

<b>REPORT TO:</b>	<b>CABINET 1<sup>st</sup> March 2021</b>
<b>SUBJECT:</b>	<b>FINANCIAL PERFORMANCE REPORT – QUARTER 3 December 2020</b>
<b>LEAD OFFICER:</b>	<b>Chris Buss Interim Director of Finance , Investment and Risk</b>
<b>CABINET MEMBER:</b>	<b>Councillor Stuart King – Cabinet Member for Croydon Renewal  Councillor Callton Young – Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The recommendations in the report make elected members aware of the financial position of the council and give elected members information to help ensure effective management, governance and delivery of the Council’s medium term financial strategy and ensure a sound financial delivery of the 2020/21 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.</p>	
<b>AMBITIONS FOR CROYDON &amp; WHY WE ARE DOING THIS:</b>	
<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>	
<b>FINANCIAL IMPACT</b>	
<p>This report sets out the financial position of the council at the end of quarter 3, for revenue, capital and the Housing Revenue Account (HRA) budgets.</p> <p>The impact of Covid19, which has led to a significantly reduced level of income, increased costs, and the inability to deliver a large number of the savings that were approved in the 2020/21 budget has resulted in a significant forecast overspend at quarter 3.</p> <p>The Council has been undertaking a programme of work to review and reduce costs, alongside working with The Ministry of Housing, Communities and Local Government (MHCLG) to ensure that Croydon has the funding to be able to meet its costs for 2020/21. The Council continues to operate under a S114 arrangement and since the last Financial Performance Report (Quarter 2) the Council has submitted its request for a capitalisation direction of £150m of which £70m relates to 2020/21.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO. - Not a key decision.</b>	

## 1. RECOMMENDATIONS

Cabinet is recommended to :

- i) Note the current general fund revenue outturn forecast at the end of the quarter 3 of 2020/21 of **£64.7m** overspend, after the inclusion of both anticipated and received Covid19 funding from the MHCLG of £41.9m;
- ii) To note that there are a number of risks totalling **£31.8m** that could materialise which would see the variance increase further. These are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick. Should all of these risks crystallise the total forecast overspend would increase to **£96.5m** by the year end.
- iii) Note the details of the monthly Covid19 impact submissions being made to the MHCLG and the details of the financial support that is available to the council in light of Covid19 as outlined in section 6 of this report.
- iv) Note the work being undertaken by the Spending Control Panel and Finance Review Panel to reduce the overspend this financial year.
- v) Note the HRA revenue position of a **£0.5m** forecast overspend against budget;
- vi) Note the revised capital outturn projection of £187m for the general fund and HRA is forecast to be an underspend of £117m against the revised budget.

## 2. EXECUTIVE SUMMARY

- 2.1 This report updates Members on the Council's financial outlook at the end of quarter 3 of 2020/21, which remains incredibly challenging against a context of the current Covid19 pandemic, which has put significant increasing pressure on council services and budgets since the beginning of this financial year.
- 2.2 The budget for 2020/21 was presented to Cabinet in February 2020 and approved by Council in March 2020. Cabinet and Council when approving the budget were made aware that balancing the budget is becoming increasingly difficult each year and the 2020/21 budget contained a significant number of savings that were ambitious and needed to be delivered in year.
- 2.3 Cabinet were also made aware that these continue to be very challenging times for local government and therefore it was certain that further difficult choices would be required over the coming budget cycle and medium term if the Council is to maintain a continued stable financial foundation. This statement was made by the S151 Officer and on the basis of the challenging financial position already facing local government following years of sustained reductions in government funding. The Covid19 pandemic has brought further unprecedented financial challenges that has left all Local

Authorities including Croydon facing a substantial funding shortfall in 2020/21 and beyond.

- 2.4 With the continued increase in the projected outturn for 2020/21 and lack of progress on cost reductions and efficiencies the former S151 Officer issued a Section 114 notice in November 2020. The ability to ensure the Council remained within its available financial resources became extremely difficult and it was clear with the backdrop of the Covid-19 pandemic the Council will run out of financial resources by year end.
- 2.5 The issuing of the S114 notice bans all new spending with the exception of protecting vulnerable people, essential services and pre-existing commitments. The budget remains unbalanced at the end of the 21 days prohibition and on the 2<sup>nd</sup> December a second S114 notice was issued and the Council has continued to remain in a S114 since as the budget remains unbalanced.
- 2.6 The Council formally submitted a request for financial support in the form of a capitalisation directive (loan) to the Ministry of Housing, Communities and Local Government (MHCLG) on 15 December 2020 and await their response.
- 2.7 On 1<sup>st</sup> February MHCLG published a report that set out the findings of the rapid review which took place in October and November of last year. In response to the report, the Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP, has announced a series of measures that outline the next steps for Croydon – including confirmation of the Government appointed Improvement and Assurance Panel and its members.
- 2.8 The 2020 rapid review was commissioned by the MHCLG to better understand our financial situation and assess our capability and capacity as an organisation – to give the Government reassurance that not only are we putting the right plans in place for the future of Croydon, but that we have the people and processes to deliver them. Reflecting on the report the Secretary of State's response is clear that the challenges we face are significant, with many issues the product of poor governance, which has raised questions about our ability to recover. However, it is acknowledged that things are changing for the better, and that with the right leadership and support we can continue our improvement journey and restore control of our financial position.
- 2.9 It is clear that working with the Improvement and Assurance Panel is a key step in giving the Government confidence in our ability to deliver the renewal plans that we have put forward.
- 2.10 Tony McArdle, Margaret Lee, Executive Director, Corporate and Customer Services at Essex County Council and Crown Representative Phil Brookes have been formally appointed as panel members, to support Croydon as we continue our improvement journey and report back centrally on our progress. With work already underway, the panel has been asked to provide an independent assessment of our funding submission and to update the MHCLG in early February on its viability.
- 2.11 This current forecast is based on the known position at the time of writing this report. It is indicative at this time and may alter given the continued uncertainty about the

pandemic and the current second spike and the ongoing impact on Council services over the medium term. It is expected the economic recovery and continuing associated impact on residents will require significant Council response going forwards, even after the virus has been contained. As a result, very prudent figures have been included in this forecast. The figures contained in this report include funding to date from government but it is not possible to predict if further funding will be made available at this time. To date funding for the impact of Covid19 has been insufficient to cover all lost income, increased costs and non-delivered savings. To date Croydon has received £41.9m of Covid 19 funding out of £3.7bn distributed nationally.

### 3. DETAIL

- 3.1 The total net forecast general fund overspend at quarter three is **£64.7m** and shown in table 1 below. The overspend is made up of departmental overspends (gross, before COVID-19 contributions) of **£75.3m**, Non departmental overspends of **£32.2m**. As detailed in section 2.11 above the net overspend also includes the funding received to date and anticipated from MHCLG of **£41.9m** as set out in section 4 of this report.

**Table 1 – Forecast Outturn 2020/21**

Department	Quarter 3 variance £'000	Quarter 2 variance £'000
Children's, Families and Education	23,219	24,266
Health Wellbeing and Adults	24,676	24,248
Place	18,063	9,206
Resources	4,900	3,278
Capitalisation of Redundancy Costs	-800	0
Exceptional Item: School Closure Deficits	5,216	0
<b>Departmental Total</b>	<b>75,274</b>	<b>60,998</b>
Non-departmental items – below the line	32,989	9,340
<b>Total General Fund overspend</b>	<b>108,263</b>	<b>70,338</b>
MHCLG Funding Tranche 1-4	-31,996	-35,172
Lost Sales Fees and Charges Income	-4,531	0
Further Lost Sales Fees and Grants (Estimated)	-4,355	-1,845
Tier 2 Support Grant (£3 per head)	-1,000	-1,000
<b>Covid Grants</b>	<b>-41,882</b>	<b>-38,017</b>
<b>Savings Programme</b>	<b>-1,700</b>	<b>-2,200</b>
<b>Total overspend</b>	<b>64,681</b>	<b>30,121</b>

- 3.2 The direction of travel on the Council’s Forecast has been getting worse since Period 6 the current monitor indicates the growing financial pressures faced by the Council. Table 7 provides a detailed comparator to between period 9 and period 8 of the change in variance and Appendix 2 provides summary of the movements since Period 6.
- 3.3 The forecast **£64.7m** projected General Fund variance (as shown above in table 1) includes the £5m budgeted contribution to general fund reserve that was approved as part of the budget when set in March 2020, it also includes a further £15 million contribution to the general reserve.. . Other in year savings that have been identified and were reported to Cabinet in September and December as part of the Croydon Renewal Plan are also included in the forecasts. Details of these are set out in section 6.
- 3.4 As indicated in Table 1 the Council’s services have faced considerable pressures in delivering the services in light of the Covid pandemic. Whilst the Council has received covid funding to support these pressures it is only right that this funding be allocated to each services within this financial year.
- 3.5 Throughout the financial year the Council has completed various returns to Central Government advising of the pressures the Council has experienced directly related to Covid. The Council has therefore used amounts indicated as pressures faced by the services as the base for allocating the MHCLG Tranche 1 – 4 Covid grants. Table 2 below identifies how the grant will be distributed to departments.

**Table 2 – Covid Funding Tranches 1-4 Allocation**

	<b>£'000</b>
Children’s, Families and Education	2,181
Health Wellbeing and Adults	24,683
Place	4,917
Resources	144
Non Departmental Items	72
<b>Total</b>	<b>31,996</b>

**Additional Risks**

- 3.6 The forecast General Fund position as set out above is forecasting a £64.7m overspend but does not take into account potential additional risks of £31.8m. Whilst further work is required to substantiate these they haven’t been factored as guaranteed risks and so are reported as an additional item. These risks are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick
- 3.7 Should the potential risks identified in the above materialize, the forecast overspend of **£64.7m** would increase to **£96.5m**. The table below summarises these risks:

**Table 3 – Additional Risks**

<b>Additional Risks</b>	<b>£'000</b>
BxB Accrued interest	14,255
BxB In-Year Interest	11,500
Minimum Revenue Provision	200
Possible Transformation Funding	5,800
<b>Total</b>	<b>31,755</b>

#### 4 MHCLG Covid-19 FUNDING

- 4.1 MHCLG have made a number of different funding streams available. A number of these grants are service specific which are not held corporately and accounted for within the services net forecast. Table 4 below gives details of the most recent return to the MHCLG and gives details of the non specific grants that are held, and table 5 gives details of the service specific additional support grants, with table 5 identifying grants received that are being distributed to businesses within the borough to support them.

**Table 4 –MHCLG Covid19 return**

	December 2020 (£,000's)	January 2021 (£,000's)	
Additional Expenditure	38,058	39,764	
Unachieved Savings	28,705	28,705	
Lost Income	10,232	10,872	(a)
<b>Gross Total</b>	<b>76,995</b>	<b>79,341</b>	
Grants Received	-23,512*	-32,998	(b)
<b>Net After Grants</b>	<b>53,483</b>	<b>43,343</b>	

(a) Excludes £27.7m Collection Fund losses on Council Tax / NNDR

(b) Further receipt of Covid-Related Grant funding is expected and included in Table 1

**Table 5 - Service specific additional Covid support**

<b>Service Specific Covid Grants</b>	<b>£'000</b>
Infection control fund for adult social care (tranche 1)	4,121,000
Infection control fund for adult social care (tranche 2)	3,954,000
Test and Trace	1,998,000
Welfare support grant	447,000
Next Steps Accommodation Programme	635,000
Test and trace support grants	338,000
LA compliance & Enforcement grant	218,000
Clinically Extremely Vulnerable Support Grant	195,000
Covid Winter Grant	1,199,000
Cold Weather Payment (housing)	50,000
Contain Outbreak Management Fund	3,094,000
COMF - December tier 2 funding	773,000
<b>Total</b>	<b>17,022,000</b>

**Table 6 – Covid Relief Business Grants**

<b>Covid Relief Business Grants</b>	<b>£'000</b>
Discretionary Business Grants Fund	3,029,400
Reopening High Streets Safely	341,995
Additional Restrictions Grant.	7,734,200
Local Restrictions Support Grant (Closed)	5,845,518
<b>Total</b>	<b>16,951,113</b>

- 4.2 Monthly returns are currently being collated by MHCLG to help give them a clear picture of the impact of Covid19 on local government. At the time of writing this report it is not clear what further funding will be made available to deal with the pressures that are being faced due to the pandemic.
- 4.3 In addition to the non-specific grants, MHCLG have also released funding for

compensation for loss of income from sales, fees and charges which means that all relevant losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound. At the time of writing this report 2 claims have already been submitted for £4.5m and it is estimated that a further £4.3m will be received and is included in the forecast.

- 4.4 The government has also announced an intention to allow authorities to spread 2020/21 collection fund deficits over three years. This is a year longer than the usual spreading over two years, with the estimate as at January 2021 being recovered the following year (2021/22) and the final outturn being recovered the year after (2022/23). Table 1 or Table 2 do not include the 2020/21 forecast loss on the Collection Fund of £27.7m but will be accounted for from 21/22.

## 5 EMERGENCY BUDGET 2020/21/CROYDON RENEWAL PLAN

- 5.1 As reported to cabinet in September 2020, the 2020/21 budget has come under significant pressure and was no longer balanced. Proposals were set out in the report recommending further in year savings and a series of immediate measures. Of the total savings options reported £27.4m of these are included in the forecast outturn and are shown in the table below.

**Table 7 – Delivery of In-Year Savings Initiatives**

<b>Savings Options</b>	<b>£'000</b>
Health Funding	- 12,100
Transformation funding	- 2,500
Use of Community Infrastructure Levy (CIL)	- 1,700
Contract savings	- 2,000
Staff savings	- 2,000
Capital programme review	- 1,700
Children's services	- 1,050
Parking fees	- 1,023
Public Health funding	- 1,000
Non essential expenditure	- 1,000
Adult Social Care	- 500
Bulky waste	- 359
Resources Department	- 267
Facilities Management	- 104
Library book fund	- 50
SEN transport - under 5's	- 50
<b>Total</b>	<b>- 27,403</b>

## 6 GENERAL FUND REVENUE SUMMARY POSITION 2020/21

- 6.1 As stated earlier, there is a forecast overspend of £64.7m, the bulk of which is related, directly or indirectly, to COVID-19 and could not have been reasonably foreseen at the time of setting the budget in March 2020

6.2 Table 8 gives details of the major variances only to highlight some of key pressures the Council has faced over the course of the year.

**Table 8 – Variances over £500k**

Department	Details of Variances over £500k	2020/21 Quarter 3 £'000	2020/21 Quarter 2 £'000
<b>HEALTH, WELLBEING AND ADULTS</b>			
ASC Directorate	Unachievable savings on workforce carried forward and care packages/placements for 2020/21	£3,400	£3,400
	Market sustainability payments	£2,200	£2,200
	Minor variances	£2	£0
	<b>ASC SUB TOTAL</b>	<b>£5,602</b>	<b>£5,600</b>
25-65 Disability	Overspend on Residential Care Placements - increase in client numbers and increase in placement costs.	£2,834	£3,370
	Over spend on Domiciliary Care associated with increased client numbers and increased supported living costs	£1,256	£1,700
	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	£560	£908
	Overspend on Care costs and Direct Payments - increase in client numbers and average cost of care	£6,857	£6,506
	Minor variances	£214	-£925
	<b>25-65 Disability SUB TOTAL</b>	<b>£11,721</b>	<b>£11,559</b>
Over 65 Social Care	Underspend on Domiciliary Care net of savings from health partners	-£542	-£973
	Overspend on Direct Payments - increase in client numbers and average cost of care	£940	£1,030
	Increased costs of care packages/placements and ancillary costs to the council for accelerated hospital discharge and avoidance of hospital admissions during Covid 19 emergency period. Increased costs of Covid-19 are funded by NHS until 31st March 2021.	£4,981	£4,981
	Underspend in staff due to recruitment freeze and ending use of agency workers	-£627	-£615
	Minor variances	-£2	£136
	<b>Over 65 Social Care Sub Total</b>	<b>£4,750</b>	<b>£4,559</b>
Public Health	Minor variances	-£40	-£40
	<b>Public Health Sub Total</b>	<b>-£40</b>	<b>-£40</b>

Provider Services	Minor variances	-£629	-£506
	<b>Provider Services Sub Total</b>	<b>-£629</b>	<b>-£506</b>
Adult Mental Health Social Care	Minor variances	£42	£143
	<b>Adult Mental Health Social Care Sub Total</b>	<b>£42</b>	<b>£143</b>
Innovation and Integration	<b>Minor Variances</b>	<b>-£389</b>	<b>-£317</b>
	<b>Innovation and Integration Sub Total</b>	<b>-£389</b>	<b>-£317</b>
OBC Commissioning	Minor variances	£245	£406
	<b>OBC Commissioning Sub total</b>	<b>£245</b>	<b>£406</b>
Gateway Services	Lost income from Registrars services due to Covid 19 restrictions	£495	£572
	London Wide Covid 19 Excess deaths	£1,709	£1,709
	Minor variances	-£563	-£694
	<b>Gateways Services Sub total</b>	<b>£1,641</b>	<b>£1,587</b>
Housing Assessment and Solutions	Temporary Accommodation – increase in homelessness numbers and increases in cost of Private Licenced Accommodation	£559	£1,053
	Additional Homelessness Reduction Act grant	-£790	-£790
	Increase in numbers of households placed in Emergency Accommodation	£236	£639
	Increase in provision for bad debt relating to homelessness rents	£1,113	£957
	Minor variances	£615	£398
	<b>Housing Assessment and Solutions Sub Total</b>	<b>£1,733</b>	<b>£2,257</b>
<b>HEALTH, WELLBEING AND ADULTS TOTAL</b>		<b>£24,676</b>	<b>£25,248</b>

<b>CHILDREN, FAMILIES &amp; EDUCATION</b>			
<b>Early Help and Children's Social Care</b>			
Children's Social Care Directorate	Staffing	£126	£115
	Legal Costs for care proceedings	£350	£0
	Removal of Dedicated Schools Grant (in previous year)	£246	£246
	Minor variances	-£989	-£485
	<b>Children's Social Care Directorate Sub Total</b>	<b>-£267</b>	<b>-£124</b>
Social Work with Families	Staff savings from realigned budgets	-£351	-£586
Social Work with Children Looked After	Increase in the cost of external placements	£12,884	£11,778
	Staffing projected cost reduction following review of establishment	£1,118	£2,143
	Unachievable 2019/20 savings on workforce and packages/placements	£0	£835

0-25 CWD and Transition Service	Increase in the cost of external placements	£9,963	£10,112
	Staffing	£278	£130
Advice, Support and Intervention	Staffing	£441	£616
	Other Minor Variances	£162	£0
Systemic and Clinical Practice	Staff savings	-£476	-£591
Children's Social Care	Minor variances	£1,059	£1,163
	<b>Children's Social Care Sub Total</b>	<b>£25,078</b>	<b>£25,600</b>
Exceptional Item - Closed School	Deficit balance from school closure	£5,216	£0
Education	Minor variances	-£1,242	-£776
	<b>Education Division Sub Total</b>	<b>£3,974</b>	<b>-£776</b>
Performance and Quality Assurance	Minor variances	-£350	-£434
	<b>Performance Sub Total</b>	<b>-£350</b>	<b>-£434</b>
<b>CHILDREN, FAMILIES AND EDUCATION TOTAL</b>		<b>£28,435</b>	<b>£24,266</b>
<b>CHILDREN, FAMILIES AND EDUCATION (EXCL EXCEPTIONAL ITEM)</b>		<b>£23,219</b>	<b>£24,266</b>

PLACE			
Public Realm – Waste	Cost of contract variations on Waste Collection and savings in HRRC Contract & in Street Cleansing Contract additional TUPE costs.	£2,024	£1,750
Public Realm – Parking	Parking Income Shortfall There was no Parking Enforcement between the end of March and June 2020 due to Covid 19 measures that were introduced. At present transaction levels are returned to similar levels as last year and additional income is anticipated through enforcement of newly identified areas of non compliance of parking regulations.	£2,905	£2,359
	PCN Income - £3,036m Lockdown and school closures impacted on PCNs generated/Bailiff action recommenced in January/Ot given approval in Jan'21, £1.350m pressure due to ban on overtime from July to Dec 2020.	£4,386	£590
	Savings in payroll costs due to reduced overtime and delays in recruitment offset by overspend on third party payments and other running costs	-£562	£0
Public Realm - Public Protection & Licensing	Selective Licensing Income, due to Secretary of State not approving the new Selective Licensing 5 year Landlord Scheme in Jan 2021. This	£2,758	£0

	impacts on the go live date for Landlords, which will on start in next financial year.		
Public Realm - Highways	Employee Savings due to reduced TFL grant income & Savings due to recruitment freeze	-£73	£0
Public Realm – SEN	Savings in SEN transport costs due to considerable reduction in transport activities due to Covid 19 with school closures and self isolation affecting the demand	-£1,934	-£1,742
<b>PUBLIC REALM</b>	Minor Variance	£181	£103
	<b>Public Realm Sub Total</b>	<b>£9,685</b>	<b>£3,060</b>
Development Control (Planning)	Minor Variance	-£5	£181
	<b>Development Control (Planning) Sub total</b>	<b>-£5</b>	<b>£181</b>
Homes And Social Investment - Assets	Unachieved 2020/21 rental income as a result of Covid 19	£1,725	£1,725
	Write-off of prior year debt for Croydon Park Hotel as a result of Covid 19	£1,000	£1,000
	Unachievable budget savings for investment income	£4,000	£4,000
	Reduction in FM recharges to Capital	£1,326	£0
	Minor Variance	£775	£17
	<b>Homes And Social Investment - Assets sub total</b>	<b>£8,826</b>	<b>£6,742</b>
Violence Reduction Network	Minor Variance	-£22	-£17
	<b>Violence Reduction Network Sub Total</b>	<b>-£22</b>	<b>-£17</b>
Croydon Culture Growth	Minor Variance	-£179	-£525
	<b>Croydon Culture Growth Sub total</b>	<b>-£179</b>	<b>-£525</b>
Growth Employment and Regeneration	Minor Variance	-£242	-£235
	<b>Growth Employment and Regeneration Sub total</b>	<b>-£242</b>	<b>-£235</b>
<b>PLACE TOTAL</b>		<b>£18,063</b>	<b>£9,206</b>

<b>RESOURCES</b>			
Commissioning And Procurement	Agency rebate pressure	£1,460	£1,460
	Underspends on staffing	-£658	-£658
	Minor Variance	-£468	-£30
	<b>Commissioning And Procurement Sub total</b>	<b>£334</b>	<b>£772</b>
Human Resources	Minor Variance	-£331	-£295
	<b>Human Resources Sub Total</b>	<b>-£331</b>	<b>-£295</b>
Resources Directorate	Minor Variance	£464	£328
	<b>Resources Directorate Sub Total</b>	<b>£464</b>	<b>£328</b>

Finance Investment And Risk	Release of Housing Benefit Bad Debt Provisions	£0	£602
	Land charges Income Shortfall	£0	£927
	Revenues Courts Costs Income shortfall due to closure of courts during Covid19 pandemic	£903	£0
	Bailiff fees income shortfall, reduced activity due to Covid19	£701	£0
	Minor Variance	£492	£524
	<b>Finance Investment And Risk Sub Total</b>	<b>£2,096</b>	<b>£2,053</b>
Digital And IT	Reduction in recharges to capital	£3,069	£0
	Minor Variance	-£257	-£68
	<b>Digital And IT Sub Total</b>	<b>£2,812</b>	<b>-£68</b>
Law and Governance	Minor Variance	-£301	£592
	<b>Law and Governance Sub total</b>	<b>-£301</b>	<b>£592</b>
Strategy and Partnerships	Minor Variance	-£174	-£104
	<b>Strategy and Partnerships Sub Total</b>	<b>-£174</b>	<b>-£104</b>
<b>RESOURCES TOTAL</b>		<b>£4,900</b>	<b>£3,278</b>

<b>Dept sub total</b>		<b>£76,074</b>	<b>£61,998</b>
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<b>CORPORATE ITEMS</b>			
	Corporate Contingency	£3,437	£2,003
	Minimum Revenue Provision	£1,531	£0
	Unachievable Capital Recharges and staff savings	£2,225	£2,225
	Unachievable Savings for Recharges to HRA	£2,000	£0
	Unachievable Savings for Recharges to Capital	£500	£0
	Further Contribution to Reserves (Subject to Capitalisation Direction)	£15,000	£0
	Loss of Income S31 grants	£4,754	£4,754
	capitalise red'y costs	-£800	£0
	Pension Deficit Cost – Transfer of Assets	£3,500	£0
	Other Minor Variances	£42	£358
<b>CORPORATE ITEMS TOTAL</b>		<b>£32,189</b>	<b>£9,340</b>

<b>SUB TOTAL BEFORE EXCEPTIONAL ITEMS</b>		<b>£108,263</b>	<b>£71,338</b>
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<b>Covld Grants</b>		<b>-£41,882</b>	<b>-£38,017</b>
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<b>SAVINGS HELD CENTRALLY</b>		<b>-£1,700</b>	<b>-£2,200</b>
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<b>TOTAL OVERSPEND</b>		<b>£64,681</b>	<b>£31,121</b>
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<b>RISKS</b>		<b>£31,800</b>	<b>£36,800</b>
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<b>TOTAL</b>		<b>£96,481</b>	<b>£67,921</b>
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## 7. VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

7.1 There are no virements requiring approval.

## 8 HRA (HOUSING REVENUE ACCOUNT)

8.1 The current forecast for the HRA is for an estimated overspend of **£0.5m**. The key variances being reported in at Quarter 3 are summarised Table 9 below:

**Table 9 – 2020/21 Main variances within the HRA Table**

Department	Major Variances	Quarter 3 £'000	Quarter 2 £'000
<b>HRA – DISTRICT CENTRES AND REGENERATION</b>	Vacancies held across division and an underspend on responsive repairs due to covid restrictions (£300k)	(640)	(438)
<b>HRA – HOUSING NEED</b>	Pressure on income due to non-recoverable income write off (£487k) and budget based on in year acquisitions (£275k). Expenditure pressures related to safety measures at Concorde, Sycamore and Windsor blocks (£268k) and utility costs (£387k). One-off income for major works offsetting some of the pressure.	1,170	225
<b>TOTAL HRA PROJECTED VARIANCE</b>		530	(213)

8.2 There continues to be an increase in demand for housing, which places pressure on HRA waiting lists and the budgets for Emergency and Temporary Accommodation. Subject to levels of demand, more HRA stock will reduce the need for temporary housing and therefore enable savings to be made through reducing the need for more expensive private emergency and temporary accommodation solutions.

8.3 Impacting on the HRA, the long term financial implications of obtaining properties can be managed by minimising borrowing costs where possible, using funding from the GLA alongside Right To Buy receipts and more favourable borrowing rates offered for housing by central government or other private sector sources. These long-term costs will be offset by the rental income on properties and, by purchasing new build properties, future maintenance costs should also be more favourable.

## 9. FORECAST CAPITAL OUTTURN POSITION

9.1 The high level Capital programme for 2020/21 is shown in Table 10 below, full details of all projects are shown in Appendix 1. A forecast under spend of £112.6m is projected for 2020/21.

**Table 10 – 2020/21 Capital Programme**

Original 2020/21 Budget £'000s	Department	Slippage from 2019/20 £'000s	Budget Adjustments 2020/21 £'000s	Revised Budget 2020/21 £'000s	Actuals April - Dec 2020 £'000s	Forecast Outturn 2020/21 £'000s	Forecast Variance 2020/21 £'000s
3,000	HEALTH, WELLBEING AND ADULTS	4,135	46	7,181	1,311	7,181	0
25,283	CHILDREN, FAMILIES AND EDUCATION	15,703	-12,897	28,089	12,201	28,162	73
159,449	PLACE	13,762	-52,132	121,079	7,170	43,291	-77,788
113,814	RESOURCES	7,975	-101,653	20,136	4,400	10,970	-9,166
301,546	<b>GENERAL FUND TOTAL</b>	41,575	-166,636	176,485	25,082	89,604	-86,881
35,701	HOUSING REVENUE ACCOUNT	8,472	83,239	127,412	10,336	101,742	-25,670
337,247	<b>CAPITAL PROGRAMME TOTAL</b>	50,047	-83,397	303,897	35,418	191,346	-112,551

9.2 The main reported variances on projects within the Council's capital programme are as follows:

- **Fire Safety Programme** (£5m) slippage - Fire safety works are progressing, there has been some slippage as a result of contractor delays, and the impact of Covid19.
- **Major repairs and improvements programme** (£3m) – slippage due to the restrictions during Covid19.
- **BxB programme** £76m – slippage due to review of funding and loans agreements
- **Growth Zone** – borrowing capacity review and current S114 has paused the schemes. at a suitable juncture, design stage 4, where they have been signed off and can then be re-started off the shelf as required.
- **ICT refresh** £2.8m – review of these charges has identified that these are not of a capital nature and cannot be charged to capital – these have been removed from capital and forecast as a pressure on revenue budget.
- **People ICT** (£4m) slippage - the project has been halted due to the restrictions put in place as part of the S11 notice.
- **HRA BxB (£13m)** - slippage due to review of funding and loans agreements

9.3 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 11 below details the funding for the original 2020/21 budget, the revised programme and the forecast outturn.

**Table 11 – Sources of capital funding**

<b>Funding</b>	<b>Original 2020/21 budget</b>	<b>Revised budget 2020/21</b>	<b>Forecast 2020/21 Outturn</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Capital receipts	0	0	0
ESFA	9,000	9,750	9,750
School Condition Funding	2,000	8,902	8,902
Basic Needs (Education)	0	3,540	3,540
Special Provision Capital Funding	0	1,626	1,626
Disabled Facilities Grants	2,400	2,400	2,400
GLA Urban Tree Challenge Fund	0	0	298
TFL LIP and other funding	2,462	0	1,897
NHS	5,000	0	0
CIL	6,800	6,800	8,800
CIL local meaningful proportion	576	1,848	725
ECVP external funder	600	600	600
Borrowing	42,198	53,236	36,935
Borrowing - (RIF) - BXB and Affordable Homes	115,510	76,002	5,707
Borrowing - Asset Acquisition Fund	100,000	0	0
Borrowing - Growth Zone	15,000	6,673	3,000
Section 106 receipts	0	4,973	5,289
Football foundation	0	135	135
<b>GENERAL FUND</b>	<b>301,546</b>	<b>176,485</b>	<b>89,604</b>
Major Repairs Allowance	12,506	12,506	12,506
HRA - Revenue Contribution	11,150	11,150	11,150
HRA - Use Of Reserves	3,295	3,295	0
HRA - Use of 141 receipts	0	21,823	14,837
GLA Funding of BxB Properties	3,500	10,000	10,000
Borrowing BxB Properties	5,250	68,638	53,249
<b>HRA FUNDING</b>	<b>35,701</b>	<b>127,412</b>	<b>101,742</b>
<b>TOTAL FUNDING</b>	<b>337,247</b>	<b>303,897</b>	<b>191,346</b>

## 10. FINANCIAL MANAGEMENT

10.1 Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 12 below:

**Table 12 - Council Tax and Business Rates collection**

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %	Monetary Value of Target Variance £	Variance to last year at Q3 %
Council Tax	81.17%	78.53%	(2.64)	6.134m	(2.56)
Business Rates	82.98%	75.70%	(7.28)	5.190m	(6.33)

### **Council Tax**

- 10.2 At the end of Q3 Council Tax collection was under target by 2.63%. The position has stabilised with no further increase compared to Q2. Recovery has been adversely affected by Covid19 and restrictions placed on recovery activity. We are carrying out recovery activity but in a way that prevents hardship to those adversely impacted by Covid19. Courts remain closed for recovery action and we are unable to summons for any arrears, this is a key recovery method. Without this option our ability to recover outstanding debts continues to be impacted.
- 10.3 As part of the Council’s support package for residents who were affected by Covid19, we allowed residents to defer payment of their Council Tax instalments for 2 months. 3,583 residents took up the offer to defer their Council Tax instalments.

### **Business Rates**

- 10.4 At the end of quarter 3 Business Rates collection is 7.28% down. This is due to business rates being heavily impacted due to Covid 19. A large proportion of Businesses have not been trading during various lockdowns but tier restrictions also impacts on income they receive. As recovery action has also been paused, we have been unable to take further action against those who have not yet paid the business rates.
- 10.5 As at the end of Q3 we paid 3944 business grants with a total value of grants paid to the business community is £52,740,000. Further grant payments have been made in Q4 and details will be provided in Q4 reporting.

## **11. SUMMARY AND CONCLUSIONS**

- 11.1 As all Members are aware, managing the 2020/21 budget was going to be difficult with all of the growing demands on services, reduced financial reserves and the ambitious savings programme. The impact of the Covid19 pandemic has now made this extremely challenging. A section 114 notice was issued in November with a further notice in December which we are still working under.
- 11.2 The three year Medium Term Financial Strategy (MTFS) and the setting of a budget for 2021/22 that is robust, balanced and deliverable has been challenging, and has involved

a number of difficult decisions, and discussions with the MHCLG. Details of the work on the MTFs is contained in a separate report on this agenda.

## **12. FINANCIAL CONSIDERATIONS**

- 12.1 This report deals with the assumptions in planning and managing a balanced budget over the medium term as well as informing the cabinet of the 2020/21 outturn position and the challenges faced especially in light of the Covid19 pandemic, S114 notice that is still in place.

Approved by: Approved by Chris Buss Interim Director of Finance, Investment and Risk (Section 151 Officer)

## **13. LEGAL CONSIDERATIONS**

- 13.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that this report details updated information required for the Council's statutory duty to set a balanced budget.

Approved by, Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

## **14 HUMAN RESOURCES IMPACT**

- 14.1 Any proposals on budget that may have any impact on the workforce would be consulted on in line with agreed formal consultation arrangements with the recognised trade unions and managed through the relevant HR policies and procedures.

Approved by: Sue Moorman, Director of HR

## **15. PRE-DECISION SCRUTINY**

- 15.1 The budget has been an agenda item on two recent Scrutiny and Overview Committees. In July the Committee scrutinised the July Financial review and Responding to the Local Government Financial Challenge Cabinet papers and called them back in for further scrutiny in August.

## **16 EQUALITIES IMPACT**

- 16.1 There are no specific issues arising from this report. Equality analysis will need to be undertaken to ascertain the potential impact on staff, service users, vulnerable groups and wider communities groups that share protected characteristics and take actions to mitigate any negative impact as each project is developed and implemented

16.2 This current forecast is based on the known position at the time of writing this report. It is indicative at this time and may alter given the significant uncertainty about the pandemic e.g. the risk of a second spike and the ongoing impact on Council services over the medium term. It is expected the economic recovery and continuing associated impact on residents will require significant Council response going forwards, even after the virus has been contained.

16.3 The Council will ensure that as part of the process of delivering current and future savings, it will protect the most vulnerable in our communities and ensure when making difficult decisions about funding it maintains an absolute commitment to promoting equality for everyone who lives and works in the Borough

Approved by: Yvonne Okiyo, Equalities Manager

## **17. ENVIRONMENTAL IMPACT**

17.1 There are no specific issues arising from this report.

## **18. CRIME AND DISORDER REDUCTION IMPACT**

18.1 There are no specific issues arising from this report.

## **19. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

19.1 These are detailed within the report.

## **20. OPTIONS CONSIDERED AND REJECTED**

20.1 The options considered are detailed in the report. The only option rejected was the one of do nothing as this is not viable.

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### **CONTACT OFFICER:**

Chris Buss Interim Director of Finance, Investment and Risk (S151 Officer)

### **APPENDICES:**

Appendix 1 – Capital Programme 2020/21  
Appendix 2 – Outturn Position since Quarter 2 2020/21