

REPORT TO:	Cabinet 21st February 2022
SUBJECT:	Financial Performance Report – Month 9 (December 2021)
LEAD OFFICER:	Richard Ennis, Interim Corporate Director of Resources (Section 151)
CABINET MEMBER:	Councillor Callton Young OBE Cabinet Member for Resources and Financial Governance Councillor Stuart King, Deputy Leader (Statutory) and Cabinet Member for Croydon Renewal

SUMMARY OF REPORT:

This report provides the Council's annual forecast as at Month 9 (December 2021) for the Council's General Fund (GF), Housing Revenue Account (HRA) and the capital programme. The report forms part of the Council's financial management process of publically reporting financial performance against its budgets on a monthly basis.

FINANCIAL IMPACT

The Month 9 position is currently indicating a net underspend of £1.814m against budget – this represents a £0.565m favourable movement against the Month 8 forecast. This is before taking into account further risks and risk mitigations. In total, £3.055m (Month 8 £12.257m) of further risks are identified but there are £2.725m (Month 8 £11.452m) of potential opportunities to mitigate the risk, these are set out in the body of the report. Section 3 details these risks and risk mitigations and further discusses the impact on the General Fund if these were to materialise.

The HRA is indicating an over spend of £1.725m (Month 8 £1.634m) against budget. This overspend is further detailed within Section 5 of the report.

1. RECOMMENDATIONS to Cabinet:

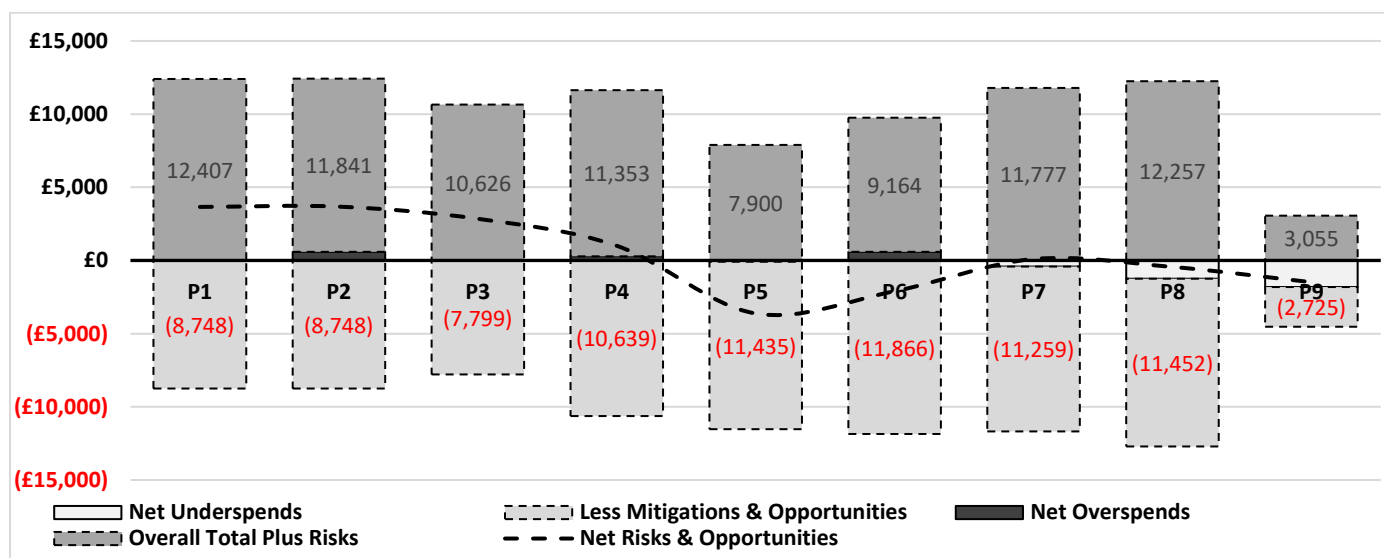
- 1.1 Note the General Fund is projecting a net favourable movement of £0.565m from Month 8. Service directorates are indicating a net £1.236m overspend (Month 8 £2.203m) but this is projected to be netted off against £3.050m underspend within the corporate budget.
- 1.2 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change and these are reported within Section 3 of this report.
- 1.3 Note the Housing Revenue Account (HRA) is projecting a £1.725m (Month 8 £1.634m) overspend for 2021/22. If no further mitigations are found to reduce this overspend the HRA will need to drawdown reserves from HRA balances. There are sufficient balances to cover this expenditure.

- 1.4 Note the capital spend to date for the General Fund of £51.394m (against a budget of £190.581m) and for the HRA of £10.147m (against a budget of £183.209m), with a projected forecast variance of £60.101m on the General Fund against budget and £113.039m forecast variance against budget for the Housing Revenue Account;
- 1.5 Note, the above figures are predicated on forecasts from Month 9 to the year end and therefore could be subject to change as forecasts are refined and new and updated information is provided on a monthly basis. Forecasts are made based on the best available information at this time.
- 1.6 Note that whilst the Section 114 notice has formally been lifted, the internal controls established as part of the S114, such as the Spend Control Panel and Social Care Placement Panels remain. Restrictions have been lifted for ring-fenced accounts such as the Pension Fund, Housing Revenue Account and Coroner's Expenditure as these are directly outside of the General Fund's control. The Spending Control Panel which was set up at the beginning of November 2020 continues to meet on a twice daily basis.
- 1.7 Note that, Croydon Borough has taken on c1000 asylum seekers who have been placed in eight hotels by the Home Office without consultation with the Council. The hotel costs are funded by the Home Office, however the Council is responsible for further ancillary services particularly around safeguarding, public health, children & youth provision and broader community support. These additional costs, which are currently being calculated have been flagged within the unquantified risks section of this report, and could clearly result in further financial pressures for the Council.

2. EXECUTIVE SUMMARY

- 2.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and in year challenges it faces. It covers the GF, HRA and capital programme and ensures there is transparency in our financial position, enables scrutiny by both Members and the public, and offers reassurance regards to the commitment by Chief Officers to more effective financial management and disciplines
- 2.2. The General Fund revenue projected outturn forecast has improved by £0.565m from a forecast underspend position of £1.248m in Month 8. There are a further set of risks and opportunities, which indicate a net risk of £0.330m (risks £3.055m and opportunities of £2.725m), but not yet sufficiently developed to be included in the outturn forecast. Should these materialise it will have a negative impact on the forecast.
- 2.3. The chart below illustrates the trend in the monthly monitoring reports and shows both the forecast as well as quantum of risks and opportunities together with the impact should all risks and opportunities fully materialise (dashed line). The trend indicates the Council will deliver within its budget plan.

Monthly Forecast, Risk & Opportunity Tracker



- 2.4. The Month 9 forecast incorporates detailed work to stress test Risks and Opportunities and to ensure these are now firmed up as we approach financial year end. All risks and opportunities that we know have materialised have now been included within the forecast and only items that have a good confidence level have been included within this report and forecast.
- 2.5. The Housing Revenue Account is forecasting an overspend of £1.725m (an increase of £0.091m on the Month 8 forecast of £1.634m). This projected variance impacts on HRA reserves rather than GF reserves.
- 2.6. The capital programme for both the General Fund and HRA is reporting expenditure to date of £61.541m against overall budget of £373.790m, with a forecast underspend of £173.140m.
- 2.7. The 2020/21 financial year was a very difficult year for the Council. The Council issued two Section 114 notices as the Council had insufficient resources to meet it's in year expenditure pressures.
- 2.8. Since 8th March 2021 the S114 notice has been lifted as the Council received confirmation of a Capitalisation Direction from MHCLG of up to £70m for 2020/21 and MHCLG (Now DLUHC) were minded to fund £50m for 2021/22. The latter allowed the 2021/22 budget to be set.
- 2.9. The Council has had the benefit of a number of recommendations from various stakeholders and scrutiny panels such as the external auditor's Report in the Public Interest and the Non-statutory Rapid Review by MHCLG. Their recommendations have been taken on board and the Croydon Renewal Plan has been developed which will over the medium term financial strategy period restore the Council's finances, improve culture and practices and develop a more effective system of internal control amongst other improvements to the Council.

- 2.10. As of 26th January 2022 the Council's external auditors, Grant Thornton issued a second Report in Public Interest report in relation to capital expenditure on Fairfield Halls. Whilst this report indicates significant governance and financial management breakdowns in the past, the report will not result in additional financial costs to the Council. The report provided for 12 recommendations that the Council has begun work on and these recommendations will be included within the Council Renewal Plan.
- 2.11. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the council's budget is reported monthly and transparently.
- 2.12. The Council is still working with the external auditors on finalising the 2019/2020 audit of accounts. However the 2020/2021 Outturn has now been presented to Cabinet on 12th July 2021 based around their findings and the draft accounts have also been published for 2020/2021.

3. FINANCIAL POSITION

- 3.1. The FPR shows that the Council is forecast to have a General Fund net underspend variance of £1.814m – a favourable movement of £0.565m on the net forecast reported at Month 8.
- 3.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area and including risks to reduce any overspends and identify further options to mitigate these. A list of Risks and Opportunities are provided within various tables within this section.
- 3.3. The forecast outturn position of the General Fund is shown below in Table 1.

Table 1 – Month 9 Projection per Directorate

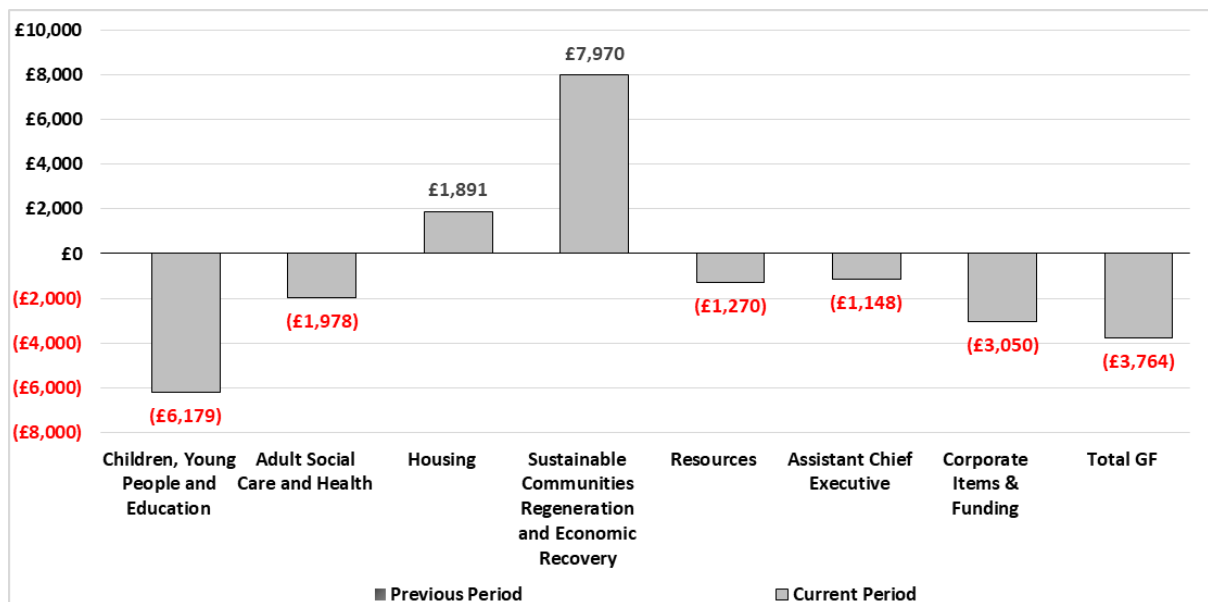
	Month 9	Month 8			
	Forecast Variance	Forecast Variance From Previous month	Change from previous month	Savings Non-Delivery	Other Pressures
	(£,000's)		(£,000's)	(£,000's)	(£,000's)
Children, Young People and Education	(6,179)	(3,080)	(3,099)	118	(6,297)
Adult Social Care and Health	(28)	(2,028)	2,000	-	(28)
Housing	1,891	1,895	(3)	-	1,891
Sustainable Communities Regen & Economic Recovery	7,970	6,601	1,369	5,135	2,835
Resources	(1,270)	(601)	(669)	-	(1,270)
Assistant Chief Executive	(1,148)	(584)	(564)		(1,148)
Departmental Total	1,236	2,203	(966)	5,253	(4,017)

Corporate Items & Funding	(3,050)	(3,451)	401	1,000	(4,050)
Total General Fund	(1,814)	(1,248)	(565)	6,253	(8,067)

3.4. Net overspends and underspends within the service budgets are presented as forecast variance (as per Table 1), and are additionally classified as either non-delivery of agreed in year savings or other pressures which were not foreseen. Non-delivery of savings, which totals £6.253m relates to the non-achievement of the approved MTFS savings whilst other pressures are as a result of new and external pressures not previously provided for within the Council's 2021/2022 Budget. Further explanations of these overspends are provided within Section 4 of this report.

3.5. The chart below shows the forecast by service department for both the current and previous month:

Change in forecast position Month 9



3.6. The main areas of movement from Month 8 are as follows:

- Adult Social Care and Health has **adversely** moved by £2.500m due to operational challenges, which were previously flagged as risk, are now being faced by the service. The pressures are however being further supported by improvements in placement spend and the service continues to maintain vacancies to deliver services more efficiently.
- Sustainable Communities, Regeneration and Economic Recovery is indicating an **adverse** movement of £1.369m due to reported lower than expected income from parking services. This additional pressure was previously flagged as risk and due to further work it is now expected to crystallise by year end. Work has been ongoing with the service to improve budget monitoring and the current figures being reported reflect this. The impact of Covid on demand for car parking is the cause

of the reduced parking income and hence the service has not been able to deliver the £5.135m of service spend.

- Resources is indicating a £0.669m **favourable** movement relating to continued and improved staffing underspends across various teams.
- Housing is indicating a minor £0.003m **favourable** movement due to continued general improvements across the service.
- Children Young People and Education indicating an overall £3.099m **favourable** movement due to further reductions within the placement spend, savings in relation to UASC and application of Staying Put grant funding.
- Corporate is indicating an adverse £401k movement due to additional pressures related to increased provision of Minimum Revenue Provision and non-delivery of a £1.00m of Fees and Charges income. The two large pressures are now being netted off against the full release of the one off Covid Grant (£11.250m) confirmed to Croydon Council for 21/22 by DLUHC as part of the Local Government Finance Settlement.

Further details can be found in section 4 of this report.

Risks and Risk mitigations

- 3.7. As mentioned within paragraph 3.1 the forecast has been reported excluding further potential risks and risk mitigations. Risks and risk mitigations are split into quantified and unquantified items. Risks previously reported in Month 8 have now been tested and scrutinised to determine the likelihood of those risks occurring. Where such position is now certain that risk has been included within the forecast in Table 1.
- 3.8. As with the forecast set out in Table 1 risks are separately reported for those elements that relate to potential under-delivery of approved savings, and those that are new and not directly related to agreed savings plans.
- 3.9. All MTFs savings have been reviewed and now form part of the forecasts and there are now no MTFs savings being identified as risks. Table 2a has been provided for comparison to previous month. The savings are subject to a separate assurance process involving both the Chief Executive and the Corporate Director of Resources (Section 151) meeting with the directorates and the Director of policy and programmes. The most recent of these was in early December.
- 3.10. These meetings identify savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experiences of the service. Parking Savings continue to be an issue due to further considerations of the March Budget decisions and therefore with 9 months of the year now passed it is likely these specific savings will not be delivered in full.
- 3.11. The rest of the services are sufficiently confident in being able to manage or mitigate these risks that they are not included as part of the present forecast year-end position. However, the figure has been provided to indicate to Cabinet the likely financial impact

on the budget and therefore the need to take action to deal with the risk should they materialise.

Table 2a – Month 9 MTFS Savings Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk P9	Savings at risk P8	Change From Prior Month
		(£,000's)	(£,000's)	(£,000's)
CFE Sav 09a	Review Children's Centres Delivery Model	0	359	(359)
Children, Young People and Education Total		0	359	(359)
Adult Social Care and Health Total		0	0	0
Housing Total		0	0	0
PLA Sav 24	Parking charges increase 30p/30min	0	2,000	(2,000)
PLA Sav 10	ANPR camera enforcement	0	3,135	(3,135)
Sustainable Communities Regen & Economic Recovery Total		0	5,135	(5,135)
Resources Total		0	0	0
COR Sav 17	Fees and Charges Reviews	0	1,000	(1,000)
Corporate Items & Funding Total		0	1,000	(1,000)
RES SAV 23	CDS Extensions or procurements of core IT contracts	0	80	(80)
RES SAV 24	CDS Reduction in IT contract costs due to LBC smaller workforce	0	10	(10)
Assistant Chief Executive Total		0	90	(90)
Total Savings at Risk		0	6,584	(6,584)

3.12. Section 4 gives details of all the movements between Month 9 and Month 8 and identifies any movements in delivery of MTFS savings, risks and mitigating items that are factored into the forecast assumptions. Services managers have identified these as potential mitigations to the risks identified Tables 2a and 2b. Any additional risk mitigations also help the overall financial position of the Council as these would help generate a larger underspend that can be put away into reserves to support future MTFS gaps.

Table 2b – Other quantifiable and unquantifiable risks

Quantified Risks	P9 £'000	P8 £'000	Details of Risk
Children, Young People and Education	160	160	£160k – Risk to income from Schools/Education traded services due to Covid
Adult Social Care and Health	550	3,050	£550k – Continued risk of increased placement spend due to transitions from Children Social Care into Adult Social care.
Housing	396	396	£96k - Demand for Emergency/Temporary Accommodation likely to increase. £300k Bad debt costs - Arrears are increasing since 2020/21 due to lower collection rates in the first part of the year (Covid related). When this debt becomes 'former' as tenants move on then recovery rates drop to between 5% and 30%. Potential additional debt costs of £300k-£800k beyond total presented based on current calculation methods.
Sustainable Communities Regen & Economic Recovery	1,859	1,977	£1,699m - Additional risk to income due to compliance in high ticket yield areas has increased and so put more income at risk than previously stated. A new Parking Model has been devised which has highlighted this issue and the service is using this improved model to explore any mitigation factors that can be implemented to keep the financial risk to a minimum. £160k – Risk of repayment of previously committed funds in the event the legal review fails to go in favour of the Council.
Resources	90	90	There is £90k confiscation budget within corporate anti-fraud team, although there are live cases where there is a recovery prospect in excess of £90k but there is a real risk due to delays in the court system associated with COVID 19 that these amounts are not recovered in 2021/22.
Assistant Chief Executive	0	0	
Total Quantified Risks	3,055	5,673	

Un-Quantified Risks	P9 £'000	P8 £'000	Details of Risk

Children, Families and Education	-	-	In addition to the UASC pressures, Croydon Borough has taken on c1000 asylum seekers who have been placed in eight hotels by the Home Office. The hotel costs are funded by the Home Office, however the Council will be responsible for further ancillary services particularly around safeguarding, public health, children & youth provision and broader community support. These additional costs, which are being worked out and have been flagged within unquantified risks, could result in further pressures for the Council. The Council is modelling the potential impact and will report the position in P10.
Adults, Health and Social Care	-	-	TBC - Impact of long Covid - not quantifiable at this stage
	-	-	TBC - Care sector pressures - The pressures in the social care sector nationally are well known. There are high levels of vacancies within the service and difficulty recruiting to the posts. This may result in providers not being able to provide care safely or within their financial envelope. Increasing utility costs is also a financial pressure. These additional pressures may lead to provider failure and the need to re-provision care with other providers which usually results in higher costs. In addition general unknown additional costs related to placements could result in further costs particularly as we find more patients being discharged from hospital having long Covid symptoms and needing additional and prolonged care.
Housing	-	-	None
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources	-	-	Revs and Ben Income - There are streams of income budget across this service such as Land charges, Court cost and Bailiff - current forecast are based on the assumption that the trend of income received to date continues or in the case of Land charges that it's income which is mostly based on the number of new build registered with the council etc. continue as it is in the last 2 months. There is the possibility that these trends could change there by resulting in risk/ opportunities.

	-	-	<p>Legal Recharges. Risk that legal internal recharges forecast is too high. This is currently being followed up and investigated. Risk that internal legal recharges income does not match the legal recharges expenditure forecast by services charged</p> <p>Unreconciled holding accounts for BIDS, HR Staff Loans and P-Cards. Risk that holding accounts will not be able to be reconciled and some balances transferred as pressures into forecast</p> <p>TBC - Further commercial tenants are not able to pay rental income and will need to be written off, or will give notice on leases</p> <p>Risk that utilities in - year costs will be higher than forecast. Also risk that schools utilities debts will not be recovered and covered by bad debt provision</p>
Corporate Items & Funding	-	-	None
Assistant Chief Executive	-	-	<p>CDS - There is the risk of increased contract cost when actual invoices are received - current forecast is based on two months of invoicing, there are also outstanding contractual queries around End user service volumes as they are not reducing as anticipated.</p> <p>Coroners - risk that Croydon's contribution to the Coroners service will increase beyond the current forecast</p>
Total Un-Quantified Risks			

3.13. Table 3 provides a list of quantified and unquantified risk mitigations. These are potential risk mitigations that will require further assurance to be included within the forecast. Services managers have identified these as potential mitigations to the risks identified Tables 2 and 2b. Any additional risk mitigations also help the overall financial position of the Council as these would help generate a larger underspend that can be put away into reserves to support future MTFS gaps.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	P9 £'000	P8 £'000	Details of Opportunities
Children, Young People and Education	(1,000)	(1,307)	Further work ongoing to review prior year accruals and goods receipting within the system that could yield further spend reductions once cleared. This review is ongoing across all cohorts of service spend.

Adult Social Care and Health	(1,377)	(1,377)	Additional benefits from health funding / Scheme 3 funding on care packages along with potential for continuation of Hospital Discharge funding until March 22.
Housing	-	(396)	None
Sustainable Communities Regen & Economic Recovery	0	0	None
Resources	(100)	(200)	£100k - FIR - There is the probability that the court cost income raised could be higher than what is currently being forecast.
Assistant Chief Executive	(248)	(373)	£125k - CDS - Opportunity of greater income than budgeted from Digital Advertising Income. £123k - CDS - Opportunity of reduction in payment to key contractor as part of various telephony and other IT related service provision.
Corporate Items & Funding	0	(7,799)	Covid grant has now been reflected within the forecast as service areas continue to underspend on their budgets.
Total Quantified Opportunities	(2,725)	(11,452)	

Un-Quantified Opportunities	P9 £'000	P8 £'000	Details of Opportunities
Children, Young People and Education			None
Adult Social Care and Health			None
Housing			TBC - Leases – renegotiate the lease. Need to confirm the numbers due to expire this financial year TBC - Review of under occupied tenancy
Sustainable Communities Regen & Economic Recovery			None
Resources			None

Assistant Chief Executive			The council has received Control Outbreak Management Fund grant. Council has carried out work on the conditions of the grant and have understood how this can be applied. Further work will done to allocate funding in year to meet the grant conditions.
Corporate Items & Funding			None
Total Un-Quantified Opportunities			

- 3.14. As at Month 9, if all risks and risk mitigations were to materialise, along with the forecast reported in Table 1 the General Fund would underspend by £1.484m (Table 4), however some of the risks and mitigations will need time and validation to confirm the likelihood of them materialising. The situation will be clarified as the year progresses and the monthly budget reports show more detail on the patterns of income and expenditure and the longer term impact of Covid on Council services becomes clearer. Service managers have been instructed to identify and implement mitigations to spend within their approved funding envelopes. As such compensating measures are developed the impact of the net risks is expected to decline. Successful examples of this are the reduced risks and increased opportunities.
- 3.15. A number of the projected variances or risks relate to the continued impact of the Covid pandemic which we hope would ease towards the back end of the financial year. In particular parking and traffic income continues to be affected for which part grant compensation is only receivable for the first quarter of 2021/22. Other pressures such as SEN costs have been impacted in delays in delivering travel training to clients thus impacting on transport cost pressures.

4. SERVICE VARIANCE DETAIL

4.1. Children, Young People and Education (CYPE)

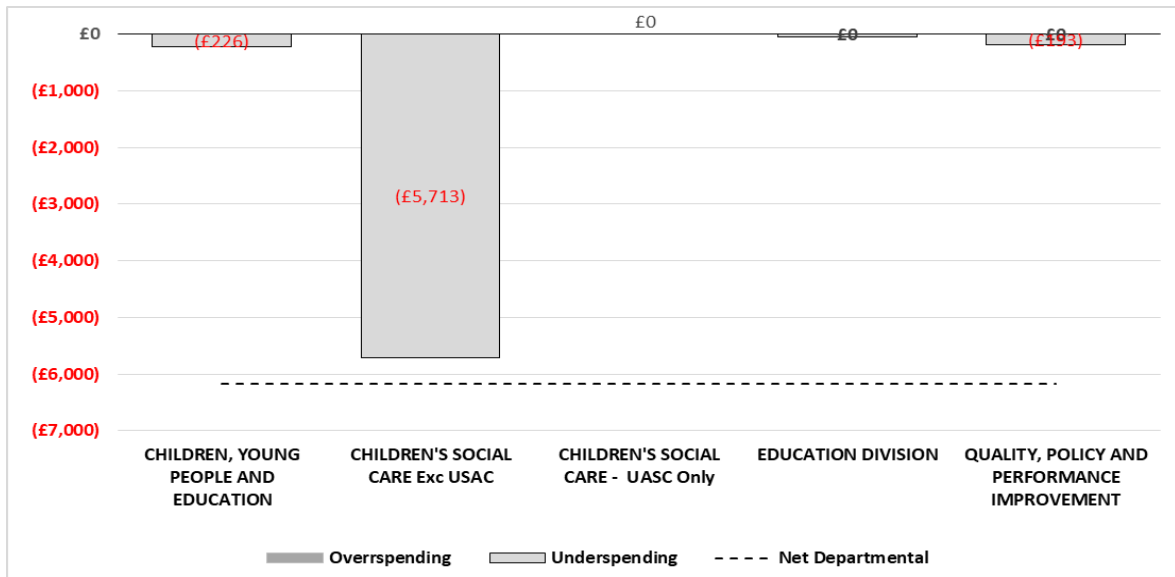
The CYPE directorate is forecasting a £6.179m underspend for Month 9 (favorable movement of £3.099m from Month 8) within the directorate.

The main cause of this is due to underspends in relation to under 18 placements and 18+ leaving care placement which have been realised as part of the recent review, a decrease in the costs for Unaccompanied Asylum Seekers and confirmation of £1.4m of grant funding for Staying Put which helps to support young people to continue to live with their former foster carers once they turn 18.

There are no MTFS Savings at risk at Month 9. There are opportunities identified of £1.0m related to potentially further reduction in placement costs but the service is expecting further risks of £0.160m related to income loss charged to schools as part of traded service.

The following chart illustrates the divisional forecast variances within Children young People and Education:

Divisional View of Children Young People & Education Forecasts



4.2 Adults Social Care and Health Social Care (ASCH)

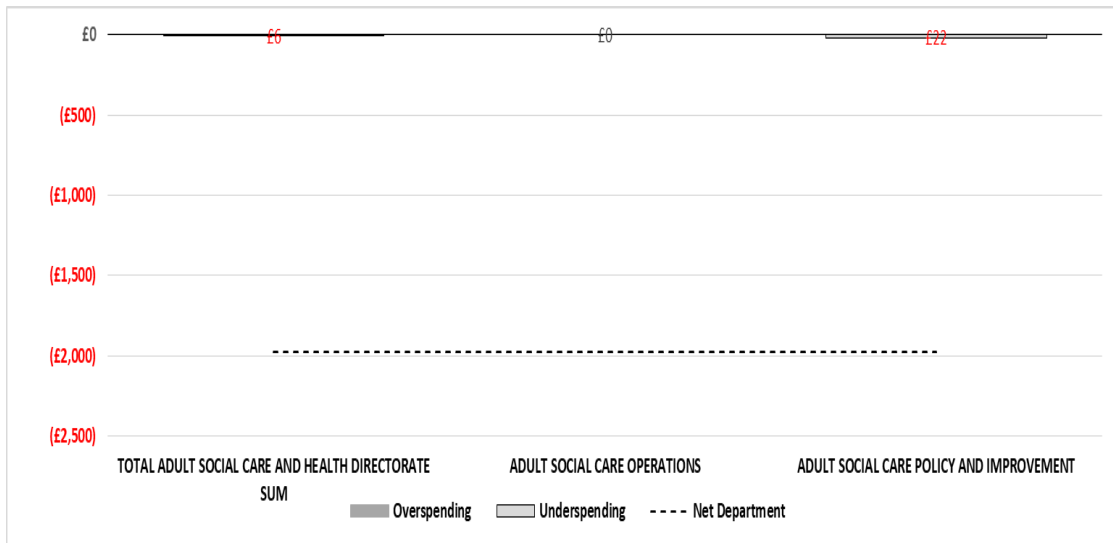
The ASCH directorate are forecasting an underspend of £0.028m, an adverse movement of £2.00m from Month 8. This movement includes an extra provision of potential historic operational service issues but partially netted off against improvements within placement spend across all cohorts of service users. Whilst this is an adverse movement within forecast the overall Adult Social Care position, after factoring risks, has not worsened as a previously reported risk of £2.5m has now been included within the forecast.

Table 2b identifies a further £0.550m of potential additional risks. The risks identified that relate to transitions of children social care clients to adult services. Whilst the service has had 9 months of actual data it is still plausible that a single case with a significant care package could result in increased costs for the service.

There are no MTFs savings at risk of delivery and there are unquantified risks due to continued impact of long Covid. There are opportunities identified of £1.377m due to potentially further improvements in placement spend, an improvement of £0.070m.

The following chart illustrates the divisional service forecast variances within Health, Wellbeing and Adults:

Divisional View of Adult Social Care and Health Forecasts



4.3 Housing

Housing Directorate is forecasting an overspend of £1.891m. This is a favourable movement of £0.003m to the projection reported at Month 8.

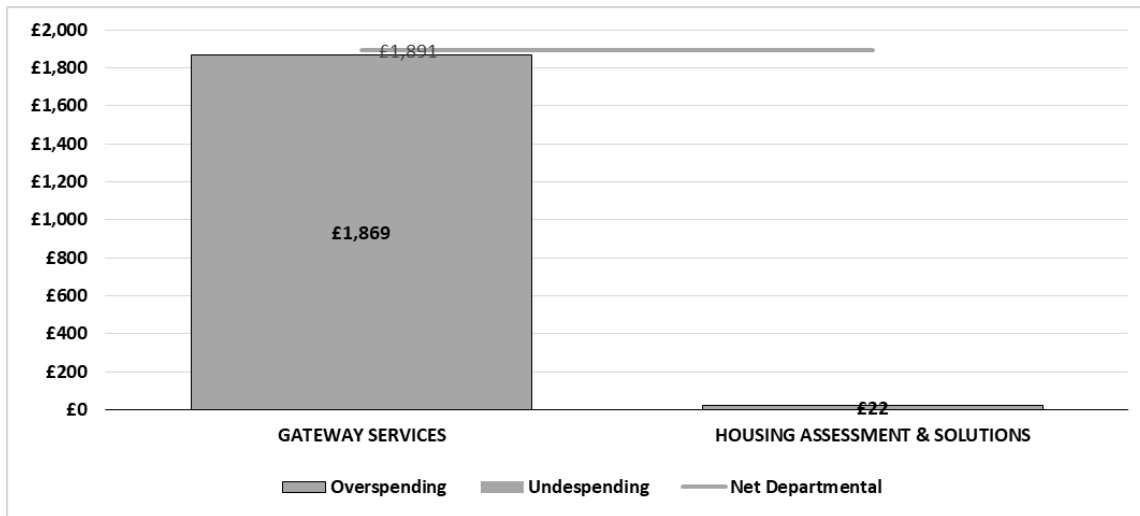
The cause of this slight movement relates to general operational efficiencies within the service.

Furthermore the service has identified £0.396m of other risks relating to potential further temporary accommodation pressures emerging between now and the end of the financial year. Further work will be done to ensure the bad debt risks are minimised and that the risk does not materialise.

There are no MTFs savings at risk of delivery, however further unquantified risks due to housing demand pressures and income collections risks have been identified. Additional grant funding of £1.51m has been received from Government to tackle homelessness through prevention work. This grant comes with significant conditions in terms of its usage and the service are working to apply the grant as per the conditions and whether it can be applied towards reducing in year pressures. However, due to the time taken to mobilise prevention work it is felt that there is a strong chance that the grant will not benefit the Council in the current year but will support future year homelessness costs.

The following chart illustrates the divisional forecasts within the department:

Divisional View of Housing Forecast



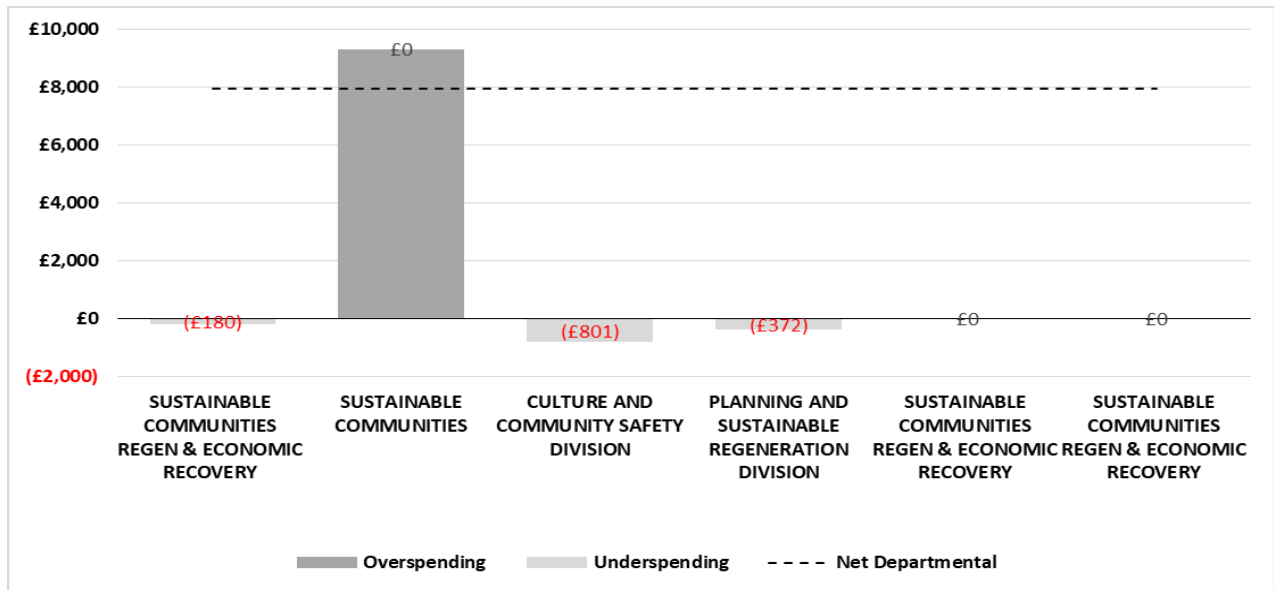
4.4 Sustainable Communities Regeneration & Economic Recovery (SCRER)

The SCRER directorate is forecasting a net overspend of £7.970m (an **adverse** movement of £1.369m from Month 8). The pressures continue to be around Highways (including Parking Services), SEN Transport and Environmental services. Included within the total projected overspend is £5.134m of non-delivery of in year savings for additional parking income. Parking income has been impacted by lower demand for car parking as cautiousness remains due to risks of Covid.

In addition to the forecasted overspend, SCRER directorate have provided for further risks as indicated in Table 2b. The risks of £1.869m relate potentially further loss of parking income and compliance in high risk yield areas. A detailed review of the MTFs savings that were at risk have been carried out and these are now being delivered or form part of the forecast outturn where these are now deemed to not be able to be delivered or mitigations not materialised. There are no further opportunities identified by the SCRER directorate.

The following chart illustrates the nature of the overall SCRER Directorate forecast position by Division:

Divisional View of SCRER Forecasts



4.5 Resources

The Resources directorate is forecasting a underspend position of £1.270m (underspend £0.601m in Month 8). This is a net position after factoring all budgeted income and expenditure within the directorate.

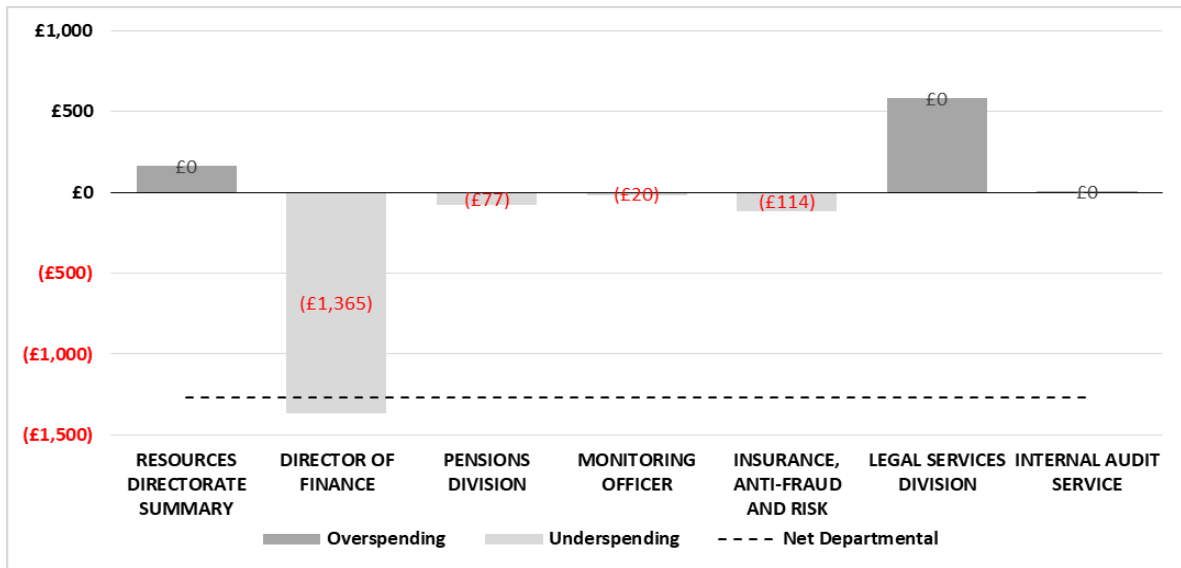
The main reasons for this underspend relate to better than projected collection of court cost income in relation to Revenue & Benefits activities and various staffing related underspends. Main causes of staff related underspends are for vacancies not being filled.

Further work on unquantified risks that had been identified is ongoing and whilst they may still materialise work is ongoing to try and work to mitigate these as we progress through the financial year.

Resources have identified further £0.100m of opportunities which would arise from recoupment of court costs in relation to our Revenues and Benefits service.

The following illustrates the split of the overall departmental forecast at a divisional level:

Divisional View of Resources Forecast



4.6 Assistant Chief Executive

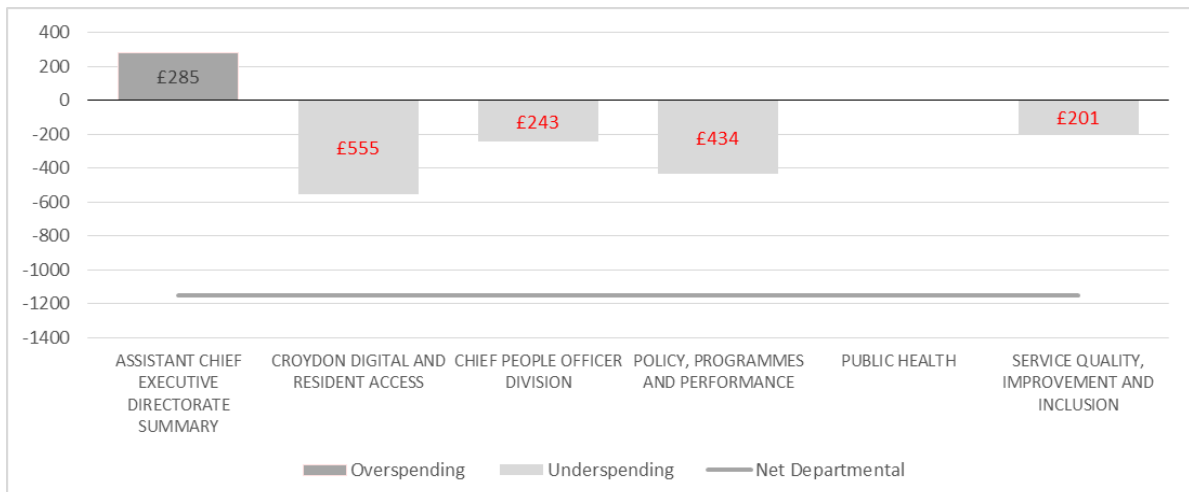
The ACE directorate is forecasting a underspend position of £1.148m (underspend £0.584m in Month 8), an improvement of £0.564m. This is a net position after factoring all budgeted income and expenditure within the directorate.

The main reasons for this underspend relate to various staffing related underspends and identification of grant monies that can be applied within the current financial year. These grants includes usage of Brexit funding and drawdown of Community Fund grants. Main causes of staff related underspends are for vacancies not being filled.

ACE have identified further £0.248m (£0.373m in Month 8) of opportunities which would arise from increased income from digital advertising.

The following illustrates the split of the overall departmental forecast at a divisional level.

Divisional View of Assistant Chief Executive Forecasts



4.7 Corporate

The Corporate forecast has moved adversely by £0.401m. This includes the full release of the one off non-ringfenced Covid grant and increased pressures as a result of additional minimum revenue provision costs and non-delivery of savings related to £1m for fees and charges.

The Council received a non-fenced grant of £11.250m from Central Government in relation to additional costs that may be incurred in the current financial year as a result of Covid 19 and was announced in the December Local Government Finance Settlement. As the Council's overall P9 position indicates that the budget will be underspent, the Council has made a prudent decision to appropriate £7m of Covid Grant into an earmarked reserve to support future year pressures and ongoing Covid challenges. This contribution to reserves is in addition to the £10m of reserves that was planned to appropriate when the Budget was set for 2021/22 in March 2021. In the event that the risks do not materialise and the forecast and the opportunities do then the Council could put away a further c£5m (c£2m of forecasts and c£3m of quantified opportunities). This would take a total reserve contribution to c£22m but this can only be finalised when the Council has finalised its outturn position in about Q1 in the new financial year.

Any costs incurred by directorates are expected to be met from existing service budgets and the grant is available to meet any additional service costs over expenditure. As the rest of Directorates are indicating a favorable movement on their budgets the Council believes

The cost of financing the capital programme is retained corporately. This has been reviewed and will continued to be reviewed as we continue to the end of the financial year.

Table 4 – Summary – Month 9 with Month 8 Comparator

	Month 9	Month 8	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	(1,814)	(1,248)	(566)
Table 2a - MTFs Savings Risk	-	6,584	(6,584)
Table 2b - Quantifiable Risks	3,055	5,673	(2,618)
Table 3 - Quantifiable Opportunities	(2,725)	(11,452)	8,727
Total	(1,484)	(443)	(1,041)

5 Housing Revenue Account (HRA)

- 5.1 Table 5 provides a summary of the HRA Month 9 monitor, which is currently indicating a £1.725m overspend (Month 8 £1.634m). The HRA is a self-financing ring-fenced account and will need to ensure it remains within the resources available, taking into account levels of HRA reserves. The adverse movement from the Month 8 forecast is largely due to a reassessment of likely disrepair liabilities, but there are also pressures in relation to responsive repair costs and large numbers of garage voids.

5.2 The Housing account has incurred significant disrepair settlement costs over the past month and due to legislative change and staff constraints these costs are projected to increase. The new forecast is based on an assessment of likely case settlement during the remainder of this financial year. In addition, the HRA continues to experience loss of income from garage rent along with increased demand for responsive repairs. The forecast overspend reported in Table 5 can be contained within HRA reserves provisionally forecast at £27.6m as at 31st March 2021.

Table 5 – Housing Revenue Account (HRA) at Month 9

SERVICES	Projected Variance For Month	Variance For Previous Month	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	1,462	1,391	71	Increase in average costs due to state of repair when vacated & the delayed prior years repairs
Asset Planning and Capital Delivery	(836)	(857)	21	Vacancies within the service
Allocations Lettings and Income Collection	469	469	(0)	<ul style="list-style-type: none"> Lower demand in home safety equipment which will bring in significantly less income than projected. Increase in legal costs and additional charges that are incurred when tenants make payment using debit/credit cards & at local points. £50k - Income budget no longer achievable
Tenancy and Resident Engagement	55	55	(0)	Overspend on costs combined with a high level of voids based on 20/21 outturn Commitments have been reviewed & released
Homelessness and Assessments	249	250	(0)	Overspend on costs combined with a high level of voids based on 20/21 outturn
Directorate & Centralised costs	327	327	(0)	Unbudgeted Executive Director/Corporate Director posts plus support costs
	1,725	1,634	91	

5.3 Further work is taking place within the Housing and Legal service to address the number of outstanding disrepair claims. This could have a further impact on the HRA budget in 22/23 if it transpires that additional compensation and legal costs are due to tenants.

6 Capital Programme as Month 9

6.1 The General Fund and HRA capital programme have currently spent a gross £61.541m to the end of the month 9 against approved budgets of £373.790m. Forecast spend is

£200.650m resulting in a forecast variance of £173.140m. Actuals to date are still impacted by accruals brought forward from 2020/2021 which have yet to be invoiced and do not take into account accruals for works so far completed due to delays in when suppliers send in their payment requests.

- 6.2 The table below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2.

Table 6 – Capital Programme

Department	Revised Budget 2021/22 (including approved slippage from 2020/21)	Actuals 2021/22 as at Month 9	Forecasts 2021/22 as at Month 9	Variance
	£'000	£'000	£'000	£'000
HOUSING	4,773	397	3,393	(1,380)
ADULT SOCIAL CARE AND HEALTH	1,726	4	68	(1,658)
ASSISTANT CHIEF EXECUTIVE	20,625	1,269	11,117	(9,508)
CHILDREN, YOUNG PEOPLE AND EDUCATION	26,078	10,431	15,451	(10,627)
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	76,439	5,646	44,586	(31,853)
RESOURCES	9,047	314	3,472	(5,575)
CORPORATE ITEMS & FUNDING	51,893	33,333	52,393	500
General Fund Total	190,581	51,394	130,480	(60,101)
HOUSING REVENUE ACCOUNT	183,209	10,147	70,170	(113,039)
LBC CAPITAL PROGRAMME TOTAL	373,790	61,541	200,650	(173,140)

- 6.3 The variance column is projected to be slipped into the new financial year, subject to Cabinet approval at year end. Further work will be done over the coming months to review the budget provision for 2021/2022 and the review will focus on ensuring the capital budgets are properly profiled to reflect the actual delivery of various projects.

- 6.4 The significant slippage within the HRA Capital Programme relates to the properties that will be purchased by the Council from Brick by Brick. The Council is working with Brick by Brick and the legal team to re-assess the acquisition of the properties with the intention to review if they can be purchased in the current financial year. This will be updated in Month 10 report.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 Finance comments have been provided throughout this report.

(Approved: Richard Ennis – Corporate Director of Resources)

8 LEGAL CONSIDERATIONS

- 8.1 The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.3 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

(Approved by: Doutimi Aseh - Interim Director of Legal Services & Deputy Monitoring Officer)

9 HUMAN RESOURCES IMPACT

- 9.1 There are no immediate workforce implications as a result of the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and were necessary consultation with recognised trade unions.

(Approved by: Gillian Bevan Head of Human Resources (Resources and ACE))

10 EQUALITIES IMPACT

- 10.1 There are no specific equalities issues set out in this report.
- 10.2 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.3 In setting the Council's budget for 2021/2022, all savings proposals were required to complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts.
- 10.4 The Council's core priority is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective

in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, and disabled people and families is key to this regard.

(Approved by: Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

11 ENVIRONMENTAL IMPACT

11.1 There are no specific environmental impacts set out in this report

12 CRIME AND DISORDER REDUCTION IMPACT

12.1 There are no specific crime and disorder impacts set out in this report

13 DATA PROTECTION IMPLICATIONS

13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance

APPENDIX 1 – SERVICE BUDGETS AND FORECASTS MONTH 9

	Approved Budget	Current Actuals	(%age)	Full-Yr Forecast	Projected Variance
	(£,000's)	(£,000's)	(%age)	(£,000's)	(£,000's)
C1410E : ADULT SOCIAL CARE OPERATIONS	114,242	81,064	1	112,295	(1,947)
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	7,697	(713)	(0)	7,688	(9)
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	5,412	(1,631)	(0)	5,340	(22)
TOTAL ADULTS	127,351	78,720	1	125,323	(1,978)
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	14,253	5,277	0	16,123	1,869
C1310E : ESTATES AND IMPROVEMENT	66	257	4	88	22
TOTAL HOUSING	14,319	5,534	0	16,211	1,891
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(167)	847	(5)	(347)	(180)
C1120E : SUSTAINABLE COMMUNITIES	37,911	35,151	1	47,234	9,323
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	12,005	3,253	0	11,204	(801)
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	2,482	2,494	1	2,110	(372)
TOTAL SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	52,231	41,745	1	60,201	7,970
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	10,265	387	0	10,039	(226)
C1210E : CHILDREN'S SOCIAL CARE	78,490	43,705	1	71,167	(7,323)
UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	994	2,977	3	2,604	1,610
C1220E : EDUCATION DIVISION - exc DSG	12,533	30,061	2	12,486	(47)
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	4,935	3,041	1	4,742	(193)
TOTAL CHILDRENS, FAMILIES AND EDUCATION	107,217	80,171	1	101,038	(6,179)
C1605E : RESOURCES DIRECTORATE SUMMARY	145	327	2	307	162
C1610E : DIRECTOR OF FINANCE	11,272	93,079	8	9,907	(1,365)
C1620E : PENSIONS DIVISION	1	1,044	1,044	(76)	(77)
C1625E : MONITORING OFFICER	3,801	1,497	0	3,781	(20)
C1630E : INSURANCE, ANTI-FRAUD AND RISK	32	2,450	77	(82)	(114)
C1640E : LEGAL SERVICES DIVISION	766	(524)	(1)	1,348	582
C1650E : INTERNAL AUDIT SERVICE	8	(115)	(14)	14	6

C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	19,050	5,215	0	18,605	(445)
TOTAL RESOURCES	35,075	102,973	3	33,805	(1,270)
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(56)	598	(11)	229	285
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	13,809	18,958	1	13,254	(555)
C1520E : CHIEF PEOPLE OFFICER DIVISION	5	1,908	382	(238)	(243)
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	7,208	6,124	1	6,774	(434)
C1540E : PUBLIC HEALTH	-	(2,636)	-	0	0
C1550E : SERVICE QUALITY, IMPROVEMENT AND INCLUSION	181	1,185	7	- 20	(201)
TOTAL ASSISTANT CHIEF EXECUTIVE	21,147	26,136	1	20,000	(1,148)

Appendix 2 – Capital Programme Month 9

CAPITAL BUDGETS, MONITORING AND FORECASTS	Approved Budget	Actual to Date	Forecast for Year	Variance for Year
Scheme Name	2021/22	2021/22	2021/22	2021/22
	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Disabled Facilities Grant	4,373	676	2,993	(1,380)
Empty Homes Grants	400	(279)	400	-
HOUSING	4,773	397	3,393	(1,380)
Adults ICT	284		64	(220)
Adult Social Care Provision	4	4	4	-
Provider Services - Extra Care	500	-		(500)
Sheltered Housing	938	-	-	(938)
ADULTS	1,726	4	68	(1,658)
Bereavement Services	1,711	25	50	(1,661)
Community Ward Budgets	1,616	-	-	(1,616)
Finance and HR system	598	128	498	(100)
ICT Refresh & Transformation	9,185	214	6,430	(2,755)
People ICT	7,515	823	3,500	(4,015)
Uniform ICT Upgrade	-	79	140	140
Members Enquiries Transformation Bid			29	29
Core Contract Procurement Transformation			470	470
ASSISTANT CHIEF EXECUTIVE	20,625	1,269	11,117	(9,508)
Education – Fire Safety Works	2,057	-	450	(1,607)
Education - Fixed Term Expansions	2,124	17	69	(2,055)
Education - Major Maintenance	7,523	2,808	2,945	(4,578)
Education - Miscellaneous	821	354	366	(455)
Education - Permanent Expansion	403	139	425	22
Education - Secondary Estate	134	48	88	(46)
Education - SEN	13,016	7,065	11,108	(1,908)
CHILDREN'S, FAMILIES & EDUCATION	26,078	10,431	15,451	(10,627)
Allotments	309	-	100	(209)
Brick by Brick programme	20,000	3,797	3,797	(16,203)
Brick by Brick - Fairfield		-	4,000	4,000
Fixtures & Fittings FFH			574	574
CALAT Transformation	396	1	6	(390)
Electric Vehicle Charging Points	1,700	-	-	(1,700)
Feasibility Fund	505	13	505	-
Fieldway Cluster (Timebridge Community Centre)	3,023	(121)	300	(2,723)
Growth Zone	8,210	26	2,500	(5,710)
Grounds Maintenance Insourced Equipment	1,200	-	1,000	(200)

Highways - maintenance programme	17,531	1,672	12,340	(5,191)
Highways - maintenance programme (staff recharges)	567	-	567	-
Highways – flood water management	286	85	959	673
Highways – bridges and highways structures	141	323	1,139	998
Highways - Tree works	-	7	89	89
Measures to mitigate travellers in parks and open spaces	73	-	73	-
Leisure centres equipment upgrade	628	7	628	-
Libraries Investment - General	1,914	75	300	(1,614)
Libraries investment – South Norwood library	512	-	100	(412)
Museum Archives	100	-	-	(100)
Neighbourhood Support Safety Measures	50	-	50	-
New Addington wellbeing centre	979	-	-	(979)
Parking	3,401	-	1,735	(1,666)
Park Life	381	-	-	(381)
Play Equipment	1,522	-	720	(802)
Safety - digital upgrade of CCTV	1,559	-	20	(1,539)
Section 106 Schemes	4,674	61	4,674	-
SEN Transport	1,289	-	-	(1,289)
Signage	137	-	137	-
South Norwood	5	133	812	807
Kenley Good Growth	-	-	545	545
Sustainability Programme	625	-	60	(565)
TFL - LIP	392	(444)	3,884	3,492
Unsuitable Housing Fund	14	10	14	-
Waste and Recycling Investment	3,116	-	1,558	(1,558)
Waste and Recycling – Don't Mess with Croydon	1,358	1	1,558	200
Schemes with completion date prior to 2020/21	(158)	-	(158)	-
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DVLPT	76,439	5,646	44,586	(31,853)
Asset Strategy - Stubbs Mead	3,298	-	250	(3,048)
Asset Strategy Programme	770	-	23	(747)
Asset Acquisition Fund	415	-	25	(390)
Clocktower Chillers	462	-	50	(412)
Corporate Property Programme	4,248	290	2,794	(1,454)
Crossfield (relocation of CES)	(146)	8	146	292
MHCLG (DLUHC) Code Sharing Project	-	10	10	10
Croydon Healthy Homes (Project code 800156)	-	-	168	168
Unclassified Category	-	6	6	6
RESOURCES	9,047	314	3,472	(5,575)
Capitalisation Direction	50,000	33,333	50,000	-
Transformation Spend (Flexible Capital Receipts)	1,893	-	2,393	500

CORPORATE	51,893	33,333	52,393	500
NET GENERAL FUND TOTAL	190,581	51,394	130,480	(60,101)
Asset management ICT database	155	-	372	217
Fire safety programme	5,555	-	837	(4,718)
Larger Homes	1,339	411		(1,339)
Major Repairs and Improvements Programme	35,306	9,666	26,400	(8,906)
Affordable Housing Programme	31,932	22	30,051	(1,881)
BBB Properties part funded by GLA and HRA RTB	108,120	-	5,310	(102,810)
Special Transfer Payments	802	48		(802)
BBB Land Transfers as Winding Up			7,200	7,200
HOUSING REVENUE ACCOUNT CAPITAL	183,209	10,147	70,170	(113,039)
GROSS CAPITAL PROGRAMME	373,790	61,541	200,650	(173,140)