

REPORT TO:	Cabinet 25 February 2019
SUBJECT:	Quarter 3 Financial Performance 2018/19
LEAD OFFICER:	Lisa Taylor Director of Finance, Investment And Risk (Section 151 Officer)
CABINET MEMBER:	Cllr Tony Newman, Leader Of The Council Cllr Simon Hall, Cabinet Member For Finance And Resources
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT:</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 2018/19 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>AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:</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, 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>FINANCIAL IMPACT</p> <p>The reduced financial settlement and ongoing demand pressures on a range of statutory services are resulting in pressures to the Council's budget and resulting in a forecast overspend at Quarter 3.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE NO.</p> <p>Not a key decision</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p>1 RECOMMENDATIONS</p> <p>Cabinet is recommended to :</p> <p>i) Note the current revenue outturn forecast at the end of the third quarter of 2018/19 of £2.8m, this is before exceptional items of £2.666m, resulting in a total overspend of £5.466m. If the £5.466m is not reduced by the end of the year up to £5.5m will need to be drawn down from earmarked reserves in 2018/19. Reserves will then be replenished reserves in 2019/20 from the anticipated collection fund surplus and dividend payable to the Council by Brick by Brick, which forms part of the draft 2019/20 budget.</p> <p>ii) 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, fire safety measures and mitigation of the impact of the Universal Credit implementation.</p>	

- iii) Note the HRA position of a £1.87m forecast underspend against budget;
- iv) Note the capital outturn projection of £373.316m, forecast to be an underspend of £74.684m against budget;

2. EXECUTIVE SUMMARY

- 2.1 This report updates the Council's financial outlook at the end of the third quarter of 2018/19, which remains against a context of a series of adverse national funding changes affecting Local Government finance.
- 2.2 The budget set in February 2018 for 2018/19 assumed grant reductions of 6.5% (**£6.5m**) in the financial year. To manage this reduction, there were a number of savings totalling **£17.5m** built into the budget. Alongside these savings, there was growth of **£26m** for areas where demand and costs have increased. A sum of **£4.7m** has also been added to revenue reserves in 2018/19, replacing the amount drawn down in 2017/18. This sum represents the surplus available from the collection fund during 2017/18, which was not available to the general fund until after 1 April 2018.
- 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,
 - Continued Chronic underfunding of adult social care and children's social care – the Local Government Association (LGA) has reported that three quarters of local authorities with responsibility for social care are showing overspends and estimates that, by 2019/20, there will be a £2billion funding gap for each of adult social care and children's social care in England,
 - Substantial population increase,
 - Significant growth in demand for services, both from demographic pressures, such as an ageing 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,
 - Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC),
 - Impact of the underfunding of the health economy,
 - Failure to fund the cost of building new schools,
 - Restrictions on council housing, the Housing Revenue Account borrowing cap, rent restrictions, 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 Children, Families and Education department. The Council's overall forecast revenue overspend of **£5.466m** is made up of Departmental overspends of **£8.9m**, non-departmental underspends of **£6.100m** and exceptional items of **£2.666m**. These exceptional costs relate to additional costs associated with UASC, Leaving Care and Appeal Rights Exhausted over and above the burden on Croydon council taxpayers assumed in the 2018/19 budget. Without these exceptional items, the forecast overspend would be **£2.8m**, as shown in table 1 below.

Table 1 – Summary of forecast revenue outturn position at Quarter 3

Department	Quarter 3 Forecast Variance £'000s	Quarter 2 Forecast Variance £'000s
Health, Wellbeing and Adults	2,099	225
Children, Families and Education	9,131	7,542
Place	(5,350)	(5,062)
Residents and Gateway Services	1,002	1,517
Resources and CEO	2,018	2,044
Departmental Overspend	8,900	6,266
Corporate Items	(6,100)	(5,000)
Sub Total - Before Exceptional Items	2,800	1,266
Exceptional Items - Unaccompanied Asylum Seekers (UASC)	2,666	2,279
Total Projected Overspend	5,466	3,545

- 2.5 If the **£5.466m** forecast overspend is not reduced by the end of the year then a sum of up to £5.5m can be drawn down from earmarked reserves in 2018/19. The Council is able to do this because the strategy in 2019/20 will then be to replenish reserves by £5.5m from the anticipated collection fund surplus and dividend payable to the Council by Brick by Brick, which forms part of the draft 2019/20 budget.
- 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 fees and charges to ensure services are charged in accordance with the Care Act legislation;
 - A review of SEN travel policy and the type of provision;
 - The Council is also undertaking a review of service provision for Appeal Rights Exhausted individuals and families;
 - A review of services provided by external contractors;
- 2.7 The Council is continuing to make a concerted drive for fairer funding for Croydon. Discussions are still ongoing with the Home Office to increase our funding for UASC. The Quarter 1 financial monitoring report presented to this cabinet in September 2018 contained at appendix 3 a letter from the Leader to the Home Secretary highlighting Croydon's concerns relating to UASC. The reply to this letter was included as an appendix to the Quarter 2 monitoring report, and the Minister for Immigration has asked for officials to work with the Council to ensure more timely outcomes on UASC cases, but gave no assurances about additional funding, other than referring to the national funding review that is already underway.

- 2.8 The government announced an additional £21.3m of controlling migration funding to help manage the pressures of UASC. Final allocations were confirmed in January 2018 last year. Croydon was allocated £376,250, 1.8% of the total allocation despite us having just under 10% of the children in our care and our 'gateway authority' duties. The Leader wrote to Ministers to express concern about the fairness of this allocation however the final allocation received did not change.
- 2.9 The government announced £240m of additional funding for councils to spend on adult social care services to help councils alleviate winter pressures. Allocations were based on the Relative Needs Formula for adult social care and final allocations were confirmed in October. Croydon was allocated £1.4m, which will be used to support service delivery.
- 2.10 We also continue to engage with the Ministry for Housing, Communities and Local Government (MHCLG) seeking funding of **£10m** for fire safety works following the tragic incident at Grenfell Tower. The Cabinet Member for Homes, Regeneration and Planning has written to the Secretary of State twice seeking commitment to fund essential safety works in Croydon. To date, responses from the MHCLG have been disappointing and have failed to provide any funding, stating that our works do not meet the department's criteria of essential safety works and that the government expects Croydon to fund measures to make buildings safe.
- 2.11 As a result of work undertaken by Croydon, changes to the national policy for Universal Credit were announced which took effect from 1 April 2018. As a pilot authority, we have incurred costs in excess of **£3m** and are still in dialogue with the government to seek reimbursement for these costs we have incurred.
- 2.12 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.

3. GENERAL FUND 2018/19 REVENUE SUMMARY

- 3.1 The projected outturn position at quarter 3 of 2018/19 continues to show the effect of anticipated saving and recovery plans that are continuing to be implemented for the remainder of the financial year.
- 3.2 The 2018/19 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 relating to adult and children's social care. There are also budget pressures in the Resources department relating to SEN transport costs, and pressures within the Gateway, Strategy and Engagement department relating to temporary accommodation.

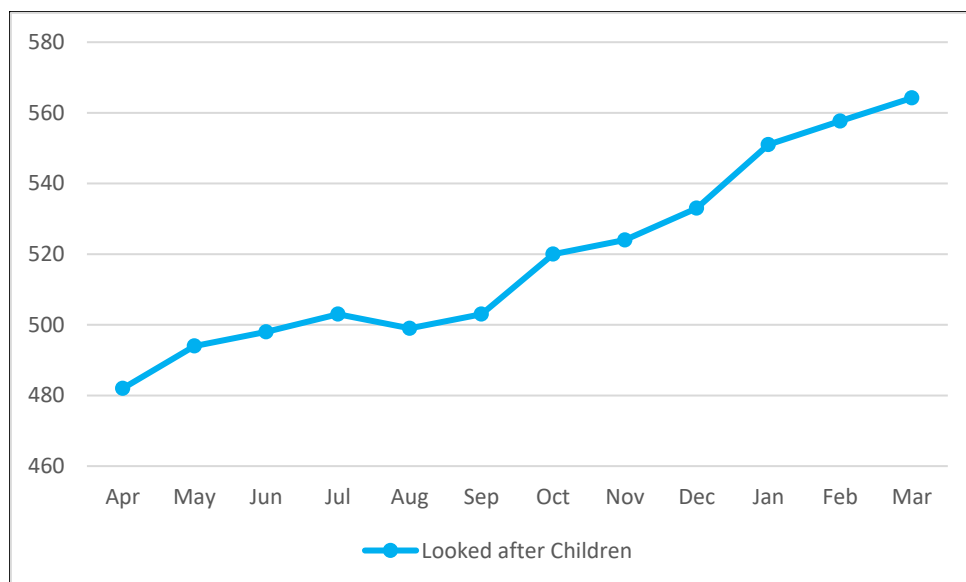
Table 2 – 2018/19 significant variances

Department	Major Variances over £500k	Quarter 3 £'000s	Quarter 2 £'000s	2017/18 Outturn £'000s
CHILDREN, FAMILIES AND EDUCATION				
Care Planning Service	Increase in costs relating to Section 17 expenditure due to increased demand	753	383	0
Corporate Parenting	Corporate Parenting - an increase in the number of external placements and court driven assessments	7,543	5,862	8,093
	Variances below £500k	835	1,297	1,071
CHILDREN, FAMILIES AND EDUCATION TOTAL		9,131	7,542	9,164
HEALTH, WELLBEING AND ADULTS				
25-65 Disability Service	Residential Costs for 7 "Surrey and Borders" clients that were formally Continuing Health Care funded	2,118	2,118	0
	Use of Transformation funding to deliver future savings	(1,000)	0	0
	Overspend on domiciliary care associated with increased client numbers and increased supported living costs plus the additional cost of 36 clients moving from 0-25 Disability Service. This also includes £750k of unachievable savings	3,091	2,173	0
Adult Social Care Directorate	Improved Better Care funding	(2,000)	(2,000)	0
	Unachievable savings relating to ICT transformation project	622	0	0
Mental Health	Increase in cost and number of placements	595	567	0
Over 65 Providers	Use of Transformation funding to deliver Out of Hospital program	(2,000)	(2,000)	0
0-25 CWD Service	Costs relating to additional staff in the transition service. Increase in caseload within the 18-25 placements.	0	1,128	1,364
	Variances below £500k	673	(1,761)	(1,680)
HEALTH, WELLBEING AND ADULTS TOTAL		2,099	225	(316)
PLACE				
Public Realm	Additional Pay and Display and PCN Income	(3,821)	(3,721)	(1,100)
	Street lighting - additional costs relating to Street Lighting energy consumption	784	784	0
	Savings due to reduced unit cost of landfill during the Energy Recovery Facility commissioning phase	(1,205)	(1,205)	0
	NSO and Bulky Waste funding	(600)	(600)	0
	Variances below £500k	(508)	(320)	30
PLACE TOTAL		(5,350)	(5,062)	(1,070)
GATEWAY, STRATEGY AND ENGAGEMENT				
	Increase in the number of households being placed in the Private Rental Sector. And an increase in costs associated with voids, repairs and agency staff	1,267	1,418	0
	Variances below £500k	(265)	99	(1,709)
GATEWAY, STRATEGY AND ENGAGEMENT TOTAL		1,002	1,517	(1,709)

Department	Major Variances over £500k	Quarter 3 £'000s	Quarter 2 £'000s	2017/18 Outturn £'000s
RESOURCES				
Digital & IT	ICT - Saving on the cost of the ICT contract and capitalisation of salaries	(677)	(677)	(1,779)
Commissioning and Procurement	SEN transport & demand pressure	2,152	1,585	3,080
Finance, Investment & Risk	Revenues and Benefits - non-recovery of parking income and previous savings not realised	100	760	0
	Variances below £500k	443	377	(1,460)
RESOURCES TOTAL		2,018	2,045	(159)
TOTAL DEPARTMENTAL OVERSPEND		8,900	6,267	5,910
CORPORATE ITEMS				
	Use of contingency budget	(2,000)	(2,000)	(1,000)
	Revolving Investment Fund earnings	(2,200)	(1,800)	0
	Unachievable Contract Review Savings	800	1,500	864
	Unachievable Digital and Advertising Income	750	750	0
	Additional Grant Funding Awarded in Year	(1,400)	(1,400)	(7,031)
	Commercial Rent Income	(1,450)	(1,450)	0
	Other Minor Variations	(600)	(600)	0
CORPORATE ITEMS TOTAL		(6,100)	(5,000)	(7,167)
SUB TOTAL BEFORE EXCEPTIONAL ITEMS		2,800	1,266	2,096
Exceptional Items	UASC, UASC Leaving Care and All Rights Exhausted costs	2,666	2,279	2,936
TOTAL VARIANCE		5,466	3,545	5,032

- 3.3 The main areas of pressure are within the Children, Families and Education department, with an overspend in 2018/19 of £9.131m. 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 for 2018/19 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 possible to fund Children's Services.
- 3.6 The numbers of Looked After Children (LAC) continues to face an upward trend, as set out in graph 1 below. The Number of LAC now stands at 551 in January 2019, although the projected rate of increase in February and March is expected to reduce as new commissioning arrangements are put in place.

Graph 1 – Looked After Children Numbers



- 3.7 The exceptional items reported at Quarter 3 relate to the overspend against budget for UASC, leaving care costs for former UASC and Appeal Rights Exhausted costs which the Council is continuing to lobby the government to fund as detailed in the previous quarters report. 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, 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.
- 3.8 The Home Office have said that they are committed to reviewing funding rates and we have contributed to their call for evidence. At this stage, there is no date for when there will be an outcome of that review. The Home Office have indicated in a schedule the Council is required to complete regarding UASC that this year's rates will be the same as last year and therefore our forecast reflects that.
- 3.9 Additionally, Croydon acting as a 'gateway' authority continues to fund provision for UASC both leaving care and for those who have exhausted all appeal rights. This additional expenditure further increases the cost of exceptional items for the council.
- 3.10 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 into 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.
- 3.11 The Local Government Association has launched a nationwide consultation "The lives we want to lead" 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.
- 3.12 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.

- 3.13 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 £3.5 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.
- 3.14 Decades of failure to find a sustainable solution for how to pay for adult social care in the long-term, and the Government's recent decision to delay its long-awaited green paper on the issue, has prompted council leaders to take action.
- 3.15 Short-term cash injections have not prevented care providers reluctantly closing their operations or returning contracts to councils resulting in 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.
- 3.16 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.
- 3.17 The LGA consultation set 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
- 3.18 The consultation - the biggest launched by the LGA – was 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 responded to the findings in the autumn to inform and influence the Government's green paper and spending plans.
- 3.19 The LGA green paper – alongside funding issues – was also seeking 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.
- 3.20 The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed that children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by

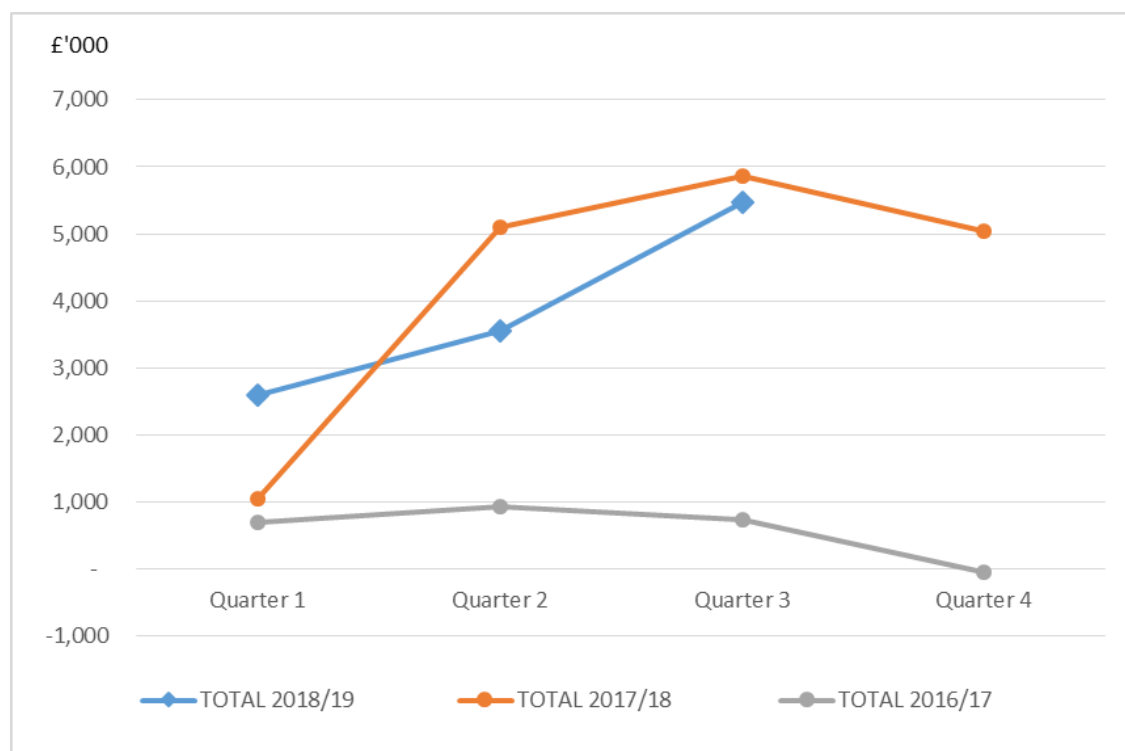
£605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16.

- 3.21 The chair of the LGA's Children and Young People Board, has recently said: "The fact that the majority of councils are recording high levels of children's services overspend in their local areas shows the sheer scale of the funding crisis we face in children's social care, both now and in the near future."
- 3.22 There are calls on the government to introduce a fairer funding system based on demand for services. Referrals to children's services have increased and the number of children subject to child protection plans has doubled in the last decade. Government needs to take note on this issue sooner rather than later, otherwise will be sleepwalking into another funding crisis for services that less fortunate young people rely on. LGA noted that a nationwide children's services funding gap of £2bn will exist by 2020. As detailed in this report, we are continuing to experience rising demand and costs.
- 3.23 This year to date, Children's Social Care residential assessments have increased by 180%. Comparing the same period (Q3) last year, the number of children with a Child Protection Plan has also increased by 43%, contributing towards the reported overspend.
- 3.24 Further to the approval of the Asset Investment Strategy by Cabinet in September, the Council has purchased the Colonnades Retail and Leisure Park on the Purley Way. This purchase will provide important revenue savings to the Council of around £1.4m a year net of interest and other costs, and help protect the delivery of core services to residents.

4 GENERAL FUND REVENUE SUMMARY POSITION 2018/19

- 4.1 Graph 2 below shows the forecast variance for 2018/19 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.

Graph 2 – 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 £1.870m. The key variances being reported at Quarter 3 are summarised in Table 3 below:

Table 3 – 2018/19 Main variances within the HRA

Department	Major Variances	Quarter 3 £'000s	Quarter 2 £'000s	2017/18 Outturn £'000s
HRA – HOUSING NEEDS	Right to Buy sales are lower than forecasted, resulting in more rental income received in year	(569)	(182)	(247)
HRA – DISTRICT CENTRES AND REGENERATION	Renewed lease agreement for Concorde, Sycamore and Windsor at reduced cost, and lower than anticipated spend on responsive repairs	(1,301)	(293)	(1,734)
TOTAL HRA PROJECTED VARIANCE		(1,870)	(475)	(1,981)

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 and model the impact of future rent reductions, and build a sustainable budget for revenue and capital spend within the HRA. In particular, the recent announcement about the removal of the HRA borrowing cap will be a key consideration.

- 6.3 As previously reported to this Cabinet, the charity Croydon Affordable Housing will be responsible for managing a number of affordable rented properties, working alongside Brick by Brick and SquareStone Hub to deliver these additional properties. This is in addition to the 96 street properties that were purchased under the ETA (Emergency Temporary Accommodation) programme that have been transferred to Croydon Affordable Homes LLP and the additional street properties that are currently being purchased. A further 199 properties have been purchased towards an expected 250 properties for use as temporary accommodation. These properties are due to be transferred to Croydon Affordable Homes LLP in March 2019.
- 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. As previously reported this investment will be in the region of £10m, with around £5.0m forecast for 2018/19.

7. FORECAST CAPITAL OUTTURN POSITION

- 7.1 The high level Capital programme for 2018/19 is shown in Table 4 below, full details of all projects are shown in appendix 2. A forecast underspend of **£74.684m** is projected for 2018/19.

Table 4 – 2018/19 Capital Programme

Original 2018/19 Budget		Carry forward from 2017/18	Re- profiling / Increases in Schemes	Revised Budget 2018/19	Actuals April- Dec 2018	Forecast Outturn	Forecast Variance
£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
0	HEALTH, WELLBEING AND ADULTS	579	0	579	143	379	(200)
35,527	CHILDREN, FAMILIES AND EDUCATION	26,822	(29,254)	33,095	14,417	24,126	(8,969)
33,850	GATEWAY, STRATEGY & ENGAGEMENT	8,254	86,464	128,568	64,123	83,210	(45,358)
224,984	PLACE	24,822	(111,917)	137,889	56,518	123,311	(14,578)
19,105	RESOURCES	2,973	88,691	110,769	84,352	110,965	196
313,466	GENERAL FUND TOTAL	63,450	33,984	410,900	219,553	341,991	(68,909)
32,385	HOUSING REVENUE ACCOUNT	4,715	0	37,100	10,667	31,325	(5,775)
345,851	CAPITAL PROGRAME TOTAL	68,165	33,984	448,000	230,210	373,316	(74,684)

- 7.2 The main reported variances on projects within the Council's capital programme are as follows:
- 7.2.1 **Affordable Housing** (£40.791m) – This underspend is a result of savings achieved on the estimated purchase costs of properties, as well as the timing of purchases in this financial year. Only 199 have been purchased, against a target of 250. The remaining 51 will be purchased in the next financial year.
- 7.2.2 **Education Expansion Programme** (£8.969m) – The underspend projected is a result of slippage across the programme, and works will be completed in the remaining years of the expansion programme.

- 7.2.3 **Bereavement Services** (£2.390m) – This is a combination of delays in identifying suitable land to purchase for additional burial capacity, as well as delays in the incinerator replacement project, which will commence later this year.
- 7.2.4 **Blackhorse Road Bridge** (£3.648m) – TfL is the lead authority on the commissioning of the two bridges. The programme slippage is due to issues identified from the feasibility studies and engineering difficulties with construction. The construction is expected to be substantially completed and the road opened to traffic by Dec 2019 and the entire project completed by May 2020.
- 7.2.5 **Disabled Facilities Grant** (£2.177m) – Due to DFG spend restrictions; the council is unable to expand the team in line with the increase in grant allocation. Spend per property is capped at £30k, currently the average spend is £10k per property. The remaining amount will be slipped to 2019/20.
- 7.2.6 **Fieldway Cluster (Timebridge Community Centre)** - (£3.704m) – Forecast spend is lower than budget. The remaining amount is to be slipped to 2019/20.
- 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 2018/19 budget, the revised programme and the forecast outturn.

Table 5 – Sources of capital funding

Funding	Original 2018/19 budget £'000s	Revised 2018/19 budget £'000s	Forecast 2018/19 Outturn £'000s
School Condition Funding (Education)	3,770	3,770	3,770
EFA Invest to Save (Education)	969	969	969
TFL LIP and other funding	2,462	2,462	2,462
CIL	6,800	7,300	7,300
CIL local meaningful proportion	1,200	1,200	1,200
Disabled Facilities Grants	2,400	3,494	1,317
Borrowing - (RIF)	194,929	159,140	156,660
LLP Receipt	0	122,391	81,600
Growth Zone	4,000	4,574	4,574
S106	260	2,637	580
Borrowing	96,676	102,963	81,559
GENERAL FUND	313,466	410,900	341,991
Major Repairs Allowance	21,209	25,924	25,924
HRA - Revenue Contribution	3,718	3,718	3,718
HRA - Use Of Reserves	7,458	7,458	1,683
HRA FUNDING	32,385	37,100	31,325
TOTAL FUNDING	345,851	448,000	373,316

- 7.4 The majority of the general fund borrowing is to fund the education programme due to the inadequate level of funding received from the Government and the essential need to provide school places in the borough.
- 7.5 The estimates within the capital programme are reviewed throughout the year, and the revised budget has been adjusted across financial years to remain consistent with expected delivery.

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 6 below:

Table 6 - Council Tax and Business Rates collection

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %
Council Tax	81.15	81.20	0.05 favourable
Business Rates	84.01	84.75	0.74 favourable

Council Tax

- 8.2 At the end of quarter 3, Council Tax collection is above target by 0.05%. The Council remains on course to achieve its in-year collection target of 97.25%, which is an increase of 0.05% above the previous year's target of 97%.

Business Rates

- 8.3 At the end of quarter 3, Business Rates collection is 0.74% above target, which is the result of a large business paying their year's liability in full, rather than in instalments. The Council is on target to achieve its full-year collection target of 98.75%.

Local Discretionary Relief

- 8.4 In March 2017, the Government announced that funding would be made available across 2017/18 to 2021/22 to protect businesses from increases in business rates caused by the revaluation of business property introduced in 2017/18. The Council's local discretionary scheme was approved by Cabinet on 26 February 2018, which will distribute relief of up to the £870,000 in 2018/19 – the amount of funding made available to the Council. Table 7 sets out current performance:

Table 7 – Distribution of Local Discretionary Relief

Business Type (based on rateable value)	Anticipated number	Anticipated amount £'000s	Actual number – YTD	Actual relief – YTD £'000s
Small Businesses	2,038	352	1,778	308
Medium businesses	678	524	600	449
Borough Total	2,716	876	2,378	757

- 8.5 Amounts of relief distributed in year are lower than anticipated because business premises cease to be eligible for this relief if there a change in occupation from the time the revaluation took place (April 2017). The council will receive funding from the MHCLG to match the Council's cost of relief awarded for the year, estimated at £757,000.

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 Resources (Section 151 officer)

11. LEGAL CONSIDERATIONS

- 11.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance 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” in the context of Section 151, referenced above, 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 Statutory Guidance on the Flexible Use of Capital Receipts has been issued under the Local Government Act 2003. By Section 15(1) the Council is required to have regard to this guidance. The guidance applies with effect from 1 April 2016 to 31 March 2019. The guidance should be read alongside the Flexible use of capital receipts Direction made by the MHCLG in exercise of its powers under the Local Government Act 2003 Sections 16(2) (b) and 20.
- 11.5 Provision is made within the Local Government and Finance Act 1988 (“the Act”) as amended (including by section 69 of the Localism Act) for the Council to grant discretionary rate relief subject to parameters as set out within the Act and detailed within the proposed 2018/19 policy. Such rate relief terms are also subject to the terms of the Section 31 Grant from Government. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 require authorities to provide ratepayers with at least one year’s notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year.

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 an impact on LBC staff as

proposals are developed. 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 overspend 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 make sure that our vulnerable customers that share a "protected characteristic" are not disproportionately affected by the actions proposed to reduce in year budget overspend 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 a 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

Approved by: Yvonne Okiyo, Equalities Manager

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 overspend and draw down on balances, which would not be prudent.

CONTACT OFFICER: Lisa Taylor – Director of Finance, Investment & Risk (Section 151 Officer).
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BACKGROUND PAPERS: None

APPENDICES: Appendix 1 – Revenue variations over £100k with explanation
Appendix 2 – 2018/19 Q2 Capital Outturn Forecast