

REPORT TO:	CABINET 21st SEPTEMBER 2020
SUBJECT:	FINANCIAL PERFROMANCE REPORT – QUARTER 1 June 2020
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:	
<p>The recommendations in the report make elected members aware of the financial position of the council and give elected members information help to ensure effective management, governance and delivery of the Council’s medium term financial strategy and ensure a sound financial delivery of the 2020/21 in-year budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.</p>	
AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:	
<p>Strong financial governance and stewardship ensures that the Council’s resources are aligned to enable the priorities, as set out in the Corporate Plan, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.</p>	
FINANCIAL IMPACT	
<p>This report sets out the financial position of the council at the end of quarter 1, for revenue, capital and the Housing Revenue Account (HRA) budgets.</p> <p>The impact of Covid19, which has led to a significantly reduced level of income, increased costs, and the inability to deliver a large number of the savings that were approved in the 2020/21 budget which has resulted in a significant forecast overspend at Quarter 1.</p> <p>The Council has been undertaking a programme of work to review and reduce costs, alongside working with The Ministry of Housing, Communities and Local Government (MHCLG) to ensure that Croydon has the correct funding to be able to deliver a balanced budget in 2020/21. This work is ongoing and as reported to Scrutiny and Overview Committee in August 2020, the Council does not currently</p>	

have a balanced budget for 2020/21. The report on this agenda called Emergency Budget 2020/21 is the proposed approach to be agreed to balance the budget this year.

To date a S114 Notice has not been issued as plans are still being developed. An emergency budget is being considered at this meeting. Work needs to continue at pace and plans need to be robust to ensure a notice is not issued. This includes, critically, decisions on the emergency budget measures item at this Cabinet.

FORWARD PLAN KEY DECISION REFERENCE NO. -

Not a key decision.

1. RECOMMENDATIONS

Cabinet is recommended to :

- i) Note the current general fund revenue outturn forecast at the end of the first quarter of 2020/21 of **£49m** overspend, after the inclusion of funding received from the MHCLG for Covid19.
- ii) Note the details of the monthly Covid19 impact submissions being made to the MHCLG and the details of the financial support that is available to the council in light of Covid19.
- iii) Note the work being undertaken by the Finance Review Panel to reduce the overspend this financial year and put in place savings for next financial year.
- iv) Note the HRA revenue position of a **£1.5m** forecast overspend against budget.
- v) Note the revised capital outturn projection of **£309m for the general fund and HRA**, forecast to be an underspend of **£8m** against the revised budget and that most of the underspend in 2019/20 has not been slipped into 2020/21.

RECOMMEND TO COUNCIL

- vi) The approval of the revised capital programme as detailed in section 9 and table 8 of this report including the slippage from 2019/20, which reflects a substantial reduction in the original capital budget for 2020/21.

2. EXECUTIVE SUMMARY

- 2.1 This report updates Members on the Council's financial outlook at the end of the first quarter of 2020/21, which remains incredible challenging against a context of the current Covid19 pandemic, which has put significant increasing pressure on council services and budgets since the beginning of this financial year.
- 2.2 The budget for 2020/21 was presented to Cabinet in February 2020 and approved by Council in March 2020. Cabinet and Council when approving the budget were made aware that balancing the budget is becoming increasingly difficult each year and that the 2020/21 budget contained a significant number of savings that were ambitious and needed to be delivered in year.
- 2.3 Cabinet were also made aware that these continue to be very challenging times for local government and therefore it was certain that further difficult choices would be required over the coming budget cycle and medium term if the Council is to maintain a continued solid financial foundation. This statement was made by the S151 Officer and on the basis of the challenging financial position already facing local government following years of sustained reductions in government funding. The Covid19 pandemic has brought further unprecedented financial challenges that has left all council's including Croydon facing a substantial budget shortfall in 2020/21 and beyond.
- 2.4 There is increasing pressures around 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 and now the impact of Covid19 which will not be restrained to just the current financial year.
- 2.5 As reported to Cabinet in July 2020 in the report titled 'Responding to the Local Government Financial Challenge', we must take action to control expenditure and have credible plans to bring spending within available resources to avoid the issue of a S114 notice.
- 2.6 We are taking far-reaching and urgent action. In May 2020 the Finance Review Panel was set up to undertake a fundamental root and branch review of the council's financial governance, strategy and planning, leadership, decision making, management and group company structures.
- 2.7 As part of the Council's response, an Immediate Measures Programme has been established and work is well underway to implement the projects within it. This programme is explained in more detail in section 5 of this report. The Quarter 1 forecast does not, for the most part, reflect the progress and likely contribution of those

initiatives, due to timing. The financial impact of these measures will be included in the next financial monitoring report to this cabinet.

- 2.8 The work of implementing the immediate measures programme is alongside conversations with government regarding future funding.
- 2.9 There are also further measures, over and above the “Immediate Measures” programme that are being developed and implemented and these are detailed in the Emergency Budget agenda item at this meeting.
- 2.9 This financial forecast in this report is based on the known position at the end of quarter one (June 2020). It is indicative at this time and may alter given the significant uncertainty about the pandemic e.g. the risk of a second spike and the ongoing impact on Council services over the medium term, along with the work to reduce costs and the implementation of identified savings projects.
- It is expected the economic recovery and continuing associated impact on residents will require significant Council response going forwards, even after the virus has been contained. As a result, prudent figures have been included in this forecast. The figures contained in this report include funding to date from government, it is not possible to predict if further funding will be made available at this time. To date funding for the impact of Covid19 has been sporadic and inadequate, at some £23.5m for Croydon, out of £3.7bn distributed nationally.

3 DETAIL

- 3.1 The latest total net forecast general fund overspend is **£49m** and shown in table 1 below. The overspend is made up of departmental overspends (gross, before COVID19 contributions) of **£65.1m**, Non departmental overspends of **£7.5m**. As detailed in section 2.9 above the net overspend also includes the funding received to date from MHCLG of £23.5m.

Table 1 – Forecast Outturn 2020/21

Department	2020/21 Current Budget £'000	2020/21 Forecast £'000	2020/21 Quarter 1 variance £'000
Children’s, Families and Education	103,288	123,129	19,841
Health Wellbeing and Adults	133,670	163,830	30,160
Place	62,013	74,906	12,893
Resources	8,503	10,686	2,183
Departmental Total	307,474	372,551	65,077
Non-departmental items – below the line	(307,474)	(300,005)	7,469
Total General Fund overspend	0	72,546	72,546
MHCLG Funding	0	(23,511)	(23,511)
Total overspend	0	49,035	49,035

- 3.2 Appendix 1 to this report gives a detailed breakdown by department and provides the main reasons for the revenue budget variances, and table 3 below gives details of the variances over £500k.

3.3 The forecast £49m projected General Fund variance (as shown above in table 1) includes the £5m budgeted contribution to general reserves that was approved as part of the budget when set in March 2020. As previously reported to this cabinet it is essential that the general funds of the Council are increased to ensure there are funds available to be able to manage risk and unplanned financial impacts in the future. If this planned contribution were removed, the in-year forecast deficit would reduce to £44m. Additionally the forecast £3.5m pressure arising from the employer’s pension contribution rates is subject to review against latest employee cost trends and may be able to be mitigated. Further in-year actions, including the immediate measures work streams will be included in future monthly reporting forecasts as they are implemented.

4. MHCLG FUNDING

4.1 MHCLG have been collating data from Councils 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 31 July, the forecast financial impact for Croydon was a net overspend of £71.1m (£44.3m for the General Fund and £26.8m for the collection fund), after receipt of £23.5m government funding. This is detailed in table 2 below.

Table 2 – July MHCLG return

	£m
Additional Expenditure	30.109
Unachieved Savings	25.116
Lost Income	12.589
Total General fund cost	67.814
Government Funding	(23.512)
General Fund Gap	44.302
Lost income - Collection Fund	26.875
Total Gap – July MHCLG return	71.177

4.2 Monthly returns are currently being collated by MHCLG to help give them a clear picture of the impact of Covid19 on local government. At the time of writing this report it is not clear what further funding will be made available to deal with the pressures that are being faced due to the pandemic.

4.3 MHCLG have also released guidance in relation to compensation for loss of income from sales, fees and charges which means that all relevant losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound. We currently estimate that our claim will be in the region of £5m but no value has been included in this forecast, this will be reported in the next monitoring report to this Cabinet.

4.4 The government has also announced an intention to allow authorities to spread 2020/21 collection fund deficits over three years. This is a year longer than the usual spreading over two years, with the estimate as at January 2021 being recovered the following year (2021/22) and the final outturn being recovered the year after (2022/23).

Table 1 does not include the 2020/21 forecast loss on the Collection Fund of £26.8m, detailed in table 2.

- 4.5 Work is ongoing to understand the implications of these announcements regarding income and collections fund deficits and the impact of the reimbursement of income is not included at this stage in the figures in this report, this will be report in the next report to cabinet once the claim has been made.

5. Finance Review

- 5.1 As reported to Cabinet in July we have established a Finance Review Panel to undertake a full root and branch review of the council's financial governance, strategy and planning, leadership, decision making, management and group company structures.
- 5.2 As part of the review, the Panel has endorsed the short term options to minimise spend and where possible generate income in year. It is also reviewing options for refreshed savings proposals to deliver in year 2020/21.
- 5.3 A number of projects have been established to deliver immediate actions to tackle the financial challenge across the following areas:
- Staffing
 - Cross cutting areas
 - Assets
 - Contracts
 - Income
 - Demand management
- 5.4 Table 1 above does not yet include any savings that will be delivered from these initiatives. These will be reported in the next financial monitoring report.

6 GENERAL FUND REVENUE SUMMARY POSITION 2020/21

- 6.1 As stated earlier, there is a forecast overspend at the end of quarter one of £49 million, the bulk of which is related, directly or indirectly, to COVID19 and could not have been reasonably foreseen at the time of setting the budget in March 2020
- 6.2 Table 3 gives details of the major variances.

Table 3 – Variances over £500k

Department	Details of Variances over £500k	2019/20 Outturn	2020/21 Quarter 1
		£'000	£'000
HEALTH, WELLBEING AND ADULTS			
ASC Directorate	Unachievable savings on workforce carried forward and care packages/placements for 2020/21.	0	3,400
	Market sustainability payments	0	2,200
25-65 Disability	Overspend on Residential Care Placements - increase in client numbers and increase in placement costs.	1,070	2,237
	Cost of transitions due to Children with disabilities	1,176	0
	Over spend on Domiciliary Care associated with increased client numbers and increased supported living costs.	2,012	1,200
	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	3,346	980
	Overspend on Care costs and Direct Payments - increase in client numbers and average cost of care.	821	5,745
Over 65 Social Care	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	3,837	518
	Domiciliary Care associated with continued increase in clients and hours provided.	2,404	0
	Residential Care - increases in average weekly costs.	1,034	0
	Direct Payments.	821	0
	Use of transformation for LIFE / Reablement	(2,000)	0
	Overspend on Direct Payments - increase in client numbers and average cost of care.	0	693
	Increased costs of care packages/placements and ancillary costs to the council for accelerated hospital discharge and avoidance of hospital admissions during Covid19 emergency period. Until further guidance is provided, increased costs are funded by NHS until end of July 2020.	0	5,445
	Unachievable income from health partners due to Covid19 – achieved since q1	0	4,000
	Underspend in staff due to recruitment freeze and ending use of agency workers	0	(545)
Transformation and Clienting	Use of transformation funding to fund ADAPT programme	(1,534)	0
Gateway Services	Lost income from Registrars services due to Covid19 restrictions	0	639
	No Recourse to Public Funds (NRPF) care and support. Anticipated reduction in caseloads and delay in staff recruitment. The team no longer have the support of an embedded Home Office worker.	(978)	0

	Non-delivery of savings relating to Children and Adult Social Care	1,972	0
	London Wide Covid19 Excess deaths	0	1,005
Housing Assessment and Solutions	Temporary Accommodation – increase in homelessness numbers and increases in cost of Private Licenced Accommodation	0	1,167
	Additional Homelessness Reduction Act grant	0	(790)
	Increase in provision for bad debt relating to homelessness rents	0	1,013
	Other Variance under £500k	(4,812)	1,253
HEALTH, WELLBEING AND ADULTS TOTAL		9,169	30,160

CHILDREN, FAMILIES & EDUCATION			
Early Help and Children's Social Care			
Early Help and Children's Social Care Directorate	Staffing and Legal Costs	539	208
	Undeliverable staff savings within the children's placement team	0	481
Social Work with Families	Staff savings from realigned budgets	0	(648)
Social Work with Children Looked After	Increase in the cost of external placements	13,148	10,858
	Staffing	0	604
	Unachievable 2019/20 savings on workforce and packages/placements	0	1,300
0-25 CWD and Transition Service	Increase in the cost of external placements	4,150	6,350
	Secured agreed health contribution to support EHCPs and CSC placements income now not achievable and delays in implementing joint funding panels with health partners – Covid 19 related.	0	500
Early Help and Youth Engagement	Loss of Early Help DSG grant income	0	566
	Other Minor Variances	0	(113)
Children, Families and Education Directorate	Children, Families and Learning Department Variances below £500k	(656)	(265)
CHILDREN, FAMILIES AND EDUCATION TOTAL		17,181	19,841

PLACE			
Public Realm - Waste	Cost of contract variations on Waste Collection and HRRC Contract	0	2,016
	Waste disposal due to increase in volumes	1,459	0

Public Realm	Parking Income Shortfall There was no Parking Enforcement between the end of March and June 2020 due to Covid19 measures that were introduced. At present transaction levels are increasing but not to previous levels and so is continuing to impact the income received and the anticipated year end position.	0	6,026
	Additional costs in relation to the implementation of Cashless and Contactless parking, and increases in PCN Processing charges.	0	600
	Parking revenue due to increase in non-compliance	(1,322)	0
	PFI additional maintenance and lease and energy costs	646	0
Public Realm	Savings in SEN transport costs due to considerable reduction in transport activities due to Covid19 with school closures and self isolation affecting the demand	2,064	(1,482)
Public Realm	Highways Capitalisation	(2,213)	0
Development Control (Planning)	Development control income through additional planning applications	(710)	0
Leisure	Dilapidations and contract amendments offset by staff savings	(1,124)	0
Libraries	Application of CIL money	(967)	0
Homes And Social Investment - Assets	Unachieved 2020/21 rental income as a result of Covid19	0	1,725
	Write-off of prior year debt for Croydon Park Hotel as a result of Covid19	0	1,000
	Utilities release of accrual	(3,075)	0
	Unachievable budget savings for investment income	0	4,000
	Other Variance under £500k	483	(992)
PLACE TOTAL		(4,759)	12,893

RESOURCES			
Commissioning And Procurement	Agency rebate pressure	0	1,115
	Underspends on staffing	(687)	0
Finance Investment And Risk	Release of Housing Benefit Bad Debt Provisions	(7,583)	602
Digital And IT	Additional Recharges	(1,390)	0
	Other Variance under £500k	318	466
RESOURCES TOTAL		(9,342)	2,183
TOTAL DEPARTMENT OVERSPEND		12,249	65,077

CORPORATE ITEMS			
	Corporate Contingency	(2,000)	(2,724)

	Net Interest Earned	(2,264)	0
	Release of Goods Received Notes	(7,019)	0
	Release of Reserves	(2,896)	0
	Pensions Deficit – under review will be adjusted in q2	0	3,036
	Unachievable Capital Recharges and staff savings	0	2,225
	Loss of Income S31 grants	2,131	4,754
	Other Minor Variances	(15)	178
CORPORATE ITEMS TOTAL		(12,063)	7,469
TOTAL VARIANCE		186	72,546

7 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

7.1 There are no virements requiring approval.

8 HRA (HOUSING REVENUE ACCOUNT)

8.1 The current forecast for the HRA is for an estimated overspend of £1.488m. The key variances being reported in at Quarter 1 are summarised Table 4 below:

Table 4 – 2020/21 Main variances within the HRA

Department	Major Variances	2019/20 £'000	Quarter 1 £'000
HRA – DISTRICT CENTRES AND REGENERATION	Vacancies held across division	(428)	(465)
HRA – HOUSING NEED	Forecast pressure on under recovery of rental income, and additional pressures around staffing and support costs	2,360	1,953
TOTAL HRA PROJECTED VARIANCE		1,932	1,488

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

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

9. FORECAST CAPITAL OUTTURN POSITION

9.1 As part of the July Review Report to this Cabinet members were asked to note the capital outturn position for 2019/20 as detailed in table 5 below. This identified underspends on programmes of £207m which could be slipped into 2020/21. As part of the work undertaken by the Finance Review Panel this has been reduced by £157m from £207m down to £50m as shown in table 6.

Table 5 – 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)

9.1 The high level Capital programme for 2020/21 is shown in Table 6 below, full details of all projects are shown in Appendix 2. A forecast under spend of £8.5m is projected for 2020/21.

Table 6 – 2020/21 Capital Programme

Original 2020/21 Budget £'000s	Department	Slippage from 2019/20 £'000s	Re-profiling / Increases in Schemes £'000s	Revised Budget 2020/21 £'000s	Actuals April - Jun 2020 £'000s	Forecast Outturn £'000s	Forecast Variance £'000s
3,000	HEALTH, WELLBEING AND ADULTS	4,135	0	7,135	168	7,135	0
25,283	CHILDREN, FAMILIES AND EDUCATION	15,703	0	40,986	2,891	41,064	78
159,449	PLACE	13,762	(52,635)	120,576	720	120,576	0
113,814	RESOURCES	7,975	(103,169)	18,620	605	18,620	0
301,546	GENERAL FUND TOTAL	41,575	(155,804)	187,317	4,384	187,395	78
35,701	HOUSING REVENUE ACCOUNT	8,472	83,239	127,412	254	118,744	(8,668)
337,247	CAPITAL PROGRAMME TOTAL	50,047	(72,565)	314,729	4,638	306,139	(8,590)

- 9.2 The main reported variances on projects within the Council's capital programme are as follows:
- 9.3 **Fire Safety Programme** (£5m) slippage - Fire safety works are progressing, there has been some slippage as a result of contractor delays, and the impact of Covid19.
- 9.4 **Major repairs and improvements programme** (£3m) – slippage due to the restrictions during Covid19.
- 9.5 The capital programme continues to be funded from a number of different funding streams and makes use of capital receipts to support the delivery of the financial strategy. Table 7 below details the funding for the original 2020/21 budget, the revised programme and the forecast outturn.

Table 7 – Sources of capital funding

Funding	Original 2020/21 budget	Revised budget 2020/21	Forecast 2020/21 Outturn
	£000s	£000s	£000s
ESFA	9,000	9,000	9,000
School Condition Funding	2,000	2,000	2,000
Disabled Facilities Grants	2,400	2,400	2,400
TFL LIP and other funding	2,462	0	0
NHS	5,000	5,000	5,000
CIL	6,800	6,800	6,800
CIL local meaningful proportion	576	1,848	1,848
ECVP external funder	600	600	600
Borrowing	42,198	71,886	71,964
Borrowing - (RIF) - BXB and Affordable Homes	115,510	76,002	76,002
Borrowing - Asset Acquisition Fund	100,000	0	0
Borrowing - Growth Zone	15,000	6,673	6,673
Section 106 receipts	0	4,973	4,973
Football foundation	0	135	135
GENERAL FUND	301,546	187,317	187,395
Major Repairs Allowance	12,506	12,506	12,506
HRA - Revenue Contribution	11,150	11,150	5,777
HRA - Use Of Reserves	3,295	3,295	0
HRA - Use of 1 for 1 receipts	0	21,823	21,823
GLA Funding of BxB Properties	3,500	10,000	10,000
Borrowing BxB Properties	5,250	68,638	68,638
HRA FUNDING	35,701	127,412	118,744
TOTAL FUNDING	337,247	314,729	306,139

- 9.6 The majority of the general fund borrowing detailed excluding that specifically identified for the Revolving Investment Fund and items in table 7 is to fund the education programme due to the inadequate level of funding received from Government and the essential need to provide school places in the borough.
- 9.7 In February 2020 Cabinet agreed the capital programme. One of the areas that the Finance Review Panel has been working on is the capital programme and reprofiling of the capital programme. These changes are detailed in para 9.9 below, along with slippage from 2019/20. With full details of the programme in appendix 2 to this report.
- 9.8 Cabinet is asked to approve the following changes to the Capital Programme resulting in a revised general fund capital programme of £186.8m for 2020/21 and £131.3m for the HRA. This is detailed below in table 8.

Table 8 - Revised Capital Programme – 2020/21

	2020/21 Original Budget (£m)	Slippage from 2019/20 (£m)	2020/21 Re-Profiling (£m)	2020/21 Revised Budget (£m)
General Fund	301.5	41.6	(155.8)	187.3
HRA	35.7	8.4	83.2	118.7
TOTAL	337.2	50.0	(72.5)	306.00

9.9 The revisions are as a result of slippage from 2019/20 of £50m (£41.6m for the General Fund and £8.4m for the HRA), with the main changes in the general fund being in relation to the Education Estates Programme, housing programme and HRA.

10. FINANCIAL MANAGEMENT

10.1 Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 9 below:

Table 9 - Council Tax and Business Rates collection

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %	Monetary Value of Target Variance £	Variance to last year at Q1 %
Council Tax	28.73	26.79	(1.94)	4.417m	(1.91)
Business Rates	31.33	27.4	(4.74)	3.553m	(4.74)

Council Tax

10.2 At the end of quarter 1 Council Tax collection is under target by 1.94%. Recovery has been adversely affected by Covid19 and the restrictions placed on recovery activity, we have not carried out any recovery action and with courts closed have been unable to summons for any arrears. There is a plan in place to carry out recovery action and increase collection, whilst making sure we do not adversely affect those who have been affected by Covid19, be it financially or any other affect, once the courts allow us to do so.

10.3 As part of the Council's support package for residents who were affected by Covid19, we allowed residents to defer payment of their Council Tax instalments for 2 months. 3,583 residents took up the offer to defer their Council Tax instalments.

Business Rates

- 10.4 At the end of quarter 1 Business Rates collection is 4.74% down. This is due to business rates being heavily impacted due to Covid 19. A large proportion of Businesses have not been trading since lockdown and this has impacted on the income they receive. As recovery action has also been paused, we have been unable to take further action against those who have not yet paid the business rates. Businesses have started to return to work, and we are commencing soft recovery during August 2020, this means we will engage with businesses to assess their ability to pay business rates, and we will offer alternative payment arrangements for those businesses who continue to struggle to pay their business rates as a result of Covid19.
- 10.5 As at the end of Q1 we have paid 2,203 small business grants with a monetary value of £22,030m and 1,018 retail, hospitality and leisure grants with a monetary value of £21,800m, total number of grants paid 3,221 and total value of grants paid to the business community £43.830m. An update of the final number and value of grants paid will be provided in the next financial monitoring report.

11. SUMMARY AND CONCLUSIONS

- 11.1 As all Members are aware, managing the 2020/21 budget was going to be difficult with all of the growing demands on services 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. These plans and the changes in guidance by CIPFA mean that it has not been necessary to date to issue a S114 notice, in normal circumstances and with a forecast financial overspend of this size a S114 would have been necessary. As discussed at Scrutiny and Overview Committee in August 2020, it is not possible at this time to say that a S114 notice will not be issued. Work needs to continue at pace and plans need to be robust to ensure a notice is not issued.
- 11.2 Work is underway on developing a three year Medium Term Financial Strategy (MTFS) and 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. Details of the work on the MTFS is contained in a separate report on this agenda.

12. FINANCIAL CONSIDERATIONS

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

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

13. COMMENTS OF THE SOLICITOR TO THE COUNCIL

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

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

14 HUMAN RESOURCES IMPACT

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

(Approved by: Sue Moorman, Director of HR.)

15. Pre Decision Scrutiny

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

16 EQUALITIES IMPACT

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

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

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

(Approved by Yvonne Okiyo)

17. ENVIRONMENTAL IMPACT

- 17.1 There are no specific issues arising from this report.

18. CRIME AND DISORDER REDUCTION IMPACT

- 18.1 There are no specific issues arising from this report.

19. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

19.1 These are detailed within the report.

20. OPTIONS CONSIDERED AND REJECTED

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

Report Author: Lisa Taylor Director of Finance, Investment and Risk (S151 Officer)

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Appendix 1 - 2020/21 Variances over £100k

Department	Details of Variances over £100k	Quarter 1
		£'000
HEALTH, WELLBEING AND ADULTS		
Adults Social Care Operations		
ASC Directorate	Unachievable 2019/20 savings on workforce and care packages/placements	3,400
	Market sustainability payments	2,200
Provider Services	Extra care housing additional staffing due to covered	428
	Shared lives reduced Supporting People costs due to Covid19	(116)
25-65 Disability	Overspend on Residential Care Placements - increase in client numbers and increase in placement costs.	2,237
	Over spend on Domiciliary Care associated with increased client numbers and increased supported living costs	1,200
	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	980
	Overspend on Direct Payments - increase in client numbers and average cost of care	5,745
	Underspend in respite services	(300)
	Underspend in day care	(120)
	Underspend in staff due to recruitment freeze and ending use of agency workers	(100)
Over 65 Social Care	Overspend on Residential Care Placements -overall numbers are stable but there is an increase in placement costs.	244
	Underspend on Domiciliary Care associated with increased client numbers and increased supported living costs	(405)
	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	518
	Overspend on Direct Payments - increase in client numbers and average cost of care	693
	Increased costs of care packages/placements and ancillary costs to the council for accelerated hospital discharge and avoidance of hospital admissions during Covid19 emergency period. Until further guidance is provided, increased costs are funded by NHS until end of July 2020.	5,445
	Unachievable income from health partners due to Covid19	4,000
	Underspend in staff due to recruitment freeze and ending use of agency workers	(545)
Innovation and Integration		
Service Compliance	Overspend on Advocacy	149

	Overspend on business support following transfer from Resources	118
Public Health	Nil Variance	0
Gateway Services	Bereavement income from excess deaths	(209)
	Registrars loss of income due to Covid19	639
	Resident access staffing vacancies	(341)
	London Wide Covid19 Excess deaths	1,005
Housing Assessment and Solutions	Croydon Affordable Homes repairs	150
	Temporary Accommodation – increase in homelessness numbers and increases in cost of Private Licenced Accommodation	1,167
	Additional Homelessness Reduction Act grant	(790)
	Increase in provision for bad debt relating to homelessness rents	1,013
	Other Variance under £100k	1,755
HEALTH, WELLBEING AND ADULTS TOTAL		30,160

CHILDREN, FAMILIES & EDUCATION		
Early Help and Children's Social Care		
Quality Assurance and Safeguarding	Staffing	154
Early Help and Children's Social Care Directorate	Staffing and Legal Costs	208
	Undeliverable staff savings within the children's placement team	481
Social Work with Families	Staffing savings from realigned budgets	(355)
Social Work with Children Looked After	Increase in the cost of external placements	10,858
	Staffing	604
	Unachievable 2019/20 savings on workforce and packages/placements	1,300
0-25 CWD and Transition Service	Increase in the cost of external placements	6,350
	Loss of early help dedicated schools grant income.	500
Early Help and Youth Engagement	Loss of Early Help DSG grant income	566
	Other Minor Variances	(113)
Adolescent Services	Staffing savings from realigned budgets	(425)
Systemic and Clinical Practice	Staff savings	(286)
Education		
0-25 Send Service Special Education	Reallocation of expenditure to Dedicated School Grant	(272)
School Place Planning And Admissions	Staffing savings	(250)
Education Commission & Post-16 Participation	Loss of trading income and staffing pressures	128

	Other Minor Variances < £100k	393
CHILDREN, FAMILIES AND EDUCATION TOTAL		19,841

PLACE		
Place Directorate		
Public Realm - Highways	Street Lighting Additional Energy Charges	361
	Employee Savings due to reduced TFL grant income	(216)
Public Realm - Waste	Cost of contract variations on Waste Collection and HRRC Contract	2,016
	Savings in Waste Disposal Contract due to current projected LEC Deductions	(477)
Public Realm - Parking	Employee Savings in Parking due reduced activities and delays in restructure as a result of Covid19	(400)
	Parking Income Shortfall There was no Parking Enforcement between the end of March and June 2020 due to Covid 19 measures that were introduced. At present transaction levels are increasing but not to previous levels and so is continuing to impact the income received and the anticipated year end position.	6,026
	Additional costs in relation to the implementation of Cashless and Contactless parking, and increases in PCN Processing charges.	600
Public Realm - Public Protection	Additional legal charges in both Food Safety and Trading Charges and Selective Licensing anticipated due to number of high profile cases	208
Public Realm - SEN Transport	Savings in SEN transport costs due to considerable reduction in transport activities due to Covid 19 with school closures and self-isolation affecting the demand	(1,482)
Growth Employment and Regeneration - Croydon Works	Growth for Croydon Works to fund the transfer of Employment team in Gateway, no longer taking place.	(150)
Growth Employment and Regeneration - Adult Education	Additional grant income offset by income fee losses due to Covid 19 activity reduction	(256)
Croydon Culture Growth - Active Lifestyle	Saving - vacancies held open.	(144)
Planning - Development	Employee savings in Development Management reflects that forecast of income generated will be less than in 2019/20 and therefore less staff are required to process applications	(342)
Planning - Building Control	Loss of income due to downturn in the property market as a result of Covid 19.	181
Planning - Spatial Planning	Decrease in Planning Performance Agreement income	119
Planning - Strategic Transport	Recharges to capital	(103)
Homes And Social Investment - Assets	Unachievable budget savings for investment income	4,000
	Unachievable Landlord rental income	430
	Shortfall of landlord rental income mainly due to three tenants vacating Davis House	434
	Loss of 20-21 rental income as a result of Covid 19	1,725

	Write-off of prior year debt for Croydon Park Hotel as a result of COVID	1,000
	Staff Vacancies	(224)
	Various contract savings	(133)
	Assets interest payable on investment properties	(394)
	Other Variance under £100k	114
PLACE TOTAL		12,893

RESOURCES		
Facilities Management And Support Services		
Commissioning And Procurement	Agency rebate pressure	1,115
Human Resources	Learning and Development Staff Training Events underspend due to being put on hold	(142)
	HR and Finance Service Centre Staffing Vacancies	(124)
	HR Consultancy Staffing Vacancies	(101)
Resources Directorate	Internal Legal Recharge costs	131
Finance Investment And Risk	Revenues Courts Costs Income shortfall due to closure of courts during Covid19 pandemic	602
	Land Charges Income shortfall	462
	Bailiff fees income shortfall, reduced activity due to Covid19	319
	Parking Permits income shortfall	150
	Revenue and Benefits Staffing vacancies	(456)
	Insurance reduced claims offset by under underachieved income from schools	97
	Other Variance Under £100k	218
Digital And IT	Brent Shared Services Income	(247)
	BIT grants income - one off payment.	(111)
Law & Governance	Internal Recharge Income Shortfall	448
	Other Variance under £100k	(178)
RESOURCES TOTAL		2,183
TOTAL DEPARTMENT OVERSPEND		65,077

CORPORATE ITEMS		
	Corporate Contingency	(2,724)
	Pensions Deficit	3,036
	Unachievable Capital Recharges and staff savings	2,225
	Loss of Income S31 grants	4,754
	Other Minor Variances	178
CORPORATE ITEMS TOTAL		7,469
TOTAL VARIANCE		72,546

Appendix 2 – Capital Programme 2020/21

Category	Original budget 2020/21 £000's	Revised Slippage 2019/20 £000's	Budget adjustments £000's	Revised budget 2020/21 £000's	Actuals 2020/21 £000's	Forecast 2020/21 £000's	Variance 2020/21 £000's
Adults ICT	0	284	0	284	0	284	0
Angel lodge conversion to MHO	100	0	0	100	0	100	0
Bereavement Services	0	900	0	900	0	900	0
Disabled Facilities Grants	2,400	2,013	0	4,413	168	4,413	0
Provider Services - Extra Care	500	0	0	500	0	500	0
Sheltered Housing	0	938	0	938	0	938	0
Health, Wellbeing and Adults including Gateway and Housing Sub Total	3,000	4,135	0	7,135	168	7,135	0
Education – Fire Safety Works	1,000	954	0	1,954	0	1,954	0
Education – Fixed term expansion	59	140	0	199	108	199	0
Education – Major Maintenance	2,882	1,929	0	4,811	362	4,811	0
Education – Miscellaneous	1,444	5,650	0	7,094	44	7,094	0
Education – Permanent Expansion	1,091	817	0	1,908	53	1,908	0
Education – Secondary Schools Estate	0	0	0	0	47	0	0
Education – Special Educational Needs	18,807	4,908	0	23,715	2,204	23,715	0
Education – SEN Centre of Excellence	0	1,305	0	1,305	0	1,305	0
Early Help Centre	0	0	0	0	73	78	78
Children, Families and Education Sub Total	25,283	15,703	0	40,986	2,891	41,064	78
Affordable Housing Programmes	40,000	0	(40,000)	0	0	0	0
Allotments	0	332	0	332	0	332	0
Brick by Brick programme	75,510	0	492	76,002	0	76,002	0
Community Ward Budgets	576	1,272	0	1,848	0	1,848	0
CALAT	0	619	0	619	52	619	0
Devolution initiatives	912	0	(912)	0	0	0	0
Electric Vehicle Charging Points	2,400	0	(1,200)	1,200	0	1,200	0
Empty Homes Grants	500	0	0	500	-20	500	0
Feasibility Fund	330	20	0	350	30	350	0
Fieldway Cluster (Timebridge Community Centre)	0	5,204	0	5,204	40	5,204	0

Fiveways junction	0	0	0	0	0	0	0
Growth Zone	15,000	0	(8,327)	6,673	0	6,673	0
Grounds Maintenance Insourced Equipment	1,500	0	(1,500)	0	0	0	0
Highways - maintenance programme	6,000	0	0	6,000	33	6,000	0
Highways - maintenance programme (staff recharges)	567	0	0	567	0	567	0
Highways – flood water management	565	663	0	1,228	0	1,228	0
Highways – bridges and highways structures	575	423	0	998	0	998	0
Highways – Tree works	299	0	(299)	0	9	0	0
Measures to mitigate travellers in parks and open spaces	0	0	0	0	0	0	0
Leisure centres equipment upgrade	0	0	0	0	0	0	0
Libraries investment – general	650	1,405	0	2,055	386	2,055	0
Libraries investment – South Norwood library	0	522	0	522	0	522	0
Neighbourhood Support Safety Measures	50	0	0	50	0	50	0
New Addington wellbeing centre	3,000	0	(1,525)	1,475	121	1,475	0
Parking	2,825	113	0	2,938	0	2,938	0
Park Life	0	412	0	412	0	412	0
Play Equipment	0	730	0	730	3	730	0
Safety – digital upgrade of CCTV	250	309	0	559	0	559	0
Section 106 Schemes	0	0	4,973	4,973	66	4,973	0
SEN Transport	1,460	0	0	1,460	0	1,460	0
Signage	0	25	0	25		25	0
Sustainability Programme	2,500	0	(1,875)	625	0	625	0
TfL LIP	2,462	0	(2,462)	0	0	0	0
Unsuitable Housing Fund	0	30	0	30	0	30	0
Walking and cycling strategy	750	125	0	875	0	875	0
Waste and Recycling Investment	0	1,558	0	1,558	0	1,558	0
Waste and Recycling – Don't Mess with Croydon	768	0	0	768	0	768	0
Place Sub Total	159,449	13,762	(52,635)	120,576	720	120,576	0
Asset strategy – Stubbs Mead	0	200	0	200	0	200	0
Asset Strategy Programme	0	460	0	460	55	460	0
Asset Acquisition Fund	100,000	0	(100,000)	0	0	0	0

Corporate Property Programme	2,000	0	0	2,000	41	2,000	0
Crossfield (relocation of CES)	0	0	0	0	0	0	0
Emergency Generator (Data Centre)	0	0	0	0	0	0	0
Finance and HR system	0	0	431	431	0	431	0
ICT Refresh & Transformation	6,200	187	0	6,387	138	6,387	0
People ICT	2,014	7,128	0	9,142	364	9,142	0
Uniform ICT Upgrade	3,600	0	(3,600)	0	7	0	0
Resources Sub Total	113,814	7,975	(103,169)	18,620	605	18,620	0
GENERAL FUND TOTAL	301,546	41,575	(155,804)	187,317	4,384	187,395	78

HOUSING REVENUE ACCOUNT	Original budget 2020/21	Revised Slippage 2019/20	Budget adjustments	Revised budget 2020/21	Actuals 2020/21	Forecast 2020/21	Variance 2020/21
	£000's	£000's	£000's	With Slippage £000's	£000's	£000's	£000's
Asset management ICT database	0	290	0	290	0	290	0
Fire safety programme	0	6,314	0	6,314	146	1,000	(5,314)
Larger Homes	0	1,350	0	1,350	0	1,351	0
Major Repairs and Improvements Programme	26,771	0	0	26,771	0	23,416	(3,355)
Affordable Housing Programme	0	0	38,404	38,404	92	38,404	0
BBB Properties part funded by GLA and HRA RTB	8,750	0	44,835	53,585	0	53,585	0
Special Transfer Payments	180	518	0	698	16	698	0
HOUSING REVENUE ACCOUNT TOTAL	35,701	8,472	83,239	127,412	254	118,744	(8,669)
LBC CAPITAL PROGRAMME TOTAL	337,247	50,047	(72,565)	314,729	4,638	306,139	(8,591)