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| REPORT TO: | Cabinet 12 July 2021 |
| SUBJECT: | Financial Performance Report – Outturn 2020/1 |
| LEAD OFFICER: | Chris Buss, Interim Director of Finance , Investment and Risk (S151 Officer) |
| CABINET MEMBER: | Councillor Stuart King, Cabinet Member for Croydon Renewal Councillor Callton Young OBE, Cabinet Member for Resources & Financial Governance |
| SUMMARY OF REPORT: | |
| <p>This report informs members of the draft outturn of its financial accounts for the year 2020/21 for the General Fund and Housing Revenue Account [<i>HRA</i>]. These figures will be subject to external audit verification. Details of the levels of general reserves for both the General Fund and HRA (still subject to finalisation of the 2019/20 accounts process) are also set out in this report.</p> <p>The outturn for the General Fund is showing a £65.8m variance to budget – a £1.4m improvement on the forecast reported for Period 11 – and within the approved £70m Capitalisation Direction request to the Ministry for Housing, Communities and Local Government [<i>MHCLG</i>] – the net £65.8m being capitalised under that direction.</p> <p>General Fund unfenced reserves will rise from £7.5m to £27.5m in line with the capitalisation direction request and strategy set out in the 2021/22 Budget and Medium Term Financial Strategy [<i>MTFS</i>] approved by Full Council in March 2021.</p> <p>The Housing Revenue Account is showing a £1.3m underspend on operating budgets – an improvement of £1.8m on the previous forecast at Period 11. HRA reserves carried forward are increasing by £12.2m as the result of the aforementioned underspend and slippage in the HRA capital programme which sees less use of the Major Repairs Reserve than previously forecast</p> <p>The Capital programme has seen slippage for both the General Fund and HRA – the impact of the Covid-19 pandemic playing a significant part in this slippage. The General Fund capital programme has underspent by £117m, of which £66m relates to the review of the councils property development company (Brick by Brick). The HRA capital programme has also underspent, itself by £102m. of which £85m relates to purchases of properties, a significant proportion of which are from Brick by Brick.</p> | |
| FINANCIAL IMPACT | |
| <p>The Council had requested and has had approved a capitalisation direction request for 2020/21 of up to £70m – the draft General Fund outturn at £65.8m is within that threshold.</p> <p>The corporate message to minimise costs and exploit mitigating opportunities appears to being taken to heart with potential risks still being recognised at Period 11 not further</p> | |

impacting on the final outturn position and the outturn being £17m lower than the Period 11 forecast. This upside has enabled general reserves levels brought forward to be maintained despite downward adjustment as the external audit of the 2019/20 accounts has progressed whilst at the same time setting aside funding to cover the likely impact of unwinding the Council's dealings with Brick by Brick.

Both the General Fund and HRA capital programmes have underspent – these underspends have contributed to reducing the revenue costs of financing in-year debt costs.

FORWARD PLAN KEY DECISION REFERENCE NO.: This is not a key decision

1. RECOMMENDATIONS

- 1.1 Cabinet are asked to note the draft outturn for the General Fund for 2020/21 being £65.8m over approved budget, which is a £1.4m improvement on the Period 11 position previously reported to Cabinet on 7th June;
- 1.2 To note the forecast level of closing General Fund general reserves as £27.5m - after taking into account likely adjustments to the levels brought forward as part of the work to finalise the 2019/20 accounts audit process, and which is in line with the assumptions set out in the approved 2021/22 Budget and Medium Term Financial Strategy of March 2021;
- 1.3 To note the forecast outturn and level of HRA balances carried forward;
- 1.4 To note the draft General Fund capital outturn position for 2020/21;
- 1.5 To note the draft HRA capital outturn position for 2020/21; and
- 1.6 To approve the roll-forward of capital underspends into the 2021/22 Capital Programme for both the General Fund and HRA as set out in Tables 4 and 5.

2. EXECUTIVE SUMMARY

- 2.1. The Council has faced a challenging financial year during 2020/21 in part the result of the consequences and pressures created by the Covid-19 pandemic as well as other underlying budget pressures. Monthly monitoring and completion of MHCLG returns suggests that outside of departmental additional spend for which specific ring-fenced grant was received, around £76m of Covid-19 pressures were borne by the Council (arising from additional spend pressures; unachievable or delayed savings delivery; or lost income), whilst additional government support to mitigate these impacts was only £33m.

- 2.2. The Council recognised the nature of its budgetary position at an early stage in the financial year and regular reports have been provided to members throughout the year as to the forecast position and mitigating actions being taken to address that position.
- 2.3. In-year budget savings measures have been identified and implemented mid-year to mitigate the position (including £28m approved by Cabinet in September 2020). Additionally, a review of the Council's General Fund capital programme reduced in-year approvals from £301m to £176m in order to minimize future capital financing costs.
- 2.4. The Council received a Report in the Public Interest [RIPI] issued by its external Auditors (Grant Thornton) in November 2020 that, amongst other matters, highlighted the potential extent of the in-year and future budgetary challenge facing the Council – the recommendations contained in that report the Council fully accepted.
- 2.5. In working towards a budget strategy that recognised the likely impact on levels of reserves of the 2020/21 outturn forecasts and future pressures, a capitalisation direction of up to £70m for 2020/21 was sought from MHCLG, and confirmation of its approval received by the Council on 5th March 2021. The draft General Fund outturn set out in this report of £66m is within that envelope and £1m lower than anticipated in the Period 11 forecast. The Budget Setting and MTFs report approved by Full Council on 8th March 2021 included the assumption that the full £70m would be utilised in 2020/21.
- 2.6. As part of the approved 2021/22 Budget and MTFs, general reserves were anticipated to improve by £20m by the end of March 2021 - £5m already being in the base budget, with a further £15m being added to improve the Council's resilience against risks. As part of this draft outturn position the Council has been able to achieve that planned increase and general reserves are reported as rising from £7m at the end of 2019/20 to £27m at the end of 2020/21.
- 2.7. Upside of £17m in both service and corporate budgets (set out in more detail further in this report) have enable the Council to offset £7m of identified adjustments to the 2019/20 accounts (and hence lower balances brought forward) as well as £9m for the unwinding of previous accounting treatment and assumptions with regard to interest accruals with regard to the Council's wholly-owned property Development Company (Brick by Brick).
- 2.8. The HRA has seen a £1m underspend on operating expenditure at the outturn of 2020/21. In addition, the slippage in its capital programme will see HRA reserves increase by £12m in 2020/21 which are then available to draw down in this or subsequent years to finance expenditure which has slipped from 2020/21.
- 2.9. Both the General Fund and HRA capital programmes have underspent against budgets. Both programmes have been affected by the impact of the Covid-19 pandemic, whilst decisions taken to minimize the impact on General Fund capital financing costs have also played a part – the most significant reduction

in the General Fund capital programme relates to £66m of lending that was not advanced to Brick by Brick. The delayed completion by Brick by Brick of units to be purchased by the HRA is the biggest single element of slippage in the HRA capital programme.

3. GENERAL FUND REVENUE OUTTURN

- 3.1. The Council has faced a challenging year as the impacts of the Covid-19 pandemic has significantly impacted on spending pressures, income streams, and the delivery of budgeted savings initiatives. Whilst additional government funding has been received in year, this has not fully compensated for these pressures.
- 3.2. In addition, the Council has recognised underlying spending pressures that would have made it difficult to achieve spend within approved budget. In identifying these underlying pressures the Council has engaged with its external auditors (Grant Thornton); the Finance Review Panel; MHCLG; and the Improvement Panel. The challenge facing the Council has led to the issuing of a s114 Notice, a Report in the Public Interest, and a successful request to the Secretary of State for a Capitalisation Direction approval for up to £70m to be applied in 2020/21 (with a further £50m for 2021/22).
- 3.3. These issues have been fully set out in various reports to Cabinet and Full Council throughout the year and include the following:
- Cabinet 20th Jul 20 – July Financial Review
 - Council 28th Sep 20 – Croydon Renewal Plan & 20/21 Budget
 - Council 19th Nov 20 – Report in the Public Interest
 - Council 1st Dec 20 – Response to s114 Notice & Budget Amendments
 - Cabinet 18th Jan 21 – Croydon Renewal Plan and MHCLG Submission
 - Council 8th Mar 21 – General Fund & HRA Budget 21/22 to 23/24

General Fund Reserves Brought Forward

- 3.4. The draft accounts, published in October 2020, included General Fund general reserves carried forward of £7.5m. A number of adjustments to that balance have subsequently been identified by either the Council or Grant Thornton through the audit process that is expected to see those reserves fall to £0.8m.
- 3.5. The changes reflected in the revised 2019/20 accounts relate to:
- £1.0m Transformation Fund costs previously charged to capital receipts;
 - £4.2m Further provision required for bad or doubtful debts
 - £1.5m Provision for under-recovery of Housing Benefit overpayments

General Fund Outturn

- 3.6. The financial pressures impacting on the 2020/21 position were last reported to Cabinet on 17th May 2021 in the Period 11 monitoring report which forecast a net General Fund overspend and thus need to draw down on the approved capitalisation direction of £67.3m (below the £70m request approved by MHCLG).
- 3.7. The draft outturn for the General Fund is now reported (but still subject to external audit) as £65.8m – an improvement of £1.4m which will be reflected in a corresponding lower requirement to utilise the Capitalisation Direction approval. The table below sets out a summary of the draft outturn position and changes since the last reported Period 11 forecast.

Table 1 – Summary General Fund Outturn Position

| | Period 11 | | Draft Outturn (£,000's) | Draft Variance (£,000's) | Change From Period 11 (£,000's) |
|---|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|--|
| | Approved Budget (£,000's) | Forecast Variance (£,000's) | | | |
| Health, Wellbeing and Adults | 135,538 | 23,941 | 149,900 | 14,362 | (9,579) |
| Children, Families and Education Place | 105,683 | 26,920 | 129,854 | 24,171 | (2,749) |
| Resources | 64,391 | 15,820 | 77,933 | 13,542 | (2,278) |
| Service Total | 13,461 | 5,283 | 17,904 | 4,443 | (840) |
| Corporate Budgets & Funding | 319,073 | 71,964 | 375,591 | 56,518 | (15,446) |
| Corporate Total | (319,073) | (4,734) | (325,571) | (6,498) | (1,764) |
| Surplus Used To: Replenish Reserves for 19/20 Adj's | | | 6,700 | 6,700 | 6,700 |
| Provide for unwinding BxB Accounts | | | 9,100 | 9,100 | 9,100 |
| NET CAPITALISATION DIRECTION REQ'T | | 67,230 | 65,820 | 65,820 | (1,410) |

- 3.8. Improvements in service area variances of £15.5m together with further corporate budgets net underspends of £1.8m see an overall improvement of £17.2m – collectively a £50.0m variance against approved budget. These improvements since Period 11 have enabled the Council to provide for £9.1m of potential accounting adjustments relating to the nature and accounting treatment of loans provided to, and capital works undertaken by, the Council's wholly-owned property development company (Brick by Brick) . In addition the reduced overall overspend has enable the setting aside of £6.7m to rebuild general balances to their original level prior to the adjustments that have been identified in the audit of the 2019/20 accounts (as referred to previously in paras 3.4 and 3.5).
- 3.9. Details of the most significant variances outlined in Table 1 are set out in the following additional narrative:

Health, Wellbeing and Adults

3.10. The Health, Wellbeing and Adults Directorate has delivered an outturn £9.6m improved on the Period 11 forecast - £14.4m in excess of the approved full year budget. The material changes from the Period 11 forecasts are as follows:

- (£4.1m) Potential costs of market sustainability not required
- (£2.1m) Lower charges for Transitions clients & hospital discharge;
- (£1.4m) Lower than expected hospital discharge costs for older people
- (£1.7m) Pan-London excess deaths costs covered by Covid grant;
- (£0.6m) Lower than expected costs of Deprivation of Liberties
- (£0.5m) Final confirmation of Covid grant for Homelessness costs;
- (£0.5m) Additional income relating to bereavement services;
- (£0.2m) Lower than anticipated costs in No Recourse Public Funds
- (£0.2m) Homelessness Accommodation spend

- £2.0m Further provision for bad and doubtful debts
- £0.8m Reduction in Homelessness Reduction grant funding

3.11. The variance to approved budget by each division within the Health, Wellbeing and Adults Directorate is set out below:

Table 2a – Health, Wellbeing and Adults Outturn by Division

| | Period 11 | | Draft Outturn (£,000's) | Draft Variance (£,000's) | Change From Period 11 (£,000's) |
|--|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|--|
| | Approved Budget (£,000's) | Forecast Variance (£,000's) | | | |
| Integration and Innovation | 3,376 | (391) | 2,828 | (548) | (157) |
| Gateway Services | 28,292 | 907 | 26,109 | (2,183) | (3,090) |
| Housing Assessment and Solutions | 8,122 | 1,863 | 12,505 | 4,383 | 2,520 |
| Adult Social Care and All-Age Disability | 95,748 | 21,602 | 108,500 | 12,752 | (8,850) |
| Public Health | - | (40) | (42) | (42) | (2) |
| | 135,538 | 23,941 | 149,900 | 14,362 | (9,579) |

Children, Families and Education

3.12. The Children, Families and Education Directorate has delivered an outturn £2.7m improved on the Period 11 forecast - £24.2m in excess of the approved full year budget. The material changes from the Period 11 forecasts are as follows:

- (£2.8m) Social Care – UASC / disabilities placements contract spend / other contract savings
- (£0.1m) Reduction in previously forecast legal charges
- £2.9m Clearance and reconciliation of grant holding account
- £2.6m Savings on Business Support / Schools Admissions and Best Start contracts

3.13. The variance to approved budget by each division within Children, Families and Education is set out below:

Table 2b – Children, Families and Education Outturn by Division

| | Period 11 | | Draft Outturn (£,000's) | Draft Variance (£,000's) | Change From Period 11 (£,000's) |
|------------------------------------|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|--|
| | Approved Budget (£,000's) | Forecast Variance (£,000's) | | | |
| Directorate-Held Costs | 9,050 | (417) | 8,520 | (530) | (113) |
| Childrens Social Care | 83,853 | 23,719 | 104,764 | 20,911 | (2,808) |
| Schools ISB | - | - | 2,869 | 2,869 | 2,869 |
| Education | 11,899 | (1,106) | 8,010 | (3,889) | (2,783) |
| Quality, Performance & Improvement | 881 | (165) | 721 | (160) | 5 |
| Schools Deficit Closure | - | 4,889 | 4,970 | 4,970 | 81 |
| | 105,683 | 26,920 | 129,854 | 24,171 | (2,749) |

Place Directorate

3.14. The Place Directorate portfolio has delivered an outturn £2.3m improved on the Period 11 forecast - £13.5m in excess of the approved full year budget. The material changes from the Period 11 forecasts are as follows:

- (£1.9m) Additional Landlord Rents and Service Charges
- (£0.5m) Contingency for SEN costs not required
- (£0.4m) Trade and Bulky Waste income
- (£0.4m) Trees and Grounds Maintenance costs
- (£0.3m) Income from Highways Coring and s278 Highways Act
- (£0.3m) Libraries ICT cost savings
- (£0.2m) Saving in Adult and LD Transport costs in Mar due to Covid
- (£0.2m) Staffing savings with Neighbourhood Operations
- (£0.1m) Planning – transfer from Local Plan Reserve
- (£0.1m) Additional income in Employment and Skills service
- £0.9m Facilities Management utilities costs and contract costs
- £0.5m Violence Reduction Grant Income not received / deferred
- £0.4m Parking Income
- £0.2m Waste Contract Costs

3.15. The variance to approved budget by each division within the Place Directorate is set out below:

Table 2c –Place Department Outturn by Division

| | Period 11 | | Draft Outturn (£,000's) | Draft Variance (£,000's) | Change From Period 11 (£,000's) |
|---|---------------------------------|-----------------------------------|-------------------------------|--------------------------------|--|
| | Approved Budget (£,000's) | Forecast Variance (£,000's) | | | |
| Growth, Employment and Regeneration | 3,054 | (116) | 2,853 | (201) | (85) |
| Homes and Social Investment | (1,388) | 6,654 | 4,166 | 5,554 | (1,100) |
| Croydon Culture and Growth Development | 10,398 | (345) | 9,836 | (562) | (217) |
| | - | - | 43 | 43 | 43 |
| Croydon Growth Fund | 40 | - | 13 | (27) | (27) |
| Planning | 2,061 | 165 | 2,120 | 59 | (106) |
| Violence Reduction Network Directorate | 2,762 | (89) | 3,121 | 359 | 448 |
| | 533 | - | 592 | 59 | 59 |
| Public Realm | 46,931 | 9,551 | 55,189 | 8,258 | (1,293) |
| | 64,391 | 15,820 | 77,933 | 13,542 | (2,278) |

Resources Directorate

3.16. The Resources Directorate portfolio has delivered an outturn £0.9m improved on the Period 11 forecast - £4.4m in excess of the approved full year budget. The material changes from the Period 11 forecasts are as follows:

- (£0.7m) Additional Revenues and Benefits income
- (£0.6m) Staff savings / vacancies in Procurement & Commissioning
- (£0.3m) ICT licence fee savings and receipt of credit notes
- (£0.1m) Savings on Governance Review and Member costs
- (£0.1m) Legal cost savings
- (£0.1m) HR Savings – OH contract / IT Systems cost savings
- £0.8m Further provision for Bad Debt relating to Housing Benefits
- £0.1m Costs relating to Sandilands Tram inquest
- £0.2m Community Fund payments for fifth quarter

3.17. The variance to approved budget by each division within the Resources Directorate is set out below:

Table 2d –Resources Department Outturn by Division

| | Approved Budget (£,000's) | Period 11 Forecast Variance (£,000's) | Draft Outturn (£,000's) | Draft Variance (£,000's) | Change From Period 11 (£,000's) |
|-----------------------------------|------------------------------|---|----------------------------|-----------------------------|---------------------------------------|
| Directorate | (2,171) | 378 | (1,794) | 377 | (1) |
| Finance, Investment and Risk | 6,715 | 2,759 | 9,759 | 3,044 | 285 |
| Croydon Digital Services | 829 | 2,851 | 3,391 | 2,562 | (289) |
| Law and Governance | 2,550 | (490) | 1,771 | (779) | (289) |
| Facilities Management and Support | (4,798) | - | (4,767) | 31 | 31 |
| Strategy and Partnerships | 1,522 | 285 | 1,938 | 416 | 131 |
| Commissioning and Procurement | 6,361 | (60) | 5,699 | (662) | (602) |
| Human Resources | 2,453 | (440) | 1,907 | (546) | (106) |
| | 13,461 | 5,283 | 17,904 | 4,443 | (840) |

3.18. Taking collectively, the service areas (excluding corporate budgets) have, as outlined above) delivered a £15.4m underspend in comparison to that previously forecast in the Period 11 forecast – this is £56.5m in excess of the approved budget.

3.19. The Covid-19 pandemic has contributed significantly, but not exclusively, to this service overspend with the information collated as part of the MHCLG monthly monitoring returns showing an estimated impact of £76.6m – a net £43.6m after utilisation of unfenced additional grant funding

| | Covid-19 Impacts (£,000's) |
|-----------------------|----------------------------------|
| Spending Pressures | 40,592 |
| Undelivered Savings | 22,208 |
| Reduced Income | 13,848 |
| | 76,648 |
| Unfenced Covid Grants | (32,998) |
| | 43,650 |

Corporate Budgets

3.20. Corporate budgets have delivered an outturn £1.8m improved on the Period 11 forecast - £6.5m in excess of the approved full year budget. The material changes from the Period 11 forecasts are as follows:

- (£4.0m) Reduced capital financing costs
- (£2.9m) Review and reversal of historic creditor accruals (+3 years)

3.21. The overall £17.3m improvement in service and corporate budgets has allowed the £6.7m reduction in general reserves brought forward from 2019/20 to be

replenished to the previously anticipated levels following the adjustments to the 2019/20 accounts currently being audited (as previously referred to in paras 3.4 and 3.5). In addition, £9.1m has been set aside to offset the likely expected costs related to the further unwinding of the accounting entries in relation to Brick by Brick. Discussion with our external auditors is ongoing as to the most appropriate way of reflecting this latter adjustment between both 2019/20 and 2020/21 accounting periods. The allocation of amounts between the years may impact on the level of balances brought forward to 2020/21, but will not impact on the reported closing position.

- 3.22. Taking the above two adjustments into account, the remaining positive variance between Period 11 and draft outturn of £1.4m has enabled the requirement for use of the capitalisation direction approval to be reduced by £1.4m from £67.3m to £65.8m.

General Fund Reserves Carried Forward

- 3.23. As previously set out, General Fund general reserves are brought forward as £0.8m (revised down from £7.5m).
- 3.24. The improvement in service and corporate budget positions has enabled those adjustments identified through the audit process to be replenished in 2020/21 by £6.7m back to their originally anticipated levels.
- 3.25. The originally approved budget for 2020/21 included provision to contribute £5.0m to further build general reserves – included in the Period 11 forecast, this £5m contribution is included in the forecast revenue position previously discussed.
- 3.26. Part of the approved capitalisation direction request contained provision to bolster general reserves by a further £15.0m in order to provide sufficient resilience to meet future risks and challenges. The impact of this is included within the overall £65.8m being reported as the amount capitalised.
- 3.27. General reserves will thus be carried forward at the level of £27.5m. This quantum needs to be considered in the context of Period 1 monitoring for 2021/22 forecasting a £3.5m overspend with further potential risks of £12.4m against only £12.2m of identified potential mitigations. In addition the Council has £62.9m of further savings to deliver in 2022/23 (of which only £24.5m was identified as part of the March 2021 approved three-year MTFs).

4. HOUSING REVENUE ACCOUNT OUTTURN

- 4.1. The Housing Revenue Account [HRA] revenue forecast was last reported to Cabinet on 1st March 2021, when it was forecast to overspend by £0.5m. As a ring-fenced account, any variance in the HRA position impacts on HRA reserves rather than the General Fund balances discussed above.

4.2. The outturn position has seen a net operating underspend of £1.3m – a movement of £1.8m. Details of the variances to approved budget are set out in the summary below:

- (£1.75m) Additional income from Leaseholder Works charges
- (£1.40m) Responsive repairs, the result of limited access due to Covid
- (£1.00m) Employee underspends due to vacancies across the dep't
- £0.99m Temporary Accommodation pressures (principally related to Security costs at Concorde, Sycamore and Windsor blocks)
- £0.87m Rental Income unachieved on delayed planned purchases
- £0.64m Tenancy Services overspends – incl. utility costs and overtime
- £0.31m Unrecovered garage and commercial property income
- £0.05m Other miscellaneous variances

4.3. In addition to the above, underspends in the HRA capital programme (as detailed in Section 6 of this report) result in revenue contributions and use of the Major Repairs Reserve being lower than budgeted. These delayed capital charges also contribute to general reserves that will be available for use in 2021/22. The HRA reserves as a consequence increase at year end by £12.2m and will be carried forward with a total balance of £27.6m.

5. GENERAL FUND CAPITAL PROGRAMME

5.1. The General Fund capital programme was originally approved with a gross budget of 302m but saw significant revisions in September 2020 and January 2021, which saw the budget reduced to £176m. Outturn spend in year has resulted in spend of £59m against that revised budget – an underspend of £117m.

5.2. The delivery of the capital programme has been significantly impacted by the effects of the Covid-19 pandemic whilst the recognition of the Council's overall financial outlook has led to some spend also being deferred in accordance with the s114 requirements. In particular however, the re-appraisal of the Council's investment in its wholly-owned property company (Brick by Brick) has seen £66m of previously approved loan financing not allocated.

5.3. The table below illustrates the split of that underspend by department

Table 3 – General Fund Capital Outturn Summary

| | Original Budget 2020/21 (£,000's) | Budget Adjusts 2020/21 (£,000's) | Revised Budget 2020/21 (£,000's) | Outturn 2020/21 (£,000's) | Variance 2020/21 (£,000's) |
|----------------------------------|--|---|---|---------------------------------|----------------------------------|
| Health, Wellbeing and Adults | 3,000 | 4,181 | 7,181 | 2,836 | (4,345) |
| Children, Families and Education | 25,283 | 2,806 | 28,089 | 17,575 | (10,514) |
| Place | 159,449 | (38,370) | 121,079 | 30,314 | (90,765) |
| Resources | 113,814 | (93,678) | 20,136 | 8,713 | (11,423) |
| | 301,546 | (125,061) | 176,485 | 59,438 | (117,047) |

5.4. Full analysis on a project by project basis is set out in Appendix 1 that provides analysis of the individual project variances that comprise the above departmental summary figures.

5.5. Some of the most notable variances contained within the figures above, and Appendix 1, are set out below:

Health, Wellbeing and Adults

- i. Disabled Facilities Grants (£1,973k) underspend

Children, Families and Education

- ii. Education – Major Maintenance (£4,649k) underspend
- iii. Education – SEN (£2,482k) underspend
- iv. Education – Fixed Term Expansions (£1,893k) underspend

Place

- v. Brick by Brick Loan Financing (£66,150k) underspend
- vi. Section 106-Funded Schemes (£4,674k) underspend
- vii. Growth Zone (£4,210k) underspend
- viii. Parking Schemes (£2,926k) underspend
- ix. Fieldway Cluster – Timebridge Community Ctr (£2,902k) underspend
- x. Community Ward Budgets (£1,616k) underspend
- xi. Waste and Recycling (£1,558k) underspend
- xii. Electrical Vehicle Charging Points (£1,200k) underspend
- xiii. Highways Maintenance Programme (£1,007k) underspend
- xiv. TFL LIP (£3,419k) overspend

Resources

- xv. People ICT (£5,889k) underspend
- xvi. ICT Refresh and Transformation (£2,985k) underspend
- xvii. Corporate Property Programme (£2,248k) underspend

- 5.6. The reduction in capital spend in 2020/21 has had a corresponding impact on the funding sources used to finance that expenditure. As illustrated in the table below, the reduced level of borrowing represents £104m of the overall £117m reduction in overall funding and has had a positive impact in reducing interest costs reported in corporate revenue budgets. The reduction in borrowing from levels originally approved is in fact £240m before the requirement was reduced in year by £137m.

Table 4 – General Fund Capital Programme Funding

| | Original Budget 2020/21 (£,000's) | Budget Adjusts 2020/21 (£,000's) | Revised Budget 2020/21 (£,000's) | Outturn 2020/21 (£,000's) | Variance 2020/21 (£,000's) |
|----------------------------------|--|---|---|---------------------------------|----------------------------------|
| Grants & Other External Contribs | 21,462 | 5,491 | 26,953 | 18,753 | (8,200) |
| CIL and s106 Receipts | 7,376 | 6,245 | 13,621 | 8,414 | (5,207) |
| Borrowing | 272,708 | (136,797) | 135,911 | 32,271 | (103,640) |
| | 301,546 | (125,061) | 176,485 | 59,438 | (117,047) |

- 5.7. The above reported underspend in 2020/21 is currently being reviewed by the Capital Programme Board and departmental requests for roll-forward of unspent 2020/21 budgets being considered alongside need to spend against budgets already in the originally approved 2021/22 capital programme.
- 5.8. That work in reviewing 2020/21 underspends and original 2021/2022 budgets has yet to be finalised. Current indications however indicate £74m may need to be carried forward, but as yet has not taken into account the need for existing 2021/22 budgets. Indicative requests are however set out as part of Appendix 1.
- 5.9. Some of the most significant roll-forward requests being considered are as follows:
- £4.3m of Health, Wellbeing and Adults capital budgets of which £2.0m relates to Disabled Facilities grants and £0.9m Sheltered Housing;
 - £10.5m of Children, Families and Education budgets – being the entirety of the 2020/21 capital underspend;
 - £46.5m of Place Directorate budgets - £20m of which relates to Brick Brick Loan financing (against £66.2m underspend in 2020/21), £4.7m s106-related schemes, £4.2m Growth Zone Investment, £2.9m New Addington Wellbeing Centre, and £2.9m Timeway Community Centre.
 - £12.6m Resources Directorate - £9.2m of which relates to ICT and Digital transformation underspends, and £2.2m relates to the Corporate Property Programme

6. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

- 6.1. From the originally approved HRA capital programme of £35m, additionally funding of £92m was approved during the year to provide a final approved budget of £127m. The most significant changes made in year were to finance the £83m purchase of affordable housing units and other properties together with £6m for further fire safety measures.
- 6.2. The impact of the Covid-19 pandemic along with related delays to the completion and transfer of units from Brick by Brick has led to an underspend against that approved budget of £102m – the spend at year end being £26m.
- 6.3. Details of the budget and outturn by programme area are set out in the table below:

Table 5 – Housing Revenue Account Capital Spend

| | 2020/21 Capital Budget and Outturn | | | | |
|---|---|--|--|---------------------------------|----------------------------------|
| | Original Budget 2020/21 (£,000's) | Budget Adjusts 2020/21 (£,000's) | Revised Budget 2020/21 (£,000's) | Outturn 2020/21 (£,000's) | Variance 2020/21 (£,000's) |
| Asset management ICT database | - | 290 | 290 | 290 | - |
| Fire safety programme | - | 6,314 | 6,314 | 759 | (5,555) |
| Larger Homes | - | 1,350 | 1,350 | 11 | (1,339) |
| Major Repairs and Improvements Programme | 26,771 | - | 26,771 | 18,236 | (8,535) |
| Affordable Housing Programme | - | 38,404 | 38,404 | 6,472 | (31,932) |
| BBB Properties part funded by GLA and HRA RTB | 8,750 | 44,835 | 53,585 | - | (53,585) |
| Special Transfer Payments | 180 | 518 | 698 | 76 | (622) |
| HOUSING REVENUE ACCOUNT | 35,701 | 91,711 | 127,412 | 25,844 | (101,568) |

- 6.4. The underspend set out above has a corresponding impact on the associated funding of the HRA capital programme with levels of borrowing, use of reserves, use of Major Repairs Reserve balances, and use of capital receipts all seeing under-utilisation against approved budget. Details of the funding of the capital programme are set out below:

Table 6 – Housing Revenue Account Capital Funding

| | Original Budget 2020/21 (£,000's) | Budget Adjusts 2020/21 (£,000's) | Revised Budget 2020/21 (£,000's) | Outturn 2020/21 (£,000's) | Variance 2020/21 (£,000's) |
|-------------------------------|--|---|---|---------------------------------|----------------------------------|
| GLA Funding | 3,500 | 6,500 | 10,000 | - | (10,000) |
| Revenue/ Use of Reserves | 14,445 | - | 14,445 | - | (14,445) |
| Major Repairs Reserve | 12,506 | - | 12,506 | 12,100 | (406) |
| 1-4-1 Capital Receipts | - | 21,823 | 21,823 | 6,147 | (15,676) |
| Borrowing: Affordable Housing | - | - | - | 7,597 | 7,597 |
| Property Acquisition | 5,250 | 63,388 | 68,638 | - | (68,638) |
| | 35,701 | 91,711 | 127,412 | 25,844 | (101,568) |

- 6.5. As with the General Fund capital programme, the £102m underspend on HRA capital in 2020/21 is being considered by the Capital Programme Board for approval to roll-forward these underspends into the 2021/22 originally approved programme.
- 6.6. Whilst a final recommendation has yet to be agreed by that Board, all underspends in 2020/21 are currently assumed to roll forward to supplement the originally agreed 2021/22 budgets
- 6.7. Finance comments have been provided throughout this report.

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

7. LEGAL CONSIDERATIONS

- 7.1. The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that the Council is under a statutory duty, as set-out in Section 31A of the Local Government Finance Act 1992, to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 7.2. 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.
- 7.3. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets, as set out in this report, for which the recommendations at 1.1 to 1.5 are to be noted.

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

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

8. HUMAN RESOURCES IMPACT

- 8.1. There are no specific human resources impacts contained in this report.

9. EQUALITIES IMPACT

- 9.1. There are no specific human resources impacts contained in this report.

10. ENVIRONMENTAL IMPACT

- 10.1. There are no specific environmental impacts contained in this report.

11. CRIME AND DISORDER REDUCTION IMPACT

- 11.1. There are no specific crime and disorder impacts contained in this report.

12. DATA PROTECTION IMPLICATIONS

- 12.1. There are no specific data protection impacts contained in this report.

CONTACT OFFICER: Matthew Davis, Deputy Section 151 Officer

APPENDIX: Appendix 1 – 2020/21 Capital Budget and Outturn

BACKGROUND PAPERS: None