

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>CABINET</b>	
<b>DATE OF DECISION</b>	<b>24 July 2024</b>	
<b>REPORT TITLE:</b>	<b>2023-24 Provisional Outturn Financial Performance Report</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West Corporate Director of Resources (Section 151 Officer)</b>	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>	
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>	
<b>KEY DECISION?</b>	<b>No</b>	<b>Reason: N/A</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public Grounds for the exemption: N/A</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

- 1.1 This report provides the Council's provisional outturn (prior to final accounting adjustments and external audit review) financial performance for 2023-24 for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The report forms part of the Council's financial management process for publicly reporting financial performance on a monthly basis.

### Financial Performance Summary Table – Provisional Outturn

<b>Financial Performance Area</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Month 10 Forecast</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Provisional Outturn Variance</b>	<b>2023-24 Provisional Outturn Variance</b>
	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(%)</b>
Revenue (General Fund)	340.9	339.6	340.9	-	-
Revenue (HRA)	-	12.0	9.9	9.9	N/A
Capital (General Fund)	124.0	100.7	94.9	(29.0)	(23.4%)
Capital (HRA)	39.2	41.0	35.7	(3.5)	(8.9%)

## 2 RECOMMENDATIONS

For the reasons set out in the report, Cabinet is recommended:

- 2.1** to note the General Fund revenue budget provisional outturn breakeven position, after the budgeted utilisation of £63m capitalisation directions requested from the Ministry of Housing, Communities and Local Government (MHCLG). The risk contingency budget of £5m was not required to be utilised for the Council's overall financial position and has, therefore, been used together with the service and corporate underspends to increase the Council's Business Risk Reserve by £10.1m given the financial challenges currently facing local government.
- 2.2** to note that the provisional outturn is the position prior to final accounting adjustments (e.g. capital accounting/revaluation/receipts and any impact from potential changes in prior years' accounts which are still to be audited (e.g. debt calculations) and the external audit of the 2023-24 accounts.
- 2.3** to note that the significant level of 2024-25 savings (£23.731m), agreed by Full Council in March 2024, include reduction in budgets that are delivering underspends in 2023-24 and will, therefore, not be recurrent underspends in 2024-25.
- 2.4** to note the provisional outturn Medium Term Financial Strategy (MTFS) savings achievement of £33.2m (91.9%) against the total savings target of £36.1m as set out in paragraph 4.93.
- 2.5** to note the provisional outturn expenditure on the Council's Transformation Programme as set out from paragraph 4.89.
- 2.6** to note the Housing Revenue Account (HRA) revenue budget provisional outturn overspend of £9.9m.
- 2.7** to note the General Fund capital programme 2023-24 provisional outturn underspend of £29.0m against the capital budget of £124.0m.
- 2.8** to note the HRA capital programme 2023-24 provisional outturn underspend of £3.5m against the capital budget of £39.2m.
- 2.9** to note the Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with MHCLG continues. The Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable Local Government services.

- 2.10** to note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Financial Performance Report is presented monthly to Cabinet and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the General Fund, Housing Revenue Account (HRA) and Capital Programme. The Financial Performance Report ensures there is transparency in the financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny & Overview Committee and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.

### **4 BACKGROUND AND DETAILS**

- 4.1** The 2023-24 budget approved by Council in March 2023 set a net revenue budget of £340.9m. This required capitalisation directions from Government of £63m to balance, owing to resolving historical inaccurate accounting treatments and to fund the ongoing annual cost of servicing the disproportionate level of debt.
- 4.2** The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget, with circa £66m annual cost for the Council to service the debt. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.
- 4.3** Dialogue with MHCLG continues and the Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable Local Government services.

#### **Cost of Living Considerations**

- 4.4** There are a number of inflationary pressures that the Council, like all local authorities, is managing. The UK's Consumer Prices Index (CPI) inflation rate was 3.2% in the 12 months to March 2024, remaining higher than the Bank of England's target rate of 2% albeit reduced from the peak of 11.1% in October 2022. The inflationary impact goes beyond the Council as the cost of living is affecting all households and businesses.
- 4.5** These macro-economic factors are impacted by international events and, therefore, well beyond the control of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.
- 4.6** A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance.

**4.7** The Council provides a wide range of support for residents that may be struggling owing to cost of living pressures. These include:

- Discretionary support for residents in financial hardship, including the Household Support Fund
- Council Tax Support Scheme – for residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
- Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax)
- Housing Revenue Account (HRA) discretionary fund targeted for tenants that are not in receipt of housing benefit
- Benefits calculator, to ensure residents receive the support to which they are entitled
- Energy advice, including heating and money saving options, through the Croydon Healthy Homes service
- Free holiday activity clubs with healthy meals for children
- Croydon Works to help residents into employment or to receive training to support them into work and funding of the voluntary sector to provide advice and guidance

**4.8** The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:

- NHS Healthy Start vouchers for families
- Free school meals
- Support from voluntary, community and faith sector organisations
- Support for businesses through the London Business Hub and the British Business Bank
- CroydonPlus credit union which offers affordable ways to manage money, including savings accounts and loans

## **GENERAL FUND REVENUE BUDGET SUMMARY**

**4.9** The General Fund revenue provisional outturn was an overall breakeven position, however, this is following the budgeted utilisation of the £63m capitalisation directions requested from MHCLG.

**4.10** Following tight budget monitoring during 2023-24, the service directorates had an underspend of £2.9m and the risk contingency budget of £5m was also not required. However, the Council's financial position is more challenging in 2024-25 due to the removal of the Economic Demand Pressures budget coupled with the increased demand pressures which are continuing to build across local government. The 2023-24 underspends have, therefore, been transferred to the Business Risk Reserve to be held against potential revenue pressures and, initially, transformation projects such as the Oracle Improvement Project and support from Boston Consulting Group and Newton.

**4.11** Given the financial pressures facing the Council, consideration is currently underway of potential options to use the Transformation flexibility provided by Government to apply capital receipts to fund projects within the Council's Future Croydon Plan. Firm proposals will be made to Cabinet and Council in the autumn.

**Table showing the revenue provisional outturn by Directorate**

<b>Directorate</b>	<b>Net Budget</b>	<b>Actuals to Date</b>	<b>Provisional Outturn</b>	<b>Provisional Outturn Variance</b>	<b>Month 10 Forecast Variance</b>	<b>Change in Forecast Variance</b>
	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>
Adult Social Care and Health	140.8	141.5	139.7	<b>(1.1)</b>	(1.8)	0.7
Assistant Chief Executive	43.8	42.4	42.4	<b>(1.4)</b>	(1.4)	-
Children, Young People and Education	101.4	104.3	104.3	<b>2.9</b>	2.1	0.8
Housing	23.9	25.7	25.7	<b>1.8</b>	3.5	(1.7)
Resources	38.3	35.6	35.6	<b>(2.7)</b>	(3.1)	0.4
Sustainable Communities, Regeneration & Economic Recovery	73.9	71.5	71.5	<b>(2.4)</b>	(0.6)	(1.8)
<b>Subtotal Service Directorates</b>	<b>422.1</b>	<b>421.0</b>	<b>419.2</b>	<b>(2.9)</b>	<b>(1.3)</b>	<b>(1.6)</b>
Corporate Items and Funding	(81.2)	(88.4)	(78.3)	<b>2.9</b>	-	2.9
<b>Total Net Expenditure Budget</b>	<b>340.9</b>	<b>332.6</b>	<b>340.9</b>	<b>-</b>	<b>(1.3)</b>	<b>1.3</b>

**4.12** The Council continues to build on the improvements in financial management that were made in the last financial year. However, there is a considerable amount yet to do, which is fully recognised within the organisation.

**4.13** A financial assurance process and independent challenge of expenditure and income has taken place throughout 2023-24 and will continue in 2024-25. This is in addition to Cabinet and Scrutiny & Overview Committee review. The assurance meetings provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities, and ensure that savings are delivered and income targets are met. The meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

## DIRECTORATE VARIANCES

### ADULT SOCIAL CARE AND HEALTH (ASCH)

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Adult Social Care Operations	122.0	124.8	123.0	1.0
Commissioning, Policy & Improvement	16.9	14.9	14.9	(2.0)
Central ASCH	1.9	1.8	1.8	(0.1)
<b>Total ASCH</b>	<b>140.8</b>	<b>141.5</b>	<b>139.7</b>	<b>(1.1)</b>

- 4.14** The ASCH directorate had a provisional outturn underspend of 1.1m (0.8%) against the net budget of £140.8m. This represented a net adverse movement of £0.7m from the Period 10 forecast underspend of (£1.8m) owing to care costs. Assurance processes identified increased care costs than previously forecast for residents over 65 years old and mitigations were implemented, including the use of an adult social care earmarked reserve (£2m) and increased utilisation of Better Care Fund grant (£1m).
- 4.15** A reconciliation is being carried out on care contribution income debt linked to estates through deferred payment arrangements. An estimated value of £1.8m income is included in the provisional outturn while this reconciliation is finalised.
- 4.16** The ASCH Directorate successfully delivered challenging savings targets totalling £10.2m in 2023-24 on placements and care packages through demand management, commissioning and review of care packages and a further £2.0m of contract and other savings.

#### Adult Social Care Operations – provisional outturn overspend of £1.0m

- 4.17** Staffing across this division demonstrated an underspend (broken down by area below) owing to periods of vacancy above the £1m MTFS 5% vacancy factor saving applied to staffing budgets in 2023-24. There is a national shortage of both social workers and occupational therapists and recruitment to many roles is proving challenging. The staffing underspend was reduced by the need to employ agency social workers and occupational therapists to ensure statutory duties were met and that transformation was delivered.
- 4.18** Localities and Living Independently For Everyone (LIFE) had an overspend of £1.0m. LIFE includes integrated hospital discharge, rehabilitation and reablement services. The overspend was owing to care costs for residents over 65 years old (£2.8m), partially reduced by a staffing underspend (£0.8m) and an overachievement of income (£1m) including grants.
- 4.19** Working Age Adults and Transitions had an overspend of £3.2m. This comprised a net overspend on care of £3.6m (owing to clients with increased care needs) which was partly mitigated by an underspend in staffing of (£0.4m). The service managed

demand to reduce pressures coming into the service, which resulted in a positive impact on the forecast of circa £2m. The service achieved its savings of £5.3m.

- 4.20 Provider Services had a (£2.0m) underspend owing to underspends in staffing of (£1.7m) and overachievement of income of (£0.3m).
- 4.21 Safeguarding service had a (£0.2m) underspend on staffing owing to vacancies across the service.
- 4.22 Business Compliance and Early Intervention had a (£0.3m) underspend on staffing owing to vacancies.
- 4.23 Mental health services had a (£0.7m) underspend on staffing owing to vacancies.

Adult Social Care Commissioning, Policy and Improvement – provisional outturn underspend of (£2.0m)

- 4.24 The Commissioning, Policy and Improvement division had an underspend of (£2.0m) owing to staffing vacancies, successful negotiations with a key provider and an overachievement of income.

Central ASCH – provisional outturn underspend of (£0.1m)

- 4.25 An underspend of (£0.1m) against the budget for central staffing and non-pay budgets.

## **ASSISTANT CHIEF EXECUTIVE (ACE)**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Provisional Outturn (£m)</b>	<b>Variance (£m)</b>
Policy, Programmes and Performance	5.2	4.6	4.6	(0.6)
Elections Service	0.4	0.4	0.4	-
Croydon Digital and Resident Access	33.6	32.8	32.8	(0.8)
Chief People Officer	3.9	3.9	3.9	-
Central ACE	0.7	0.7	0.7	-
<b>Total ACE (General Fund)</b>	<b>43.8</b>	<b>42.4</b>	<b>42.4</b>	<b>(1.4)</b>
<b>Public Health Grant Ringfenced Services</b>	-	-	-	-

- 4.26 At year end, the ACE directorate had a General Fund provisional outturn underspend of £1.4m (3.2%) against a budget of £43.8m.

Policy, Programmes & Performance Division - £0.6m provisional outturn underspend

- 4.27 Recruitment is now completed into the new staffing structure for the Policy, Programmes and Performance Division. The underspend was owing to periods of vacancy of some posts in the new structure and more recent vacancies as part of business as usual.

Elections Service - breakeven position

- 4.28** A breakeven provisional outturn against budget after contributions to earmarked reserves for Local Elections (£0.4m) and External Elections (£0.3m).

Croydon Digital and Resident Access Division - £0.8m provisional outturn underspend

- 4.29** There was an underspend owing to higher than budgeted income in the Bereavement and Registrars service, staff vacancies and a favourable final concessionary travel settlement for the year in the Concessionary Travel and Travel Service Team, periods of staffing vacancy in the Contact Centre and the Complaints Team, and staffing vacancies and reductions in contract expenditure in Digital Operations.

Chief People Officer Division - breakeven position

- 4.30** Underspends in staffing and training expenditure offset the overspend in the payroll service owing to the delay in the restructure of the team. The payroll team restructure was completed in December 2023 and the headcount of the payroll team reduced as a result.

Central Assistant Chief Executive – breakeven position

- 4.31** There was a breakeven provisional outturn against budget for the Central Assistant Chief Executive area.

Public Health Division – breakeven position in ringfenced grant after movement in reserves

- 4.32** The provisional outturn underspend resulted in a contribution of £3.4m to ring fenced Public Health reserves at the end of 2023-24.
- 4.33** A Council wide task and finish group was set up in July 2023 to address under-allocation of the Public Health Grant for the current year, and the accumulated balance on the balance sheet as an earmarked Public Health reserve from underspends in previous years. Further work is now continuing through a Public Health Development Board that looks at investments agreed to date and future potential investment in public health services and activities.

**4.34** Risks

Elections - The majority of the costs of administering the London Assembly, Mayor of London and General Elections in 2024 will be reclaimed from the Greater London Authority (GLA) and the UK Government's Consolidated Fund. As the criteria for reclaiming costs becomes clearer, there is a risk that the Council will incur costs which cannot be reclaimed. Any such costs will fall in the 2024-25 financial year. Contributions to earmarked election reserves have been carried out in 2023-24 to mitigate this risk.



## CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Children's Social Care	76.0	78.7	78.7	2.7
Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Leavers	(0.3)	0.6	0.6	0.9
Asylum Seekers and Homes for Ukraine	-	-	-	-
Quality, Commissioning and Performance Improvement	7.6	7.4	7.4	(0.2)
Non-DSG Education Services	17.6	17.1	17.1	(0.5)
Central CYPE	0.5	0.5	0.5	-
<b>Total CYPE (General Fund)</b>	<b>101.4</b>	<b>104.3</b>	<b>104.3</b>	<b>2.9</b>
<b>Dedicated Schools Grant (DSG) High Needs Education Services</b>	<b>82.0</b>	<b>82.7</b>	<b>82.7</b>	<b>0.7</b>
<b>Dedicated Schools Grant (DSG) Early Years Block</b>	<b>31.1</b>	<b>31.1</b>	<b>31.1</b>	<b>-</b>

**4.35** At year end, the CYPE directorate has a General Fund provisional outturn overspend of £2.9m (2.9%) against a budget of £101.4m. This is a movement of £0.8m since period 10 owing to increased placement costs.

Children's Social Care Division (including UASC and UASC Care Leavers) – provisional outturn overspend of £3.6m

£4.9m provisional outturn overspend on placements owing to market cost pressures and 12 high-cost placements, including residential, semi-independent and secure accommodation. Of the 12 high cost placements, six were new in 2023-24. Going into 2024-25 seven are active and five have ended.

Whilst the number of children in care has continued on a downward trend, unit costs for residential and semi-independent placements have risen at a faster rate e.g. the number of residential placements increased by 17%, and the full year costs for these increased by 54%.

High-cost placements have been reviewed on a weekly basis with the aim of reducing spend and stepping down to family-based care with support where possible. There were a small number of children with very complex needs where the high costs of care make up a significant proportion of the overall placement budget.

£1.7m provisional outturn underspend on staffing owing to vacancies across the division. The staffing underspend represents national and regional difficulties in the recruitment of qualified social workers. The service utilised agency social workers as necessary to ensure that services were provided safely, in line with statutory responsibilities. However, there were gaps between starters and leavers and some roles were particularly challenging to fill. The service continued throughout 2023-24 with specialist recruitment methods such as welcome bonus payments, links with the local Teaching Partnership, fast-track training programmes of frontline and step up to social work, work with an established international recruitment partner, membership of London Social Work for Children (online recruitment platform) and specialist press advertising.

The Council also has a retention package for Children Social Work qualified staff which includes twice annual retention bonuses, an established career progression scheme and a comprehensive training and development programme.

Transformation projects were not affected by the recruitment difficulties of social work staff as the projects utilised non-social work qualified staff with specialisms in project management, partnership working for Corporate Parenting responsibilities, improving housing for Care Experienced Young People, improving the foster care offer and digital developments.

£1.1m provisional outturn over-achievement on income. Income included the maximum payment by results entitlement of the Supporting Families Grant, owing to evidencing positive activity. The service also maximised funding from the Integrated Care Board (ICB) towards mental health services. This offset the £0.5m unachieved 2022-23 MTFS NHS funding savings.

£0.9m provisional outturn overspend within the Unaccompanied Asylum-Seeking Children (UASC) budget, because of the disproportionate number of care experienced young people who were formerly unaccompanied children. At 18 years old the grant provided by the Home Office to the Council for young people's care and support reduces significantly.

£0.5m provisional outturn overspend on Section 17 spend owing to increased demand. The spend in this area helps young people to remain with their families and prevents an increase in downstream care costs.

£0.1m provisional outturn overspend on Adopt London South, over and above the agreed budget owing to interagency fees and staffing costs across the consortium calculated at year end.

#### Quality, Commissioning and Performance Improvement Division – provisional outturn underspend of £0.2m

- 4.36** Provisional outturn shows an overall underspend of £0.2m. This includes a £0.3m overspend on staffing, offset by a £0.5m underspend on non-pay budgets. The staffing overspend was owing to the impact of increased quality assurance activity to support and assure the response to increased demand for children's social care services.

#### Non-Dedicated Schools Grant (DSG) Education services – provisional outturn underspend of £0.5m

- 4.37** Non-DSG Education services provisional outturn is showing an underspend of £0.5m. Income pressures of £0.3m have been offset by staffing vacancies and traded services income.
- 4.38** The income pressure of £0.3m relates to an unachieved 2022-23 MTFS savings target around NHS funding.

#### Central CYPE – provisional outturn breakeven position

- 4.39** Provisional outturn is showing a breakeven position for Central CYPE.

### DSG High Needs education services – overspend of £0.7m

**4.40** The SEND High Needs provisional outturn variance is £0.7m against the budget of £82.0m. This represents a positive movement from period 10 by £14k as well as a favourable variance against the Safety Valve target.

**4.41** See below the key areas:

Independent placements – Forecast overspend of £3.6m owing to two key factors: 1) significant percentage uplifts in the cost for current and new placements; and 2) continued demand for placements for the most complex cases where provision within the borough is full. This includes an additional pressure from a number of high-cost specialist medical residential placements through Tribunal direction. The service is working with our special and mainstream schools to expand local provision and placement options for the next financial year 2024-25.

Mainstream and Out Of Borough Education - forecast overspend of £0.6m and £1.8m respectively, owing to increased placements. The increase in mainstream schools forms part of the invest to save SEND strategy in year 2.

(£0.7m) forecast underspend in Early Years provision and (£0.6m) forecast underspend for Teachers Pensions budget.

£0.3m overspend in Further Education Colleges provision owing to increase in numbers.

(£2.0m) forecast underspend in the Service Transformation budget set up to support the DSG Deficit Recovery strategy.

(£0.6m) forecast underspend in funding related to staffing cost in therapies and support services owing to service re-alignment to maximise savings.

(£1.8m) forecast underspend Resource Provision (academies) owing to clawback of extra funding received from the Department for Education (DfE).

**4.42** DSG High Needs education services will continue to closely monitor the demand pressures in Independent and Out of Borough placements. Addington Valley Academy, St Nicholas, Coulsdon College Croydon, and Waddon Youth Disability Services are increasing placement numbers, which is helping to reduce high-cost out of borough placements.

**4.43** Based on the provisional outturn position showing a variance of £0.691m, the overall DSG deficit projection will move from £15.384m to £15.923m at the end of 2023-24. This comprises the starting position of £15.384m, plus £0.691m from DSG high needs, minus £0.152m from DSG Early years (please see section below).

**4.44** This is favourable compared to the Safety Valve target of £16.109m, which demonstrates that the Council is still ahead of the DfE target. Note this is prior to the £3.290m Deficit Recovery payment from the DfE as per the Safety Valve agreement.

### DSG Early Years Block – forecast breakeven position

**4.45** The Department for Education (DfE) provides six key funding streams for the Early Years Block, with a total budget allocation for 2023-24 of £31.1m. The provisional outturn shows a final outturn of £30.9m with £0.2m transferred to DSG reserves, coming to an overall breakeven position.

#### Risks

**4.46** The Children’s Social Care Division monitored placement and care package expenditure during the year. Pressure on placement spend is owing to the sufficiency challenges both locally and nationally. The introduction of regulation for supported accommodation is predicted to increase charges as providers seek to pass on costs to Local Authorities. A report by the London Innovation and Improvement Alliance (LIIA) warns “Costs of new Ofsted regulation and inspection regime for semi-independent placement provision could be nine times higher than Government funding, whilst one in five care beds could be withdrawn”

**4.47** The service will continue to monitor all the ongoing risks associated with the Safety Valve target which includes increasing complexity of needs requiring additional funding for special schools, increasing placement costs and extra out of borough placements to meet the local needs of some CYP pupils with complex needs.

## **HOUSING**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Provisional Outturn (£m)</b>	<b>Variance (£m)</b>
Resident Engagement and Allocations	23.9	25.7	25.7	1.8
Housing Estates and Improvement	-	-	-	-
<b>Total Housing</b>	<b>23.9</b>	<b>25.7</b>	<b>25.7</b>	<b>1.8</b>

**4.48** The provisional outturn for the Housing Directorate General Fund is an overspend of £1.8m (7.5%) against the net budget of £23.9m. This is an improvement on the position reported at Period 10 when a forecast overspend of £3.5m was predicted.

**4.49** The favourable movement is a result of data cleansing in the new NEC IT system, case reviews and occupancy checks resulting in the recovery of an extra £4.5m in rental and housing benefits income.

**4.50** An increase to the bad debt provision of £1.2m has been included in the year end position. As we continue to work on the data collection and cleansing within the NEC IT system there has been the identification of miscoded accounts and, therefore, this is a prudent approach.

- 4.51** Temporary Accommodation (TA) portfolios were overspent against the budget by £1.8m at year end. The underlying pressure was £4.3m including the increase to the bad debt provision. However, the additional Homelessness Prevention Grant (HPG) top up helped to mitigate against these pressures.
- 4.52** The main areas of ongoing pressure are:
- **Nightly Lets**
- 4.53** London Council's analysis for September 2023 compared to September 2022 shows homelessness presentations are up 14.5% in London with 9,079 households presenting as homeless during the month. In Croydon, homeless presentations/demand has doubled from an average of 200 up to 400 per month in the last three months.
- 4.54** However, new placements into temporary accommodation have been well controlled with the stringent application of statutory guidelines over the same period. An average of 100 placements resulted from 400 presentations (25%) in the last 3 months, compared to an average of 60% of presentations resulting in accommodation prior to the new structure.
- 4.55** With the increase in overall temporary accommodation numbers (in line with the increase seen nationally) from 3,328 in March 2023 to 3,623 in March 2024 (an increase of 295 during the year), this overspend would have been significantly higher had we carried on working the way we were prior to the new structure.
- **Croylease**
- 4.56** This is a type of Private Sector Leasing (PSL) Scheme. The Council directly leases the property from the private owner for which a guaranteed rent is paid and then the Council provides households with a licence to occupy. The Council operates as landlord to the occupier and is responsible for property/tenancy management including full repair and rent collection responsibilities.
- 4.57** When the landlord asks for their property to be handed back, the Council is liable for repairs and void costs until the property transfer is completed.
- 4.58** The scheme started approximately 11 years ago as a pilot for 50 properties, to alleviate overcrowding for secure tenants, a few of whom remain in those properties. Work is ongoing to move those former secure tenants back into Council properties. Owing to consideration of the financial burden of this scheme, the Council is not taking on any new properties into this scheme and will wind it down over time.
- 4.59** Across 2022-23 and 2023-24 an increasing number of landlords have been withdrawing from this scheme and this has resulted in increased repair costs from £660k in 2022-23 to £1.7m in 2023-24.

- **Concord, Sycamore, Windsor (CSW)**

**4.60** There is a potential financial risk from the fire at Sycamore House in Thornton Heath depending on the insurance claim settlement which is not yet finalised owing to the ongoing review by the insurance companies' loss adjusters. This risk was provided for in the 2022-23 accounts. However, if there is any difference from the estimated reimbursement of 70% of costs from the insurers, this would be an extra charge or benefit when settled.

#### Other TA Pressures

#### **4.61 Income**

The income charged to tenants in 2023-24 was restricted to 90% of LHA rate from 2011. From 1 April 2024 this has been increased in line with the revised LHA rates for non-TA accommodation, however TA accommodation remains at 90% of the LHA rate as at 2011. The inherent gap between the accommodation costs and ultimate income will remain significant for the TA portfolios.

In addition, there is a pressure within the housing budget owing to temporary accommodation management fees of £40/week/unit which are no longer recoverable through Housing Benefit (HB) subsidy from DWP.

From 1 April 2017, following the Government's 2015 spending review announcement, funding was devolved to Local Authorities through the Homelessness Prevention Grant with the aim of allowing Councils to better manage their temporary accommodation pressures, and this funding is instead of the HB subsidy.

#### **4.62 Demand**

There has been a concerted effort to hold homelessness accommodation costs down across London through partnerships with organisations like Capital Letters and via the agreed Pan-London temporary accommodation rates. The rates can no longer be contained though as demand outweighs available affordable supply. At a Pan London meeting, all boroughs confirmed that they are no longer paying the agreed Pan London rates to ensure they meet their demand challenges. Demand in Croydon is exacerbated owing to the housing rents being lower than other London boroughs (especially inner London) resulting in people moving into Croydon.

Croydon has experienced an increase in both the average cost of nightly paid and temporary accommodation and has had to meet those costs to secure units. There has also been pressure on the availability of longer-term leased accommodation because of landlords leaving the market.

## Opportunities

- 4.63** Housing will continue to ensure the use of ringfenced Household Support Fund, Rough Sleeping initiative grants, and asylum seeker & refugee grant funding within the grant terms and to maximise the mitigating effect on general fund spend. This includes supporting households that are in rent arrears.
- 4.64** There are opportunities from accommodation that is coming on stream for placing homelessness clients, which will provide alternative accommodation and reduce the reliance on expensive nightly paid accommodation in 2024-25.
- 4.65** The restructure for Housing Needs has been implemented and is forming the bedrock for process and cultural change and a more proactive journey for households. The financial benefits are expected to be realised in the longer term from better preventative practice resulting in reduced spend on homelessness.

## **RESOURCES**

<b>Division</b>	<b>Net Budget (£m)</b>	<b>Actuals to Date (£m)</b>	<b>Provisional Outturn (£m)</b>	<b>Variance (£m)</b>
Commercial Investment	19.3	15.6	15.6	(3.7)
Finance	17.1	17.1	17.1	-
Legal Services and Monitoring Officer	2.7	2.4	2.4	(0.3)
Insurance, Anti-Fraud and Risk	0.6	2.0	2.0	1.4
Internal Audit Service	0.5	0.5	0.5	-
Pensions and Treasury	0.4	0.4	0.4	-
Central Resources	(2.3)	(2.4)	(2.4)	(0.1)
<b>Total Resources</b>	<b>38.3</b>	<b>35.6</b>	<b>35.6</b>	<b>(2.7)</b>

- 4.66** The Resources directorate has a provisional outturn underspend of £2.7m (7.0%) against a budget of £38.3m.

### Commercial Investment Division – £3.7m provisional outturn underspend

- 4.67** There was an underspend owing to a reduction in utility costs (£1.6m), improved utilities recharging to external bodies (£1.4m), and staffing underspends across the division owing to periods of staffing vacancy (£0.5m). Facilities Management and Property services also had an underspend owing to increased grant income and recharges to capital projects (£0.2m).

### Finance Division – breakeven provisional outturn position

- 4.68** There was a breakeven position for the Finance Division. The Payments, Revenues, Benefits and Debt Service had an underspend owing to staffing vacancies, but this was offset by decreased Land Charges income and temporarily increased agency staffing in strategic finance to work through historic accounting issues including the prior years' accounts.

**4.69** A cross Council working group has operated to mitigate Housing Benefit (HB) subsidy risks by maximising HB subsidy income claims, increasing collection of HB overpayments and reducing costs.

**4.70** The Finance Division has undergone a restructure of the strategic finance service and has commenced recruitment into roles which are currently covered by agency staffing. The capacity and skills levels required in the strategic finance service were reviewed and extra funding from growth has been agreed for 2024-25.

Legal Services and Monitoring Officer Division – £0.3m provisional outturn underspend

**4.71** The main variances were a £0.1m underspend in the Monitoring Officer service owing to staff vacancies and an underspend against the members allowances budget, and an underspend in Legal Services of £0.3m owing to over-achievement of external and recharge income.

**4.72** The Legal Services and Monitoring Officer Division is reviewing usage of external legal advice, with a view to increasing the inhouse staffing structure (moving budget from external legal expenditure in directorates) to provide more legal services internally and, therefore, reduce overall legal expenditure for the Council.

Other Service Areas and Central Resources - £1.3m provisional outturn overspend

**4.73** There was a provisional outturn overspend in self-insurance costs of £1.4m owing to an increased number of claims during 2023-24 which will be settled in future years. The increased allowance is based on the latest external valuation report for insurance risk and claims. There was an underspend of £0.1m in Central Resources owing to staffing vacancies.

Risks

**4.74** There is a future 2024-25 risk in the Finance Division in relation to Housing Benefit subsidies including the potential impact of the roll out of Universal Credit (UC). The Council can make a claim to DWP for weekly deductions from UC to recover HB overpayments. However, there is a hierarchy of deductions and HB overpayments are not at the top of the hierarchy. There is a risk for housing tenants that are claiming HB and are being migrated onto UC. If tenants do not take action to claim UC in a timely manner, they could miss out on transitional protection (keeping income at current HB level) and have decreased income on UC (which could reduce ability to pay their rent).



## SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Sustainable Communities	56.3	54.3	54.3	(2.0)
Culture and Community Safety	10.3	9.4	9.4	(0.9)
Planning & Sustainable Regeneration	7.3	7.6	7.6	0.3
Central SCRER	-	0.2	0.2	0.2
<b>Total SCRER</b>	<b>73.9</b>	<b>71.5</b>	<b>71.5</b>	<b>(2.4)</b>

**4.75** At provisional outturn, the SCRER directorate had a General Fund projected underspend of £2.4m (3.2%) against a budget of £73.9m.

### Sustainable Communities Division - Provisional underspend of £2.0m

**4.76** There was a provisional outturn overspend of £3.5m for SEND home to school transport owing to an unprecedented increase in demand and inflation throughout 2023-24, an issue which has been experienced and reported nationally. There was a £0.6m income pressure in New Roads and Street Works Act (NRSWA) coring inspections. These pressures were offset through an underspend in staffing owing to periods of vacancy and maximising allocation of grant funding towards posts (£3.5m), an underspend in waste services primarily owing to reduced tonnage level of waste (£2.5m), and an overachievement in parking enforcement and moving traffic offence income (£0.3m).

### Culture and Community Safety Division – Provisional underspend of £0.9m

**4.77** The division had an underspend of (£0.9m). This was owing to underspends from reduced utility costs in contracts (£0.4m), periods of staffing vacancy (£0.3m), and underspends across the libraries service while the service is under redesign (£0.2m).

**4.78** The Culture and Community Safety Division led on the London Borough of Culture 2023 activities, funded through external funding sources. This was a year-long celebration of Croydon’s unique identity, diverse communities and rich heritage, culture and creativity. The programme for “This is Croydon” showcased Croydon to the world. It included major events with international headliners performing alongside emerging home-grown talent, plus hundreds of cultural activities from our communities.

### Planning and Sustainable Regeneration Division – Provisional overspend of £0.3m

**4.79** The division had an overspend of £0.3m. This was driven by an income under-achievement of £0.7m owing to lower activity levels to date in planning major applications and planning performance agreements. This was offset by a staffing underspend of (£0.2m) across the service owing to periods of vacancy and capitalisation of salaries, an underspend in supplies and services (£0.1m) and additional utilisation of grant funding (£0.1m).

**4.80** The reduction in planning major applications is being experienced across the country and the GLA has reported the reduction across London. It is these applications which bring in the most significant fee income. The reduction in major applications can be attributed to several factors which include:

- Economic factors such as increased building and material costs and increased interest rates.
- Uncertainty relating to the emerging Building Safety Bill – impacts on design and when a second staircase is required.
- Uncertainty in relation to emerging planning legislation.

## CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Provisional Outturn (£m)	Variance (£m)
Economic Demand Pressures	0.9	-	-	(0.9)
Risk Contingency Budget	5.0	-	-	(5.0)
Transformation Programme	10.0	10.0*	10.0	-
Other corporate items	(97.1)	(98.4)	(88.3)	8.8
<b>Total Corporate Items and Funding</b>	<b>(81.2)</b>	<b>(88.4)</b>	<b>(78.3)</b>	<b>2.9</b>

*\*Note: The Transformation Programme actuals include the movement to reserves for slippage expenditure on projects spanning multiple years that will continue into 2024-25. Further details are provided in the transformation section below.*

**4.81** The Corporate directorate has a provisional outturn overspend position of £2.9m (after final reserves movements) against a net budget of (£81.2m). The risk contingency budget of £5m was not required to be utilised for the Council’s overall financial position and will, therefore, be used together with other service and corporate underspends to add £10.1m into the business risk reserve.

**4.82** The corporate area holds funding streams such as Council Tax, retained share of Business Rates and Core Grants. The corporate budget also holds the Council-wide risk contingency budget (£5m) and the budgets for borrowing and interest received.

**4.83** The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFs savings.

**4.84** There is budget of £0.9m held centrally (of the original £5.5m agreed by full Council) for the potential impact of economic demand pressures on Croydon after the allocation of £1.7m budget in Period 3 (Housing Benefit subsidy pressures), £2.2m budget in Period 6 (emergency accommodation pressures) and £0.7m budget in Period 7 (children social worker caseload pressures).

- 4.85** The corporate area also holds the 2023-24 Transformation budget of £10m, which funds work carried out in directorates and cross-Council to achieve MTFS savings and improve services for local residents and businesses. The underspend in 2023-24 has been carried forward in an earmarked reserve to fund projects which are being delivered over multiple financial years. The Transformation budget reduces to £5m from 2024-25.
- 4.86** There is £1.5m budget held in Corporate for adjustments to correct General Fund recharge budgets relating to the HRA, Public Health, capitalisation of salaries and corporate support (overhead) recharges, and salary and income budget corrections. The budget agreed by full Council was £7.3m and £5.8m of this was allocated out to service directorates in Period 7. The remaining budget is likely to be needed to align corporate support (SERCOP) recharge budgets in 2024-25, following further work to calculate up to date recharges to non-General Fund areas.
- 4.87** There is a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income, and/or increase the levels of claimants for Council Tax Support. The impact of the Council Tax increase is partially mitigated through the Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax).
- 4.88** There is borrowing cost uncertainty from interest rates and the timing of capital receipts from asset disposals.

### **Transformation Programme**

- 4.89** The Transformation Programme had £14m of resources allocated to it, consisting of £10m base revenue budget and £4m earmarked reserve.
- 4.90** During the year £10m of the Transformation Programme budget was allocated leaving £4m unallocated. The Transformation Programme will provide a return on investment through service improvement benefits and the identification and delivery of savings for the MTFS, providing a significant level of savings towards the £20m per annum savings required from 2025-26 onwards.
- 4.91** The £4m budget unallocated will be carried forward into 2024-25 in earmarked reserves to be used alongside the £5m 2024-25 transformation base budget. This will support the delivery of the Future Croydon transformation plan.
- 4.92** Additionally, the as yet unspent project budgets (£5.240m) shown in the table below have been carried forward into 2024-25 to ensure the projects have the required funding to deliver their outcomes.

## Transformation Programme Allocations

Project	2023-24 Budget Allocation (£m)	Actuals to Date (£m)	Provisional Outturn Expenditure (£m)	Variance (£m)
Transformation Revenue Budget	10.000			
Transformation Reserve Funding	4.000			
<b>Total Transformation Funding</b>	<b>14.000</b>			
Parking Policy Review	0.200	0.119	0.119	(0.081)
Community Hubs Programme	0.250	0.001	0.001	(0.249)
HR Transformation	0.093	0.078	0.078	(0.015)
Digital & Resident Access Review/Digital Workforce	0.080	0.031	0.031	(0.049)
SEND Review	0.240	0.240	0.240	-
Passenger/SEND Transport Transformation	0.100	0.020	0.020	(0.080)
Joint Funding Arrangements	0.110	-	-	(0.110)
Sustaining Demand at the Front Door	0.190	0.186	0.186	(0.004)
Corporate Parenting Transformation	0.743	0.407	0.407	(0.336)
Dynamic Purchasing System	0.142	0.095	0.095	(0.047)
Calleydown Transformation	0.134	-	-	(0.134)
Income & Debt Review	0.050	0.015	0.015	(0.035)
Croydon Campus	0.250	0.232	0.232	(0.018)
Customer Access Review	0.200	0.117	0.117	(0.083)
Building Control Transformation	0.450	0.063	0.063	(0.387)
Planning & CIL Transformation	0.300	0.084	0.084	(0.216)
CALAT	0.050	0.050	0.050	-
Housing Needs Restructure	0.260	0.180	0.180	(0.080)
Temporary Accommodation Case Review	0.491	0.040	0.040	(0.451)
Housing Occupancy Checks	0.291	0.243	0.243	(0.048)
Rent Accounts and Data Cleanse	0.026	-	-	(0.026)
Housing Association Recharges	0.059	-	-	(0.059)
Supported Housing Review	0.080	0.018	0.018	(0.062)
Adult Social Care Transformation	1.100	0.728	0.728	(0.372)
Strategic Operating Model Design Partner for Adult Social Care and Health	1.134	0.163	0.163	(0.971)
Asset Rationalisation	0.124	-	-	(0.124)
Business Intelligence Review	0.026	-	-	(0.026)
Community Equipment Service	0.234	0.147	0.147	(0.087)
Croydon Museum	0.170	-	-	(0.170)
Oracle Improvement Programme	0.915	0.349	0.349	(0.566)
SCRER Business Improvement Team	0.396	0.047	0.047	(0.349)
Transformation Programme Management Office	1.100	1.095	1.095	(0.005)
<b>Total Revenue Budget Allocated to Date</b>	<b>9.988</b>	<b>4.748</b>	<b>4.748</b>	<b>(5.240)</b>
Unallocated To Date	4.012			

## Savings

**4.93** The 2023-24 budgets included a challenging new savings target of £33.1m. Together with slippage of £3.0m from 2022-23, the total savings target was £36.1m. The provisional outturn achievement of savings was £33.2m (91.9%). Directorates identified risks to achievement of individual savings throughout the year and made plans to mitigate these risks, or identify alternative savings, if possible.

**Table showing 2023-24 provisional outturn savings achievement by directorate**

Directorate	2023-24					
	Savings target	Slippage from previous year	Revised Savings target	Forecast savings achievable	Savings slippage	Not yet evidenced or (over delivery)
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care & Health	12,243	-	12,243	13,276	-	(1,033)
Assistant Chief Executive	2,924	-	2,924	2,271	653	-
Children, Young People & Education	6,920	490	7,410	5,148	-	2,262
Housing	2,305	-	2,305	2,305	-	-
Resources	6,347	-	6,347	6,032	315	-
Sustainable Communities (SCRER)	1,859	2,490	4,349	4,124	225	-
Cross-Directorate / Corporate	500	-	500	-	500	-
<b>Total</b>	<b>33,098</b>	<b>2,980</b>	<b>36,078</b>	<b>33,156</b>	<b>1,693</b>	<b>1,229</b>

### Savings slippage and achievement not yet evidenced

**4.94** Assistant Chief Executive: There was savings slippage of £0.653m owing to:

- Workforce restructure - £0.500m – The saving of £1m was partially achieved in year with the remaining £0.5m linked to the End User Service re-procurement and subsequent service transformation which will be achieved in 2025-26 when the current contract extension expires.
- Human Resources management team reorganisation and reduction in previously agreed growth - £0.153m - The payroll restructure was delayed and completed in December 2023 with the headcount of the payroll team reduced as a result. Savings have been achieved for 2024-25 and the 2023-24 position was mitigated with underspends elsewhere in the service.

**4.95** Children, Young People & Education: There were savings of £2.262m which were not evidenced during 2023-24:

- NHS Funding - £0.490m – Detailed analysis of the spend on health and care for children in the social care system and in schools was undertaken in 2021-22 to inform a more proportionate allocation of costs across the Council and the NHS to be achieved by 2023-24. It has proved challenging to reach agreement on increased health contribution to placement and care package costs.
- Reduce spend on Children Looked After placements - £1.715m – Whilst the number of children in Croydon’s care continued to decrease over 2023-24, the unit costs for residential and semi-independent placements increased at a faster rate.
- Increase Health contribution to the Integrated Commissioning Team - £0.057m – Whilst not achieved in 2023-24, the recent NHS restructure will inform a review of Council capacity to achieve this saving in 2024-25.

**4.96** Resources: There was savings slippage of £0.315m relating to the saving “Review and release of additional space in Bernard Weatherill House or disposal with part sale and leaseback option”. Two further organisations have agreed to rent floors of the building. However, building works need to be finalised before occupation commences in 2024-25.

**4.97** SCRER: There was savings slippage of £0.225m relating to the saving “Review and reduction of Neighbourhood Operations”. The change occurred in September 2023, providing a part-year saving in 2023-24 and the full-year saving of £0.450m will be achieved in 2024-25.

**4.98** Cross-Directorate: There was savings slippage of £0.5m. The “Business Intelligence” saving of £0.250m was developed as a transformation project for delivery in 2024-25. For the “Consider new structures through layers and spans review” saving of £0.250m, initial scoping work was completed including suggestions and options for potential centralisation efficiencies to reduce potential duplication of functions across the Council.

**Reserves**

**4.99** There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2023-24. The provisional outturn for 2023-24 maintains this reserve.

<b>General Fund Balances</b>	<b>Provisional Outturn (£m)</b>
<b>Balance at 1 April 2023</b>	<b>27.5</b>
Forecast Contribution to/(Drawdown from) Reserves	-
<b>Forecast Balance at 31 March 2024</b>	<b>27.5</b>

**4.100** The General Fund balances serve as a cushion should any overspend materialise. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.

### **Unresolved Issues**

- 4.101** The Council's overall financial position is still subject to a number of unresolved historic legacy issues. The latest position on these was set out in the 22 February 2023 Cabinet report titled 'Revenue Budget and Council Tax Levels 2023-24' which incorporated the findings of the 'Opening the Books' review undertaken in 2022-23. The report stated that a request has also been made of Government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the 'Opening the Books' programme.
- 4.102** The Council needs to correct a range of misstatements in its legacy accounts from 2019-20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFS Update report to Cabinet in November 2022.
- 4.103** The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a prudent decision was made to include the potential £70m gap in the accounts caused by incorrect accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed.
- 4.104** The Capital Programme for 2022-23 included the £161.6m Capitalisation Direction requested, which was in addition to the £25m capitalisation direction previously approved.
- 4.105** The Council has recently been required by an Adjudication Panel to make a payment to a former contractor in relation to a historic claim which dates back to a contract they held during the period 2011-2018. The Council has, therefore, requested a new Capitalisation Direction of £9.439m for 2019-20 in order to finalise the 2019-20 accounts. This is in addition to last year's request for a Capitalisation Direction of £126m in relation to 2019-20. With four years of accounts still open, there remains a risk that further legacy issues will be uncovered.

### **HOUSING REVENUE ACCOUNT (HRA)**

- 4.106** The HRA provisional outturn is a revenue overspend of £9.9m owing to resolving a backlog of historic legacy repair work, reducing voids and resolving issues experienced nationally including damp and mould and fire safety. The position has reduced from the P10 forecast of £12m, owing primarily to the finalisation of the

interest charges between the HRA and General Fund, upon confirmation of provisional outturn HRA balances at year end.

- 4.107** The provisional outturn is a revenue overspend of £9.9m. The position includes the main variances of a net outcome from a £11.8m overspend on repairs plus a £4.9m overspend on legal disrepair and the creation of a disrepair provision £1.5m. These pressures are offset by underspends of £3.7m on central services area which includes the HRA Transformation and central staffing budgets. A £4.9m net increase in income consisting of a £2.2m increase to the capital recharges, £2.1m of interest charges between the HRA and General Fund and £0.6m of rental income.
- 4.108** The HRA had a reserve of circa £50m as at the end of 2022-23 and this reserve will fund the 2023-24 overspend, however the HRA budget for 2024-25 takes account of ongoing pressures and priorities.

#### Repairs

- 4.109** Since Period 5 it has been set out how the legacy of repairs, disrepair works and the commissioned works on damp and mould accounts for £11.8m of overspend against the existing budget of £13.5m. This pressure is a direct result of the significant under-investment over decades in the housing stock which has resulted in the backlogs the teams are now tackling, including historic legacy issues identified since the implementation of the three new repairs contracts in August 2023. The Council is committed to ensure it is meeting its requirements as a landlord.
- 4.110** The 2024-25 budget has taken account of ongoing pressure areas within the repairs service. Stock conditions surveys have been commissioned to identify the level of major repairs and maintenance to be programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium term.

#### Damp and Mould

- 4.111** There has been significant work done to tackle reports of damp and mould, treating the appearances of spores and carrying out works to address the issues.
- 4.112** The Social Housing (Regulation) Act 2023 will enable a rigorous new regime that holds all landlords to account for the decency of their homes and the service they provide. This includes changes from 'Awaab's Law' which follows the death of 2 year old Awaab Ishak in 2020 owing to damp and mould exposure in his Rochdale home, following repair requests and complaints having been repeatedly ignored. Legislation includes provisions which will require the Council to investigate hazards and fix repairs including damp and mould in their properties within strict new time limits or rehouse residents where a home cannot be made safe. The new rules will form part of the tenancy agreement, so residents can hold landlords to account if they fail to provide a 'decent' home.



## Voids

- 4.113** The service has prioritised the reduction in numbers of empty properties and decreased the turnaround time when a property becomes empty. This has had a significant financial impact and the team expects to have cleared the backlog of legacy voids within 2024-25. Financial controls for all voids over £6,500 are in place and there is ongoing management of the work in progress (WIP) and the average new voids of 12 per week.

## Disrepair

- 4.114** The £4.9m pressure attributed to disrepair reflects the volume of historic legacy disrepair cases being cleared and the legal costs and settlements that have been the outcome. A provision of £1.5m for this financial year has been provided for following the outcome of the disrepair service annual review.
- 4.115** The high volume of legal disrepair cases presents an ongoing challenge to LBC and, as a result of lower than expected contractor performance, the backlog has increased significantly over the last few months to circa 800 cases. The volume of new cases LBC is receiving each month continues to average circa 50 per month. A new Disrepair payments process was recently implemented to improve efficiency and minimise enforcement action for non-compliance. Initiatives in the new financial year which will improve the outcomes for tenants include: Contractor's progress management with appropriate Key Performance Indicators (KPI) and a new ADR (Alternative Dispute Resolution) Scheme.

## Control framework

- 4.116** The service introduced controls to manage, monitor and provide assurance on ongoing responsive repairs costs:
- The NEC system allows management of the budget per individual line of activity with a budget set on NEC that cannot be exceeded and no payments can be made without any increase to the budget prior to any new orders being raised. Manager approval is required to increase a budget.
  - A Review Panel has been established since September. Any quotes for works over a value of £5,000 must be presented to the panel and approval sought prior to the works order being raised.
  - A review and approval from the Housing Directorate Management Team will be sought for works on an individual property in excess of £40,000 to allow consideration of value for money and to ensure that there is a link being made to regeneration projects and any other cross-Council projects.

**Table showing the 2023-24 HRA provisional outturn**

Description	Net Budget (£m)	Provisional Outturn (£m)	Forecast Month 10 (£m)	Forecast Variance (£m)
Rental Income	(82.1)	(82.7)	(82.1)	(0.6)
Service Charge Income	(4.6)	(4.6)	(4.6)	-
Concorde, Sycamore & Windsor (rental income for Temporary Accommodation provision)	(3.4)	(3.4)	(3.4)	-
Other Income	(6.0)	(10.4)	(6.0)	(4.4)
<b>Subtotal Income</b>	<b>(96.1)</b>	<b>(101.1)</b>	<b>(96.1)</b>	<b>(5.0)</b>
Housing Capital Charges	40.9	39.7	40.9	(1.2)
Responsive Repairs & Safety	20.4	37.8	32.3	17.4
Centralised Directorate expenditure	11.3	9.8	11.3	(1.5)
Tenancy & Resident Engagement	10.3	9.3	10.3	(1.0)
Tenant Support Services	6.7	8.1	6.7	1.4
Concorde, Sycamore & Windsor expenditure	3.4	3.4	3.4	-
Asset Planning	1.6	1.5	1.6	(0.1)
Capital Delivery (Homes)	1.5	1.4	1.5	(0.1)
<b>Subtotal Expenditure</b>	<b>96.1</b>	<b>111.0</b>	<b>108.0</b>	<b>14.9</b>
<b>Total HRA Net Expenditure</b>	<b>-</b>	<b>9.9</b>	<b>12.0</b>	<b>9.9</b>

**4.117** The main risks within the HRA are:

- NEC system functionality delays:
  - Although the system went live in June 2023, the system is yet to be used to its full capacity including full reporting functionality. The repairs and income forecasting may yet be impacted once the full integration and functionality is available.
- Repairs and maintenance:
  - extra expenditure to deal with the backlog of repairs and maintenance.
  - void and disrepair costs carried out by specialist contractors to reduce void losses and minimise future disrepair claims.
  - settlement of disrepair cases and related legal fees, including those relating to Regina Road.
- Tenancy and income:
  - the impact of cost of living pressures on rent collection (including a potential increase in bad debt cost).
  - loss of income owing to void (empty) residential properties.
  - loss of income owing to voids including void garages.

- Recharge review:
  - General Fund services are producing service level agreements (SLAs) to evidence recharges of costs to the HRA, which could result in increased charges to the HRA.

## **Capital Programme and Financial Sustainability**

- 4.118** The Capital strategy and programme was approved by Council in March 2023. This recognised the complex and challenging financial and operational circumstances in which the Council continues to operate. It showed a 2023-24 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.3bn of General Fund debt and an environment of rising interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, will be essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 4.119** The strategy reflected the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.
- 4.120** Concerns were highlighted regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets, e.g. Fairfield Halls, Croydon Park Hotel and the Colonnades. This includes the debt write-off against loans historically given to Brick By Brick.
- 4.121** In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and, therefore, likely to drive significant increases in annual repayment levels.
- 4.122** An estimated £66m is now required to service this debt from the General Fund which represents around 19% of the Council's net budget. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority. The Council's historic legacy borrowing and debt burden is, therefore, critical to the non-sustainability of the Council's revenue budget.
- 4.123** The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2023-27 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further Government assistance will not be possible. The Council's 2023-24 budget required capitalisation directions

from Government of £63m to balance and the MTFS demonstrated an ongoing estimated budget gap of £38m per annum from 2024-25.

- 4.124** It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden (each £1m of capitalisation adds £67k per annum revenue cost). Also capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and, therefore, the Council is not able to reduce its existing historic debt (a situation of "treading water").
- 4.125** Therefore, a request was made to MHCLG in January 2023 for Government funding to write-off £540m of the Council's General Fund debt. MHCLG subsequently asked the Council to propose a wider range of options and the Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of historic legacy structural indebtedness to ensure it can deliver sustainable Local Government services.

### General Fund Capital Programme

- 4.126** The General Fund capital programme provisional outturn is an underspend of £29.0m (23.4%) against the revised budget of £124.0m.

**Table showing 2023-24 General Fund Capital Programme provisional outturn**

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Bereavement Services	127	11	11	(116)
My Resources Interface Enhancement	169	165	165	(4)
ICT	-	(22)	(22)	(22)
Network Refresh	152	67	67	(85)
Tech Refresh	292	15	15	(277)
Geographical Information Systems	312	103	103	(209)
Laptop Refresh	1,030	983	983	(47)
Cloud and DR	167	28	28	(139)
Synergy Education System	858	583	583	(275)
NEC Housing System	2,725	1,822	1,822	(903)
Uniform ICT Upgrade	56	56	56	-
Public Switched Telephone Network Digital Migration Phase 1	163	20	20	(143)
<b>Subtotal Assistant Chief Executive</b>	<b>6,051</b>	<b>3,831</b>	<b>3,831</b>	<b>(2,220)</b>
Children Home DFE	329	50	50	(279)
Woodlands Family Hub	140	142	142	2
<b>Subtotal CYPE</b>	<b>469</b>	<b>192</b>	<b>192</b>	<b>(277)</b>
Disabled Facilities Grant	3,000	2,558	2,558	(442)

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Empty Homes Grants	400	55	55	(345)
<b>Subtotal Housing</b>	<b>3,400</b>	<b>2,613</b>	<b>2,613</b>	<b>(787)</b>
Asset Strategy - Stubbs Mead	500	-	-	(500)
Asset Strategy Programme	100	19	19	(81)
Clocktower Chillers	15	-	-	(15)
Corporate Property Maintenance Programme	2,780	2,772	2,772	(8)
Fairfield Halls - Council	625	5	5	(620)
Former New Addington Leisure Centre	300	-	-	(300)
Fieldway Cluster (Timebridge Community Centre)	248	-	-	(248)
Contingency	1,000	-	-	(1,000)
Education - Fire Safety	450	247	247	(203)
Education - Fixed Term Expansions	225	199	199	(26)
Education - Major Maintenance	3,411	3,796	3,796	385
Education - Miscellaneous	116	36	36	(80)
Education - Permanent Expansion	297	115	115	(182)
Education - SEN	1,600	1,424	1,424	(176)
<b>Subtotal Resources</b>	<b>11,667</b>	<b>8,613</b>	<b>8,613</b>	<b>(3,054)</b>
Ashburton Park Heritage Fund	305	64	64	(241)
Cashless Pay & Display	1,463	-	-	(1,463)
Grounds Maintenance Insourced Equipment	1,200	-	-	(1,200)
Highways Signage	137	124	124	(13)
Highways	8,260	7,731	7,731	(529)
Highways - flood water management	404	395	395	(9)
Highways - bridges and highways structures	1,641	1,613	1,613	(28)
Highways - Tree works GLA	50	20	20	(30)
Local Authority Tree Fund	83	235	235	152
Park Asset Management	700	405	405	(295)
Parking	1,843	837	837	(1,006)
Play Equipment	300	439	439	139
Sustainability Programme	300	53	53	(247)
Trees Sponsorship	42	17	17	(25)
Waste and Recycling Investment	602	602	602	-
Leisure centres equipment contractual agreement	-	100	100	100
Leisure Equipment Upgrade	148	142	142	(6)
Libraries Investment - General	224	6	6	(218)
Safety - digital upgrade of CCTV	1,540	20	20	(1,520)
Tennis Court Upgrade	75	492	492	417
Cycle Parking	106	105	105	(1)
Electric Vehicle Charging Point (EVCP)	3	2	2	(1)
Growth Zone	15,341	1,435	1,435	(13,906)
Kenley Good Growth	304	130	130	(174)
South Norwood Good Growth	773	16	16	(757)

<b>General Fund Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
TFL - LIP	3,522	1,688	1,688	(1,834)
<b>Subtotal SCRER</b>	<b>39,366</b>	<b>16,671</b>	<b>16,671</b>	<b>(22,695)</b>
Capitalisation Direction	63,000	63,000	63,000	-
<b>Subtotal Corporate Items and Funding</b>	<b>63,000</b>	<b>63,000</b>	<b>63,000</b>	<b>-</b>
<b>TOTAL GENERAL FUND CAPITAL</b>	<b>123,953</b>	<b>94,920</b>	<b>94,920</b>	<b>(29,033)</b>

**4.127** The table below sets out how the General Fund capital programme expenditure has been financed:

#### **Table showing General Fund Capital Programme Financing**

<b>General Fund Capital Financing</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Community Infrastructure Levy (CIL)	6,600	6,600	-
CIL Local Meaningful Proportion (LMP)	552	87	(465)
Section 106	1,227	620	(607)
Grants & Other Contributions	14,851	11,100	(3,751)
Growth Zone	15,341	1,435	(13,906)
HRA Contributions	1,772	1,196	(576)
Capital Receipts	83,610	58,496*	(25,114)*
Borrowing	-	15,386*	15,386*
<b>Total General Fund Financing</b>	<b>123,953</b>	<b>94,920</b>	<b>(29,033)</b>

\*Note: The amount of capital receipts that can be applied to General Fund capital expenditure is still being finalised. This will impact the level of capital expenditure which needs to be funded through borrowing.

**4.128** The extra cost of play equipment has been funded through the application of Section 106 funding.

#### **HRA Capital Programme**

**4.129** The HRA capital programme provisional outturn is an underspend of (£3.5m) (8.9%) against the revised budget of £39.2m.

The HRA budget for 2024-25 and the HRA business plan has taken account of ongoing pressures and priorities. Stock conditions surveys have been commissioned to identify the level of historic legacy major repairs and maintenance to be

programmed into the future years' budgets and these capital improvements should reduce the level of responsive repairs over the medium to long term.

There are pressures relating to damp and mould related repairs and historic legacy legal disrepair and void cases where significant updating to properties is occurring.

**Table showing 2023-24 HRA Capital Programme provisional outturn**

<b>HRA Capital Scheme</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Actuals to Date</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs and Improvements Programme	21,355	20,884	20,884	(471)
NEC Housing System	1,772	1,196	1,196	(576)
Regina Road	3,500	5,148	5,148	1,648
Building Safety Works	3,735	6,950	6,950	3,215
Repairs Referrals	8,800	1,497	1,497	(7,303)
<b>Total HRA Capital</b>	<b>39,162</b>	<b>35,675</b>	<b>35,675</b>	<b>(3,487)</b>

**Table showing 2023-24 HRA Capital Programme Financing**

<b>HRA Capital Financing</b>	<b>2023-24 Revised Budget</b>	<b>2023-24 Provisional Outturn</b>	<b>2023-24 Variance</b>
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>
Major Repairs Reserve (MRR)	15,457	14,083	(1,374)
Revenue	13,900	13,900	-
Other Reserves	7,687	7,692	5
Right To Buy (RTB) Receipts	2,118	-	(2,118)
<b>Total HRA Capital Financing</b>	<b>39,162</b>	<b>35,675</b>	<b>(3,487)</b>

## 5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

## 6 CONSULTATION

6.1 None.

## **7. CONTRIBUTION TO EXECUTIVE MAYOR'S BUSINESS PLAN**

- 7.1** The monthly financial performance report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

- 8.1.1** Finance comments have been provided throughout this report.
- 8.1.2** The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 8.1.3** The Council currently has a General Fund Reserve of £27.5m which serves as a cushion should any overspend materialise. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.
- 8.1.4** The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with MHCLG continues. The Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable Local Government services.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

### **8.2 LEGAL IMPLICATIONS**

- 8.2.1** The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2.2** Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.



- 8.2.3** In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.2.4** The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty. The Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council including delivering and setting a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.
- 8.2.5** The Council is the subject of Directions from the Secretary of State requiring the Council to, amongst others, improve on the management of its finances. This report serves to ensure the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 12/06/2024.

### **8.3 HUMAN RESOURCES IMPLICATIONS**

- 8.3.1** There are no immediate workforce implications arising from the content of this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation of budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and, where necessary, consultation with the recognised trade unions.
- 8.3.2** The Council is aware that many staff may also be impacted by the increase in cost of living. Many staff are also Croydon residents and may seek support from the Council including via the cost of living hub on the intranet. The Council offers support through the Employee Assistance Programme (EAP) and staff may seek help via and be signposted to the EAP, the Guardians' programme, and other appropriate sources of assistance and advice on the Council's intranet, including the trade unions.

Comments approved by Gillian Bevan (Head of HR) on behalf of Dean Shoesmith, Chief People Officer, 13/06/2024.

## **8.4 EQUALITIES IMPLICATIONS**

**8.4.1** The Council has a statutory duty to comply with the Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**8.4.2** The aim of the duty is to ensure public authorities and those carrying out a public function consider how they can positively contribute to a fairer society through advancing equality and good relations in their day-to-day activities. The duty ensures equality considerations are built into the design of policies and the delivery of services and that they are kept under review.

**8.4.3** In setting the Council's budget for 2023-2024, colleagues responsible for key projects or savings proposals were required to complete Equality Impact Assessments (EQIAs) to support them to make such considerations. Likewise, any new policy or change to Council services across the financial year undergoes the same process.

**8.4.4** As officers deliver against the approved budget, including their delivery of savings, as monitored through this report, they will continue to monitor for any equality impacts.

Comments approved by Ken Orlukwu (Senior Equalities Officer) on behalf of Helen Reeves, Head of Strategy & Policy, 11/06/2024.

## **9. APPENDICES**

**9.1** None.

## **10. BACKGROUND DOCUMENTS**

**10.1** None.