

Croydon Renewal Plan

2020/21 BUDGET – DEPARTMENTS

Department	Cash Limits 19/20 £M	Growth £M	Savings & Income £M	Other Movements £M	Cash Limits 20/21 £M
Children, Families and Education	79.4	10.1	-8.0	-0.1	81.4
Health, Wellbeing, Adults	114.0	21.3	-16.2	-0.3	118.8
Place	45.4	6.8	-10.0	0.6	42.8
Resources	36.6	7.2	-6.1	-0.2	37.5
Dept. Total	275.4	45.4	-40.3	0.0	280.5

Facts and Figures

- Spend £177m on staff
- Spend £522m on contracts and supplies
- Total debt £1.5bn
- Spend on debt repayment £26m
- 3,900 staff
- £192m Council tax income
- £38m Business rates income
- Reserves £10.2m
- Earmarked reserves £20m, of which £8m is COVID grant

Immediate and short term measures

• Finance Review Panel	GREEN
• Immediate and short term measures	GREEN
• July Financial review cabinet report	GREEN
• Refreshed MTFS	GREEN
• MHCLG conversations	GREEN
• Clarity on the plan to submit to MHCLG	RED

Forecast Outturn (Overspend)

	£m
Aug Covid return - additional expenditure	32.3
Aug Covid return - lost income	12.0
Aug Covid return - unachieved savings	26.2
Gross impact of Covid	70.5
Govt grants covid 1,2 and 3	-23.5
Govt grant - income compensation - estimate	-5.0
net impact covid	42.0
Exceptional Items UASC	3.3
19/20 final accounts adjustment	TBC
Contribution to reserves	5.0
	50.3

Note – info as at August, Previously £49m at q1, figures subject to change

Savings

<u>Savings Options</u>	£m		£m	£m
	Saving	RAG	One Off	Reoccurring
Health Funding	-12.1		-10	-2.1
Transformation funding	-2.5			-2.5
Use of Community Infrastructure Levy (CIL)	-2.2		-2.2	
Contract savings	-2.0			-2.0
Staff savings *	-2.0		-2.0	
Capital programme review	-1.7		-1.7	
Children's services	-1.1			-1.1
Parking fees	-1.0			-1.0
Public Health funding	-1.0			-1.0
Non essential expenditure	-1.0		-1.0	
Adult Social Care	-0.5			-0.5
Bulky waste	-0.4			-0.4
Resources Dept	-0.3		-0.3	
Facilities Management	-0.1		-0.1	
Library book fund	-0.1			-0.1
SEN transport - under 5's	-0.1			-0.1
	-27.9		-17.3	-10.6

£17.3m
one off
savings
need to be
made
again next
year

£18.5m –
amber / red
delivery
confidence

* Staff savings - Full year impact circa £15m

Work to date

- Forecast overspend end Aug = £50.3m
- Savings agreed Sept Cabinet = £27.9m
- Remaining overspend end Aug = **£22.4m**

Risks and Resilience

£22.4m gap may get worse

Risks that may increase the overspend figure	Resilience
2019/20 accounts audit adjustments £8m	Lack of financial resilience
Significant concerns from external auditor	General Fund reserves are only £10.2m
Increase in Covid19 spend £20m ?	Without Government support a S114 notice will be issued
Adult's and Children's pressures greater than forecast	
Mixed confidence in the delivery of in year savings	
Changes to government legislation that need funding	

S114

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

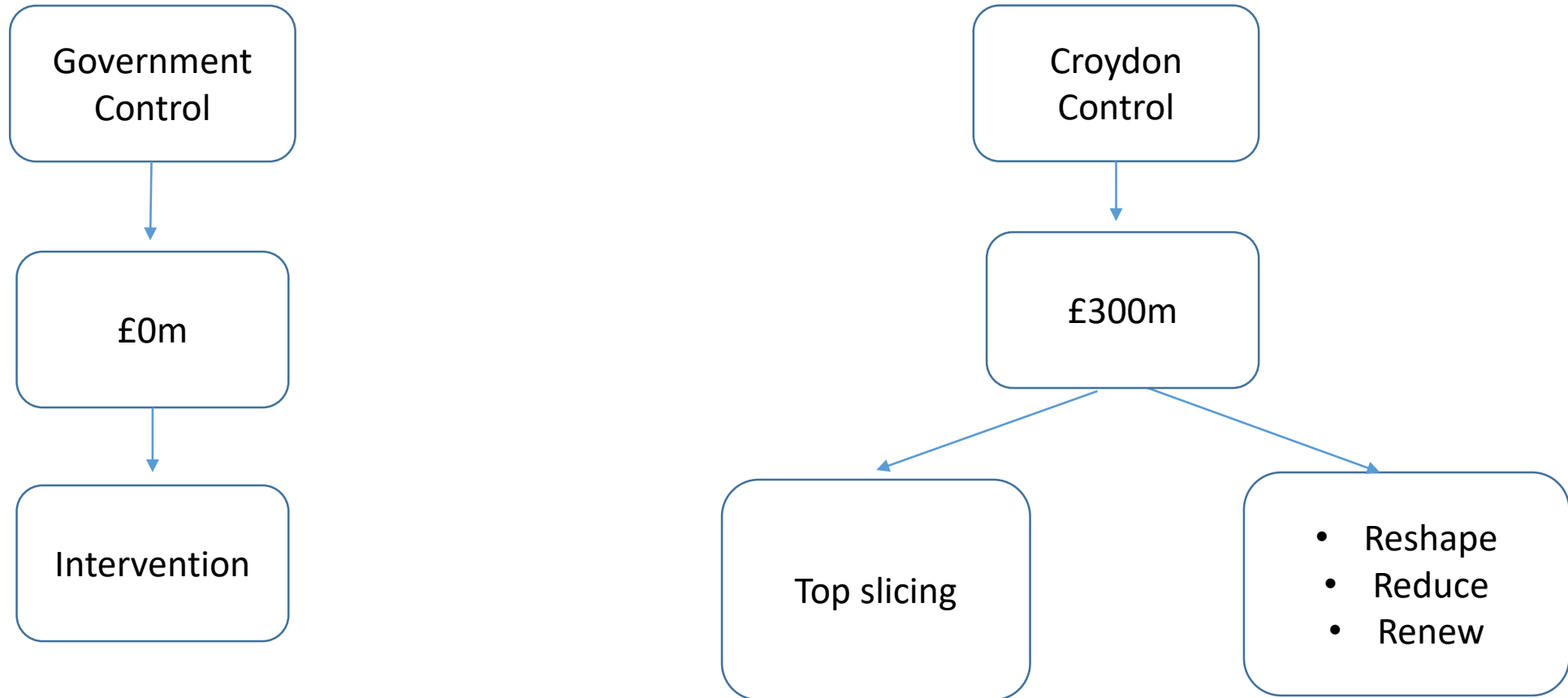
'The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet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

This budget work and the development of these plans at the current time mean that as per the CIPFA guidance I have not had to issue a S114 notice. However, if at any time I do not feel that these plans are developing at the right pace or are actually not deliverable I will have no choice but to issue a S114 notice.'

Croydon

- General Fund reserves are £10.2m
- Gap £22.4m
- Difference = £12.2m
- Even if we use all our reserves we are still overspent, can't use all reserves – **THIS IS NOT AN OPTION.**
- By law we must have a balanced sustainable budget, can't spend what you can't afford, spending must stop

What are our options ?



What is a Capitalisation Direction ?

- Not free money
- Permission from government to borrow capital money for revenue spend
- Need to make formal approach to government with a credible delivery plan –Croydon Renewal Plan
- Aim to balance the budget over 3 years
- They can say no
- E.g. - Repayment of £30m over 40 years =
 - Interest repayment PA = average of £390k pa
 - Principal repayment PA = £750k pa
 - Cost £45m to borrow £30m over 40 years
 - MHCLG to clarify term of borrowing, could be less than 40yrs

MTFS

	Annual saving required			
	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Savings	-47.1	-15.8	-16.2	-79.1

Note - £22.4m savings still required in 2020/21

Capitalisation would help smooth the savings profile and cover the in year loss.

Agreed Cabinet 21/9/2020 and Full Council Debate 28/9/2020

- Decision on savings
- Review of Capital programme
- Strategic review of group companies
- Decision on Croydon Renewal Plan and request to MHCLG for capitalisation direction

Croydon Renewal Plan

- Plan A - submit to MHCLG mid November request for capitalisation directive to deliver “Renewing Croydon – the plan”
- N.B. - MHCLG can say no
- Plan B – find further £22.4m of savings in year and £47m next year
- If MHCLG say no – need a further emergency budget in year (Plan B)
- If unable to agree Plan B - S114 is issued, 21 days to respond and agree balanced budget
- If MHCLG say yes - implement “Renewing Croydon – the plan” over next 3 years