REPORT TO:	**Cabinet** **6 July 2022**
SUBJECT:	**Opening the Books – returning the Council to financial sustainability**
LEAD OFFICER:	**Jane West, Corporate Director of Resources (Section 151)**
CABINET MEMBER:	**Councillor Jason Cummings Cabinet Member for Finance**

SUMMARY OF REPORT:

The Council's financial position continues to be very challenging. Its past financial problems have not yet been overcome and it is yet to return to financial sustainability. The well documented previous mismanagement of finances has left the Council in a weak position to whether the storm of inflation and global impacts currently being experienced.

Over the last year, the Cabinet has received monthly reports on the General Fund, Housing Revenue Account and Capital Programme, providing a step change improvement in transparency in relation the Council's finances. Projected outturns, risks and opportunities have been examined in detail each month.

This report launches the next stage in this journey which is the Executive Mayor's initiative to 'Open the Books' of the Council. The Council's finances will be scrutinised over the next six months through a review of its balance sheet, its capital financing arrangements, all reconciliations and the financial relationships with the Council's companies. This project will provide a firm base position from which to achieve financial sustainability by 2024/25, in line with the plan reviewed by the Improvement and Assurance Panel which was established by the Department of Levelling Up, Housing and Communities to oversee Croydon's recovery.

The 'Opening the Books' review will further improve the Council's understanding of its financial risks and will develop additional plans to mitigate them. These plans will contribute to the next stage in the development of the Council's Medium Term Financial Strategy.

Even before the outcome of the 'Open the Books' review, the March 2022 Cabinet report on the General Fund and Housing Revenue Account Budget and MTFS 2022/23-2024/25 identified that the Council will need to find extensive savings over the next three years and planning is underway for this now. This report provides an update on the development of the Council's savings strategy for 2023/24 to 2025/26 and a timetable through to the budget and council tax setting meeting in March 2023. This year represents the most challenging to date in terms of delivering the savings already identified at the same time as developing new plans for additional savings on top. Sustained focus on this agenda from the whole organisation is vital.

The report also forms part of the Council’s financial management process of publicly reporting financial performance against its budgets on a monthly basis. A narrative update for the Period 1 budget monitor is included.

The final outturn position will be reported once the annual closedown of accounts has been completed, prior to the annual accounts for 2021/22 being published. The latter will be delayed until the autumn 2022 due to outstanding issues in relation to the external audit of the accounts for 2019/20 and 2020/21.

FINANCIAL IMPACT

The initiative to ‘Open the Books’ will largely be met from within existing base budget resources but some project support and external specialist advice will need to be sought. A budget of up to £500k is proposed to be set aside as an earmarked reserve at the end of 2021/22 this purpose.

The General Fund 2022/23 Period 1 position indicates a £18.3m service overspend at the end of Period 1 for 2022/23, but that £9.4m of in-year risk and contingency provisions are held corporately that may be used to partially offset that forecast reducing the projected overspend to £8.9.m. This is mainly due to projected under-recovery of parking, traffic-related and other income across the Council. A further £8m of potential risks net of opportunities have also been identified. There are also new risks emerging e.g. from inflation and the cost of living crisis. In-year savings will need to be sought across the Council to offset the £8.9m overspend.

The projected gaps in the later years of the MTFS were originally determined at £27.3m of net savings remaining to be found in 2023/24 rising by a further £8.7m in 2024/25. These gaps have risen to £42.9m and £15.7m respectively based on current known pressures. The year 2025/26 was previously not included in the three-year Medium-Term Financial Strategy but will be included in the new MTFS as the planning horizon is being extended by a further year. A preliminary savings target for 2025/26 of £18.5m has been identified for this additional year to cover expected inflation and contingency provision requirements.

Work will be done over the summer to identify significant savings proposals to meet the gap for next year and achieve a balanced budget for 2023/24 by March 2023. Proposals will also be developed to reduce the later year budget gaps.

The HRA has not indicated any potential budget variance in the high level Period 1 budget forecast.

The Capital Programme will be updated with latest forecast spend projections as part of the Period 2 monitoring process.

1. RECOMMENDATIONS:

1.1 Note the launch of the Executive Mayor's initiative to 'Open the Books' of the Council.

1.2 Note that a report on the results of the 'Open the Books' review will reported to Cabinet no later than January 2023.

1.3 Note the General Fund is projecting a £18.3m service overspend at the end of Period 1 for 2022/23, but that £9.4m of in-year risk and contingency provisions are held corporately that may be used to partially offset that forecast reducing the projected overspend to £8.9m.

1.4 Note that in-year savings will need to be identified for the General Fund to offset the projected overspend of £8.9m to deliver a balanced budget by 31 March 2023.

1.5 Note that the budget gap for 2023/24 was initially identified as £27.4m plus a further £8.7m in the following year but that these gaps have risen to £42.9m and £15.7m respectively based on current known pressures.

1.6 Note that further work will be done over the year to identify significant savings to balance the gap in 2023/24 and reduce the gaps in the later years.

1.7 Note the timetable for both financial reporting and developing the Budget and Medium Term Financial Strategy for 2023/24-2025/26.

1.8 Note that an allocation of up to £500k will be made from contingency for project support and external specialist advice for the Opening the Books project in order to undertake a review of its balance sheet, review its capital financing arrangements, oversee the application of the capitalisation directions, undertake a range of reconciliations and review the financial relationships with the Council's companies.

1.9 Note the Housing Revenue Account (HRA) is not projecting a revenue budget variance at the end of Period 1.

2. OPENING THE BOOKS

2.1. The Council's financial position continues to be very challenging. Its past financial problems have not yet been overcome and it is yet to return to financial sustainability. This is its toughest year yet for delivering its existing savings targets whilst still more has to be done to plan for further future year savings. Unfortunately, at the same time the Council is facing a significantly more challenging national and global financial environment which is creating significant challenge right across the local government sector. The well documented previous mismanagement of finances has left the Council in a weak position to whether the storm of inflation and global impacts.

2.2. Following the S114 notice and the two Reports in the Public Interest (RIPI1 and RIPI2), the Council has made progress over the last two years in growing its understanding of its financial position, improving its financial control systems and making tough plans to reduce its expenditure to match its available resources while at the same time re-building its reserves to a level that is moving towards the level expected in a typical London Borough. Over the last year, the Cabinet has received monthly reports on the General Fund, Housing Revenue Account and Capital Programme, providing a step change improvement in transparency in relation to the Council's finances. Projected outturns, risks and opportunities have been examined in detail each month.

2.3. The Council has begun delivering savings for this financial year which are already committed within its Medium Term Financial Strategy. It is evident that more savings in year and for future years will be required as a result of the external environment the Council is operating in. Partly this is due to continuing local challenges, but mainly it is due to the global and national economic pressures the local government sector as a whole is facing e.g. inflation, the impact of the cost of living crisis and uncertainty over future government funding.

2.4. The Executive Mayor has asked the recently appointed Corporate Director Resources and Section 151 Officer to lead an initiative to 'Open the Books' of the Council. The Council's finances will be scrutinised over the next six months through a wide range of workstreams. Reviews will be undertaken of the Council's balance sheet and its capital financing arrangements, including the application of the capitalisation directions. A range of reconciliations also need to be undertaken. Finally a review will be undertaken of the financial relationships with the Council's companies. Process improvements and skills transfers will be built into this project so that in-house staff will be able to undertake these tasks in future years.

2.5. This project will provide a firm base position from which to achieve financial sustainability by 2024/25, in line with the plan reviewed by the Improvement and Assurance Panel established by the Department of Levelling Up, Housing and Communities which is overseeing Croydon's recovery. The review will further improve the Council's understanding of its financial risks and will develop plans to mitigate them. This will provide a base for the continuing development of the Medium Term Financial Strategy that will return the Council for financial sustainability.

2.6. The end of year financial outturn for 2021/22 is still being finalised but it is expected that the Council will deliver a small underspend as set out in the report to Cabinet in June 2022. There were a small number of variations at the end of the year that had not been forecast despite thorough assurance processes that are in place. These are being investigated so that lessons can be learned which will significantly reduce the risk of a similar recurrence at the end of 2022/23. There are also some outstanding areas of risk being investigated before the outturn can be confirmed e.g. bank reconciliations.

2.7. A review was undertaken by PWC in 2020 of the Council's companies and the obligations that are potentially going to fall to the Council in the future as a result of their activity. This report is currently being updated by PWC in relation to the largest company, Brick By Brick, in order to establish if the obligations previously identified remain unchanged and how, if at all, they need to be built into any plan for financial sustainability.

2.8. The improvements in the Council's system of risk management have identified financial positions and obligations that had not been reflected in the Council's projections or its finance risk register previously such as debts outstanding to the Council, payments outstanding from the Council and legal challenges in progress. These are being addressed in the finalisation of the 2021/22 financial accounts.

2.9. It has been reported previously that the Housing Revenue Account Thirty Year Business Plan requires extensive work, most notably a rolling stock condition survey needs to be undertaken.

2.10. Work is already underway in many of these areas but new areas continue to emerge. The Corporate Director Resources will set up a temporary Opening the Books Project Team for a period of six months to work through and quantify all the financial risks faced by the Council. This will be resourced from a mixture of existing staff, temporary staff and external advisers where necessary to complete the work within six months. It is anticipated that additional funding of up to £500k will be required to fund the project support and specialist advice required not currently available within the Council. The project will also address skills gaps by providing training to internal staff.

2.11. The 'Opening the Books' review will report to Cabinet, Scrutiny and Overview Committee and the Audit and Governance Committee no later than January 2023.

3. FINANCIAL POSITION

3.1. The detailed Period 11 monitor projected that the Council was forecast to have a General Fund net underspend variance of £1.907m, which accommodated a significant under-recovery of income in the area of Parking and Traffic Management through reported underspends elsewhere. As reported to Cabinet in June 2022, further work is currently underway to finalise the Council's financial position at the end of 2021/22 and this has identified areas of new underspend and overspend. Areas previously reported as adding to the overall underspend include:

- Accruals in Children, Young People and Education and Adult Social Care and Health from the 2020/21 financial year closedown which were not required
- Lower than anticipated numbers of children being take into care during 2021/22
- Overly cautious forecasts in Adult Social Care and Health in relation to the potential costs arising from Winter Pressures in winter 2021/22 which in the event was much milder than anticipated and had much lower than usual incidences of influenza, possibly due to the knock on impact of vulnerable residents changing their behaviours to protect themselves from Covid
- Increased salary underspends due to difficulties in recruitment across many Council services.

3.2 Work is in progress by the Finance team to finalise the Council's overall position for 2021/22 and in recent weeks this has identified potential overspends in some of the more complex corporate budgets such as business rates and housing benefits. These are currently being investigated. The final outturn will be reported to Cabinet later this summer.

3.3 It should be noted that the publishing of the 2021/22 accounts for the Council will be delayed until the autumn due to the need to first sign off the audited 2019/20 and 2020/21 accounts with the external auditors, Grant Thornton. Work is currently taking place to finalise 2019/20. The issue of the accounting treatment of Croydon Affordable Homes/Tenures in 2019/20 is currently unresolved. The Council has clarified its position with Grant Thornton and has answered a range of their questions. The Council is awaiting a date from Grant Thornton for a joint workshop which it is hoped will resolve the matter.

3.4 Although a detailed budget monitor has not been produced for Period 1 due to the focus on the end of year accounts for 2021/22, a high-level review of potential areas of overspend has been undertaken. This has identified areas of potential overspend and underspend set out below.

3.4.1 <u>Parking provision</u>

Since the pandemic the Council's parking income forecast has been considerably impacted as the service experiences changes in customer behaviour. In Period 1 the Council is projecting £3.15m pressure from reduced demand for parking services and further work is being done to understand the longer-term implications of this behavioural change. Of course, if this is a permanent direction of travel and demand for parking provision is expected to remain at low levels then further adjustments will be required within the MTFS planning. The fuel price crisis is exacerbating this pressure as car journeys are likely to reduce still further in response.

3.4.2 Parking enforcement & Moving Traffic Offences

Due to reduced demand for parking services and overall reduced usage of personal vehicles it is also expected that income collected from parking enforcement will be impacted. Period 1 monitor indicates a £1.75m pressure from lower-than-expected enforcement income.

The previous administration approved the introduction of planned Low Traffic Neighbourhood (LTNs), and the associated income growth, but these were not implemented on the ground. The full income target of £5.12m is therefore currently at risk. The level of risk will depend on the length of the delay in relation to each scheme.

3.4.3 Under-recovery of fees and charges

The Service and Finance teams are currently undertaking a detailed exercise to review the position on income collected from Fees and Charges. The Council increased its overall Fees and Charges income budget by £1.2m for the current financial year on the planning assumption that the economy would pick up post pandemic. Whilst some of the additional income will be generated it is expected that services which are price sensitive or services that continue to be impacted by the pandemic and resulting changed behaviour patterns will continue to see a shortfall in income collection. A number of income budgets may also be overstated.

3.4.4 Homelessness savings delivery at risk

The Homelessness Service has identified risks of £0.466m across a range of activities within the service. Supply side impacts such as a staffing review and increased costs from procurement of emergency accommodation may cause increased costs of £0.238m and the rest relates to potential risks to income collection from rent contributors. There is a high demand for temporary accommodation in the borough due to the Home Office placing over 1,000 refugees in local hotels. There is a small risk of Ukrainian refugees currently placed with hosts and families in the borough through government schemes eventually requiring re-housing. The cost of living crisis could drive an increased demand from borough residents made homeless.

3.4.5 Streetlighting

The Council erroneously removed a budget of £0.400m from the streetlighting service on the basis that operational hours and level of brightness would be reviewed with the intent of reducing the costs of streetlighting. This exercise was completed and did achieve cost reductions; however the cost reduction simply aligned the total costs to the existing budget before the £0.400m saving was removed from budget. As a result the erroneous additional removal of the budget has now resulted in a further pressure of £0.400m in 2022/23.

3.4.6 Landlord Licensing Scheme

The Council applied to renew its Landlord Licencing scheme in 2021/22 to the Department of Levelling Up, Housing and Communities (DLUHC). The Council budgeted for £1.58m of income that would be achievable from the scheme in this financial year. However, the scheme was rejected by the Secretary of State for LUHC due to the lack of a Housing Strategy, one of the requirements for the scheme. The development of the Housing Strategy is being progressed but has not yet been completed due to the many other pressures in the Housing Service and the delivery of the Housing Improvement Plan and it also requires a review of the Council's policy for Landlord Licensing. It is expected that this will not be completed for at least 3 months and therefore for prudence the Council is forecasting the non-delivery of the £1.58m income target.

3.4.7 Building Control

The Building Control team income target is unachievable due to significant demand side pressures on the service. The Council service faces a number of challenges recruiting skilled staff to support the delivery of the work and the statutory duties we must deliver. Due to the government opening this market up, there is now significant competition for similar services from the Private Sector, which impacts on the service's ability to generate income. This situation is shared by most councils delivering building control functions. The service is projecting a total pressure of £0.888m. Further adjustments may be needed for this service in the MTFS.

3.4.8 Inflation and the financial implications of the cost of living crisis

The world economic outlook has changed since the Budget for 2022/23 was set with inflation rates rising steeply and impacting not only on the Council's own expected future costs of supplies, but also on local business' finances and viability and the cost of living for our residents – in the latter case, leading to potential increased fuel and food poverty being seen.

The Council prudently provided for inflationary pressures at 5% increases to reflect future projections on the deterioration of the economic outlook. However, the current indication of inflation pressures seems to be significantly higher.

Further work is required to quantify any potential overspend beyond the 5% provision in areas such as office heating and lighting, street lighting, home to school transport for children with special educational needs and disabilities and cost pressures on contracts with providers e.g. social care providers and GLL as the provider of the Council's swimming pools service. This will be reported regularly in the monthly budget reports.

3.4.9 Asylum Seeker and Refugee costs

The Council is fully supporting the Government's Homes for Ukrainians programme and it is expected that over time the Council will need to provide additional support to the families. No additional funding has been allocated to councils for support beyond the initial six month period and so if no further funding is provided the Council will need to deliver statutory services.

The Council is not officially responsible for Ukrainians arriving under the Family Visa Scheme or for other refugees and asylum seekers housed in the borough by the Home Office. However, again the Council can find itself having to deliver statutory services such as homelessness services and social care. With over 1,000 refugees and asylum seekers housed in the borough through Home Office contracts, this continues to be a serious financial risk for the Council.

3.4.10 <u>Department for Education High Needs Safety Valve</u>

The Department for Education (DfE) recently introduced an additional intervention project called the 'safety valve' (SV) programme. This initiative is designed to assist local authorities with the very highest percentage of cumulative Dedicated School Grant (DSG) deficits on their balance sheet. The rationale is to inject cash in a form of both capital and revenue to fund the provision of more school places for children with special educational needs and disabilities (SEND) as well as clear the agreed historical deficits. This intervention will be implemented once the local authority reaches an agreement with the DfE.

This (SV) intervention programme expects those affected local authorities to develop substantial saving plans with reforms to their high needs systems and spend level. The DfE will provide support and challenge as well, aimed at helping councils to reach sustainable high needs spend using two key areas: These are:

(i) Demand management through education, health and care plan (EHCP) assessment processes.
(ii) Well-managed placement of education provision in a cost-effective way as well as effective resource utilisation.

The (SV) officers from the DfE recently met with the Chief Executive, Corporate Director Children, Young People and Education, the Corporate Director Resources (and s151 officer) and supporting officers. They discussed Croydon's previous Deficit Recovery Plan which has proved robust and successful over the last few years by reducing the in-year overspend from £6.7m in 2020/21 to a £3.4m overspend in 2021/22. However, the total accumulated deficit related to the Dedicated Schools Grant is £21.3m at the end of 2021/22 which is currently held as an overdrawn reserve. The High Needs Block overspend element is £28m, which is offset by unallocated mainstream DSG.

A new Deficit Recovery plan needs to be submitted to the (SV) team in September 2022 and work is currently underway to complete it. The Council will also be required to review and agree the strategies supporting the plan. An official agreement will need to be reached between the (SV) DfE team and Croydon in relation to the targets in the plan. This will include an agreement on any write off from the current £28m overdrawn reserve. DfE will expect to hold regular meetings with the Council to review the progress of the Deficit Recovery Plan thereafter.

There is currently a national statutory override to allow councils to hold negative DSG reserves while the DfE resolves this issue. The override is due to end on 31 March 2023. Should there still be a DSG deficit in 2023/24, it is unclear where this should be funded from with the Department for Levelling Up, Housing and Communities and the Department for Education giving conflicting advice. DLUHC and the Council are clear that the historic deficits should be funded from additional DSG and not from councils' general funds. The DfE are still pressing for contributions from the General Fund. Discussion between officials are still underway and there will be regular reports on this as part of the monthly budget report to Members.

3.4.11 Housing Benefits

At year end the Housing Benefits service identified that a number of claims had been paid for tenants in properties that do not qualify for full Housing Benefit Subsidy from the Department of Work and Pensions (DWP). The service will need to carry out detailed due diligence on the impact of these properties on Council budgets, however as at end of 2021/22 the Council will incur a cost of £5.55m which it cannot reclaim from the DWP in Housing Benefit Subsidy grant. A review is underway as to how this budget pressure went unreported during the year and the governance on agreeing to the housing benefit claims for tenancies which did not fully qualify. The review will examine governance processes to understand when and how it was agreed that the Council would shoulder these additional costs beyond the subsidy from the DWP.

3.5 The list of risks and issues flagged within paragraphs 3.4 1-11 reflects the Council review as at Period 1 and Period 2 verified figures were not available at the time of writing this report. It is therefore expected that with further detailed review the financial position will be refined to reflect a more accurate position.

3.6 Overall, the General Fund is currently projecting a £18.3m service overspend at the end of Period 1 for 2022/23, but with £9.4m of in-year risk and contingency provisions held corporately. These can be used to partially offset that forecast reducing the projected overspend to £8.9m. The Council will continue to work on risk mitigations as well as to identify opportunities to ensure the financial impact on the Council's finances are reduced.

3.7 No significant risks have been identified in relation to the Housing Revenue Account or the Capital Programme for 2022/23. An updated Capital Programme for 2022/23 will be brought to Cabinet, Scrutiny and Overview Committee and Audit and Governance Committee later in the autumn.

4. SAVINGS STRATEGY

4.1. The Council's financial position continues to be very challenging. This is its toughest year yet for delivering its existing savings targets whilst still more has to be done to plan for further future year savings. Unfortunately, as described above, the Council is also facing an extremely challenging national and global financial environment.

4.2. In approving the 2022/23 to 2024/25 Medium-Term Financial Strategy (MTFS) in March 2022, the Council set out a balanced budget for 2022/23 (net of planning a contribution of £7m to earmarked reserves) but had remaining additional savings of £27m and £9m still to be identified in order to close gaps in the 2023/24 and 2024/25 budget positions.

4.3. These positions were inclusive of anticipated capitalisation direction approvals of £25m in 2022/23 and £5m in 2023/24 – the budget gap being correspondingly higher in those years should such directions not be finally approved by the Secretary of State.

4.4. Since the setting of the 2022/23 to 2024/25 MTFS, the issues outlined in Section 3 have been identified putting additional pressure on the Council's finances. As part of the annual budget planning cycle, the MTFS is being refreshed both to update the existing assumptions, build in the new pressures that have come to light and to extend the planning horizon by a further year to keep a three-year future outlook.

4.5. The high-level review of 2022/23 Period 1 revenue monitoring described above indicates a projected overspend of £8.9m against 2022/23 budgets through additional pressures or agreed savings not being deliverable. This quantum is likely to be ongoing over future years rather than just impacting the current year. The outturn position for 2021/22 has given some scope for the building of one-off earmarked reserves which may then be drawn down in 2022/23 to offset such an overspend but should be noted that in itself would be one-off rather than ongoing.

4.6. For illustrative purposes in this report, the previous assumptions in relation to council tax increases have been removed. Although these assumptions were included in the MTFS approved in March 2022, no formal decision can be taken on Council Tax levels until the February or March before the start of each new financial year. It is currently unclear what the government's presumption will be in relation to council tax increases for 2023/24 and therefore it is better the Council makes no assumptions in this regard and maximises the range of savings being developed to potentially balance future years' budgets. An increase in Council Tax obviously remains a potential part of the solution for balancing the Council's budget in 2023/24.

4.7. A summary of the current outlook is summarised below:

	2022/23	**2023/24**	**2024/25**	**2025/26**
Brought forward		£8.9m		
Budget gap at March 2022		£27.4m	£8.7m	
Period 1 Projected overspend	£8.9m			
2025/26 Inflation				£16.8m
2025/26 Contingency				£5.0m
2025/26 Taxbase growth				(£3.3m)
Reversal of council tax assumptions awaiting government guidance		£6.6m	£7.0m	
Revised budget gap	**£8.9m**	**£42.9m**	**£15.7m**	**£18.5m**

4.8. A significant health warning on these figures is that more work needs to be done to assess the threat from rising inflation on Council budgets. It is also unclear what, if any, government support may be made to councils nationally in this respect. However, it is likely a larger number of savings will be required both in-year and for 2023/24 to offset rising costs. Council officers are therefore working towards identifying potential savings of £45m-£50m for 2023/24.

4.9. The financial outlook for Croydon is very challenging. In addition to the pressures outlined above, the 'Opening the Books' review may uncover further budget pressures unique to Croydon. The world economic outlook is also very uncertain, therefore as well as the pressures that are unique to Croydon, there are sector wide financial pressures that all of local government is experiencing due to rising costs, rising demand and falling income. It is thought unlikely that additional funding of any scale will be made available in the foreseeable future by central government, which itself is facing financial challenges. The global economic crisis puts at some risk the Council's plan to reach financial sustainability by 2024/25 as envisaged in the plan reviewed by the Improvement and Assurance Panel in January 2021.

4.10. Work is therefore underway across the Council to identify significant potential savings in the current year and for future years that will allow the Council to balance its books in a sustainable way. The Council has transformed its approach to financial management, governance and service improvement since 2020 but it is still necessary to go yet further. This next phase will need to move away from service-based transformation to corporate transformation, driving out cost and maximising income by re-thinking how the Council meets the priorities of residents within the financial envelope available.

4.11. It is anticipated that a range of in-year savings will be presented to the Cabinet, Scrutiny and Overview Committee and Audit and Governance Committee as part of the Period 4 Financial Performance Report. Future years savings proposals will be available to present to Cabinet in the late autumn for approval for consultation prior to budget setting. The final proposals will be presented to Cabinet and Council by 27 February 2023.

4.12. Good progress has been made already by the Council to deliver some of the actions required for future financial sustainability. This report sets out the additional work planned on 'Opening the Books' to deliver the next stage in this journey. Unfortunately, the global economic crisis is making the journey ever more difficult and increasing the challenge in relation to the requirement to deliver yet more savings in Council budgets in the coming years.

5 TIMETABLE

5.1 The timetable for reporting to Cabinet, Scrutiny and Overview Committee and the Audit and Governance Committee is set out in the table below.

Report	Time scale
Month 2 Financial Performance Report	September 2022
Outturn 2021/22	By October 2022
Month 3 Financial Performance Report and In-Year Savings Proposals	By October 2022
Medium Term Financial Strategy Update and Savings Strategy	By November 2023
Month 4 Financial Performance Report	By November 2022
Month 5 Financial Performance Report	By December 2022
Opening the Books	By January 2023
Month 6 Financial Performance Report	By January 2023
Month 7 Financial Performance Report	By February 2023
Housing Revenue Account Thirty Year Business Plan Update	By February 2023
General Fund and Housing Revenue Account Budget 2023/24-2025/26	By 27 February 2023

6 CAPITAL PROGRAMME

6.1 The General Fund and HRA capital programme are due to be reported for the first time in the Period 2 budget monitoring report.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 Finance comments have been provided throughout this report.

(Approved: Matt Davis – Interim Director of Finance)

8 LEGAL CONSIDERATIONS

8.1 The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

8.2 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for the Executive Mayor in Cabinet to receive information about the revenue and capital budgets as set out in this report.

8.3 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

(*Approved by:* Sandra Herbert Head of Litigation and Corporate Law on behalf of the Interim Director of Legal Services & Deputy Monitoring Officer)

9 HUMAN RESOURCES IMPACT

9.1 There are no immediate workforce implications as a result of the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and were necessary consultation with recognised trade unions. As a result of budget reductions in particular it is likely the Council will need to restructure and reduce services. The Council will apply its jointly agreed restructuring and reorganisation policy and procedure and will need to ensure adequate consultation arrangements are in place with affected staff and their trade union representatives, as well as seeking to mitigate any redundancy impact as far as possible.

(Approved by: Gillian Bevan Head of Human Resources (Resources and ACE))

10 EQUALITIES IMPACT

10.1 There are no specific equalities issues set out in this report.

10.2 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

10.3 In setting the Council's budget for 2021/2022, all savings proposals were required to complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts.

10.4 The Council considers the socio-economic impact of it's policies on the protected characteristics. The cost-of-living crisis is likely to have an impact across a range of characteristics. This is likely to create new debt for people who were just managing and exasperate debt for those who had existing debt. This could potentially impact on the collection of monies in relation to rent and Council tax payments along with other charges such as garage leases and commercial rents. The borough's geographical differences may also have an impact to this regard in that the north and east of the borough have more deprivation than the south of the borough. Our local data indicates that African/African Caribbean, Asian and other global majority communities are more likely to be located in the north and east of the Borough. It should be noted that rent increases could potentially increase the number of homeless people and families.

10.5 The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, and disabled people and families is key to this regard.

10.6 The proposal to increase parking charges is likely to have an adverse impact on poverty and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents reside. Any increase in parking is likely to impact further on communities already suffering from poverty and the impact of Covid 19 and job losses because of this

10.7 The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time and could possibly lead to more adults experiencing disabilities and additional pressure on Adult Social Care. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.

10.8 The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears. The rent increase may exacerbate this, and mitigation has already been identified to this regard.

10.9 Departments should ensure that they pay due regard to all protected characteristics regarding potential mitigation to proposals.

(Approved by: Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

11 ENVIRONMENTAL IMPACT

11.1 There are no specific environmental impacts set out in this report

12 CRIME AND DISORDER REDUCTION IMPACT

12.1 There are no specific crime and disorder impacts set out in this report

13 DATA PROTECTION IMPLICATIONS

13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance