

Renewing Croydon

Agenda

- Finance review panel
- Croydon renewal plan
- MTFS
- Finance Review – phase 1

Finance review panel

Finance review

A full root and branch review of the council's financial governance, strategy and planning, leadership, decision making, management and group company structures

Finance review: summary of objectives

- Agree short term options to minimise spend and where possible generate income.
- Review options for a refreshed savings proposals for 2020/21.
- Full review of all financial systems, structures (including group and companies), processes and decision-making.

Finance review panel members

- External chair (Duncan Whitfield), plus Matthew Kershaw and Debbie Warren
- Croydon Council membership includes Leader, Deputy Leader, cabinet member for Finance & Resources, ELT
- External Auditor also in attendance
- Support provided by CEOs office
- Fortnightly meetings with regular update reports

Short Term Savings Programme

- Set in place a programme of savings that must be implemented immediately.
- There were 24 different projects, agreed by the Finance Review Panel, since consolidated to 9
- Each has been assigned a SRO and a CLT lead officer.

Consolidation projects

Workstreams	Consolidated grouping	ELT Sponsor	CLT Lead
<ul style="list-style-type: none"> Recruitment Freeze Layers and spans review Staffing reductions Use of agency staff Review of consultancy contracts (Furlough workstream ceased)	Staffing	Jo Negrini	Sue Moorman
<ul style="list-style-type: none"> Freeze on all non-essential expenditure Deferral of all new projects (revenue only – capital in review below) Covid19 additional spending controls 	Spending controls	Guy Van Dichele	Gavin Handford
<ul style="list-style-type: none"> Review of all planned budget savings and growth 	Savings and Growth Proposals	Shifa Mustafa	Heather Cheesbrough
<ul style="list-style-type: none"> Review of savings and income proposals previously considered but not approved 	Savings and Growth Proposals	Shifa Mustafa	Shelley Davies

Consolidation projects

Workstreams	Consolidated grouping	ELT Sponsor	CLT Lead
<ul style="list-style-type: none"> • Additional departmental savings and income generation options • Fees and charges 	Savings and Growth Proposals	Shifa Mustafa	Steve Iles
<ul style="list-style-type: none"> • Review of spending against other funding streams • Review of the use of Transformation Funding 2020/21 • Application to MHCLG for a capital direction 	Funding Streams	Lisa Taylor	Sarah Hayward
<ul style="list-style-type: none"> • Consolidate savings from working from home, digital delivery, and accelerate digital implementation • Implementation of localities model • Shared services 	Business Model Change	Hazel Simmonds	Rachel Soni
<ul style="list-style-type: none"> • Partnerships 	Partnerships	Guy Van Dichele	Rachel Soni

Consolidation projects

Workstreams	Consolidated grouping	ELT Sponsor	CLT Lead
<ul style="list-style-type: none"> • Review of capital programme 	Capital	Shifa Mustafa	Stephen Tate
<ul style="list-style-type: none"> • Review of contracts 	Contracts	Guy Van Dichele	Sarah Warman
<ul style="list-style-type: none"> • Early help / Looked after children • Placement / package review – adults, children’s, housing • Children’s FP&A 	Social Care Placements and Process	Jacqueline Harris-Baker supported by external resource	Nick Pendry and Annette McPartland

Savings

<u>Savings Options</u>	£m		£m	£m
	Saving	RAG	One Off	Reoccurring
Health Funding	-12.1	Amber	-10	-2.1
Transformation funding	-2.5	Green		-2.5
Use of Community Infrastructure Levy (CIL)	-2.2		-2.2	
Contract savings	-2.0	Green		-2.0
Staff savings *	-2.0	Amber	-2.0	
Capital programme review	-1.7	Green	-1.7	
Children's services	-1.1	Red		-1.1
Parking fees	-1.0	Amber		-1.0
Public Health funding	-1.0	Green		-1.0
Non essential expenditure	-1.0	Amber	-1.0	
Adult Social Care	-0.5			-0.5
Bulky waste	-0.4	Red		-0.4
Resources Dept	-0.3	Amber	-0.3	
Facilities Management	-0.1	Green	-0.1	
Library book fund	-0.1			-0.1
SEN transport - under 5's	-0.1	Red		-0.1
	-27.9		-17.3	-10.6

£17.3m
one off
savings
need to be
made
again next
year

£18.5m –
amber / red
delivery
confidence

* Staff savings - Full year impact circa £15m

Forecast Outturn (Overspend)

	£m
Aug Covid return - additional expenditure	32.3
Aug Covid return - lost income	12.0
Aug Covid return - unachieved savings	26.2
Gross impact of Covid	70.5
Govt grants covid 1,2 and 3	-23.5
Govt grant - income compensation - estimate	-5.0
net impact covid	42.0
Exceptional Items UASC	3.3
19/20 final accounts adjustment	TBC
Contribution to reserves	5.0
	50.3

Note – info as at August, Previously £49m at q1, figures subject to change

Work to date

- Forecast overspend end Aug = £50.3m
- Savings agreed Sept Cabinet = £27.9m
- Remaining overspend end Aug = **£22.4m**

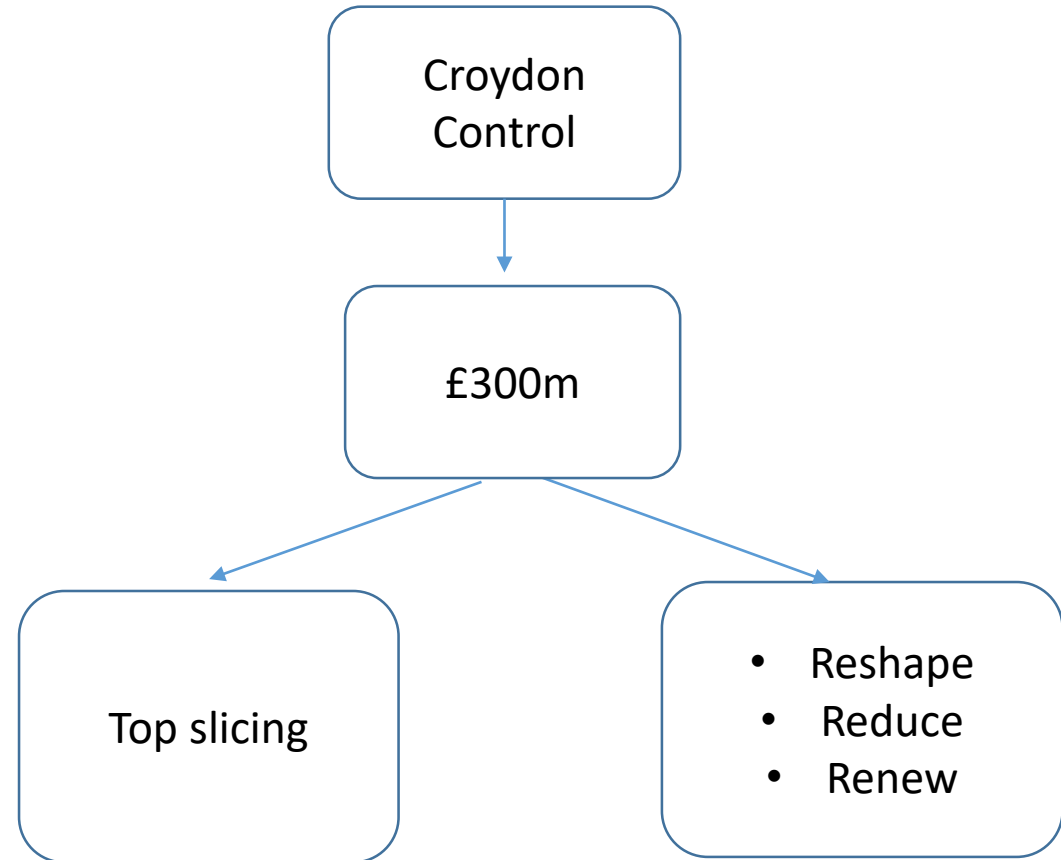
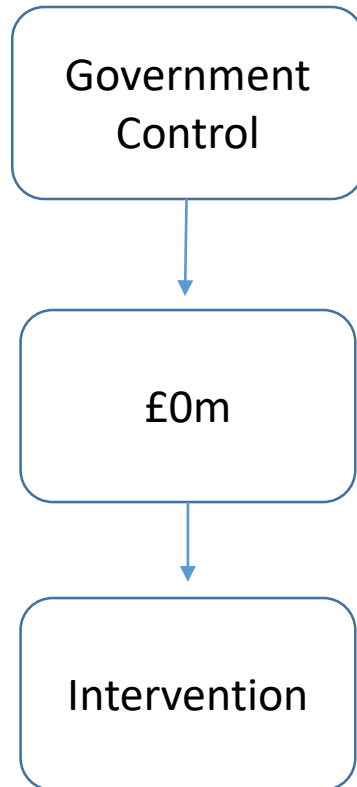
Risks and Resilience

£22.4m gap may get worse

Risks that may increase the overspend figure	Resilience
2019/20 accounts audit adjustments £8m	Lack of financial resilience
Significant concerns from external auditor	General Fund reserves are only £10.2m
Increase in Covid19 spend £20m ?	Without Government support a S114 notice will be issued
Adult's and Children's pressures greater than forecast	
Mixed confidence in the delivery of in year savings	
Changes to government legislation that need funding	

Croydon Renewal Plan

What are our options ?



S114

The Local Government Act 1988, Section 114 places certain responsibilities on the Chief Finance Officer.

'The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.'

This budget work and the development of these plans at the current time mean that as per the CIPFA guidance I have not had to issue a S114 notice. However, if at any time I do not feel that these plans are developing at the right pace or are actually not deliverable I will have no choice but to issue a S114 notice.'

Croydon

- General Fund reserves are £10.2m
- Gap £22.4m
- Difference = £12.2m
- Even if we use all our reserves we are still overspent, can't use all reserves – **THIS IS NOT AN OPTION.**
- By law we must have a balanced sustainable budget, can't spend what you can't afford, spending must stop

What is a Capitalisation Direction ?

- Not free money
- Permission from government to borrow capital money for revenue spend
- Need to make formal approach to government with a credible delivery plan –Croydon Renewal Plan
- Aim to balance the budget over 3 years
- They can say no
- E.g. - Repayment of £30m over 40 years =
 - Interest repayment PA = average of £390k pa
 - Principal repayment PA = £750k pa
 - Cost £45m to borrow £30m over 40 years
 - MHCLG to clarify term of borrowing, could be less than 40yrs

Capitalisation Direction- what we need to do

- Developing process with Government
- Submission Mid / end November
- Give confidence in approach and financial analysis
- Confidence in approach to reshaping the Council
- Detailed financial submission in response to their questions
- Provide assurance documents :-
- Root and branch review of financial systems and progress on actions
- Strategic review of council companies
- Delivery of in year savings – March and Sept
- Improve internal controls
- Plus delivery plan for Croydon Renewal Plan

Agreed Cabinet 21/9/2020 and Full Council Debate 28/9/2020

- Decision on savings
- Review of Capital programme
- Strategic review of group companies
- Decision on Croydon Renewal Plan and request to MHCLG for capitalisation direction

Croydon Renewal Plan

- Plan A - submit to MHCLG mid November request for capitalisation directive to deliver “Renewing Croydon – the plan”
- N.B. - MHCLG can say no
- Plan B – find further £22.4m of savings in year and £47m next year
- If MHCLG say no – need a further emergency budget in year (Plan B)
- If unable to agree Plan B - S114 is issued, 21 days to respond and agree balanced budget
- If MHCLG say yes - implement “Renewing Croydon – the plan” over next 3 years

MTFS

MTFS

	Annual saving required			
	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Savings	-47.1	-15.8	-16.2	-79.1

Note - £22.4m savings still required in 2020/21

Capitalisation would help smooth the savings profile and cover the in year loss.

Finance Review

Phase 1 Improvement plan

Phase 1 report presented to FRP 3/9/20

Report aligned to CIPFA Financial Management code :-

- Financial Leadership
- Financial Governance
- Long to mediumterm financial management
- The annual budget
- Stakeholder engagement
- Monitoring Financial performance
- External financial reporting

Finance Review Panel and Review of Financial Management

- Phase 1 Report covers three key areas: Financial Planning, Budget Setting, Budget Monitoring
- Other financial management areas to be addressed in further phases including Financial Governance, Financial Leadership, Stakeholder Engagement, External Reporting.
- Recommendations to be implemented through action plan with ongoing reporting to FRP and GPAC.