For general release

REPORT TO:	**CABINET 20th JULY 2020**
SUBJECT:	**JULY FINANCIAL REVIEW**
LEAD OFFICER:	**Lisa Taylor, Director of Finance, Investment And Risk (Section 151 Officer)** **Jacqueline Harris Baker, Executive Director Resources**
CABINET MEMBER:	**Councillor Tony Newman The Leader** **Councillor Simon Hall** **Cabinet Member For Finance And Resources**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

A regular review of the Council's Financial plan enables a balanced budget target to be established with a focus on an affordable level of council tax, delivery of the corporate priorities and policies of the Council and the continued enhancement of value for money and satisfaction with services for the residents of our borough.

FINANCIAL SUMMARY:

This report sets out the financial outturn for 2019/20 for revenue, capital and the Housing Revenue Account. It updates on the current position of the council's Revolving Investment Fund (RIF) and the overall financial standing of the council.

The report also provides detail of the financial impact of the Covid19 pandemic, the returns to MHCLG and funding that has received to date. As well as the work being undertaken to ensure the budget is managed.

Due to the ongoing nature of the pandemic and the current uncertainty surrounding government funding and future costs the forecast will be subject to change and regular update reports will be provided to the Cabinet.

The report also considers the council's approach to medium term financial planning and annual budget setting and the forecast budget pressures in the current financial year due to the impact of Covid19, which have occurred due to a significantly reduced level of income, increased costs, and the inability to deliver a large number of the savings that were approved in the 2020/21 budget.

FORWARD PLAN KEY DECISION REFERENCE NO. 2220CAB

The decision may be implemented from 1300 hours on the 6th working day after the decision is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

It is recommended that Cabinet approves:

1.1 The approach to ensuring the financial challenge of the financial year 2020/21 is managed efficiently and effectively including delegation of decisions on measures to deliver the 2020/21 budget to the Cabinet Member for Finance and Resources in consultation with the relevant Cabinet member.

1.2 The amendment to the capital programme as detailed in section 8.

1.3 The continued use of capital receipts for funding transformation as detailed in section 9.

1.4 The approach to dealing with the financial impact of Covid19, including the financial returns to MHCLG and the discussions with them.

1.5 The principle of the agreement to enter into a loan with M&G for investment in affordable housing as set out in section 11.

That Cabinet Notes :

1.6 Final outturn of the 2019/20 revenue budget as detailed in section 3.

1.7 The final outturn of the capital programme for 2019/20 as detailed in section 3.

1.8 The slippage within the capital programme from 2019/20 into 2020/21 is under review. Approvals being sought will be presented to Cabinet as part of the Q1 financial monitoring report. The current agreed capital programme is detailed in Section 8.

1.9 The update on the Revolving Investment fund as detailed in section 3.15.

1.10 The changes being proposed for the budget setting process and Medium Term Financial Strategy (MTFS), and that more details will be presented to the cabinet in September 2020.

2. EXECUTIVE SUMMARY

2.1 The Council’s budget for 2020/21 was approved by Full Council on the

2nd March 2020 (Minute A86/20), as part of the annual budget setting cycle of the Council. The Covid19 pandemic which started to take effect just before the beginning of the new financial year has had a considerable impact on all services of the Council and the national and local economy.

2.2 This report provides an update of progress towards ensuring the financial challenges are managed in the most effective way possible and provides an update on the:

- Council funding.
- The Council's overall financial position including the 2019/20 outturn position;
- The Council's strategy and planning for delivering the 2020/21 budget in light of COVID19 and any resultant impact of this on future years together with the series of projects being developed and implemented to reduce the financial pressures the council faces.
- The proposals around the annual review and refresh of the MTFS and the timetable for implementation of the MTFS and future budget setting.
- Capital Programme and use of capital receipts to fund transformation.
- Details around the agreement being put into place to enter into a loan for investment in affordable homes.

2.3 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it is inheriting a raft of traditionally Inner London issues that impact the budget. The effects of welfare reform, Universal Credit and the rising cost of poor quality rental property have seen large numbers of people move from central London to Croydon in search of cheaper accommodation, care and living costs. Subsequently poverty and homelessness are rising, need is becoming more complex and there is an increasing demand for, and strain on, public services and housing.

2.4 Since 2011/12 and the start of austerity grant funding for Croydon has reduced by 75, which is £105m. The 2020/21 settlement showed an increase in Core Spending Power of 7.2%, mainly due to the development in the borough and the assumed council tax increases, and an increase in Settlement Funding Assessment (SFA) of £1.4m or 1.6%. This is however a real terms cut, although it compares favourably with 2019/20 when the SFA was reduced by £7.8m or 8.2%.

2.5 Croydon is ranked at number 20 in the funding table per head of London, receiving £220 per head in 2020/21, whereas neighbouring Lambeth received £430 per head. If Croydon were funded at the London average of £297 per head for 2020/21 it would receive an additional £32m. And if Croydon were funded at Lambeth's levels, it would receive over £80m extra,

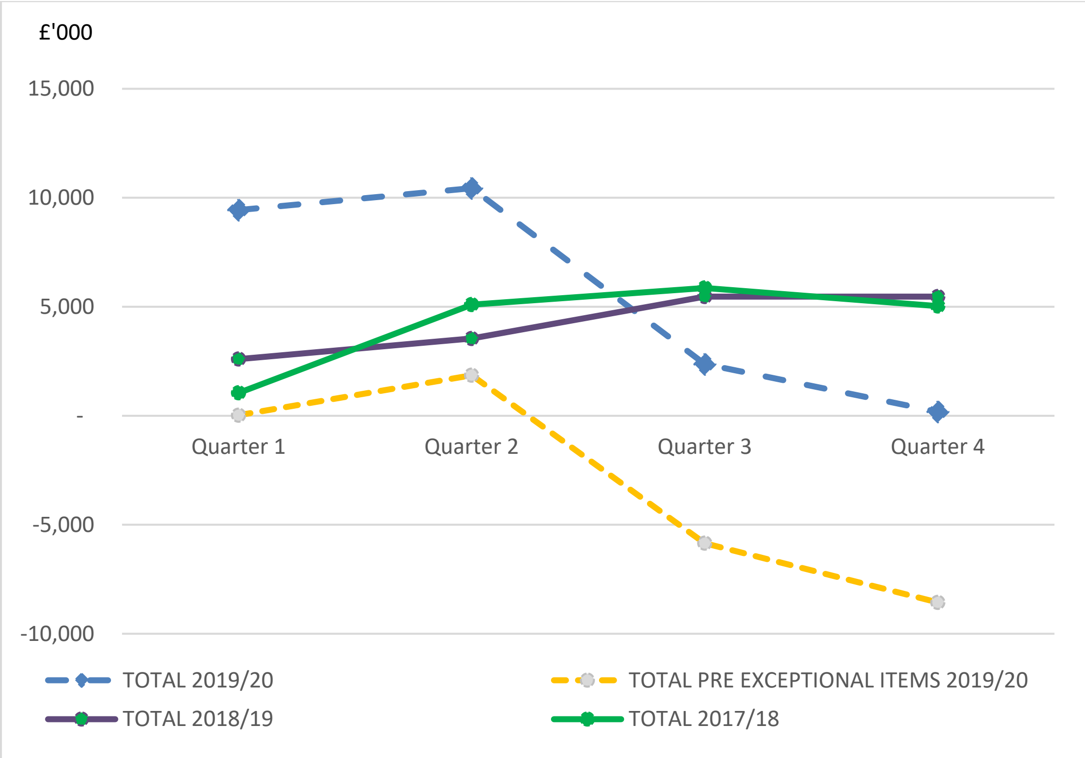
2.6 Croydon has received an average funding amount of £247 per head over the five year period; this compares to the London average of £326. It is clear from these funding figures that we are inadequately funded for a borough of our size and with our complexities. This underfunding puts enormous pressure on our ability to deliver services and has resulted in the need to undertake significant savings programmes annually.

2.7 Throughout 2019/20 the Cabinet have been kept informed of the Council's budget position and forecast outturn with regular reports presented to Cabinet. The Cabinet have been informed through these reports of the financial and service pressures that we have been facing and managing. The main areas of service demand pressure and therefore financial pressure continue to be Adult Social Care, Children's Social Care, Unaccompanied Asylum Seekers (UASC) and Housing in relation to Emergency and Temporary accommodation.

2.8 The revenue outturn for 2019/20 is an underspend before exceptional items of £8.563m (less than 0.1% of gross departmental expenditure), there are exceptional items of £8.749m, leading to an overall overspend of **£0.186m**. Exceptional items are UASC costs and are shown in this way as we continue to believe that these should be fully funded by the Home Office as they represent a national duty and should not be a cost to the Croydon tax payer.

2.9 This final outturn is lower than that forecast at quarter 3. The main reasons for the variations compared to quarter 3 are around an improvement to below the line items and a significant adverse movement in Children's Families and Education. The 2019/20 outturn is detailed in graph 1 below and section 3 of this report. Cabinet should note that the overspend has been funded by drawing down from general fund balances 2019/20.

Graph 1 – Forecast Revenue outturn for 2017/18 – 2019/20 by quarter.



2.10 It can be seen from graph 1 that work has been ongoing to try and reduce the impact of the pressures through the year, which includes:

- Continued lobbying of government to fund Croydon adequately for services provided including High Needs DSG and UASC costs.
- Review of Adult Social Care to ensure services are delivered efficiently and effectively.
- Review of all high cost placements – adults and children's social care.
- Continuation of the Gateway service and the move towards delivering services in localities.
- Continuation of the Think Family Programme, focusing on the cohort of most expensive households who use multiple council services, to make efficiencies through a joined up approach.
- Review of capitalisation and use of transformation funds.
- Establishment of a High Needs Cost Panel to review all out of borough placements and bringing then in house

- Optimisation of use of in-house foster carers and in sourcing of our fostering recruitment to provide more and higher quality local placements

- Implementation of the High Needs strategy which sets out a five year plan to address the current overspend and supports delivery of improvements and planning for resources to meet identified needs

- Review of services provided by external contractors.

- Increased controls on recruitment and agency staff.

- Reduction in the use of agency staff in all departments.

2.11 We have also continued to make a concerted drive for fairer funding for Croydon. As previously reported to this Cabinet we have continued to engage in all consultations with the government and will continue to do so to ensure Croydon's views are represented. This ongoing communication has resulted in the Home Office recognising that local authorities have been underfunded for UASC and have recently announced an increase in funding rates from 1st April 2020. It is estimated that his will result in an additional £4m of funding for Croydon in 2020/21. Whilst this is very welcome news it will still leave a shortfall on UASC costs incurred in Croydon of some £5m (as well as increasing our NRPF costs) and we will continue to lobby for all costs to be funded.

2.12 As reported to this cabinet in February 2019, 2019/20 was the last year of the four year government funding agreement. The settlement for 2020/21 was disappointingly only a one year settlement. With the final Local Government Finance Settlement being published on 6th February 2020. It was based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements. One year funding settlements make it incredibly difficult to accurately plan ahead for the medium term. At the time of writing this report the funding settlement for 2021/22 is unknown.

2.13 As detailed in the budget report presented to Cabinet in February 2020, to set the balanced budget for 2020/21 we had to make a number of key assumptions around the level of growth for areas where demand and cost have increased, alongside an extensive savings programme and increases in income to offset this increased growth. These are detailed in table 6 below. The impact of the Covid19 pandemic has put significant pressure on these plans, and it is forecast that we have a £65.4m budget gap this year. The funding gap for London is estimated at £1.9bn, and nationally it is estimated to be £7.2bn. Some 80% of councils are saying that they are unlikely to be able to manage and are close to issuing a S114 notice.

2.14 Very early on in the pandemic we recognised that its impact was going to be extremely significant on the delivery of services and the budget and so as detailed in the report called Responding to the Local Government Financial Challenge on this agenda we established a finance review panel to undertake a root and branch review of all elements of the council's finances.

3. FINANCIAL PERFORMANCE 2019/20

Revenue position

3.1 2019/20 continued to be a very challenging year and was the ninth successive challenging financial year of austerity. The magnitude of government grant cuts resulting again in a high level of savings needing to be achieved to balance the budget. The outturn position through a number of in year interventions to reduce costs and increase income, and despite the exceptional costs in respect of Unaccompanied Asylum Seeking children the year end revenue position for the Council was an overspend of £0.186m. This is lower than our predicted projections reported to Cabinet at quarter 3 as shown in graph 1 of this report.

3.2 The measures detailed in the Executive Summary have played an important part in controlling the Council's expenditure during 2019/20, with the final outturn position being £0.186m overspent, an improvement compared to the forecast as at quarter 3. This small overspend has been funded from our general fund balances, bringing these down only slightly from £10.4m to £10.2m at the end for 2019/20. Earmarked reserves have increased by £6.9m to £21.1m. A number of targeted funding streams have continued to be drawn out of reserves in 2019/20 to support delivery mainly around the transformation agenda and the first tranche of funding from the government to support the COVID19 crisis has been received and accounted for in the 2019/20 accounts. The second tranche was received in April.

3.3 The long term target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. At the time of setting the budget for 2020/21 provision was made to increase the budget by £5m to take our general fund balances to £15m which equates to 5.4%.

3.4 Details of the final revenue year end position are provided in Table 1 below grouped in the management structure of the Council. Further details of the Council's Financial Performance for 2019/20 will be reported to the General Purpose and Audit Committee meeting which is now scheduled for October as part of the Annual Accounts report. As a result of Covid19 CIPFA have announced that the publication date for audited accounts has been extended from 31 July to 30 November 2020 for all local authorities to enable finance teams to be able to support the pandemic and in recognition that the new remote working regime we all face will add some delay.

Table 1 - Revenue Outturn Summary for 2019/20

Quarter 3 Forecast Outturn Variance £'000	Department	Revised Budget £'000	Outturn 2019/20 £'000	Variation from Revised Budget £'000
9,891	Health, Wellbeing and Adults	95,114	103,689	8,575
875	Children, Families and Education	96,596	105,027	8,431
-2,500	Place	106,480	101,721	-4,759
964	Gateway, Strategy and Engagement	36,386	36,980	594
-4,449	Resources and Chief Executive	-4,680	-14,022	-9,342
4,781	**Departmental Total**	**329,896**	**333,395**	**3,499**
-10,629	Non-Departmental Items	7,382	-4,681	-12,063
-5,848	**Revenue Total before Exceptional Items**	**337,278**	**328,714**	**-8,564**
8,219	Exceptional items	0	8,749	8,749
2,371	**Total transfer from balances**	**337,278**	**337,463**	**186**

Capital Programme

3.5 The original approved capital programme for 2019/20 totalled £222m, which was increased during the year to £439m to reflect both programme slippage and re-profiling of schemes. Actual capital spend in 2019/20 was £232m, with the resultant underspend of £207m (47%) mainly attributable to slippage in the delivery of schemes. Table 2 below, shows spending against budget by Department in 2019/20 and Appendix 1 provides a detailed breakdown of spend against budget for the capital programme. Appendix 2 details the funding sources for the programme.

Table 2 – Capital Outturn Variances for 2019/20

Department	Original Budget £'000s	Budget Adjustments £'000s	Revised Budget £'000s	Outturn £'000s	Outturn Variance £'000s
Health, Wellbeing and Adults	9,673	2,360	12,033	5,754	- 6,279
Children, Families and Education	35,638	- 3,001	32,637	16,434	- 16,203
Place	77,790	86,971	164,761	118,769	- 45,992
Resources	60,373	117,022	177,395	39,425	- 137,970
General Fund	183,474	203,352	386,826	180,382	- 206,444
Housing Revenue Account	38,451	13,792	52,243	51,375	- 868
Total Capital	221,925	217,144	439,069	231,757	- 207,312

Housing Revenue Account (HRA)

3.6 The departmental variances of HRA revenue spend against budget are set out in Table 3 below. Table 4 gives details of the movement in the HRA Reserve.

Table 3- Analysis of Housing Revenue Account Variances 2019/20

Division	Variance £'000s	Detailed explanation
HRA – Housing Assessment and Solutions	2,360	Overspend on utilities costs including the loss of water rates collection (£0.929m); Overspend on staffing costs due to fire safety requirements (£0.214m); Under-recovery of garage income as stock has reduced (£0.277m); Additional recharges (£0.248m); Tenancy staffing (£0.272m).
HRA – Council Homes, Districts & Regeneration	(428)	Underspends due to vacancies within the team.
Total HRA Overspend	1,932	

Table 4- Analysis of Housing Revenue Account Variances 2019/20

HRA	Balance at 01-Apr-19 £'000	HRA Outturn 2019/20 £'000	Balance at 31-Mar-20 £'000
Reserves	**(15,271)**	**1,932**	**(13,339)**

3.7 HRA Capital expenditure totalled £51.375m, including £11.073m of acquisition costs for 49 Brick by Brick built properties. Expenditure was less than the revised budget of £52.243m by £0.868m due to a corresponding overspend on the acquisition costs against an underspend on the fire safety programme.

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

3.9 Impacting on the HRA, the long term financial implications of obtaining properties can be managed by minimising borrowing costs where possible, using funding from the GLA alongside RTB receipts and more favourable borrowing rates offered for housing by central government or other private sector sources. These long-term costs will be offset by the rental income on properties and, by purchasing new build properties, future maintenance costs should also be more favourable.
More details of the programme to purchase housing is detailed in the Housing Supply report on this agenda.

Balance Sheet and Financial Strategy

3.10 Table 5 below shows the position on the Council's balances, reserves and provisions as at 31 March 2020, compared with previous years. This table excludes Locally Managed Schools reserves, as they are managed by Schools. The overall value of school reserves have decreased by £3.148m to £0.584m. This includes a decrease in revenue reserves £2.620m to a deficit of £0.04m and a decrease in capital reserves by £0.528m to £0.588m.

Table 5- Analysis of Movement in Reserves and Balances

Balances and Reserves	2017/18 £m	2018/19 £m	2019/20 £m
General Fund Balances	10.4	10.4	10.2
Earmarked Reserves excluding Schools	15.7	14.2	21.3
General Fund Provisions	41.2	41.5	43.8
Total	**67.3**	**66.1**	**75.3**

3.11 The Council's General Fund Provisions have increased from £41.5m to £43.8m as at 31st March 2020.

3.12 The Collection Fund has an overall deficit of £5.790m which has been carried forward in to 2020/21. Croydon's share of this is a deficit of £2.73m. Croydon's share is comprised of a Council Tax surplus of £0.657m and a Business Rates deficit of £3.387m.

3.13 The Council also has both S106 and CIL reserves of £9.4m and £10.9m respectively for investment in the borough on schemes that meet the criteria. Commitments have been made against these reserves and investment will be made in the year ahead.

Revolving Investment Fund (RIF)

3.14 This Cabinet has previously agreed to set up a Revolving Investment Fund (RIF) to support the delivery of Growth within the Borough. As previously reported the RIF acts as funder to the development company Brick by Brick, the Housing LLP Croydon Affordable Homes and Box Park.

3.15 The RIF lends at commercial rates whilst borrowing at the lower rates which are available to the Council. The net returns estimated over the next 3 years are in the region of around £10m per annum, and are included in the revenue budget. Table 6 below details the loans, interest arrangements and payment dates.

Table 6 –Loans made from the RIF still outstanding at 31.3.2020

	Loan amount £m	Interest %	Net interest earned in 2019-20 £m	Repayment Date
Box Park	1.958	10.90%	0.185	October 2021 (loan term 5 years)
Brick by Brick (Croydon)	208.354	5% - 6.25%	9.543	5th anniversary of the relevant loan, unless otherwise agreed
Croydon Affordable Housing LLP	8.392	3.25%	0.194	November 2058 (loan term 41 years)
Total	**218.704**		**9.922**	

Dedicated Schools Grant (DSG) Deficit Recovery Plan

3.16 The DSG deficit is £14.5m and the overall movement in the DSG block from 2018/19 to 2019/20 is detailed in table 7.

Table 7 – Overall movement in the DSG position from 2018/19 to 2019/20

Description	Total £m
Final DSG for 2019/20 before academy recoupment	343.58
Academy figure recouped for 2019/20	-178.92
Total DSG after academy recoupment for 2019/20	**164.67**
plus: Brought forward from 2018/19	-9.193
Final Budget distribution for 2019/20	164.67
Of which:	
Actual Central Expenditure allocated	8.367
Actual ISB Deployed to schools allocated	**161.67**
Schools Delegated including growth	73.6
High Needs	61.15
Early Years	29.166
Central Support Services block	6.177
Total Actual Expenditure	**170.03**
Carry-forward overspend to 2019/20	-14.558

3.17 As a condition of the 2019/20 DSG, local authorities with an overall DSG deficit of one per cent or more at the end of the previous financial year were required to submit recovery plans for the deficits by 30th June 2019.

3.18 Croydon has a plan to recover the in-year High Needs Block deficit of over a seven year period to the DfE, as agreed with the School Forum and Chief Finance Officer.

3.19 The recovery period is in line with the SEND strategy with key areas to be targeted. The intention is to improve our SEND provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs.

3.20 A detailed breakdown of the revised recovery plan, including High Needs Block budget setting for 2020/21 was submitted to the High Needs Working Group in January 2020 in preparation for Schools Forum in the same month.

4. BUDGET 2020/21

4.1 The budget for 2020/21 was approved by Council in March 2020. Cabinet will be aware of the pressures around increasingly having to balance rising demand for services with year-on-year real terms cuts to grant funding from government. This is compounded by historic underfunding which affects the base on which cuts have continuously had to be made. Balancing the budget is becoming increasingly difficult each year and the 2020/21 budget contained a significant number of savings that were ambitious and needed to be delivered in year.

4.2 Demand for children's and adult social care continues at unprecedented levels, but without the necessary funding to pay for this demand. As a result local authorities are facing an untenable situation, with many now reaching tipping point. With growing numbers of both young and older residents, and other demographic changes, Croydon is affected by these national issues more than most. A significant amount of growth was added to the budget to try and deal with this demand. Table 8 below sets out the allocation of growth and savings in 2020/21.

Table 8 - Departmental Growth and Savings 2020/21

Department	Growth	Savings and Income	Net Growth/Savings
	£M	£M	£M
Children, Families and Education	10.112	-8.027	2.085
Health, Wellbeing and Adults	21.237	-16.194	5.043
Place	6.799	-9.946	-3.147
Resources	7.205	-6.082	1.123
Department Total	**45.353**	**-40.249**	5.104

Children, Families and Education including UASC

4.3 Following the Ofsted inspection in 2017 of Croydon's services for children in need of help and protection, children looked after and care leavers (the findings of which have been reported to this cabinet), additional funding and resources have been allocated to the service over a three year period.

4.4 The number of local Looked after Children in 2019/20 reduced from a peak of 558 at the start of the year to 528 at the end of the year. In conjunction with the decrease there has been focused efforts to reduce the number of local children entering care as well as supporting those reuniting with their parents where it is safe to do so.

4.5 Children in Need has seen cases reduce over the year, and at the start of the financial year there were 714 cases reducing to 604 by the end of the year. This is due to a multitude of initiatives, amongst them reviewing long term open cases and where appropriate stepping down cases to Early Help Services

4.6 To help manage these increasing demands and deliver the improvement work identified in the Ofsted inspection £10.611m of growth was allocated to children's social care and £0.389m for business support to this service in 2019/20. Additional funding of £3m was also allocated for Children with Disabilities to fund increasing demand. A further £10m of growth has been provided for in 2020/21.

4.7 Additional one-off investment funding via the Council's Transformation Reserve has also being used to continue to support the implementation of the improvement plan. The estimated cost of this plan over the three years since the Ofsted inspection is £28.5m (of which £3.2m and £9.8m was spent in 2017/18 and 2018/19 with a further £15.5m in 2019/20).

UASC – Unaccompanied Asylum Seeking Children

4.8 As previously reported to Cabinet, Croydon for a number of years has faced local pressure as a result of an inadequate grant from the Home Office for UASC. The Council has continuing to lobby the government to adequately fund these costs.

4.9 On 8th June 2020 the government announced in a letter to all Council Leaders and Chief Executives that the Home Office was increasing financial support for councils supporting UASC. With the narrative ‘Our shared objective is to support safe and stable placements for all children and young people, where they can receive the necessary care to thrive. With that in mind the Home Office funding contribution for this group will increase from 1st April 2020’.

4.10 The letter reminded Council’s that in May 2019 the Home Office increased all lower tariff rates to £114 per UASC per night. This was the second time in three years that the rates had been lifted. It told Council’s that further work has now been undertaken to look at these rates with particular focus on the funding provided for former UASC Care Leavers. With his work now completed the following changes apply from 1 April 2020, for the duration of the financial year 2020/21:

4.11 An increase in funding as follows: - £240 per care leaver per week from £150 or £200 (depending on cases) and removed reduced rates for legacy case claims. As well as removing the first 25 Care Leavers’ rule which prevented Local Authorities claiming for the first 25 equivalent Care Leavers in their care.

4.12 The Home Office also announced an increase of 25%, to £143 per person per night to the funding contribution for all UASC in those local authorities supporting UASC at, or in excess of, 0.07% (the threshold set by the national transfer scheme) of their child population, as at 31 March 2020.

4.13 Local authorities looking after UASC amounting to less than 0.07% of their child population will continue to receive £114 per person per night for each young person in their care.

4.14 Croydon is supporting UASC in excess of 0.07% and will, therefore receive the uplifted rate of £143 per person per night rate for all UASC in care for 2020/21. This supersedes any previous rates, including the enhanced rate of £137.50, which was previously paid for UASC under 16 years old in Croydon.

Health, Wellbeing and Adults

4.15 Adult Social Care Services are continuing to experience increases in demand for services above budget and the net overspend in 2019/20 was £8.575m. Over the years Adult Social Care budgets have not seen a real term increase, with significant savings identified to address budget pressures and an over reliance on non-recurrent funding. Areas of significant pressure compared to budget continues to be in the 25-65 Disability Service (including Children with Disabilities transitions) and Older People and following agreed in year savings, overspends total £10m (£5.2m and £5m respectively). This is the result of rising demand in Domiciliary Care, Nursing and Residential placements where there is an increase in placement costs and complex cases.

4.16 To manage the increase costs in Adult Social Care, medium/long term savings have and will be sought by driving service provision costs down, for example through enabling Occupational Therapy led domiciliary care, targeting reviews and decision making for providing people with packages of care, improving supply of accommodation for people with disabilities, exploring alternatives to placements, integrated Continuing Health Care arrangements and increasing Direct Payments uptake. There will be a review of services provided by external contractors, maximising income and a focus on Localities based working. The council will look to strengthen the partnership with health, expanding the scope for integrated health and care services, continue to invest in prevention and early intervention, accelerate the community led support approach, building on people and community assets, redesign the workforce and increasing investment in digital solutions. All with a focus on outcomes, more efficient processes and increased productivity. There will also be continued lobbying of government to fund Croydon adequately for services provided.

4.17 Gateway services continue to focus on managing demand for homelessness services, helping residents with prevention measures whilst continuing to support the most vulnerable residents.

5 COVID 19

5.1 The implications of COVID19 and the Council's response will have a significant financial impact. The government has announced funding in a number of areas.

5.2 Emergency funding of £1.6bn was announced on 20th March. Croydon has been allocated £9.4m and this was received at the end of March 2020. This is not ring-fenced but is intended to cover additional costs to the Council and demand on services, including social care.

5.3 Clinical Commissioning Groups (CCGs) have been funded separately for the additional costs of discharging and keeping people out of Hospital. The Council is working closely with the CCG to ensure these costs are tracked and funded appropriately.

5.4 A second emergency funding round of a further £1.6b was announced in April and we received an allocation of £10.5m, making the total received to date £19.9m.

5.5 On the 2/7/2020 at the LGA conference Rt Hon Robert Jenrick, Secretary of State for Housing Communities and Local Government announced an additional £500m of funding for local government. Along with a number of other measures around support for lost income and council tax and business rates to help Local Authorities manage their financial position this year.
At the time of writing the distribution of the £500m is unknown and local government associations have publically acknowledged that this and the other funding measures announced at the conference will not be sufficient to support council's financially.

5.6 We are maintaining a forecast of spend that will be incurred against this grant as well as the level of income to the Council lost as a result of some services being closed (e.g. Leisure Centres) and others experiencing a fall in demand for fee paying activities (e.g. parking income). It is also anticipated that a number of savings originally planned to be delivered in 2020/21 will now be delayed as a result of the need to deploy staff to the COVID19 response and the increased level of support needed from some Council services.

5.7 These forecasts are indicative given the significant uncertainty about the pandemic and there possibility that there could be a second spike and the ongoing impact on Council services over the medium term. It is expected the economic damage and associated impact on residents will require significant Council response going forwards even after the virus has been contained.

5.8 MHCLG have been collating data from Council's on a monthly basis since April to gain a national understanding of the financial impact of Covid19 on the sector. In the last submission, made on the 19th June, we forecast a financial impact of £65.4m after receipt of the £19.9m government funding.

5.9 There remains the expectation that further funding will follow from Government. At that start of the pandemic Rt Hon Robert Jenrick Secretary of State for Communities and Local Government wrote to all council's advising that the government would reimburse local authorities for costs associated with COVID19, subsequent letters have been less positive and it is unlikely that not all of the financial impact related to Covid19 will be reimbursed.

5.10 Whilst the government is providing additional funding that will underwrite some of the financial gap, we must take urgent action to ensure that spending remains within the bounds of available resources in order to avoid breaching our statutory duty and to avoid issuing a s114 notice.

5.11 In early May 2020 we took urgent action and set up a Finance Review Panel to undertake a root and branch review of our financial governance, strategy and planning, leadership, decision making, management and group company structures. Further details of this panel are contained in the Responding to the Local Government Finance Challenge report on this agenda.

5.12 There has also been other support from the government that has been ringfenced for specific purposes and which essentially pass through our accounts, as they are for costs that would not be incurred under normal circumstances. The costs associated with business grants, the discretionary business grants scheme and the Council Tax Hardship fund are funded fully by the government. We has been allocated grants to fund each of these of £57.4m, £2.8m and £4.4m respectively. Additionally funding has been announced for Infection control in Care homes of £4.12m, Test, Track and Trace of £1.99m and Reopening of High Streets Safely, £342k.

5.13 Funding has also been announced nationally for Homelessness and to fund lost teaching in schools, to date the allocation of this money at a local level is still to be announced.

5.14 Whilst most councils are in a similar position, Croydon has a comparatively low level of reserves that could be deployed, in the region of £10m. The 2020/21 budget included a contribution to the general fund reserves of £5m, with further contributions planned in future years. Although further funding may materialise from central government towards the Covid19 burden, and the council will continue to lobby on historical underfunding issues, these possibilities cannot be relied upon to close the gap.

5.15 In response to the scale of the immediate financial challenge, the council has recognised the need to act swiftly and decisively. Work has already begun on a range of immediate and short term measures that we can take to address its 2020/21 forecast overspend, and the creation of the Finance Review Panel is key in driving this work forwards. Alongside these measures conversations are actively taking place with MHCLG regarding measures to capitalise costs this year to help alleviate in year financial pressures.

6. Budget Monitoring

6.1 Strong financial monitoring is essential for all organisations to be able to manage their financial position and mitigate financial risks, whilst giving them information to be able to make changes and reduce spend if deemed necessary.

6.2 Croydon operates with a consolidated finance team, with dedicated teams supporting each directorate of the organisation. In the last five years the finance team has reduced from 60 staff to 46.8 staff, a reduction of 13.2 FTE, which is a 22% reduction. These reductions have occurred as the organisation has been required to reduce costs as a result of significant reductions in government funding and monies being diverted to manage rising demand for services to residents.

6.3 As a result of these staff reductions the team has been forced to change working practices and provide finance support to the organisation in a different way. One of the biggest changes has been the move from monitoring all revenue budgets on a monthly basis to monthly monitoring on a risk based approach, focusing on high risk and volatile areas only each month with quarterly monitoring for all budgets. Financial monitoring reports continue to be presented to Cabinet each quarter.

6.4 Improvements to the finance system have taken place during this time period which has enabled processes to be more automated and budget managers to take greater ownership and responsibility as a self-serve module is now available. It is however clear from the variance in the forecast outturn reported at quarter three of 2019/20 and the final year end position that the financial monitoring processes in place are not sufficient and need enhancing quickly.

CURRENT APPROACH

6.5 The current approach to revenue financial monitoring is formal monthly monitoring for areas which are deemed “high-risk” i.e. those which are currently overspending significantly, are volatile or demand led. And formal quarterly monitoring across all budgets, with outturn figures and explanations collated and reported to Cabinet. Reporting is carried out on a departmental basis, with more explanations for variances within services and directorates over £100k and £500k.

6.6 There is also no formal definition of what is deemed “high risk” and, therefore, warrants monthly monitoring.

6.7 There is no single formal template for reporting financial performance internally.

6.8 Capital budgets are monitored on a quarterly basis and going forwards there needs to be greater emphasis and transparency throughout the financial year on both of these types of funding streams and budgets so any interdependencies, for example capitalisation of staff costs is fully understood.

PROPOSED APPROACH

6.9 It has been identified that the current approach to financial monitoring and reporting is not fit for purpose, especially during a period of extreme financial pressure as set out in section 5.

6.10 There needs to be a greater level of ownership and accountability within departments and at a senior level. Each budget manager needs to fully own their budget and sign off their monthly monitoring, with heads of finance being instrumental in this process and responsible for raising concerns about noncompliance.

6.11 Every member of the senior leadership team needs to not only understand and own their own departments’ budget and spending, they also need to take a collective ownership of the Council’s position in total and work together to manage any overspends

6.12 Cabinet Members also need to be enabled to be more involved with the budget, with Directors and Executive Directors taking responsibility for briefing them and ensuring they are sighted on any risk and issues relating to their portfolio.

6.13 The S151 Officer will continue to have responsibility for briefing the portfolio holder for Finance and Resources and will work alongside the Monitoring Officer and Chief Executive to ensure the Leader is fully briefed each month.

6.14 Monthly finance briefings will also be made available to the opposition by the S151 Officer and Monitoring Officer.

6.15 In order for this proposed approach to be undertaken work is underway to strengthen the finance team in order to ensure that the necessary resources are in place to undertake the new budget monitoring approach.

7. BUDGET 2021/22

7.1 As well as the immediate financial challenge the council faces an unprecedented challenge in balancing the budget in the years ahead. The impact of the Covid19 pandemic and historic underfunding has placed the council in a position in which reductions in expenditure on a very significant scale will be required in addition to increases in income from fees, charges, and other sources. The MTFS will estimate and quantify the budget gaps that will need to be closed, and ensuring that the assumptions contained within it are as accurate as possible will be critical.

7.2 Planning the changes that will be necessary to balance the budget is hampered by the degree of uncertainty concerning future funding arrangements. The distribution of funding to local authorities through business rates and grants has been under review by the government, but there have been no final decisions about the system and it is now unlikely that the government’s attention will return to this for some time due to the focus on health and economic recovery resulting from the Covid19 pandemic. Government decisions about limiting council tax increases and the social care precept will have a significant impact upon the ability to raise income locally. The government’s recent track record of making important funding decisions one year at a time has also created difficulty for medium term planning.

7.3 The Covid19 pandemic may leave the council with additional costs on an ongoing basis. Furthermore, the government’s plans for funding the national cost of the Covid19 pandemic are as yet unknown, and there is a strong possibility that further public sector austerity may be among the measures it will adopt.

7.4 In learning the lessons of the Covid19 pandemic it is likely that the government, and the council's local public sector partners, will wish to make changes to improve joint working and resilience, and this may also have significant effects upon future funding arrangements, as well as demanding significant operational change.

7.5 In additional to these exceptional challenges, the council will continue to face the more customary but nonetheless significant pressures of inflation, demographic growth, and increasing social and economic need.

7.6 In the context of these issues, we must have a financial planning process that is sufficiently robust to provide a solid basis for operational planning and delivery and has enough flexibility to respond to significant change.

PROPOSALS FOR CHANGE – MTFS and budget setting process

7.7 We would benefit from having a longer medium term planning horizon. This allows more difficult decisions to be planned for, and for time to be allowed for preparation, consultation and implementation. A rolling MTFS that looks 3 years ahead is recognised as good practice. The MTFS will therefore be revised in full every year, rather than once every 2 years as has been the practice. This year the MTFS will be published in September and will look at the period 2021/22 to 2023/24. In future years the MTFS will at the latest go to the September Cabinet meeting, and earlier if possible.

7.8 The level of uncertainty the council faces requires the ability to respond flexibly. However, it is also important that the organisation has clear and stable financial parameters to work within. Good practice suggests that the medium term forecasts are revised no more than twice in the annual cycle: principally in July when the targets for the budget setting process are set, and secondly in February when the budget is set, where the assumptions can be adjusted if required.

7.9 A minimum level of unallocated reserves must be set to enable the council to operate this cycle. This allows any unexpected financial shocks to be absorbed and the council to continue to operate on a planned and stable basis. The target level of reserves should be set by s151 officer based on their professional judgement about the risks the council is facing, and the budget plan must prioritise maintaining the reserves at the target level above any operational considerations. The minimum level of reserves cannot be set on the basis of affordability in comparison with other priorities, but must be set on the basis of risk assessment as a fundamental requirement that underpins the stability of the organisation.

7.10 The MTFS document should provide transparency on an annual basis about the council’s key financial planning information and assumptions. This is important because it enables the organisation and its stakeholders to understand and jointly own the financial position. It also helps to ensure that the Cabinet making decisions with a clear understanding of the financial consequences.

7.11 A three year MTFS allows the council to plan its operations three years ahead, and this means that targets can be set for growth and savings for three years rather than one. This permits projects with a longer implementation timescale or with greater complexity to be planned and approved in advance.

7.12 In order to allow sufficient time for departments to develop robust proposals for growth and savings to feed into the budget decision-making process, departments should start work as early as possible in the cycle. This means not waiting until the MTFS has been revised but working to provisional targets beginning as early as May.

7.13 The robustness and deliverability of budget proposals is a major issue. A longer timescale for departments to work on proposals before submitting them will help with this, but the process itself must also foster greater focus on deliverability and should do so by providing templates for submissions that require more information about delivery and risk.

7.14 In developing budget proposals, it is essential that departments do not work in isolation and that cross-departmental working is encouraged from the leadership team downwards. A strong focus upon delivering the corporate plan and through it the agreed member priorities and outcomes will help to support this approach.

7.15 Friendly and constructive challenge has an important role to play in the development of proposals, to ensure that they are aligned with corporate priorities, are developed to their full potential, and are sufficiently robust and deliverable. For this reason budget development meetings will be held over the summer and in particular in September/ October. This will be done in a manner that ensures collective ownership of the financial position and decisions, all cabinet and ELT members will be invited to each meeting. The meetings will follow an agreed format and focus upon a particular set of proposals, grouped by theme (e.g. Capital) or by department.

7.16 Budget proposals will be evidenced by performance data and modelling to demonstrate robustness and deliverability, with performance and value for money benchmarked over time and against other organisations.

7.17 Cabinet will seek to make early decisions on approval of key budget proposals in November or December to allow mobilisation time so that the council can benefit from the full year effect.

7.18 Scrutiny will have a formal role in the process, with pre-scrutiny of proposals for significant change being feasible because of longer development timescales. Scrutiny of budget proposals will take place in the period November to February as the proposals are brought forward for Cabinet approval.

7.19 The budget and MTFS will be approved at the Council meeting in February following final consideration at the February Cabinet meeting.

8 CAPITAL PROGRAMME INVESTMENT – 2020/21

8.1 In February 2020 Cabinet agreed the capital programme.
Cabinet are asked to note the request for an amendment to the capital programme and details of schemes that are likely to be slipped into 2020/21. As detailed elsewhere on this agenda the capital programme is one of the areas that is being looked at as part of the Croydon Finance Review to address the current year overspend caused by the Covid19 pandemic. The review will look to identify underspends, spending that can be reprofiled into a later year, and projects that can be deferred or stopped. With this is mind the capital programme slippage is still under review and will be presented to cabinet in September as part of the Month 1 financial monitoring report.

8.2 With this in mind Members are asked to note the details of the current programme in appendix 1 and 2. A report will be brought to Cabinet in September to approve the revised programme and approve slippage and any other changes once the review is completed. The current programme and any budget adjustments are summarised in table 9 below.

8.3 The table below details a number of amendments to the capital programme that the cabinet are being asked to approve. They are :- detail

- realigning the £40m budget for Affordable Homes from the General Fund to the HRA capital programme, as these properties will now be held within the HRA
- including the funding for the purchase of housing, as set out in the Cabinet Paper, Increasing Housing Supply. This paper sets out a proposal to purchase £44.8m of housing stock, using £30.6m of borrowing, £9.7mn of RTB receipts and £4.5m of GLA funding and
- Addition of £431k to the 2020/21 capital budget for the Finance and HR system to cover essential infrastructure support costs.

Table 9 – Draft Capital Programme – 2020/23

	2020/21 Original Budget £'000	2020/21 Re-Profiling/Adjustments £'000	2020/21 Revised Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000
General Fund	301,546	- 39,569	261,977	209,690	60,544
HRA	35,701	83,239	118,940	39,951	26,951
TOTAL	**337,247**	**43,670**	**380,917**	**249,641**	**87,495**

9 USE OF CAPITAL RECEIPTS

9.1 In March 2016 the DCLG (now MHCLG) issued guidance allowing a more flexible approach to using capital receipts. This guidance enabled local authorities to have the flexibility to use capital receipts from the disposal of property, plant or equipment assets for expenditure on projects that will generate ongoing savings and efficiencies.

9.2 During the year receipts of £29.6m were received and the majority of the capital receipts were used to fund transformation projects listed in table 8 below.

9.3 In July 2016 (Minute ref A76/16) it was reported to this Cabinet that the Council would be taking advantage of this new flexibility and in 2019/20 £29m of transformation projects were funded from capital receipts. These are detailed in table 10 below.

Table 10 – Transformation projects funded from flexible capital receipts.

Transformation	**2019/20**
	£m
Adult social care	6.130
Children's transformation	15.571
Transformation ICT/ New ways of working	6.257
Communities / gateway / localities	0.730
Redundancy	0.580
	29.268

9.4 To enable the continued delivery of our transformation programme we will continue to use this approach to the flexible use of Capital Receipts in 2020/21. Further reports on progress of these projects will be presented to this cabinet.

10 HRA

10.1 Managing the Housing Revenue Account continues to be an ongoing challenge for the Council in light of legislative changes driven by the government. While the 1% rent reduction has now ended, the loss of income over the previous four years from 2016/17 to 2019/20 has impacted on the long term HRA business plan. The biggest challenge however relates to the uncertainty over government consultations regarding the use of RTB capital receipts which was launched in 2018. This makes it difficult to strategically plan for the future use of RTB receipts as the time constraints for using them remains. Investment in good quality housing at affordable rent remains a key focus for Croydon and the report on this agenda 'Increasing Housing Supply' builds on the needs identified within the Housing Strategy for Croydon that was endorsed by Cabinet in October 2019 and proposes the purchase of new build homes from Brick by Brick (BBB) to help meet at least some of the current demand for affordable homes within the Borough. This report proposes the purchase up to 165 properties to boost the supply of affordable homes in the borough.

10.2 The government announced the lifting of the borrowing cap in October 2018. The removal of the borrowing cap provides an opportunity for the Council to borrow more money for social housing provision in the future which it can use flexibly subject to affordability constraints. Prior to the lifting of the borrowing cap, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. Croydon's current HRA debt is £324m with a headroom of £11m as against the old borrowing cap. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside the HRA. In the 2017 Autumn Budget statement, an additional £1 billion of borrowing was allocated to the Housing Revenue Account across 'areas of high affordability pressure' of which Croydon Council secured £61m of borrowing.

10.3 Following the Grenfell Tower tragedy in June 2016 the Council committed to installing a range of fire safety measures across its own housing stock. This includes the installation of water sprinklers in residential blocks over ten storeys high. The cost of these works was in the region of £5m for 2018/19 and increased to £10m for 2019/20. The Council has lobbied the government to fund these essential safety works on a number of occasions and unfortunately they have failed to provide any funding, resulting in the costs being funded from the HRA. There have been changes in the requirements for fire safety which has an impact on the current HRA capital programme. There will be a review of the costs of the cyclical maintenance programme alongside its fire safety programme in order to keep the HRA sustainable.

10.4 From 2017, the Council approved the use of Right-to-Buy (RTB) receipts to support investment in affordable housing across the borough, namely Brick-by-Brick developments, Taberner House, and existing properties purchased under the ETA scheme. 346 units have been transferred to Croydon Affordable Homes LLP, a limited liability partnership (LLP) with a local charity in a structure that will allow RTB receipts to be invested in the development activity whilst allowing the Council to retain a long-term interest in the assets. More purchases are planned in the future.

11. Investment in genuinely affordable homes

11.1 In June 2017, Cabinet approved (minute no. A44/17) the creation of the partnership with Croydon Affordable Housing to deliver genuinely affordable homes for borough residents. That report incorporated three schemes – ninety six homes previously purchased by the Council, ninety homes to be built on the former Taberner House site and new properties to be developed across multiple sites by Brick by Brick (Croydon) – with a further programme of up to two hundred and fifty street properties homes to be purchased approved in July 2017 (minute no. A55/17)

11.2 Two schemes, the original ninety-six purchases and the two hundred and forty eight acquisitions, were completed in November 2017 and December 2019 respectively with the homes leased to the partnership on a long term basis. Rather than take a loan from the Council, the partnership raised the funding required for the premium on the lease by agreeing an underlease arrangement with Canada Life for the first scheme and Legal & General Investment Management for the second. In each case, the funding was on an index linked basis. Value for money analysis (compared to PWLB) was satisfactorily undertaken in both cases. The analysis considered the overall long-term cost of the funding (and NPV) as well as the suitability of the solution against the long-term rental cashflows.

11.3 It is anticipated that the Covid19 pandemic will create an even greater need for affordable homes for borough residents over and above the existing pressures from homelessness and households in temporary accommodation. In addition to the direct financial challenges presented by the cost of providing temporary and emergency housing, there are longer term pressures that arise from households not being in genuinely affordable long term homes and studies have shown the impact on the life chances of those affected. As a result, the planned investment in new homes remains an absolute priority.

11.4 The Council also has an ambition to deliver key worker homes in the borough through the CAH partnership so it can begin to meet a further need in the local housing market. An initial ten homes have been identified from the market properties being developed by Brick by Brick (Croydon) to be the first portfolio.

11.5 Whilst the first two schemes were financed directly by the partnership via underleases, as these programmes are individually slightly smaller, it is proposed that the Council acts as aggregator of the funding requirement to make it more market size and obtain an improved rate. It would then lend on to the partnership at the same rate with any surplus generated by the partnership after all operational costs are met passing back to the Council as rent under the agreed lease.

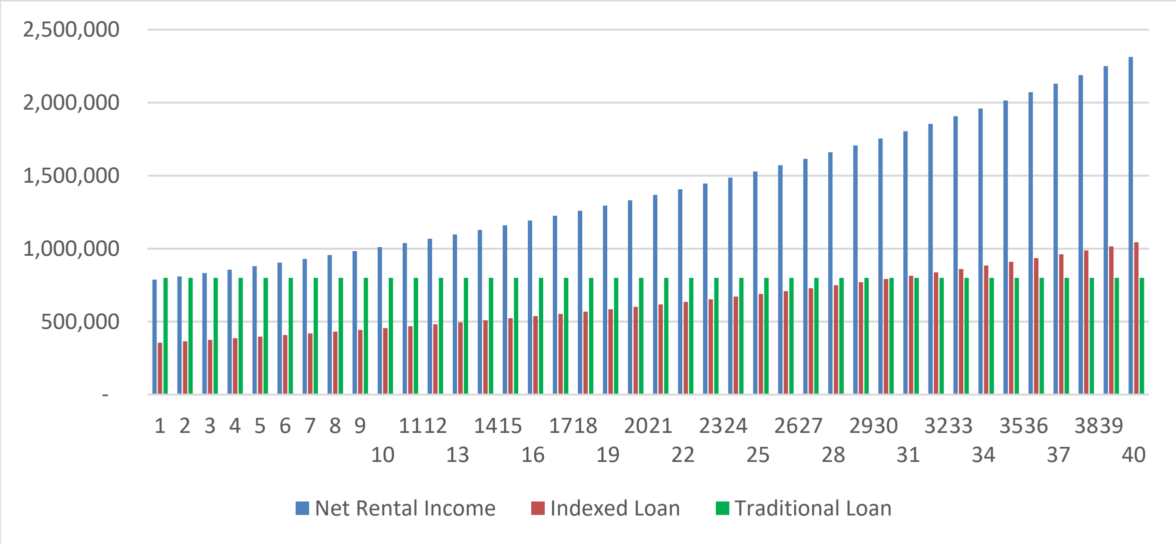
11.6 As was the case for the completed schemes, it is proposed to use an index linked funding arrangement for the new homes rather than a traditional fixed rate loan such as that obtained from the Public Works Loan Board. The rationale for this is three-fold:

i. An indexed loan will have lower initial payments that rises over time in line with the expected annual increase with the rents payable by tenants. This provides an element of uncertainty over the longer term cost of the funds but is a more efficient method of funding income generating assets where there is a high level of confidence that the income collected will increase over time to 'mirror and match' the indexed financing cost. By comparison, whilst a traditional loan with annual repayments provides certainty, the higher initial costs make the homes initially unviable and therefore undeliverable by the partnership. This is illustrated in the chart below for the ninety homes on the former Taberner House site.

ii. The proposed external funding solution has a forward drawdown schedule which gives the Council the ability to lock-down funding costs today for monies that are not needed until up to 2-years in advance. This is critical risk management that will ensure scheme viability. It completely removes the risk that schemes are funded for the long-term on a piecemeal basis which would introduces significant future funding rate risk to the Council (i.e. interest rates move higher and the Council / Partnership locks in long term losses.

iii. Absolute cost comparison to PWLB on both a future and NPV basis. Using a Bank of England target 2.8% inflation assumption, the external funding solution outperforms the current PWLB rates by in excess of £20m (see below)

Graph 2 – comparison of net rental income with alternative funding solutions

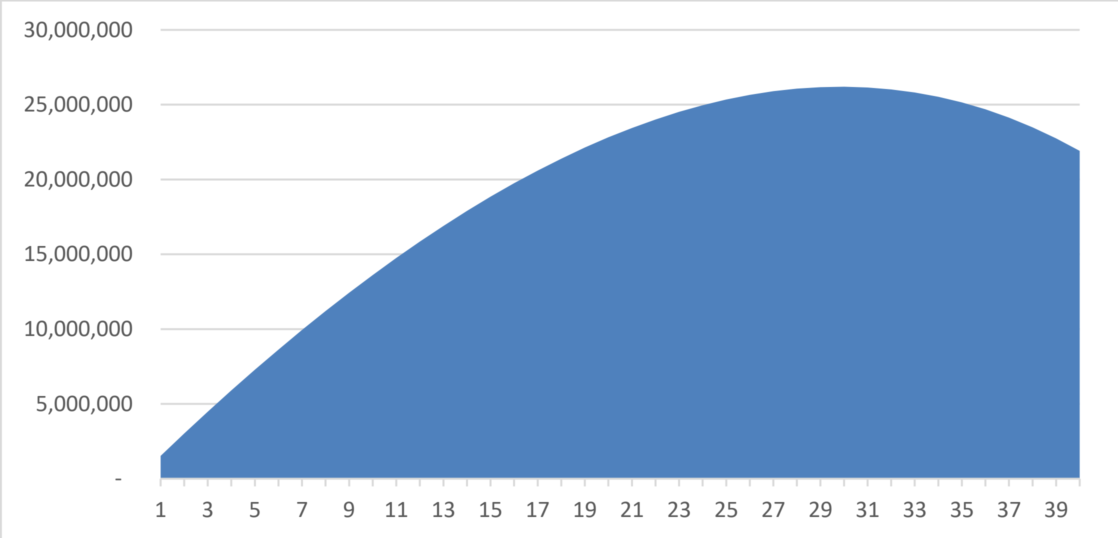


11.7 The aggregated funding requirement for the affordable and key worker homes is £55m and to identify the best value funding partner, a full market testing exercise was undertaken inviting proposals from a range of third-party funders. After a two-stage tender process, the leading offer was received from M&G which, based on Bank of England targets for inflation, delivers a substantial saving against the equivalent duration loan from the Public Works Loan Board. In addition to the lower cost in year one, over forty years the indexed loan is substantially cheaper in both nominal and net present value terms.

Table 11– comparison of funding options

	Year one funding cost £000	40 year nominal cost £000	40 year NPV £000
Indexed Loan	1,222	88,089	41,507
Traditional Loan	2,750	110,000	58,726

Graph 3 – cumulative saving using indexed funding vs PWLB loan



11.8 Under the proposed loan agreement with M&G, the £55m will be drawn down in tranches over two years to reflect the funding requirement of the partnership acquiring units as they achieve practical completion. The profile of the draw down has been amended to reflect the impact of Covid19 on the construction industry and will ensure that the Council and the partnership will not incur costs from holding excess cash balances.

11.9 The proposed loan solution has been fully reviewed within the Council from an accounting and risk management perspective and the Council has engaged external lawyers to support them with the required documentation. Additional comfort is taken from the fact that other local authorities have independently entered into very similar funding arrangements to address very similar needs.

11.10 The June 2017 report delegated authority to the Executive Director Resources, in their role as the Council's Section 151 Officer, in consultation with the Cabinet Member for Finance & Treasury, to agree and enter in to loans with the partnerships. This would now fall to the Executive Director of Resources and Monitoring Officer, Director of Finance, Investment and Risk, as Section 151 Officer, and the Cabinet Member for Finance & Resources. Given the broader financial pressures facing the Council and the timing of this report, it is being presented to Cabinet for endorsement.

12. SUMMARY AND CONCLUSIONS

12.1 As all Members are aware, managing the 2020/21 budget was going to be difficult with all of the growing demands on services and the ambitious savings programme. The impact of the Covid19 pandemic has now made this extremely challenging and as detailed in this report work is underway as part of the finance review panel to put in place measures to manage the budget. Conversations are also taking place with MHCLG to raise awareness of the challenges we face and to seek support and help to manage this.

12.2 The setting of a budget for 2021/22 that is robust, balanced and deliverable will be challenging, and will involve a number of difficult decisions in these challenging times. The refreshed MTFS that is being develop and will be presented to cabinet in September along with the revised approach to the development of the budget will ensure that there is a robust process in place to review, understand and challenge all budget options to ensure they are deliverable.

13. Pre Decision Scrutiny

13.1 The 2020/2021 budget has been presented to Scrutiny and Overview committee on two separate occasions. On the 10th September 2019 the committee had the opportunity to scrutinise the budget setting process as part of the Cabinet Member for Finance and Resources Question time.

13.2 The draft budget and all savings, income and growth options were also presented to Scrutiny and Overview Committee on the 10th February 2020/21. This report enabled members to be briefed on the financial context and challenges the Council faces and updated the Committee on the assumptions made in setting the 2020/2021 budget.

13.3 The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.

13.4 Since the decision to return to Scrutiny Committee in September 2020 was made, the impact of the Covid19 pandemic has become more apparent and as a result Scrutiny and Overview committee on the 26th May received a presentation on the Covid19 which included the financial impact. A further financial update will also be provided to Scrutiny Committee in July 2020.

14. FINANCIAL CONSIDERATIONS

14.1 This report deals with the assumptions in planning and managing a balanced budget over the medium term as well as informing the cabinet of the 2019/20 outturn position and the challenges faced.

Approved by Lisa Taylor Director of Finance, Investment and Risk
(Section 151 Officer)

15. LEGAL CONSIDERATIONS

15.1 The Head of Litigation and Corporate Law comments on behalf of the

Director of Law and Governance that this report details updated information required for the Council's statutory duty to set a balanced budget.

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

16 HUMAN RESOURCES IMPACT

16.1 Any proposals on budget that may have any impact on the workforce would be consulted on in line with agreed formal consultation arrangements with the recognised trade unions.

Approved by: Sue Moorman, Director of HR

17 EQUALITIES IMPACT

17.1 There are no specific issues arising from this report, equalities impact assessments will need to be undertaken as each project is developed and implemented.

Approved by Yvonne Okiyo, Equalities Manager

18. ENVIRONMENTAL IMPACT

18.1 There are no specific issues arising from this report.

19. CRIME AND DISORDER REDUCTION IMPACT

19.1 There are no specific issues arising from this report.

20. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

20.1 These are detailed within the report.

21. OPTIONS CONSIDERED AND REJECTED

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

Report Author:	Lisa Taylor Director of Finance, Investment and Risk (Section 151 Officer)
Contact Person:	Lisa Taylor Director of Finance, Investment and

	Risk (Section 151 Officer)
Background documents:	None
Appendices:	Appendix 1 – Three year capital programme Appendix 2 – Capital Funding