council is continuing to make a concerted drive for fairer funding for Croydon. Discussions continue with the Home Office to increase our funding for UASC. The recent UASC Funding Review did not result in any uplift in the tariff rates which Croydon can claim for supporting UASC, whereas all other local authorities did receive an uplift.
- 2.8 Details of major variances are provided in Table 2, Section 3 of this report, with further information about all projected outturn variances in Appendix 1 to this report.
- 2.9 The Council is continuing with its planned insourcing programme, with SEN transport, Special Sheltered Housing and School Improvement and Education Psychology delivered by Octavo Partnership all being insourced. Insourcing of vital services ensures better control and outcomes for some of our most vulnerable residents. It ensures we are better placed to focus on improving outcomes with the resident at the forefront of the delivery model whilst also ensuring that staff are paid the London Living Wage and benefit from Council terms and conditions.

3. GENERAL FUND 2019/20 REVENUE SUMMARY

- 3.1 The projected outturn position at the first quarter of 2019/20 is showing the effect of anticipated saving and recovery plans that are being implemented.
- 3.2 The 2019/20 budget was set with the inclusion of growth to help manage previously identified pressures and ambitious savings targets. Despite this growth there continues to be increasing demand for the services in relation to adult and children's social care.

Table 2 – 2019/20 significant forecast variances

Department	Major Variances over £500k	Quarter 1 £'000	2018/19 Outturn £'000
CHILDREN, FAMILIES & EDUCATION			
Social Care with Children Looked After	Children, Families and Education Variances below £500k	100	9,532
CHILDREN, FAMILIES AND EDUCATION TOTAL		100	9,532

HEALTH, WELLBEING AND ADULTS			
Adults Social Care and All-Age Disability Directorate	Savings not achieved relating to ICT transformation project	0	622
	Improved Better Care funding	0	-2,000
25-65 Disability Service	Overspend on residential Care - increase in client numbers and increase in placement costs.	575	2,848
	Over spend on Domiciliary Care associated with increased client numbers and increased supported living costs	929	0
Over 65s	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	1,662	2,790
	Overspend on Domiciliary Care associated with continued increase in clients and hours provided.	2,161	0
	Staff Savings to fund move to locality working	0	-1,250
	Overspend on residential care primarily due to increase in client numbers	0	624
	Risk Share contribution from CCG	0	-500
Transformation and Clienting	Use of Transformation funding to deliver the Out of Hospital program	0	-5,250
	Use of transformation funding to fund ADAPT programme	-1,000	-1,529
	Variances below £500k	632	3,057
HEALTH, WELLBEING AND ADULTS TOTAL		4,959	-588
PLACE			
Public Realm	Street lighting – increased energy costs	0	784
	Savings due to reduced unit cost of landfill during the Energy Recovery Facility commissioning phase	0	-1,205
	Additional Pay and Display and PCN income	0	-3,819
	Capitalisation of Highways and Road enhancement costs	0	-580
	Variances below 500k	0	-590
PLACE TOTAL		0	-5,410
Gateway Services:			
Gateway Improvement	Potential non-delivery of savings relating to Children and Adult Social Care, partly offset by some service savings	400	0
Housing Assessment & Solutions:			

Housing Need	Increase in the number of households being placed in the Private Sector Rental Sector, and an increase in costs associated with voids, repairs and agency staff	0	659
	Residents and Gateway Services Variances below £500	855	-683
RESIDENTS AND GATEWAY SERVICES TOTAL		1,255	-24
RESOURCES			
Facilities Management & Support Services	Unfunded establishment growth and restructure costs , as well as unachievable income targets on savings, FM sales and recharge income	0	-1,953
Commissioning and Procurement	Private Finance Initiative cost increases offset by agency savings. <i>Note:</i> Independent Travel Service has moved to Place department in 2019/20. £2,089k of 2018-19 variance related to this service	0	2,082
Finance, Investment and Risk	Shortfall identified in relation to bailiff fee income. The previous financial year related to an overspend on Housing Benefits.	105	1,510
Croydon Digital Services	Unachievable Digital Advertising Income	368	-561
	Variances below £500k	522	91
RESOURCES TOTAL		995	1,169
TOTAL DEPARTMENT OVERSPEND		7,309	4,703
CORPORATE ITEMS			
	Use of contingency budget	-2,000	
	Revolving Investment Fund earnings	-1,724	
	Recruitment Control savings	-1,000	
	Transformation funding	-2,000	
	Allocate S106/ CIL/ Growth Zone funding	-1,000	
	Capitalisation	-1,000	
	Corporate items - Variances below £500k	1,440	
CORPORATE ITEMS TOTAL		-7,284	
SUB TOTAL BEFORE EXCEPTIONAL ITEMS		25	
Exceptional Items	Unaccompanied Asylum Seekers Grant lower than associated costs (UASC)	9,036	3,071
	No Recourse to Public Funds costs for UASC	379	2,050
Exceptional Items Total		9,415	5,121
TOTAL VARIANCE		9,440	9,824

- 3.3 The main areas of pressure are similar to last year and continue to be within Health, Wellbeing and Adults as well as Children, Families and Education. These are also the areas that local authorities across the country are grappling with and are typically showing much larger percentage overspends.
- 3.4 As a result of the Ofsted inspection in the summer of 2017 £10.784m was added to the budgets for Children's Services in 2018/19, and a further £12.0m added in 2019/20 to cover costs associated with additional placements, additional staff resources for social work and legal costs.
- 3.5 Children's Services is still continuing to see pressures due to the number of cases that are being dealt with but also as a result of the transition whilst the new teams are being put into place and recruitment to roles continues. Funding for transformation will continue to be utilised where appropriate to fund Children's Services.
- 3.6 The exceptional item reported at quarter 1 relates to UASC which the Council is continuing to lobby the government to fund adequately. The UASC pressure continues to be as a result of the Home Office only funding a fixed rate per child, which does not accurately reflect our costs for looking after those children, nor the costs of acting as a 'gateway' authority. The fall in the number of UASC has exacerbated this issue. While our numbers of UASC are decreasing from a height of 428 in 2016 to 261 at June 2019, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income are still continuing to be explored.
- 3.7 The Home Office have said that they are committed to reviewing funding rates and in May 2019, they announced an additional £30m of funding. This announcement increased the rates paid to all Upper Tier and Unitary Local Authorities to £114 per UASC per night. Croydon was already in receipt of this rate and, as such, received no further increase. Representations continue to be made to central government, making a case for the extraordinary circumstances experienced in Croydon of supporting a large cohort of UASC and former UASC care leavers.
- 3.8 The Improved Better Care Funding (IBCF) is for a three year period and was allocated in two tranches. Tranche 1 was allocated in spending review 2015 and formed part of adult social care core funding to mitigate the reduction in core grant funding. This allocation was built in to base budgets and enabled protection from cuts. Tranche 2 was allocated in the spring 2017 budget. This money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.
- 3.9 The Local Government Association has launched a nationwide consultation to start a desperately-needed debate on how to pay for adult social care and rescue the services caring for older and disabled people from collapse.
- 3.10 Years of significant underfunding of councils, coupled with rising demand and costs for care and support, have combined to push adult social care services to breaking point.
- 3.11 Since 2010 councils have had to bridge a £6 billion funding shortfall just to keep the adult social care system going. In addition the LGA estimates that adult social care services face a £3.6 billion funding gap by 2025, just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day.

- 3.12 Decades of failures to find a sustainable solution to how to pay for adult social care for the long-term, and the Government's recent decision to delay its long-awaited green paper on the issue until the autumn, has prompted council leaders to take action.
- 3.13 Short-term cash injections have not prevented care providers reluctantly closing their operations or returning contracts to councils and less choice and availability to a rising number of people with care needs. This is increasing the strain on an already-overstretched workforce and unpaid carers, and leading to more people not having their care needs met.
- 3.14 Increased spending on adult social care – which now accounts for nearly 40 per cent of total council budgets – is threatening the future of other vital council services, such as parks, leisure centres and libraries, which help to keep people well and reducing the need for care and support and hospital treatment.
- 3.15 The LGA consultation sets out options for how the system could be improved and the radical measures that need to be considered given the scale of this funding crisis. Possible solutions to paying for adult social care in the long-term outlined in the consultation include:
- Increasing income tax for taxpayers of all ages: a 1p rise on the basic rate could raise £4.4 billion in 2024/25
 - Increasing national insurance: a 1p rise could raise £10.4 billion in 2024/25
 - A Social Care Premium – charging the over-40s and working pensioners an earmarked contribution (such as an addition to National Insurance or another mechanism). If it was assumed everyone over 40 was able to pay the same amount (not the case under National Insurance), raising £1 billion would mean a cost of £33.40 for each person aged 40+ in 2024/25.
 - Means testing universal benefits, such as winter fuel allowance and free TV licenses, could raise £1.9 billion in 2024/25
 - Allowing councils to increase council tax – a one per cent rise would generate £285 million in 2024/25
- 3.16 The consultation - the biggest launched by the LGA – is seeking the views of people and organisations from across society on how best to pay for care and support for adults of all ages and their unpaid carers, and aims to make the public a central part of the debate. The LGA will respond to the findings in the autumn to inform and influence the Government's green paper and spending plans.
- 3.17 The LGA green paper – alongside funding issues – also seeks to start a much-needed debate about how to shift the overall emphasis of our care and health system so that it focuses far more on preventative, community-based personalised care, which helps maximise people's health, wellbeing and independence and alleviates pressure on the NHS.
- 3.18 The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. There are calls on the government to introduce a fairer funding system based on demand for services.
- 3.19 Overall, councils are facing a £3.1 billion funding gap for children's services by 2025. In 2017/18, councils across England were forced to spend £816 million more on children's social care than they had budgeted for. In addition, government funding for the Early Intervention Grant has been cut by almost £600 million since 2013 and it is projected to drop by almost a £100 million more by 2020.
- 3.20 Over the past 10 years demand the number of child protection enquiries has increased 158 per cent and the number of children on child protection plans increased by more than 25,000. The total number of looked after children reached a new high of 75,420 in

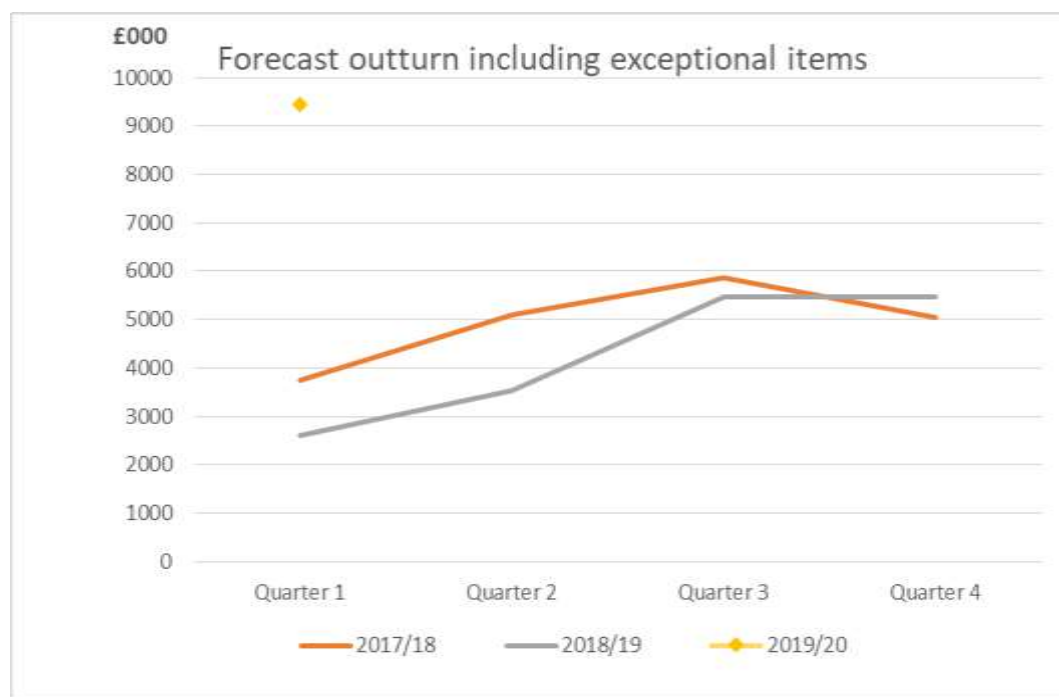
2017/18, representing the biggest annual rise of children in care in eight years. An average of 88 children are now coming into care every day. As detailed in this report we are continuing to experience rising demand and costs.

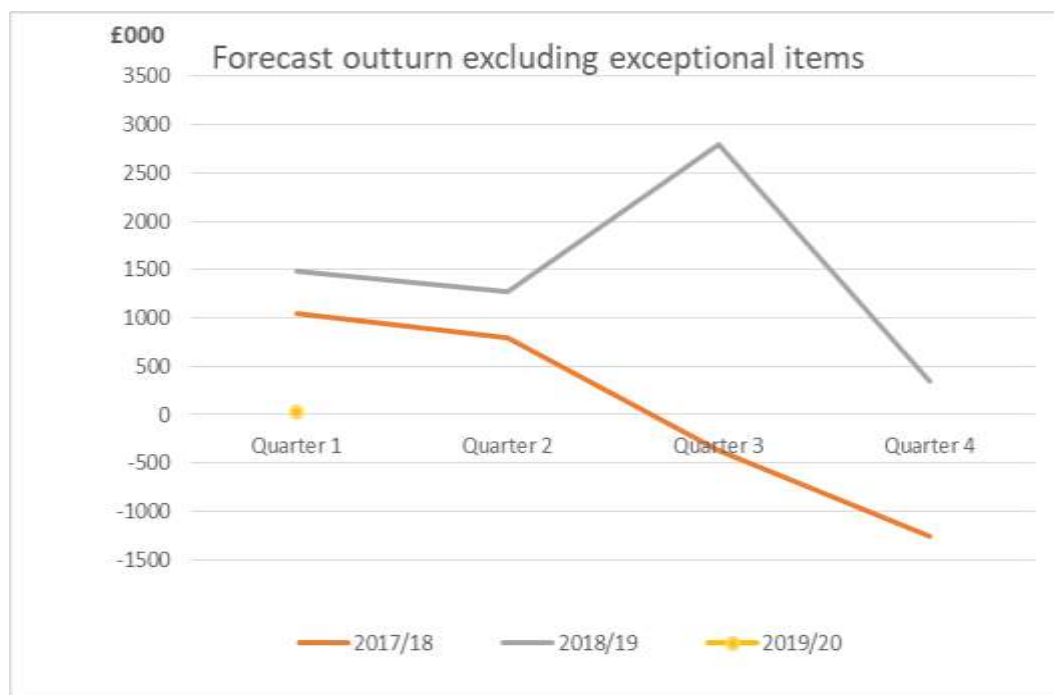
- 3.21 This year to date, Children's Social Care residential assessments have increased by 33%, and the number of children with a Child Protection Plan has also increased by 66%, contributing towards the reported overspend. In Q1 Children in care increased to its highest number with 849 in placements at the end of June 2019, this is an additional 21 Children Looked After (CLA) on the previous quarter. 45 children were in residential settings at the end of Q1 representing 5.3% of the CLA population with 47.7% (405 children) CLA in private independent foster care setting

4 GENERAL FUND REVENUE SUMMARY POSITION 2019/20

- 4.1 Graph 1 below shows the forecast variance for 2019/20 compared to previous years. The graphs show the position both inclusive of exceptional items, and excluding exception items (explained in paragraph 3.6 above). The Council continues to manage its finances through the rigorous monitoring and control of spending within the framework of the Financial Strategy.

Graph 1 – Forecast Variances





5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

5.1 There are no virements requiring approval.

6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The current forecast for the HRA is for an estimated underspend of **£0.213m**. The key variances being reported at Quarter 1 are summarised in Table 3 below:

Table 3 – 2019/20 Main variances within the HRA

Department	Major Variances	Quarter 1 £'000	2018/19 Outturn £'000
HRA – DISTRICT CENTRES AND REGENERATION	Underspends on staff costs	(213)	(736)
TOTAL HRA PROJECTED VARIANCE		(213)	(736)

6.2 Longer term budget planning for the HRA is continuing to take place and includes reviewing the impact of the Housing and Planning Act 2016 to understand the likely impact pending the outcome of recent government consultations on use of retained Right to Buy capital receipts. In addition, to build a sustainable budget for revenue and capital spend within the HRA.

6.3 As previously reported to this Cabinet, Croydon Affordable Homes LLP is responsible for managing a number of affordable rented properties working alongside Brick by Brick and The Hub to deliver these additional properties in 2019. This is in addition to the 263 street properties that were purchased under the ETA (Emergency Temporary Accommodation) programme that have been transferred to two LLPs, one for 96 and the other 167. Furthermore, there are 83 additional street properties that are currently being purchased for transfer to the LLPs. These properties are all being managed by the team that manages the HRA properties.

- 6.4 Ongoing fire safety works are continuing and will continue to be funded from the HRA as a result of the government failing to provide funding for these essential works. Currently for 2019/20 the investment is £10m for the Fire Safety programme and £1.5m for larger homes.

7. FORECAST CAPITAL OUTTURN POSITION

- 7.1 The high level Capital programme for 2019/20 is shown in Table 4 below, full details of all projects are shown in appendix 2. A forecast under spend of **£95.4m** is projected for 2019/20.

Table 4 – 2019/20 Capital Programme

Original 2019/20 Budget £'000s	Department	Carry forward from 2018/19 £'000s	Re- profiling / Increases in Schemes £'000s	Revised Budget 2019/20 £'000s	Actuals April- June 2019 £'000s	Forecast Outturn £'000s	Forecast Variance £'000s
0	HEALTH, WELLBEING AND ADULTS	334	0	334	1	334	0
35,638	CHILDREN, FAMILIES AND EDUCATION	14,022	200	49,860	1,979	35,641	(14,219)
9,673	GATEWAY, STRATEGY & ENGAGEMENT	29,571	0	39,244	6,170	31,025	(8,219)
77,790	PLACE	34,410	14,199	126,399	11,645	103,230	(23,169)
60,373	RESOURCES	14,264	100,699	175,336	7,571	127,375	(47,961)
183,474	GENERAL FUND TOTAL	92,601	115,898	391,173	27,366	297,605	(93,568)
38,451	HOUSING REVENUE ACCOUNT	4,715	0	45,493	4,129	43,656	(1,837)
221,925	CAPITAL PROGRAMME TOTAL	99,643	115,098	436,666	31,495	341,261	(95,405)

- 7.2 The main reported variances on projects within the Council's capital programme are as follows:
- 7.2.1 **Park Life** (£12.151m) – This scheme is currently delayed, pending a review by the funding body.
- 7.2.2 **Affordable Housing** (£6.308m) – This under-spend is a result of savings on the anticipated purchase cost of the property acquisition programme
- 7.2.3 **Schools Expansion** (£14.219m) – Reprofiling of construction costs against the build programme for Addington Valley Academy and for Croydon College SEND as well as delays in the Fire Safety Works.
- 7.2.4 **Fiveways junction** (£3m) – This underspend is due to Transport for London delaying the start of these works.
- 7.3 The capital programme continues to be funded from a number of different funding streams and makes use of capital receipts to support the delivery of the financial strategy. Table 5 below details the funding for the original 2019/20 budget, the revised programme and the forecast outturn.

Table 5 – Sources of capital funding

Funding	Original 2019/20 budget £000s	Revised 2019/20 budget £000s	Forecast 2019/20 Outturn £000s
Capital receipts	2,500	2,500	2,500
Education & Skills Funding Agency	10,000	10,000	10,000
School Condition Funding (Education)	2,000	2,000	2,000
Basic Needs (Education)	6,833	6,833	6,833
EFA Invest to Save (Education)	969	969	969
Transport for London funding	2,462	4,129	4,129
Community Infrastructure Levy (CIL)	6,800	6,800	6,800
CIL local meaningful proportion	576	1,272	1,272
Disabled Facilities Grants	2,400	4,379	4,379
Borrowing	49,570	104,147	81,011
Borrowing - (Revolving Investment Fund payments)	37,273	76,709	67,732
Borrowing - Asset Acquisition Fund	45,000	50,893	100,893
Borrowing - Growth Zone	8,000	9,782	8,000
Section 106 receipts	1,800	3,269	1,087
Football foundation	7,291	7,291	-
GENERAL FUND	183,474	391,173	297,605
HRA - Borrowing	7,677	14,719	12,882
HRA - Revenue Contribution	10,000	10,000	10,000
HRA - Use Of Capital Receipts	20,774	20,774	20,774
HRA FUNDING	38,451	45,493	43,656
TOTAL FUNDING	221,925	436,666	341,261

7.4

The majority of the general fund borrowing detailed excluding that specifically identified for the Revolving Investment Fund and items in table 6 is to fund the education programme due to the inadequate level of funding received from Government and the essential need to provide school places in the borough.

- 7.5 The revised budget has been updated to include new in year schemes. Details of these schemes can be found in Table 6 below.

Table 6 – Additions to the Capital Programme

Additions and Amendments to the Capital Programme	£000s	2019/20 £000s
2019/20 Original Budget		221,925
2018/19 Carry Forward		99,643
Adjustments at July Review (GPAC July 2019):		
CALAT - Creative Campus / University for Croydon	660	
Timebridge Community Centre (Fieldway Cluster)	1,168	
Crosfield CES	454	
Sub-total of changes in July Review		2,282
New additions and amendments at Quarter 1		
New Addington Leisure Centre – late slippage from 2018-19 not previously reported	12,230	

TfL LIP – additional funding has now been confirmed by TfL London	1,667	
Finance and HR system – further works identified to optimise performance	245	
Asset Acquisition Fund	100,000	
Early Help Centres	200	
Section 106 expenditure - funding for West Thornton withdrawn	-650	
Walking and Cycling strategy – profiled down to match planned activity	-626	
Play equipment – this activity will be funded by Section 106	-250	
Sub-total Quarter 1 adjustments		112,816
LBC CAPITAL PROGRAMME TOTAL		436,666

- 7.6 In light of the revision to capital budgets in 2019/20 set out in Table 6, slippage brought from 2018/19 and a review of future expenditure plans, it is necessary to amend the Authorised Borrowing Limit and Operational Boundary. Table 7 below sets out the requested change in these amounts. The Authorised Borrowing limit is set £50m above the operational boundary to include a margin for cash flow contingency.

Table 7 – requested change to the Authorised Borrowing Limit and operational boundary

	2019-20 £m	2020-21 £m	2021-22 £m
Current operational boundary	1,436.049	1,500.298	1,565.395
Requested operational boundary	1,655.345	1,719.594	1,784.691
Increase requested	219.296	219.296	219.296
Existing Authorised Borrowing Limit	1,486.049	1,550.298	1,615.395
Requested Authorised Borrowing Limit	1,705.345	1,769.594	1,834.691
Increase requested	219.296	219.296	219.296

Capital Assets

- 7.7 Full Council in October 2018 approved the establishment of an asset acquisition fund as part of the Medium Term Financial Strategy. The initial fund was £100m, and to date £55k has been invested. This is addition to the investment in the Croydon Park Hotel prior to the fund being established. Income earned from investments to date is over £2.5m per annum. Given the level of income generated for these assets it is recommended that Cabinet recommend to Full Council a £100m increase in the asset acquisition fund, which can be used to invest in assets that are expected to generate over £3m per annum to help fund essential council services.
- 7.8 Cabinet in June 2019 approved the potential disposal of 60 pipeline sites to Brick by Brick Croydon Ltd, which would generate a capital receipt for the council. Following further due diligence work several sites have been removed from the list and four additional sites have been substituted in order to maintain the two year pipeline supply. The new sites will also generate a capital receipt and are :-
- Former Social Club to the rear of 39 Tamworth Road Croydon (8 units)
 - Arkell Grove, Upper Norwood SE19 – garage site (8 units)
 - Kennelwood Crescent, New Addington CR0 – garage site (6 units)
 - Bedwardine Road, Upper Norwood – garage site (15 units)
- 7.9 These sites will all be subject to the same disposal process regarding due diligence, entering in to an option agreement and the disposal if a viable scheme can be demonstrated as outlined in the June Cabinet report.

8. FINANCIAL MANAGEMENT

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

Table 8 - Council Tax and Business Rates collection

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %	Variance - last year - at Q1 %
Council Tax	28.73	28.70	(0.03)	0.03
Business Rates	31.33	32.14	0.81	0.06

Council Tax

- 8.2 At the end of quarter 1 Council Tax collection is under target by 0.03%. The Council remains on course to achieve its in-year collection target of 97.50%, which is the highest target level set by the Council's revenues team. The Council achieved its highest ever collection performance in 2018/19 of 97.25%.

Business Rates

- 8.3 At the end of quarter 1 Business Rates collection is 0.81% above the target. This is a result of a reduction in the Business Rates base compared to last year, meaning that cash collection at the same rate increases the collection rate. Reductions in the Business Rates base will be built into the budget planning for 2020/21.

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 Lisa Taylor – Director of Finance Investment & Risk and Interim Section 151 officer

11. LEGAL CONSIDERATIONS

- 11.1 The Head of Law and Litigation on behalf of the Director of Law and Governance 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.
- 11.2 The Local Government Act 1972 Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of their financial affairs. In addition, the Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure that financial management is adequate and effective and that they have a sound system of internal control, including arrangements for the management of risk.

- 11.3 “Proper administration” is not statutorily defined; however, there is guidance, issued by CIPFA on the responsibilities of the Chief Finance Officer (CFO). This states that local authorities have a corporate responsibility to operate within available resources and the CFO should support the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework. Regular monitoring of the Council’s actual expenditure to budget and forecasting of the expenditure for the full year is part of the proper administration and governance of the Council.
- 11.4 Part 4 of the Constitution Budget and Policy Framework provides in paragraph 4 (a) that any decision, on the advice of the CFO, which is contrary to or not wholly in line with the budget approved by Full Council may only be taken by the Council, save in cases of urgency.

Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of Sean Murphy Director of Law and Governance and Deputy 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 re-filled 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.
- 12.2 HR will continue to work closely with service areas on any in year proposals for savings or service redesign that affect the workforce. All proposals will be managed within the council HR procedures and policies and be subject to formal consultation with the trades unions.

Approved by: Sue Moorman, Director of Human Resources

13 EQUALITIES IMPACT

- 13.1 The key service areas that currently have over spend in budgets are Children’s Social Care and Adults Social Care. 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, 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, in particular the delay in the implementation of the Immigration Act. 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 UASC, 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:
- To increase the rate of employment for disabled people, young people, over 50s and lone parents who are furthest away from the job market
 - To increase the support offered to people who find themselves in a position where they are accepted as homeless especially those from BME backgrounds and women
 - To reduce the rate of child poverty especially in the six most deprived wards
 - To improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked After Children, particularly at Key Stage 2 including those living in six most deprived wards
 - To increase the percentage of domestic violence sanctions
 - To increase the reporting and detection of the child sexual offences monitored
 - To reduce the number of young people who enter the youth justice system
 - To reduce social isolation among disabled people and older people
 - To improve the proportion of people from different backgrounds who get on well together
 - To reduce differences in life expectancy between communities

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. DATA PROTECTION IMPLICATIONS

16.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF ‘PERSONAL DATA’?

No.

17 REASONS FOR RECOMMENDATION /PROPOSED DECISION

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

18 OPTIONS CONSIDERED AND REJECTED

- 18.1 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.

CONTACT OFFICER: Lisa Taylor - Director of Finance, Investment & Risk and Interim Section 151 Officer. Tel number 020 8726 6000 ext. 61438

BACKGROUND DOCUMENTS: None

APPENDICES: Appendix 1 – Revenue Variations over £100k with explanation
Appendix 2 – 2019/20 Q1 Capital Outturn Forecast