

<b>REPORT TO:</b>	<b>Cabinet 12th October 2022</b>
<b>SUBJECT:</b>	<b>Financial Performance Report – Month 5 (August 2022)</b>
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources (Section 151)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>

**SUMMARY OF REPORT:**

This report provides the Council's annual forecast as at Month 5 (August 2022) for the Council's General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report forms part of the Council's financial management process for publicly reporting financial performance against its budgets on a monthly basis.

**FINANCIAL IMPACT**

	<b>Forecast Month 5</b>	<b>Forecast Month 4</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund over/(underspend)</b>	<b>10.5</b>	<b>9.5</b>	<b>1.0</b>
<b>Housing Revenue Account over/(underspend)</b>	<b>3.2</b>	<b>3.1</b>	<b>0.1</b>

	<b>Original Approved Budget 2022/2023</b>	<b>Actual to Date as at 31/08/22</b>	<b>Forecast for year end 2022/2023</b>	<b>Forecast Variance for year end 2022/2023</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Capital Programme</b>	<b>134.152</b>	<b>12.622</b>	<b>123.387</b>	<b>(10.765)</b>

The Month 5 position for the General Fund shows a worsening of **£1.064m** in the forecast outturn for 2022/23 since Month 4, mainly due to the Housing service seeing an increase in demand for temporary accommodation and rising rental costs.

The Month 5 end of year projection for the General Fund is indicating a net overspend of **£10.547m** against the budget.

There are a further set of risks and opportunities, which indicate a net opportunity of **£1.838m** (risks **£10.769m** and opportunities of **£12.607m**) most of which are not yet sufficiently developed to be included in the outturn forecast.

Should all these risks materialise, and none of the mitigations be effective, the Council could overspend by **£21.316m**. However, if none of the risks materialise and all the opportunities are delivered, the Council could underspend by **£2.060m**.

It should be noted that the overall financial position of the Council suggests it is highly unlikely that it will be possible to use the existing £6.887m corporate budget to top up the Council's reserves in 2022/23. This budget is currently included as an opportunity in this month's report but from next month will be moved into the end of year projected outturn. Had this been actioned this month, the projected overspend this month would have been £3.6m. This is reflected at 2.18 which sets out the current projection for reserves at the end of the year.

Work is continuing to look at measures to mitigate the forecast overspend and avert any further adverse impacts on the forecast. Early mitigating actions are reported as opportunities in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.

Paragraph 2.15 includes a Deficit Recovery Plan which sets out the actions the Council is taking to mitigate the projected overspend, which together with minimising risks and maximising opportunities is designed to eliminate the overspend by the end of the financial year.

Section 3 details these risks and the risk mitigations that have been identified at this stage.

The Housing Revenue Account is forecasting a **£3.210m** overspend variance against budget at the end of the year, an adverse movement by **£0.063m** mainly due to inflation in energy costs.

The Capital Programme has spent **£12.622m** against a **£134.152m** budget in the fifth month. The end of year position is forecast to be an underspend of **£10.765m**.

### **The Executive Mayor in Cabinet is recommended to:**

- 1.1 Note the General Fund is projecting a net overspend of £10.547m as at Month 5, or £3.6m assuming the budgeted contribution to reserves is moved from opportunities into the projected outturn. Service directorates are indicating a £25.316m overspend with a £14.769m underspend corporately.
- 1.2 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change. These indicate a net opportunity of £1.838m (risks £10.769m and opportunities of £12.607m) and are reported within Section 3 of this report. Should all these risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £21.316m. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £2.060m.
- 1.3 Note the further actions being taken, through development of the Deficit Recovery plan, to mitigate the projected overspend with a view to eliminating it by the end of the financial year. Further details are in paragraph 2.15.
- 1.4 To approve the non-delivery of the MTFs savings as indicated within Table 2b.
- 1.5 Note the Housing Revenue Account (HRA) is projecting an end of year position of a £3.210m overspend, mainly due to inflation in energy costs.
- 1.6 Note the Capital Programme spend to date for the General Fund of £7.644m (against a budget of £112.069m) with a projected forecast underspend of £7.715m for the end of the year.
- 1.7 Note the Housing Revenue Account Capital Programme spend to date of £4.978m (against a budget of £22.083m), with a projected forecast underspend of £3.050m for the end of the year.
- 1.8 Note, the above figures are predicated on forecasts from Month 5 to the year end and therefore could be subject to change as forecasts are made based on the best available information at this time.
- 1.9 Note, the Council continues to operate a Spend Control Panel to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased scrutiny, such as the Assurance meetings, improved communication and budget manager training from CIPFA.

## **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 the in-year challenges it faces. It covers the General Fund, Housing Revenue Account and Capital Programme. The FPR ensures there is transparency in the financial position, and

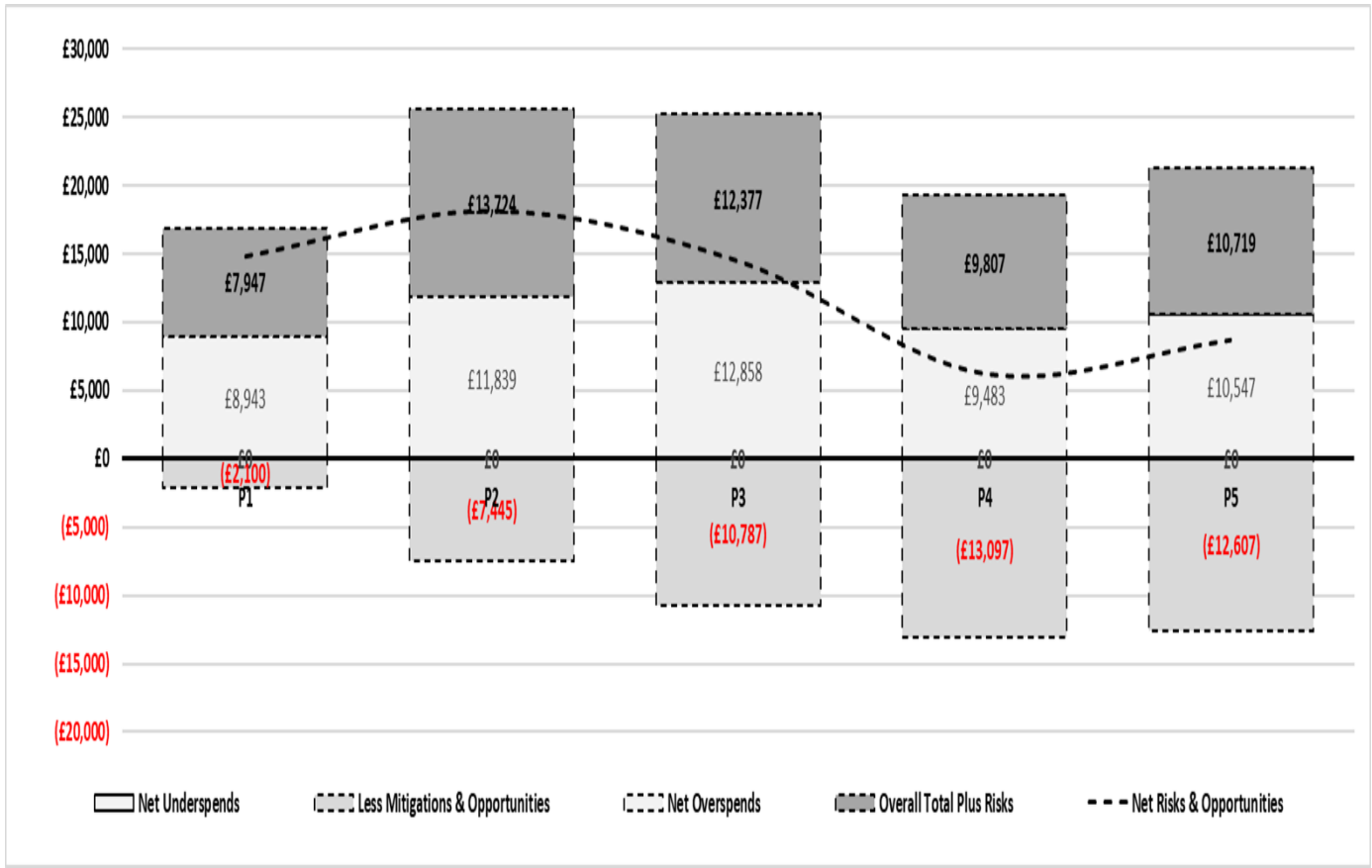
enables scrutiny by the Executive Mayor, Cabinet, Scrutiny, and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.

2.2. The General Fund revenue forecast outturn for Month 5 is an overspend of £10.547m. This is an adverse movement of £1.064m from Month 4.

2.3. There are a further set of risks and opportunities, which indicate a net opportunity of £1.838m (risks £10.769m and opportunities of £12.607m). The risks are not yet sufficiently developed to be included in the outturn forecast. Depending on how the risks and opportunities materialise, they may have a further negative impact on the projected outturn forecast. Should all the risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £21.316m. Key drivers of the projected overspend are non-delivery of savings agreed at Full Council in March 2022 and other new pressures previously not anticipated. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £2.060m. These are outlined in detail in Section 3 of this report.

2.4. The chart below illustrates the trend in the monthly monitoring reports for this financial year and shows both the forecast as well as the quantum of risks and opportunities, together with the impact should all risks and opportunities fully materialise (dashed line).

**Chart 1 – Monthly financial movements on Monthly Forecast, Risk & Opportunity**



- 2.5. Further work continues to bring the pressures down and find new mitigations so that the Council ensures that it stays within budget. Early mitigating actions for the projected overspend are reported within the opportunities contained in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.
- 2.6. The Housing Revenue Account is forecasting an overspend of £3.210m (an increase of £0.063m on the Month 4 forecast).
- 2.7. The Capital Programme for both the GF and HRA is reporting a total expenditure to date of £12.622m of which £7.644m is within GF and £4.978m for the HRA. The overall capital spend is projected to be £123.387m against a budget of £134.152m. This will result in a £10.765m underspend to budget. A review is currently underway of the Capital Programme with a view to further reducing spend in 2022/23.
- 2.8. The 2022/23 General Fund forecast includes the use of a £25m agreed capitalisation direction, to balance the Council's revenue budget. The capitalisation direction was approved (minded to) by the Department of Levelling Up, Housing and Communities (DLUHC) in March 2022 subject to regular positive reports from the Improvement and Assurance Panel and the Budget was approved at Full Council on 7<sup>th</sup> March 2022.
- 2.9. 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.
- 2.10. The format of this report will continue to evolve and expand as it will be important for the Council to be able to identify the additional pressures that the global economic crisis is causing in inflation and the impact on supplies and services the Council provides.
- 2.11. The Council continues to build on the improvements in financial management that were made over the past year however there is a considerable amount yet to do, which is fully recognised within the organisation. The Council's financial recovery is outlined within the current three-year MTFS. The second year of that strategy has always been recognised as the toughest of the three to deliver as the Council steps down from its reliance on capitalisation directions that allow it to meet revenue costs from capital funding.
- 2.12. The Opening the Books Project is underway to further assure the Council's financial position, the full results of which will be available by January 2023. The project is examining the last three years of the Council's accounts as potential errors have been identified in areas such as the accounting for Croydon Affordable Homes, the calculation of capital charges and the allocation of charges between capital, the Housing Revenue Account and the General Fund. These findings are delaying the completion of the Council's outturn position for 2021/22. The project is also examining the accuracy of budgets and the methodology and process for setting them. As an

example, overspends totalling £19m have arisen from mistakes in setting three specific budgets:

- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
- New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
- A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore has not been built into the 2022/23 budget.

2.13. In addition, and as this report identifies, the Council continues to face significant financial pressures. The delivery of Year 1 of the MTFs / financial recovery plan (2021/22) was aided by covid depressed demand for Council services that enabled the monthly expenditure to be reported as an underspend in many areas. Demand has begun to pick up for some Council services which is removing that underspend. There are also early signs of demand increasing for some services due to the cost-of-living pressures. In addition, some resident behaviour has changed since covid and this is having an impact on revenue. The inflationary pressures reflected in the forecast outturn are significant and further detailed at 2.20.

2.14. The outturn forecast identifies an overspend that the Council will need to mitigate. This report flags a number of other risks that could be realised and be declared in the outturn forecast during the year which would further worsen the position.

2.15. Over the last financial year, a monthly budget assurance process and independent challenge of expenditure by the Improvement and Assurance Panel took place. This is in addition to Cabinet, and Scrutiny and Overview review. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

### **Deficit Recovery Plan**

2.16. Each Directorate has been asked to identify mitigations and in year cost reductions to ensure that the Council brings its expenditure within budget to avoid any call on reserves. The following table sets out the mitigations proposed to date. Where the proposals are confirmed, their impact is already included in the projected outturn for the year. Where there is further work to be done to confirm them, they are included in this report as opportunities.

	<b>£m</b>	<b>Allocation with P5</b>
<b>Delivery Plans in Forecast</b>		

	£m	Allocation with P5
Duplication of interest costs budget in Resources	2.400	Included within Resources forecast.
Increased Court Costs Income	0.700	Included within Resources forecast.
Council Tax Support Scheme	1.100	Included within Resources forecast.
Reduction in loan non-repayment provision	1.400	The Council plans to release a £1.4m provision previously set aside to support potential risks to commercial loans. The loan is now likely to be repaid in full.
Election Account	0.241	Included within Assistant Chief Executive
<b>Forecast Total</b>	<b>5.840</b>	
<b>Delivery Plans as Opportunities</b>		
Public Health	1,000	Cross department reallocations of budgets, detailed in opportunities.
Housing Benefits	0.815	Included within Resources opportunities
Staff changes	0.100	Included within Resources opportunities
Children's Services Legal Costs	0.570	Included within Children's opportunities
External Grants in Children's Services	0.800	Included within Children's opportunities
Children Operational savings	0.500	Included within Children's opportunities
CIL substitution for General Fund expenditure	0.500	Included within SCRER's Opportunities
Delays in the capital programme	0.605	Reduced amount of £605k included within Corporate as opportunities
<b>Opportunities Total</b>	<b>4.890</b>	
<b>Total</b>	<b>10.730</b>	

2.17. In addition, the Council may not need to use the budgeted addition to its reserves of £6.9m in 2022/23. The financial year 2021/22 is still subject to further work, but the early indications are that reserves will be sufficient and that a further contribution may not be required. Should it not be necessary to transfer the full £6.9m into reserves, the Council's net expenditure would decrease by £6.9m.

2.18. The table below gives details of the general fund balances position as set out in the February 2022 budget report. Note that given a number of years accounts are still open the first 1<sup>st</sup> April 2022 opening balance may change.

2.19. The current financial position of the Council suggests it is highly unlikely that it will be possible to use an existing £6.887m corporate budget to top up the Council's reserves in 2022/23. This budget is currently included as an opportunity in this month's report but from next month will be moved into the end of year projected outturn. Had this been actioned this month, the projected overspend this month would have been £3.6m. This is what is set out in the table below.

<b>General Fund Balances</b>	<b>£M</b>
1st April 2022	27.5
Planned Contributions to/(from) Reserves	6.9
Underspend against the Planned Contributions budget	-6.9
Projected overspend	-3.6
Forecast 31st March 2023	23.9

2.20. Further work will be undertaken to add to the Deficit Recovery Plan. Without this Deficit Recovery Plan the Council's pressures would have been considerably higher. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council is mindful of the Chancellor's announcement with regards to Energy Bill Relief Scheme which will help towards some of these costs. Further review will need to be done on this however, this proposal will allow the Council to apply for discounts on its energy bills, which will be provided by the energy supplier. The energy supplier will then be able to claim the funds from Government. The key calculation in regard to usage the current rates paid will need to be made and assessed against the support criteria.

2.21. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council has budgeted a 5% inflationary uplift on all its contracts costs which is a prudent level compared to historic standards. However current inflation rates, which are around 10% and therefore significantly higher than budgeted, pose an added challenge that the Council does not have full control over. The Council cannot absorb all inflationary costs itself and will need to find ways to ensure the burden of these costs is fairly shared with our suppliers and customers.

2.22. The Council's overall financial position is still subject to a number of unresolved issues. The Opening the Books project is currently underway reviewing many aspects of the Council's accounts, the results of which will be reported by January 2023. The Council is continuing to work closely with the external auditors on finalising the 2019/2020 and 2020/2021 audit of accounts and is in the process of completing the accounts for 2021/22. The 2019/20 accounts require a resolution in relation to the accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures which, as previously reported, may have a c£70m impact on the Council's available reserves. Work is ongoing in this area in collaboration with Grant Thornton, the Council's External Auditors. All these areas of work may have implications for this year's budget.



### **3. COST OF LIVING CONSIDERATIONS**

- 3.1. This report focuses on the Council's budget forecast. It highlights that there are a number of inflationary pressures that the Council, like all local authorities, is managing. The inflation level is at the highest level for 40 years. This impact goes beyond the Council – cost of living is affecting all households and businesses.
- 3.2. These macro-economic factors are impacted by international events, and therefore well beyond the controls of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.
- 3.3. A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance. This information is continually reviewed, updated and improved.
- 3.4. At a national level, household support has been announced in the form of a revised energy price guarantee, designed to limit the inflation on household energy bills. Households with a domestic energy connection are eligible for a £400 discount this winter. Residents on means-tested benefits will receive a £650 cost of living payment from Government. Further announcements expected on 23 September.
- 3.5. The Council provides a wide range of support for residents that may be struggling due to the cost of living pressures. These include:
  - Discretionary support fund for residents in financial hardship
  - Council Tax support – For residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
  - Benefits calculator, to ensure residents receive all the support they are entitled to
  - Energy advice, including heating and money saving options, through our Croydon Healthy Homes service
  - Free holiday activity clubs with healthy meals for children
  - Croydon Works to help residents into employment or get training to get them in to work
- 3.6. The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:
  - NHS Healthy start vouchers for families
  - Free school meals
  - Support from voluntary, community and faith sector organisations
  - Support for businesses through the London Business Hub and the British Business Bank
  - CroydonPlus credit union offers affordable ways to manage money, including savings accounts and loans

## 4. FINANCIAL POSITION

- 4.1. The overspend of £10.547m is driven by two underlying factors, which are £9.545m non-delivery of savings and £1.002m other pressures which are expanded in section 4 of this report. Work is underway to further improve the budget setting process and the Opening the Books project is examining this area in order to identify further improvements that can be made.
- 4.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area, including risks of overspending and identify further options to mitigate these. A table of risks and opportunities are provided within this section where applicable.
- 4.3. The forecast outturn for the General Fund is shown below in Table 1.

**Table 1 – Month 5 Forecast per Directorate**

	Forecast Variance as at Current Month 5	Forecast Variance as at Prior Month 4	Change From Month 5 To 4	Savings Non-Delivery as at Month 5	Other Pressures as at Month 5
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Children, Young People and Education	(408)	(133)	(275)	300	(708)
Adult Social Care and Health	(505)	(217)	(289)	1,213	(1,718)
Housing	2,582	847	1,735	1,705	877
Sustainable Communities Regen & Economic Recovery	15,641	15,140	501	5,743	9,898
Resources	9,210	9,135	75	172	9,038
Assistant Chief Executive	(1,204)	(520)	(683)	412	(1,616)
<b>Departmental Total</b>	<b>25,316</b>	<b>24,252</b>	<b>1,064</b>	<b>9,545</b>	<b>15,771</b>
Corporate Items & Funding	(14,769)	(14,769)	-	-	(14,769)
<b>Total General Fund</b>	<b>10,547</b>	<b>9,483</b>	<b>1,064</b>	<b>9,545</b>	<b>1,002</b>

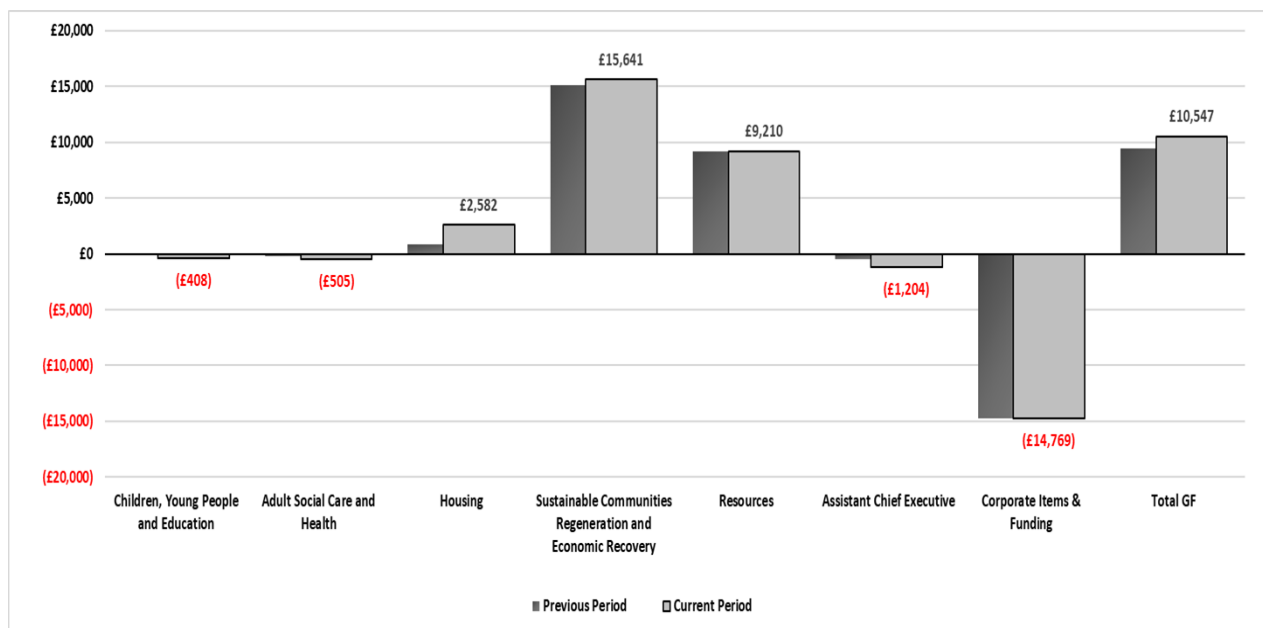
- 4.4. Net overspends and underspends within the service budgets are presented as a forecast variance (as per Table 1) and are additionally classified as either non-delivery of agreed in year savings or other pressures which were not foreseen or quantifiable at the time of setting the budget.
- 4.5. The main areas of movement from Month 5 are as follows:

- Adult Social Care and Health Directorate’s £0.289m **favourable** movement is due in the main to a staffing underspend particularly within provider services and the assessments team.
- Sustainable Communities, Regeneration and Economic Recovery Directorate’s **adverse** movement of £0.501m is mainly due to staffing pressures within the planning and development team
- Resources Directorate has moved £0.075m **adversely** from Month 4, which is largely as a result of one-off costs in relation to costs of the 2020-21 audit.
- Assistant Chief Executive has moved **favourably** by £0.683m mainly in relation to income projections and a review of the election account
- Housing Directorate is indicating a £1.735m **adverse** movement due to rising demand and costs for emergency accommodation.
- Children, Young People and Education Directorate is reporting a £0.275m **favourable** movement from Month 4 relates to staffing underspends.
- Corporate Budget has remained unchanged from Month 4.

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

4.6. The chart below shows the forecast by Directorate for both the current and previous month:

**Chart 2: Forecast per Directorate as at Month 5**



## Risks and Risk mitigations

- 4.7. The outturn forecast has been reported excluding further potential risks and risk mitigations. Risks are split in to MTFS savings risks and other risks. Savings risks relate to savings proposals that were approved at Full Council in March 2022 to deliver a balanced budget. Other risks are risks that have risen from other operational challenges but not related to the delivery of savings. Risk mitigations are proposals that the services have identified that would mitigate their risks and help bring spend back within budget.
- 4.8. Savings are at various stages in their delivery, and it is important that the Council transparently reports the progress on these. Savings which are not deliverable are included within the forecast as overspends, however other MTFS savings which are at risk of non-delivery are reported in Table 2c, with Table 2b identifying savings not delivered. Table 2a below provides a summary of progress per directorate on delivery of their savings targets.

**Table 2a – Progress on MTFS Savings**

Division	Target Value £'000s	Balance Not Delivered (In Forecast) £'000s	On Track Value £'000s	Delivered Value £'000s	Current Month At Risk Value £'000s
Children, Young People and Education	(9,564)	300	7,046	1,077	1,141
Adult Social Care and Health	(16,500)	1,213	8,315	6,453	519
Housing	(2,841)	1,705	875	0	262
Sustainable Communities Regen & Economic Recovery	(12,396)	5,743	2,969	967	2,718
Resources	(3,029)	172	2,857	0	0
Assistant Chief Executive	(9,543)	412	8,281	250	600
<b>TOTAL FOR MTFS</b>	<b>(53,873)</b>	<b>9,545</b>	<b>30,342</b>	<b>8,747</b>	<b>5,239</b>

**Table 2b – MTFS savings not delivered**

Directorate & Saving Description	Target Value £000	Savings not Delivered £000
<b>Adult Social Care and Health</b>		
Refocusing Public Health funding	(380)	380
Baseline Savings - Disabilities Operational Budget	(4,371)	833
<b>Assistant Chief Executive</b>		
Fees And Charges	(19)	19
Increase in fees and charges	(93)	93
Rationalisation of software applications and contracts	(300)	300
<b>Children, Young People and Education</b>		
Refocusing Public Health funding	(300)	300
<b>Housing</b>		
Impact of maximising homelessness prevention	(578)	578
Impact of increasing speed of homelessness decisions	(101)	101
Increase use of LA Stock for EA/TA	(163)	163
Ending EA/TA where the council has no duty	(193)	193
Housing supply pipeline maximisation	(80)	80
Contract Reviews	(250)	250
Income Maximisation - Rent Collection	(240)	240
Resident Engagement & Tenancy Services £100,000 saving in 22/23	(100)	100
<b>Resources</b>		
Fees And Charges	(44)	28
Increase in fees and charges	(218)	144
<b>Sustainable Communities Regen &amp; Economic Recovery</b>		
ANPR camera enforcement	(3,180)	2,040
Bus Re-Tender Contract Savings	(120)	40
Increase in Pre-Planning Applications	(66)	66
Independent travel optimisation	(20)	20
Introduction of a variable lighting policy	(417)	417
Parking charges increase	(650)	285
Private Sector Environmental Enforcement	(250)	125
Review and reduction of the Neighbourhood Operations (NSO team)	(950)	450
Revised Landlord Licensing scheme	(2,300)	2,300
<b>Grand Total</b>		<b>9,545</b>

- 4.9. Other risks and risk mitigations are split into quantified and unquantified items.
- 4.10. As with the outturn forecast set out in Table 1, risks are separately reported for those elements that relate to potential non or under-delivery of approved savings, as agreed by Full Council in March 2022, and those that are new and not directly related to agreed savings plans.
- 4.11. The Council is being transparent in flagging its risks that could potentially result in a change to the outturn forecast. This allows the Council to act and support these challenges before they become realised.
- 4.12. Table 2c below provides for details of MTFs savings that are at risk of non-delivery and Table 2d provides a list of quantified and unquantified other risks, which are in addition to the savings risks.
- 4.13. The report identifies 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 experience of the service.

**Table 2c – Month 5 MTFs Savings At Risk**

MTFS Savings Ref	MTFS Savings Description	Savings at risk as at Month 5 (£,000's)	Savings at risk as at Month 4 (£,000's)	Change from Month 5 to Month 4 (£,000's)
21/22 CYPE 05	Review Support for Young People where Appeal Rights Exhausted	61	225	(164)
21/22 CYPE 06	Improve Practice System Efficiency	290	290	0
22/23 CYPE 07a and 7b	NHS Funding	790	790	0
<b>Children, Young People and Education Total</b>		<b>1,141</b>	<b>1,305</b>	<b>(164)</b>
21/22 ASCH 01	Baseline Savings - Disabilities Operational Budget	0	833	(833)
21/22 ASCH 05	Baseline Savings - Mental Health Operational Budget	83	83	0
21/22 ASCH 08	Baseline Savings - Older People Operational Budget	194	194	0
21/22 ASCH 04	Review of Contracts – Outcome Based Commissioning, Working Age Adults Commissioning and Public Health commissioning	132	132	0
21/22 RES 06	Contract savings	110	110	0
<b>Adult Social Care and Health Total</b>		<b>519</b>	<b>1,352</b>	<b>(833)</b>
22/23 HOUS 11	Procurement of Emergency Accommodation Contracts	0	100	(100)
22/23 HOUS 13	Income Maximisation - Rent Collection	0	101	(101)
22/23 HOUS 04	Repurpose under-utilised sheltered housing stock	158	158	0

<b>22/23 HOUS 07</b>	Ending Emergency Accommodation/Temporary Accommodation (EA/TA) where the Council has no duty	0	97	(97)
<b>22/23 HOUS 09</b>	Incentivising temporary accommodation leasing schemes	104	104	0
<b>22/23 HOUS 01</b>	Impact of maximising homelessness prevention	0	214	(214)
<b>22/23 HOUS 02</b>	Impact of increasing speed of homelessness decisions	0	40	(40)
<b>22/23 HOUS 14</b>	Resident Engagement & Tenancy Services £100,000 saving in 22/23	0	60	(60)
<b>22/23 HOUS 03</b>	Increase use of Council Stock for EA/TA	0	56	(50)
<b>Housing Total</b>		<b>262</b>	<b>929</b>	<b>(667)</b>
<b>Various</b>	Fees And Charges	350	350	0
<b>22/23 SCRER 06</b>	Review and reduction of the Neighbourhood Operations (NSO team)	260	260	0
<b>22/23 SCRER 12</b>	Contract Savings - Pay and Display Machines	300	300	0
<b>22/23 SCRER 16</b>	Private Sector Environmental Enforcement	63	63	0
<b>22/23 SCRER 19</b>	New gym in Monks Hill Leisure Centre	90	90	0
<b>22/23 SCRER 20</b>	Non-capital and contract impact of Purley Leisure Centre closure	50	50	0
<b>22/23 SCRER 28</b>	Merger of Management Functions in Place	100	100	0
<b>22/23 SCRER 17</b>	Parking charges increase	365	365	0
<b>21/22 SCRER 11</b>	ANPR camera enforcement	1,140	1,140	0
<b>Sustainable Communities Regen &amp; Economic Recovery Total</b>		<b>2,718</b>	<b>2,718</b>	<b>0</b>
<b>22/23 COR SAV 09</b>	Rationalisation of software applications and contracts	0	300	(300)
<b>22/23 ACE 18</b>	Contract Savings - Managed Service Provider for Temporary Agency Resources £600K saving in 22/23	600	600	0
<b>Assistant Chief Executive Total</b>		<b>600</b>	<b>900</b>	<b>(300)</b>
<b>Total Savings at Risk</b>		<b>5,239</b>	<b>7,204</b>	<b>(1,964)</b>

**Table 2d – Other quantifiable and unquantifiable risks**

Quantified Risks	P5 £'000	P4 £'000	Details of Risk
Children, Young People and Education	2,284	2,284	<p><b>Capitalisation income</b> This is a historic income budget that was added to Children's Social Care. This amount was funded from capital receipts until 2020/21</p>
			<p><b>CLA Cost of Living</b> There is an expectation that children in care providers will increase placement costs as cost of living rises</p>
Adult Social Care and Health	-	-	None
Housing	2,000	-	<p><b>Emergency Accommodation (EA) Bad Debt Provision</b> The workings behind the forecast for the bad debt provision need reviewing as the model is suggesting increases in the forecast whilst collection rates have improved</p>
			<p><b>Emergency Accommodation Activity levels</b> Targeted changes to service operation have been made to reduce the number of people supported by the EA service. These changes are embedded at August 2022 but the financial ledger and other reporting do not reflect lower numbers in the service but instead suggest that numbers are increasing. Investigatory work is about to commence to better understand the activity drivers and the links to the financial results and ensure a more accurate forecast can be brought in future months.</p>
Sustainable Communities Regen & Economic Recovery	646	319	<p><b>NSO (£125k)</b> The service is dependent on the closure of the NSO Team and any delays in implementation of the proposal will have an impact on delivery of the saving.</p>
			<p><b>Planning Income (£325k)</b> There is a £352k risk to planning income between now and the end of the year down to two reasons. A) Number of and income from major applications is down considerably from last year. 22/23 Period 5 £99k income as opposed to 21/22 Period 5 £300k income</p>
			<p>B) Income at risk from planning applications exceeding the 8(minor)13 (major) week statutory timeframes which can result in reimbursement of fees if not met. This has started to increase and therefore there is a risk that more will be refunded and therefore increase the pressure on the service. It should be noted that the reason for increased</p>



Quantified Risks	P5 £'000	P4 £'000	Details of Risk
			<p>expenditure on staff for Period 5 has been to try and mitigate this.</p> <p><b>Capital Staff Recharges (£169k)</b> As there is no TfL capital funding thus far this year, this is creating a risk of not being able to recharge staff time to capital at the level anticipated in the budget.</p>
Resources	-	-	None
Assistant Chief Executive	-	-	None
Corporate Items & Funding	600		NJC pay Award for 2022/23 - the current budget held corporately for the pay award may not be sufficient to cover the current pay offer of a flat rate of £1,925 per employee
<b>Total Quantified Risks</b>	<b>5,530</b>	<b>2,603</b>	

Un-Quantified Risks	P5 £'000	P4 £'000	Details of Risk
Children, Families and Education	-	-	None
Adults, Health and Social Care			Potential post Covid-19 pandemic latent demand working through the population resulting in additional care packages placements.
			<b>Inflation</b> , rising fuel and food costs significant expenditure for care providers - may result in claims for increased fees or face financial instability
			<b>High vacancy rate</b> is caused by significant challenges in recruitment across the Directorate. This means staff are focussed on statutory delivery, rather than transformation. This is a national issue.
			<b>There is Hospital discharge pressure</b> as the current system risk is running at winter levels due to Covid and backlog despite being summer. Work is being done on a deep dive, as the numbers of placements and equipment cost are rising.

Housing			<b>New Housing Structure (temporary)</b> There remains a temporary structure within Housing, including an Interim Director of Tenancy Services. A change programme is being developed and a bid for Transformation Funding to resource it has been submitted.
Sustainable Communities Regen & Economic Recovery			<b>Highways and Parking</b> Although unknown at this stage there is a potential risk to New Roads and Street Works Act Income due to delays and disputes with Utility Companies. Further work is being undertaken to quantify these risks and where possible mitigate the effect.
Resources			<b>Legal Trading Model</b> The legal trading services model is under review. Until this review is completed officers are flagging this area as a risk. Last year Legal Services were overspent by £306,000.
Assistant Chief Executive			Risk based upon the lack of available graves for sale until the cemetery extension opens
			Increased competition from neighbouring facilities, perceived increase in direct cremations, viewed as the cheaper option for families as inflation starts to take effect
Corporate Items & Funding	-	-	None
<b>Total Un-Quantified Risks</b>			

4.14. Table 3 provides a list of quantified and unquantified risk mitigations or opportunities. These are potential risk mitigations that will require further assurance to be included within the forecast. Service managers have identified these as potential mitigations to the risks identified Tables 2a, 2c and 2d.

**Table 3 - Quantifiable and unquantifiable opportunities**

Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Children, Young People and Education	(2,170)	(2,170)	<b>External grants (£0.800m)</b> Increasing the income budget in 2022/23 in line with the actual grants
			<b>Children Service legal costs (£0.570m)</b> Review on operations to mitigate legal costs arising from challenges from service users. The aim is to improve the operations and process to ensure all aspects of support is carefully provided

Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
			<p><b>Operational Efficiency Savings in Children Social Care (£0.500m)</b> Sustained impact of hybrid working has reduced use of workplace supplies and services across CYPE.</p> <p><b>Public Health (£0.300m)</b> Ongoing Internal Review of Public Health Funding towards related expenses</p>
Adult Social Care and Health	(380)	(380)	<b>Public Health (£0.380m)</b> Ongoing Internal Review of Public Health Funding towards related expenses
Housing	-	(790)	None
Sustainable Communities Regen & Economic Recovery	(730)	(730)	<p><b>Community Infrastructure Levy Review (£0.500m)</b> Further use of CIL monies to support revenue expenditure where the conditions met being reviewed.</p> <p><b>Streetlighting review (£0.230m)</b> Current pilot is being evaluated.</p>
Resources	(915)	(915)	<p><b>Measures to reduce Housing Benefit subsidy loss (£0.815m)</b> Measures to reduce Housing Benefit subsidy loss</p> <p><b>Staffing Review (£0.100m)</b> Staff reviews that may lead to further savings in salary costs</p>
Assistant Chief Executive	(320)	(620)	<b>Public Health (£0.320m)</b> Ongoing Internal Review of Public Health Funding towards related expenses.
Corporate Items & Funding	(8,092)	(7,492)	<p><b>Reduced borrowing need (£0.605m)</b> Potential saving as a result of a review of borrowing costs to fund the capital programme.</p> <p><b>Release of Corporate Reserve Top Up (£6.887m)</b> The Council will consider if this top up is required. If not, it will represent an underspend which will contribute to the Deficit Recovery Plan.</p> <p><b>Reversal of National Insurance Increase (£0.600m)</b> The government has announced that the National Insurance increase of 1.25% for employers and employees will be reversed from 6 November 2022</p>
<b>Total Quantified Opportunities</b>	<b>(12,607)</b>	<b>(13,097)</b>	

Un-Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Children, Young People and Education	-	-	None
Adult Social Care and Health	-	-	None

Un-Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Housing			<b>New Housing Structure (temporary)</b> We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx £100k. We have bid for Transformation Funding to resources these additional positions.
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources		-	<b>Recovery of utilities debt from schools</b> still owed from when bills were paid by the council and recharged to schools rather than been billed direct
Assistant Chief Executive	-	-	None
Corporate Items & Funding	-	-	None
<b>Total Un-Quantified Opportunities</b>			

## DIRECTORATE VARIANCES

### 4.15. Children, Young People and Education (CYPE)

At Month 5 a **£0.408m underspend** has been forecast alongside £1.141m of MTFs savings at risk of non-delivery together with £2.284m of other risks against £2.170m of opportunities. This is a favourable movement from Period 4 of £0.275m.

The £0.408m underspend is net position of £0.300m of non-delivery of the MTFs saving related to Public Health funding offset with a net benefit of £0.708m through underspends in Children's Social Care of £0.560m and £0.148m in non-DSG Education services.

The Directorate has also identified £2.284m of other risks in Table 2(b) which if realised could have a material impact on the CYPE forecast. These relate to cost pressures such as inflationary pressures above and beyond Council budgets and loss of income or contribution from the Council's partners.

However, the Directorate has identified potential opportunities of £2.170m from re-purposing grants and reducing legal costs substantially due to a reduction in age related assessment challenges.

### 4.16. Adult Social Care and Health (ASCH)

At month 5 an **underspend of £0.505m** is forecast with £0.519m MTFs savings at risk of non-delivery. The risk of savings non-delivery has reduced by £0.723m.

However, this is due to £0.833m risk being realised and is now reflected in the outturn forecast. In addition, following the transfer of the Commissioning function from Resources to ASCH, there is a £0.110m additional risk for contact savings. Quantified opportunities remain the same as Month 4.

The forecast underspend of £0.505m is a net position, the key items being:

- £1.497m underspend in staffing which, in return, is a barrier to achieving savings. There is a national shortage of both social workers and occupational therapists.
- £1.002m underspend following the detailed review of 21/22 accruals for disputed care costs which have been settled at a lower level than was accrued, and for planned care costs. It is usual that care is delivered at a lower level than planned for many reasons including delayed hospital discharge, temporarily staying with family etc. However, this year is slightly higher than normal which is believed to be Covid related.
- £0.833m overspend relating to the unachieved savings which had previously been shown as at risk.
- £0.725m overspend in care for 18-25 year old Transitions clients which remains the same as period 4 monitoring.

Unquantified Risks present continued concerns as to their impact upon the Directorate budget over the remainder of the financial year:

- Potential post COVID-19 latent demand working through the population resulting in additional care package placements and community equipment.
- Inflation, rising fuel costs will result in significant expenditure for ASC Providers – may result in claims for increased fees and/or financial instability with potential for 'handing back' contracts.
- Hospital discharge pressure as current system risk is running at winter activity levels due to COVID-19.
- High vacancy rate is caused by significant challenges in recruitment across the Directorate. This means staff are focused on statutory delivery, rather than transformation. This is a national issue.

Continued detailed analysis of demand and cost will take place each month up to the end of the financial year to enable, where possible, an estimate of the value of these current Unquantified Risks as listed.

There are also opportunities of £0.380m identified in relation to public health.

Finance continues to work closely with the service providing deep dive analysis of the budgets in Transitions, Disability Services, Older Peoples Services and Mental Health to support additional quality assurance.

#### 4.17. Housing

At Month 5, Housing is forecasting a **£2.582m overspend** in relation to temporary accommodation activity in particular overnight paid accommodation, with key risks related to non-delivery of £0.262m of savings, and £1m of other quantifiable risks

having been identified that relate to emergency accommodation activity levels and the provisions for bad debts. However, the Directorate is looking to draw down £0.790m of housing reserves to support in year pressures and have identified this as an opportunity subject to further review. This will only be released once all other in-year mitigations have been exhausted.

The service is seeing an increase in demand for temporary accommodation and is also facing rising rental costs as the Council struggles to find viable accommodation.

#### 4.18. Sustainable Communities, Regeneration & Economic Recovery (SCRER)

In Month 5, SCRER is forecasting a net **overspend of £15.641m**.

The main area of overspend relates to £10.5m shortfall in parking income, £0.950m relating to streetlighting energy costs and £0.5m SEN transport costs. This position has moved adversely from Month 4 by £0.501m.

There are also £0.646m other risks identified and £2.718m of MTFs savings at risk. However, the service has identified £0.730m of opportunities which will need to be worked through to confirm their achievability.

The service areas that are experiencing these overspends are within the Sustainable Communities division and particularly in the parking teams. Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes, ANPR, pay and display and on-street parking. The division is also expecting delays in obtaining a license from government to run the Selective Licensing scheme which is further adding pressure of £1.580m.

The Council applied to renew its Landlord Licensing scheme in 2021/22 to the Department of Levelling Up, Housing and Communities (DLUHC). The Council budgeted for £1.5m of income that would be achievable from the scheme in this financial year. However, the scheme was rejected by the Secretary of State for DLUHC due to the lack of a Housing Strategy, one of the requirements for the scheme. The development of the Housing Strategy is being progressed but has not yet been completed due to the many other pressures on the Housing Service and the focus on the delivery of the Housing Improvement Plan. It also requires a review of the Council's policy for Landlord Licensing. It is expected that this will not be completed within the next 12 months and therefore for prudence the service is forecasting the non-delivery of the £1.5m income target.

Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control income and income from Planning.

#### 4.19. Resources

At Month 5, there is a **£9.210m overspend** projected which is an adverse movement from Month 4 of £0.075m.

The overspend is largely related to loss in housing benefit (HB) subsidy and projected increases in energy costs across the Council's corporate estates. The £7.685m

overspend on HB is due to the difference between the value of HB expenditure and funding received from DWP on support exempt and temporary accommodation. A cross council working group is currently working to mitigate this over the next few years.

A further pressure of £4.223m is due to increased energy costs on utilities for the Council estate. £3.5m will be drawn down from the corporate inflation provision to mitigate part of this overspend. The pressures on Estates, Asset Management & Facilities are being netted off against a net saving of £1.551m. This relates to an historic budget for interest costs which is already covered within a corporate budget, offset by MTFs savings targets that are unachievable. Currently there is a predicted overspend of £0.279m in Corporate Finance & Treasury. This relates to higher than budgeted spend on specialist finance work and agency costs pending a restructure of the department.

There are no additional savings at risk and no further risks are reported at this point. Unquantifiable opportunities of £0.915m have been identified to try and mitigate the HB subsidy loss in year and reduce staffing costs.

#### 4.20. Assistant Chief Executive

At Month 5, a **£1.204m underspend** is being projected, which is a favourable movement of £0.683m from month 4. Continued review on the income projections related to registrars and bereavement services has indicated a further improvement to Month 4. Reconciliation of the position regarding the Election account has realised a £241k favourable in month movement. This was highlighted as an opportunity at P4. Further planned staffing reviews have achieved savings of approximately £300k across the Directorate.

At this early-stage work is still being carried out to review fees and charges which were devolved to the service without consideration of demand. The council wide exercise that is taking place will enable the services within ACE to more accurately forecast income and until such time that this is completed, the pressure of £205k is factored within the forecast. The rationalisation of software applications project has identified £450k of mitigations, which have been included within the forecast, and further work is being carried out to focus on the remaining £300k.

For 2022/23 the remaining £300k can be met within budget underspends elsewhere in the department. Ongoing work will aim to ensure this in year saving is converted to a permanent budget saving from 2023/24.

#### 4.21. Corporate

At Month 5, the corporate position is projecting an **underspend of £14.769m**. The corporate budget holds funding and financing streams such as Council Tax, Business Rates income share and General Revenue Support Grant income. The corporate budget also allocates Council wide risk contingency, inflation growth budgets and budgets to fund corporate debt and interest charges.

There has been no movement from Month 4 in the corporate projection. The projected underspends against contingency budgets and risk provisions will offset the projected overall overspend. A provision of £1.400m has been released and relates to risks to a key commercial loan which is now expected to be fully paid back in full. The total risk and provision underspends are £10.769m.

Corporate Finance have also identified a further one-off £4.0m of reserve drawdown in 2021/22 to support the in year inflationary pressures that the Council is facing as a result of macroeconomic factors which are largely not in the Council's control. A further opportunity has been identified due to the reversal of the 1.25% National insurance increase which has now been reversed.

A risk of £0.6m has been identified relating to the NJC staff pay award for 2022/23. The budget held corporately may not be sufficient to cover the current pay offer of £1,925 per employee.

Table 4 below summaries the overall position:

**Table 4 – Summary – Month 5 with Month 4 Comparator**

	Month 5	Month 4	Variance
	(£,000's)	(£,000's)	(£,000's)
<b>Table 1 - Forecast</b>	10,547	9,483	1,064
<b>Table2b - MTFs Savings - At Risk</b>	5,189	7,204	(2,015)
<b>Table2d - Other Quantifiable Risks</b>	5,530	2,603	2,927
<b>Table 3 - Quantifiable Opportunities</b>	(12,607)	(13,097)	490
<b>Total</b>	<b>8,659</b>	<b>6,193</b>	<b>2,466</b>

## 5 Housing Revenue Account (HRA)

5.1 The **forecast overspend** across the HRA is **£3.210m** as at Month 5. This is made up of an additional £1.8m of inflationary pressure on utilities bills. There is additional inflationary pressure on the repairs service of £0.7m, and disrepair costs of £0.8m. Other variances include increased costs of managing the estates, £0.5m, and underspends from vacancies across the service (£0.6m). There is ongoing review of all budgets and recharges across the HRA to mitigate the existing pressures. Nonetheless, the HRA has sufficient ring-fenced reserves to meet the £3.210m overspend currently projected if in year mitigations can't be found.



**Table 5 – Housing Revenue Month 5 forecast**

SERVICES	Variance For Month 5	Variance For Month 4	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	904	893	11	Of the variance £700k is a result of inflationary increases on the repairs programme contracts. Disrepair claims and fees of £787k. With vacant posts of £583k offsetting the listed pressures
Asset Planning and Capital Delivery	(158)	(15)	(143)	There are a number of vacancies within this service area
Allocations Lettings and Income Collection	432	337	95	The projected void losses are based on P5 performance. A programme is in place to address this. This pressure also includes garage rental voids
Tenancy and Resident Engagement	2,557	2,382	175	The forecast overspend is made up of an additional £1.8m pressure on utilities. Additional grounds maintenance costs; legal fees and legacy water charges are also included in the pressure.
Homelessness and Assessments	(0)	50	(50)	This is a recharge to the general fund for the provision of this statutory service through a HRA owned property.
Directorate & Centralised costs	(500)	(500)	(0)	There are vacancies within the centralised budgets. There is also a review underway to ensure charges have been correctly posted to other service areas within the HRA
	<b>3,210</b>	<b>3,147</b>	<b>63</b>	

## 6 Capital Programme

5.1 The General Fund and Housing Revenue Account capital programmes have currently spent £12.622m to the end of Month 5 against approved budgets of £134.152m. **Forecast spend is £123.387m** resulting in a forecast underspend of £10.765m.

5.2 Table 6 below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2. Table 7 gives details of how the capital programme is financed.

**Table 6 – Capital Programme as at Month 5**

Department	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Forecast variance for year end 2022/2023 £'000
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	889	7,021	(8,943)
ADULT SOCIAL CARE AND HEALTH	1,707	0	1,707	0
HOUSING	3,493	587	3,554	61
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	36,971	3,419	37,207	236
RESOURCES	11,430	1,574	13,586	2,156
ASSISTANT CHIEF EXECUTIVE	13,455	1,175	12,230	(1,225)
CORPORATE ITEMS & FUNDING	29,049	0	29,049	0
<b>General Fund Total</b>	<b>112,069</b>	<b>7,644</b>	<b>104,354</b>	<b>(7,715)</b>
HOUSING REVENUE ACCOUNT	22,083	4,978	19,033	(3,050)
<b>CAPITAL PROGRAMME TOTAL</b>	<b>134,152</b>	<b>12,622</b>	<b>123,387</b>	<b>(10,765)</b>

**Table 7 – Capital Programme Financing as at Month 5**

	Approved Budget 2022/23 £'000	Forecast as at P5 2022/23 £'000	Variance 2022/23 £'000
<b>General Fund Capital Financing</b>			
CIL	7,427	7,427	-
s106	2,461	2,441	(20)
Grants & Other Contributions	33,447	19,946	(13,801)
Capital Receipts	4,049	4,049	0
Reserves	70	70	0
Borrowing	64,615	70,721	6,106
<b>Total Financing – General Fund</b>	<b>112,069</b>	<b>104,354</b>	<b>(7,715)</b>
<b>Housing Revenue Account Capital Financing</b>			
Major Repairs Reserve	12,336	12,336	0
Reserves	9,747	6,697	(3,050)
Total Financing - HRA	22,083	19,033	(3,050)
<b>TOTAL PROGRAMME FINANCING</b>	<b>134,152</b>	<b>123,387</b>	<b>(10,765)</b>

## **7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 5.1 Finance comments have been provided throughout this report.
- 5.2 The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 5.3 In-year savings are being sought across the Council to mitigate the projected overspend. Early actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.
- 5.4 The Council currently has a General Fund Reserve of £27.50m which serves as a further cushion should not all the overspend be eliminated by the end of 2022/23. However, any use of these reserves would have to be reinstated in later financial years as it's a one off support and not a permanent solution.

(Approved: Jane West – Corporate Director of Resources & S151 Officer)

## **8.0 LEGAL CONSIDERATIONS**

- 8.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that 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 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 8.3 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.4 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report is published in accordance with that legal duty.

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

## **8 HUMAN RESOURCES IMPACT**

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

Approved by: (Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on half of Dean Shoemith, Chief People Officer)

## **9 EQUALITIES IMPACT**

- 10.1 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.
- 10.2 In setting the Council's budget for 2022/2023, all savings proposals must 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. If any impacts arise, officers will offer mitigation to minimise any unintended impact.
- 10.3 The core priority of the Equality Strategy 2020-2024 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, disabled people and their families along with adults utilising social care provision is key to this regard. Though families and single parents are not classed as a protected characteristic under Equality Act 2010, the strategy commits to tackling inequality and tackling socio economic inequality so may also consider the impact on families.

- 10.4 The cost-of-living increase has impacted heavily on the most economically vulnerable in society. Energy increases have led to some vulnerable groups having to make a choice between heating and eating. Despite proposed increases in fees and charges being below the rate of inflation they may still have a detrimental impact on residents from our most vulnerable groups. This could potentially have an adverse impact on poverty and inequality and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents from the African, African Caribbean and Asian communities reside.
- a. In setting this budget the Council has sought to mitigate the impact on all residents who may be economically affected at this time. Research states that the protected characteristics that are likely to be most impacted by fee rises and the cost of living increase are: young people, African and African Caribbean people, Disabled people and some pregnant women. There is also an intersectional aspect to the impact on equality, such as a higher impact on female mixed race disabled individuals and young Asian and African/African Caribbean young people been more affected. The Council have undertaken a wide range of initiatives to mitigate the affects for those in most need. The measures include: a cost-of-living hub, a range of financial support and advice including discretionary support and additional support payments, Council tax support, energy advice and a benefit calculator. Residents are also signposted to support from community partners in the delivery of initiatives to support residents such as healthy Schools Clubs. These packages are available to all eligible residents irrespective of equality characteristics and are targeted at those residents who are in the most need.
  - b. The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time. Evidence suggests that the impact of Covid 19 has resulted in an increase in care packages from Adult Social Care which places additional pressure on the service to deliver and meet the needs of vulnerable residents. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.
  - c. The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears, have debt to energy companies or elsewhere.

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

## **11 ENVIRONMENTAL IMPACT**

- 5.1 There are no specific environmental impacts set out in this report

## **6 CRIME AND DISORDER REDUCTION IMPACT**

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

## **6 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 5

	Approved Budget (£,000's)	Current Actuals (£,000's)	Full-Yr Forecast (£,000's)	Projected Variance (£,000's)
C1410E : ADULT SOCIAL CARE OPERATIONS	111,275	52,002	110,831	(444)
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	1,175	(1,372)	1,555	380
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	11,375	5,130	10,934	(441)
<b>TOTAL ADULTS</b>	<b>123,825</b>	<b>55,761</b>	<b>123,320</b>	<b>(505)</b>
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	8,175	377	10,784	2,610
C1310E : ESTATES AND IMPROVEMENT	82	144	54	(28)
<b>TOTAL HOUSING</b>	<b>8,257</b>	<b>522</b>	<b>10,838</b>	<b>2,582</b>
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(262)	325	(1,435)	(1,173)
C1120E : SUSTAINABLE COMMUNITIES	22,479	790	37,808	15,329
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	4,543	2,519	4,776	233
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	696	1,941	1,948	1,252
<b>TOTAL SUSTAINABLE COMMUNITIES REGEN &amp; ECONOMIC RECOVERY</b>	<b>27,456</b>	<b>5,575</b>	<b>43,097</b>	<b>15,641</b>
C1605E : RESOURCES DIRECTORATE SUMMARY	(6,901)	200	(6,910)	(9)
C1610E : DIRECTOR OF FINANCE	9,114	70,768	16,046	6,932
C1620E : PENSIONS DIVISION	343	556	261	(82)
C1625E : MONITORING OFFICER	2,094	851	2,097	3
C1630E : INSURANCE, ANTI-FRAUD AND RISK	1,018	1,158	821	(197)
C1640E : LEGAL SERVICES DIVISION	(1,644)	114	(1,378)	266
C1650E : INTERNAL AUDIT SERVICE	597	559	801	204
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	11,707	5,510	13,800	2,093
<b>TOTAL RESOURCES</b>	<b>16,328</b>	<b>79,715</b>	<b>25,538</b>	<b>9,210</b>
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	584	208	584	-

	Approved Budget	Current Actuals	Full-Yr Forecast	Projected Variance
	(£,000's)	(£,000's)	(£,000's)	(£,000's)
C1210E : CHILDREN'S SOCIAL CARE UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	72,417	21,839	71,857	(560)
C1220E : EDUCATION DIVISION - exc DSG	(4,630)	1,433	(4,630)	-
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	7,425	17,489	7,277	(148)
	5,978	841	6,278	300
<b>TOTAL CHILDRENS, FAMILIES AND EDUCATION</b>	<b>81,774</b>	<b>41,811</b>	<b>81,366</b>	<b>(408)</b>
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(90)	361	22	112
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	23,149	10,303	22,664	(485)
C1520E : CHIEF PEOPLE OFFICER DIVISION	3,192	1,431	2,896	(296)
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	6,111	5,468	5,576	(535)
C1540E : PUBLIC HEALTH	-	(10,752)	0	0
C1550E : SERVICE QUALITY, IMPROVEMENT AND INCLUSION	-	-	-	-
<b>TOTAL ASSISTANT CHIEF EXECUTIVE</b>	<b>32,362</b>	<b>6,811</b>	<b>31,158</b>	<b>(1,204)</b>



## Appendix 2 – Capital Programme Month 5

Scheme Name	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Disabled Facilities Grant	2,993	512	2,993	-
Empty Homes Grants	500	15	500	-
<b>HOUSING</b>	<b>3,493</b>	<b>527</b>	<b>3,493</b>	<b>-</b>
Adults ICT	110		110	-
Provider Services - Extra Care	500	-	500	-
Sheltered Housing	938		938	-
Capital investment in Garden Centre	159		159	-
<b>ADULT SOCIAL CARE AND HEALTH</b>	<b>1,707</b>	<b>-</b>	<b>1,707</b>	<b>-</b>
Bereavement Services	1,000	520	1,775	775
Finance and HR system	500		500	-
ICT	8,955	320	6,955	(2,000)
People ICT	3,000	335	3,000	-
<b>ASSISTANT CHIEF EXECUTIVE</b>	<b>13,455</b>	<b>1,175</b>	<b>12,230</b>	<b>(1,225)</b>
Education – Fire Safety Works	902		902	-
Education - Fixed Term Expansions	3,243	28	550	(2,693)
Education - Major Maintenance	9,549	485	4,049	(5,500)
Education - Miscellaneous	-	125	134	134
Education - Permanent Expansion	44	22	319	275
Education - Secondary Estate	-	41	41	41
Education - SEN	2,226	188	1,026	(1,200)
<b>CHILDREN, YOUNG PEOPLE AND EDUCATION</b>	<b>15,964</b>	<b>889</b>	<b>7,021</b>	<b>(8,943)</b>
Allotments	200	177	200	-
Fixtures & Fittings FFH	-	571	571	571
Capitalised Feasibility Fund	330		330	-
Growth Zone	4,000	(19)	4,000	-
Grounds Maintenance Insourced Equipment	200		200	-
Highways - maintenance programme	8,618	1,376	13,290	4,672
Highways – flood water management	435	175	895	460
Highways - bridges and highways structures	3,403	1,102	3,403	-
Highways - Tree works	56	35	56	-
Mitigate unauthorised access to parks and open spaces	73		73	-
Leisure Equipment Upgrade	70	56	206	136
Libraries Investment - General	1,614	106	300	(1,314)
Libraries investment – South Norwood library	412		412	-
Museum Archives	75		75	-
Parking	2,141	63	2,141	-
Play Equipment	380	53	380	-

Scheme Name	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Safety - digital upgrade of CCTV	1,539		1,539	-
Section 106 Schemes	-	3	3	3
Signage	137		274	137
South Norwood Good Growth	1,032	(339)	1,208	176
Kenley Good Growth	425	292	760	335
Sustainability Programme	565		565	-
TFL - LIP	9,266	(238)	4,326	(4,940)
Unsuitable Housing Fund	-	60	61	61
Waste and Recycling Investment	1,000		1,000	-
Waste and Recycling - Don't Mess with Croydon	1,000	6	1,000	-
<b>SUSTAINABLE COMMUNITIES, REGEN &amp; ECONOMIC DVLPT</b>	<b>36,971</b>	<b>3,479</b>	<b>37,268</b>	<b>297</b>
Asset Strategy - Stubbs Mead	700		300	(400)
Asset Strategy Programme	225		225	-
Asset Acquisition Fund	390		250	(140)
Clocktower Chillers	412		412	-
Corporate Property Maintenance Programme	2,500	299	2,500	-
Brick by Brick programme	6,203		6,203	-
Fairfield	1,000	1,275	3,448	2,448
Fieldway Cluster (Timebridge Community Centre)	-		248	248
<b>RESOURCES</b>	<b>11,430</b>	<b>1,574</b>	<b>13,586</b>	<b>2,156</b>
Capitalisation Direction	25,000		25,000	-
Transformation Spend (Flexible Capital Receipts)	4,049		4,049	-
<b>CORPORATE</b>	<b>29,049</b>	<b>-</b>	<b>29,049</b>	<b>-</b>
<b>TOTAL GENERAL FUND PROGRAMME</b>	<b>112,069</b>	<b>7,644</b>	<b>104,354</b>	<b>(7,715)</b>
Asset management ICT database	-	87	155	155
Fire safety programme	-	396	396	396
Major Repairs and Improvements Programme	22,083	4,479	18,482	(3,601)
Affordable Housing	-	16		-
<b>HOUSING REVENUE ACCOUNT</b>	<b>22,083</b>	<b>4,978</b>	<b>19,033</b>	<b>(3,050)</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>134,152</b>	<b>12,622</b>	<b>123,387</b>	<b>(10,765)</b>