LONDON BOROUGH OF CROYDON

REPORT:		**CABINET**
DATE OF DECISION:		**15 October 2025**
REPORT TITLE:		**2025-26 Period 3 Financial Performance Report**
CORPORATE DIRECTOR:		**Jane West Corporate Director of Resources (Section 151 Officer)**
LEAD OFFICER:		**Allister Bannin, Director of Finance (Deputy S151)**
LEAD MEMBER:		**Cllr Jason Cummings, Cabinet Member for Finance**
REPORT FOR: (Noting or Decision/ Approval)		**Decision / Approval**
KEY DECISION? 1525CAB	**Yes**	**Reason: Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council's budget for the service or function to which the decision relates.**
CONTAINS EXEMPT INFORMATION?	**No**	**Public Grounds for the exemption: N/A**
WARDS AFFECTED:		**All**

1 EXECUTIVE SUMMARY

1.1 This report provides the Council's financial performance as at Period 3 (June 2025) for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The report forms part of the Council's financial management process for publicly reporting financial performance and supports the Executive Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

Financial Performance Summary Table

Financial Performance Area	2025-26 Budget (£m)	2025-26 Forecast (£m)	2025-26 Forecast Variance (£m)	2025-26 Forecast Variance (%)
Revenue Forecast (General Fund)	375.8	354.0	(21.8)	(5.8%)
Revenue Forecast (Housing Revenue Account)	-	-	-	N/A
Capital Forecast (General Fund)	275.9	248.6	(27.3)	(9.9%)
Capital Forecast (Housing Revenue Account)	120.5	120.5	-	-

2 RECOMMENDATIONS

For the reasons set out in the report, the Executive Mayor and Cabinet are recommended:

2.1 to note the General Fund revenue budget outturn is forecast at Period 3 to underspend at financial year end by £21.8m, contributing to the target as required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £114.2m.

2.2 to note that service directorates have been asked to reduce their net expenditure below their budgets so that the annual budget can be balanced with reduced use of capitalisation directions, including achievement of the £27.3m Stabilisation Plan target as set out from paragraph 5.18. It should not be underestimated what a challenge this will be against the background of increased demand pressures which are continuing to build across local government as well as increased market prices.

2.3 to note the unfunded local government cost pressures that exist nationally, regionally and locally relating to increases in demand and market prices which need to be addressed by Government changes to policy and/or funding levels.

2.4 to note that two months of Financial Performance Reports are being removed from the Cabinet reporting cycle from 2025-26 onwards (being the removal of the Period 4 and Period 7 reports). The reason is to prioritise service and finance officer time on more value-added activities, strengthening the ability for more tactical and strategic work on financial areas, as set out from paragraph 5.10.

2.5 to note the progress in Medium Term Financial Strategy (MTFS) savings achievement of £21.3m (84.9%) against the total savings target of £25.1m as set out in paragraph 5.114.

2.6 to note the Housing Revenue Account (HRA) revenue budget forecast outturn is a breakeven position.

2.7 to approve the various General Fund capital additions, virements and re-profiling across years as set out in paragraph 5.142 (and detailed in the table following paragraph 5.143), which in total comprise a net budget decrease to the 2025-26 General Fund capital programme of £6.035m.

2.8 to note the General Fund capital programme 2025-26 forecast underspend of £27.3m (9.9%) against the revised budget (including the net decrease to be agreed through this report) of £275.9m. The expected decrease in capitalisation direction usage owing to the Stabilisation Plan accounts for this £27.3m forecast underspend, however, only £22.4m of this has been evidenced to date at Period 3.

2.9 to note the HRA capital programme 2025-26 forecast breakeven position against the capital budget of £120.5m.

2.10 to note the Council's historic borrowing and subsequent debt burden and national, regional and local service pressures continue to be critical to the non-sustainability of the Council's revenue budget as set out from para 5.134.

2.11 to note that the Council continues to operate Spend Control Panels, and tightened the criteria from July 2024, to ensure that stringent financial control and assurance oversight are maintained.

2.12 to note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

3 REASONS FOR RECOMMENDATIONS

3.1 The Financial Performance Report is presented regularly to Cabinet 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 (HRA) and Capital Programme. The Financial Performance Report ensures there is transparency in the financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny & Overview Committee and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and to maintain a balanced budget.

3.2 The Council currently does not publish a Period 11 or Period 1 Financial Performance Report, so that the service and finance teams can concentrate on closing the end of year accounts. This report requests Cabinet to note that Periods 4 and 7 are also being removed from the Cabinet reporting cycle, bringing the Council more in line with other London boroughs. The reason is to prioritise service and finance officer time on more value-added activities, strengthening the ability for more tactical and strategic work on financial areas, as set out from paragraph 4.10.

4 CONTRIBUTION TO EXECUTIVE MAYOR PERRY'S BUSINESS PLAN

Outcome 1: The Council balances its books, listens to residents and delivers good sustainable services.	Outcome 2: Croydon is a place of opportunity for business, earning and learning.	Outcome 3: Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.	Outcome 4: Croydon is a cleaner, safer and healthier place, a borough we're proud to call home.	Outcome 5: People can lead healthier and independent lives for longer.
✓				

5 BACKGROUND AND DETAILS

5.1 The 2025-26 budget approved by Council in February 2025 set a net revenue budget of £375.8m. This required capitalisation directions from Government of £136m to balance, owing to funding the ongoing annual cost of servicing the disproportionate level of debt and unfunded local government cost pressures that exist nationally, regionally and locally relating to increases in demand as well as market prices.

5.2 The Council's historic legacy borrowing and debt burden continues to be critical to the non-sustainability of the Council's revenue budget, with an estimated £72m cost in 2025-26 for the Council to service the debt. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.

Local Government Funding Reform

5.3 The Chancellor presented the Spending Review, for the period 2026-27 to 2028-29, to Parliament on 11 June 2025. The local government Core Spending Power (CSP) real terms (above inflation) increase is 2.6% per annum over the Spending Review period, compared with the minimum of 4% that London Councils asked for. The CSP increase assumes annual council tax increases of 2.99% and an extra 2% for the Adult Social Care precept.

5.4 London Councils estimates the government grant funding portion of CSP (i.e. excluding Council Tax) will only increase by an average of 1.5% in real terms over the next three years. Based on current trends, London Councils expect the demand and costs for services to continue to outpace the funding announced for local government. For example, homelessness spending by boroughs increased by 50% in 2023-24, and there has been a 50% increase in special educational needs transport spending since 2021. Ultimately, the 1.5% average real-terms growth in CSP grant funding is unlikely to be sufficient to stabilise borough finances. Upcoming reforms to local government funding are now 'make or break' for London boroughs.

5.5 The Spending Review announcement stated that details on the local government funding reforms and multi-year allocations, together with simplification of the funding system, will be announced later in the year. The government is committed to multi-year allocations and moving to a more up-to-date assessment of each council's needs and resources through the upcoming 2026-27 Local Government Finance Settlement (LGFS).

5.6 On 20 June 2025, the government launched the Fair Funding Review 2.0 consultation stating that "Our up-to-date approach will use the best available evidence to take account of the different needs and costs faced by local authorities in urban and rural areas, and the ability of individual local authorities to raise council tax. The consultation also builds on proposals to reset the business rates retention system, and proposals to move away from restrictive grants with burdensome reporting requirements." The consultation closed on 15 August 2025.

5.7 The consultation covered:

- determining local authority funding allocations;
- approach to consolidating funding;
- measuring differences in demand for services and the cost of delivering them;
- measuring differences in locally available resources;
- the New Homes Bonus;
- transitional arrangements and keeping allocations up-to-date;
- long-term approach to the business rates retention system;
- devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement;
- ways we can reduce demands on local government to empower them to deliver for communities; and sales, fees and charges reform.

5.8 The Fair Funding Review and changes to the business rates retention system will change the allocations between local authorities of the total national local government Departmental Expenditure Limit (DEL). Both of these changes are expected to include transitional funding to move to the new funding levels, potentially over a period of three years.

5.9 A multi-year settlement, once received, will support financial planning for the Medium Term Financial Strategy. However, the Government's Budget is set to be announced on 26 November which means that the Council may not receive the provisional Local Government Finance Settlement (LGFS) until late December. The significant uncertainties around government grant and business rates funding levels until then makes the updating of the MTFS very challenging.

Frequency of reporting

5.10 The frequency of reporting monthly to Cabinet is not common practice for London boroughs with the majority reporting on a quarterly basis. The level of frequency is time consuming for service and finance staff, however, it recognises the financial challenges of the Council and the Mayor's aim for transparency and openness as stated in the Mayor's Business Plan Priority 4 "Ensure good governance is embedded and adopt best practice. The Council must learn the lessons of past failures and embed sound governance processes to ensure that decision-making is transparent, open and honest. These must ensure effective control of our projects and programmes and encourage meaningful scrutiny and challenge".

5.11 To find the right balance between regular reporting for transparency and freeing up some service and finance time for Medium Term Financial Strategy (MTFS), statement of annual accounts (including external audit queries), savings, transformation and improvement work (including deep dives), the Director of Finance (Deputy s151) is proposing that two months are removed from the Cabinet reporting cycle from 2025-26 onwards (being the removal of the Period 4 and Period 7 reports).

5.12 For periods 4 and 7, budget holders will still carry out budget monitoring on the Oracle IT system, a summary of the high-level directorate revenue forecast will be provided to CMT and the directorate positions will be presented by Corporate Directors at the assurance meetings. The removal of the formal reporting stage will prevent the tripping over of the Period 3 and 4 reporting (owing to the summer holiday period with no Cabinet meeting in August) and the clash of the Period 7 reporting with the development and scrutiny of annual budget setting.

5.13 Finance will update the Chair of Scrutiny & Overview Committee, the Leader of the Opposition and Shadow Cabinet Member for Finance 'on request' on the high-level directorate revenue forecast for Periods 4 and 7. The current and proposed timing of reports are shown in the table below:

Table showing current and proposed financial performance reporting

Reporting Month	Current Cabinet Meeting timings	Proposed Cabinet Meeting	Comments
Period 2	September	September	There is usually no Cabinet Meeting in August
Period 3 (Q1)	October	October	
Period 4	October		Propose to cease
Period 5	November	November	
Period 6 (Q2)	December	December	
Period 7	January		Propose to cease
Period 8	February	February	
Period 9 (Q3)	March	March	
Period 10	April 2024 (2023-24) May 2023 (2022-23) June 2025 (2024-25)	May	
Provisional Outturn	July	July	

GENERAL FUND REVENUE BUDGET SUMMARY

5.14 The General Fund revenue budget outturn is forecast at Period 3 to underspend at financial year end by £21.8m, contributing to the target as required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £114.2m.

5.15 All service directorates have been asked to reduce their net expenditure below their budgets so that the annual budget can be balanced with reduced use of capitalisation directions, including achievement of the £27.3m Stabilisation Plan target. It should not be underestimated what a challenge this will be against the background of increased demand pressures which are continuing to build across local government as well as increased market prices.

Table showing the revenue forecasts by Directorate

Directorate	Net Budget (after growth budget allocated) (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)	Prior Month Forecast Variance (£m)	Change in Forecast Variance (£m)
Adult Social Care and Health	194.2	59.1	190.9	**(3.3)**	(1.2)	(2.1)
Assistant Chief Executive	21.1	12.4	20.9	**(0.2)**	(0.2)	-
Children, Young People and Education	160.6	27.8	161.3	**0.7**	0.1	0.6
Housing	52.0	(3.8)	51.9	**(0.1)**	-	(0.1)
Resources	17.8	45.0	17.2	**(0.6)**	(0.6)	-
Sustainable Communities, Regeneration & Economic Recovery	75.2	13.0	74.6	**(0.6)**	(0.6)	-
Subtotal Service Directorates	**520.9**	**153.5**	**516.8**	**(4.1)**	**(2.5)**	**(1.6)**
Corporate Items and Funding	(145.1)	(27.0)	(162.8)	**(17.7)**	(14.0)	(3.7)
Total Net Expenditure	**375.8**	**126.5**	**354.0**	**(21.8)**	**(16.5)**	**(5.3)**

5.16 The Council continues to build on the improvements in financial management that were made in recent years. However, the Council is still on a journey of improvement, which is fully recognised within the organisation.

5.17 A financial assurance process and independent challenge of expenditure and income takes place. This is in addition to Cabinet and Scrutiny & Overview Committee review. The assurance meetings 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, and ensure that savings are delivered and income targets are met. The meetings ensure the Council is doing all it can at a local level to reduce overspends and deliver a balanced budget.

Stabilisation Plan

5.18 The Executive Mayor and Cabinet approved the Stabilisation Plan at the Cabinet Meeting on 25 June 2025.

5.19 The Plan supports the recommendation agreed by Full Council that £25m of growth funding in 2025-26 would be held back and only used if necessary. The actions set out in the Plan should enable £25m of Exceptional Financial Support to remain unused, offsetting £16m growth budget for three services (as well as not using £9m of non-pay inflation budget). The Stabilisation Plan stretched target is £27.3m of unused capitalisation directions.

Table showing the current Stabilisation Plan actions

Action	Lead Directorate	Target (£m)	Forecast evidenced to date (£m)	Status
Non-pay inflation budget not used	Corporate	9.000	9.000	On track
Pay inflation not used	Corporate	-	3.686	Completed
Risk contingency budget not used	Corporate	5.000	5.000	On track
Overall Housing target (detail below)	Housing	3.940	0.100	Amber
General Needs allocation to TA	*Housing*	*2.100*		
Reduce TA placements from 25% to 20% of presentations	*Housing*	*1.200*		
Accelerate House Buying Process for homeless families	*Housing*	*0.350*		
Introduce more Out of Borough private sector placements	*Housing*	*0.290*		
Accelerate Target Operating Model Programme	Corporate	3.700		Red
In year savings overachievement, cost reductions and income generation (detail below of directorate underspends above specific actions)	Corporate	3.000	2.500	Amber
Forecast underspend above ALI programme	*ASCH*		*2.900*	
Forecast underspend above Access Croydon	*ACE*		*0.100*	
Forecast underspend	*CYPE*		*(0.700)*	
Forecast underspend above BWH floor maximisation	*Resources*		*0.600*	
Forecast underspend above parking income	*SCRER*		*(0.400)*	
Forecast underspend above inflation & risk budgets	*Corporate*		*-*	
Increased parking income	SCRER	1.000	1.000	On Track
Maximise floor occupancy BWH	Resources	0.500	-	Red
Disabled Facilities Grant maximisation	Housing	0.500	0.529	Completed
Accelerate Adults Living Independently (ALI) Programme	ASCH	0.400	0.400	On Track
Access Croydon	ACE	0.111	0.111	Completed
Open Precious House (previously Angel Lodge) children's home	CYPE	0.100	0.038	Amber
Capital programme reduction (£1.5m removed from 2025-26 and £500k deferred to 2026-27)	Corporate	0.050	0.050	Completed
	Total	**27.301**	**22.414**	

Key: Completed = Actioned and achievement figure will not change during the year.
On Track = Current forecast is that the target will be met in full or over-achieved.
Amber = Current forecast is that the target will be partially met.
Red = Forecast achievement has not been evidenced to date.

5.20 The Stabilisation Plan included a target aiming to achieve the Precious House MTFS savings earlier than 2026-28. Whilst the Council has successfully procured the care provider contract and the provider has had staff available from July, the opening of the children's care home is dependent on Ofsted being able to complete the registration process in a timely manner. At the time of writing this report, the Council is still awaiting registration approval. If this is delayed beyond the beginning of October, then this Stabilisation Plan target will not be deliverable.

DIRECTORATE VARIANCES

ADULT SOCIAL CARE AND HEALTH (ASCH)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care Operations	172.7	52.7	170.8	(1.9)
Adult Strategic Commissioning, Policy & Improvement	18.9	5.8	17.6	(1.3)
Central ASCH	2.6	0.6	2.5	(0.1)
Total ASCH	**194.2**	**59.1**	**190.9**	**(3.3)**
Public Health Grant Ringfenced Services *(note 1)*	**-**	**(5.7)**	**-**	**-**

Note 1: The negative actuals to date are high in Public Health owing to grant income received early in the year, with expenditure still to come in later months.

5.21 At period 3, the ASCH directorate has a forecast underspend of £3.3m (1.7%) against the budget of £194.2m.

Table showing Adult Social Care forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)
Redbridge[1]	18.5
Lambeth[2]	8.0
Haringey[3]	7.6
Enfield[4]	3.7
Ealing[5]	Breakeven
Merton[6]	Breakeven
Westminster[7]	Breakeven
Lewisham[8]	(2.5)

[1] Budgetary Control Report for Quarter 1 2025/26 Cabinet - Thursday, 11th September, 2025 7.00 p.m.

[2] Quarter 1 Financial Performance Report 2025-26 Agenda for Cabinet on Monday 22 September 2025, 5.00 pm | Lambeth Council

[3] 2025/26 Finance Update Q1 Agenda for Cabinet on Tuesday, 16th September, 2025, 6.30 pm | Haringey Council

[4] 2025/26 Quarter 1 Revenue and Capital Monitoring Report Agenda for Cabinet on Wednesday, 10th September, 2025, 7.00 pm | Enfield Council

[5] Q1 2025/26 Budget Update Agenda for Cabinet on Wednesday, 3 September 2025, 5.00 pm

[6] Period 3 Financial Monitoring Report Agenda for Cabinet on Monday 22 September 2025, 7.15 pm - Merton Council

[7] Q1 Finance Monitor Agenda for Audit and Performance Committee on Thursday 4th September, 2025, 6.30 pm | Westminster City Council

[8] Period 4 Financial Monitoring Report Lewisham Council - Agenda for Mayor and Cabinet on Wednesday, 10th September, 2025, 6.00 pm

5.22 The ASCH Directorate is forecast to deliver the savings target of £5.0m in 2025-26, delivered primarily through the Adults Living Independently (ALI) programme. In addition a further £0.4m will be achieved as part of the ALI programme as a contribution toward the stabilisation plan.

<u>Adult Social Care Operations - forecast underspend of £1.9m after application of growth budget</u>

5.23 Across the service areas, and after the application of growth budgets, care packages and placements are forecast to overspend by £0.5m. The services currently forecasting an overspend are developing plans to bring the budgets into a balanced position. Other service areas are forecasting underspends, including from periods of staffing vacancy.

5.24 The demand and levels of need from acute hospitals continues to be high. Croydon University Hospital are operating at bed capacity of nearly 99% and have high numbers each day awaiting admission from urgent treatment centres and emergency departments. This is a similar position across South West London boroughs and acute hospitals. The integration of health and social care services via the Discharge Transformation Programme is crucial to address these challenges effectively and ensure residents receive care and support via the correct discharge pathways that support enablement/reablement. This includes increasing/re-modelling the current intermediate care bed service, improving our reablement service and ensuring that all residents have access to community health services.

5.25 Increased demand for care particularly for older people, but also in working age, is creating ongoing budgetary pressure which we are seeking to mitigate through the initiatives underway as part of the ALI programme. In addition, in this financial year, contract reprovisioning has been required owing to quality concerns in respect of a significant provider of services.

5.26 In recent years, the country, London and Croydon have experienced market pressures over and above the amount it awarded the care market for inflationary cost pressures. Some of this is being driven by growth in the 'replacement cost' of placements. This is a situation where, over time, the cost of new care placements are higher than the cost of a recently closed placement that it was effectively replacing. The amount they are higher by is greater than the levels of inflation that have been awarded to the older existing packages of care.

5.27 To mitigate the impact of these in year market cost pressures, negotiations have been taking place with key suppliers to agree placement costs for this financial year with the aim of significantly reducing the level of market pressure inflation required.

Adult Social Care Commissioning, Policy and Improvement - forecast underspend of £1.3m after application of growth budget

5.28 The Commissioning, Policy and Improvement division is forecasting an underspend of £1.3m, after application of inflation budget, owing to overachievement of income (£0.8m), underspend on contracts (£0.2m) and periods of staffing vacancy (£0.3m). However, additional staffing may be required for the mobilisation of the PFI Care Homes re-procurement and development of intermediate care bed capacity.

Public Health Division - breakeven position in ringfenced grant after movement in reserves

5.29 A forecast breakeven position for Public Health after forecast drawdown of £4.1m from ringfenced Public Health reserves.

5.30 Risks

- Risks continue in the adult social care provider market from inflation including higher labour, fuel and property costs which may result in claims for increased fees and/or financial instability with the potential for 'handing back' contracts. The potential reprovisioning costs if providers exit the market could be significant.
- Failure of care providers to maintain required Quality Care Commission standards resulting in care needing to be reprovisioned.
- The directorate has previously seen a significant increase in new care costs for older adults. Work with the provider market is well underway to agree in year costs to minimise the impact of this pressure.
- Pressure is also being experienced in homecare. However, this relates to increases in demand rather than increased unit costs.
- Risk from the potential impact of NHS savings and the remodelling of Integrated Care Boards (ICBs) from the 10 years NHS plan.

5.31 Opportunities

- Savings achievement will continue to support the forecast outturn for the ASCH directorate.
- The service will ensure the use of grant funding is applied within the grant conditions and to maximise the mitigating effect on revenue expenditure.

ASSISTANT CHIEF EXECUTIVE (ACE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Policy, Programmes and Performance	1.5	1.4	1.4	(0.1)
Elections Service	0.4	0.6	0.4	-
Croydon Digital	4.1	5.0	4.3	0.2
Chief People Officer	(0.2)	1.1	(0.2)	-
Central ACE	15.3	4.3	15.0	(0.3)
Total Assistant Chief Executive	**21.1**	**12.4**	**20.9**	**(0.2)**

5.32 At period 3, the ACE directorate has a forecast underspend of £0.2m (0.9%) against the budget of £21.1m.

<u>Policy, Programmes & Performance Division - forecast underspend of £0.1m</u>

5.33 The division has a forecast underspend owing to the implementation of staffing vacancy efficiencies. These vacancies are being held to accommodate the Integrated Shared Services Target Operating Model.

<u>Croydon Digital Division – forecast overspend of £0.2m</u>

5.34 The division has a forecast overspend owing mainly to £0.3m pressure on the Information Management transition project, partially offset by a £0.1m forecast underspend in contracts. The Information Management transition project expenditure is also offset by the Concessionary Travel underspend within the Central ACE division.

<u>Chief People Officer Division – forecast breakeven position</u>

5.35 The Chief People Officer Division is reporting a breakeven position against budget. There is a £0.1m MTFS saving on staffing which will be achieved from 1 April 2026 when the Oracle Time and Labour module is fully implemented and reductions in payroll staffing will occur. In 2025-26 this pressure is being offset by the Learning and Development Service.

<u>Central Assistant Chief Executive - forecast underspend of £0.3m</u>

5.36 The forecast underspend is mainly relating to Concessionary Travel (£0.4m) owing to reduced concessionary travel recharged from Transport for London. There is a further underspend of £0.1m in the Resident Contact Centre resulting from the Stabilisation Plan action regarding Access Croydon. These underspends mitigate a £0.2m MTFS Saving on Review of contracts and the Information Management transition project pressure mentioned above under Croydon Digital. Further work is underway to achieve the contract savings.

Risks

5.37 Croydon Digital Services Restructure - the service is affected by the lower supply and higher demand in the IT recruitment market.

5.38 The cost of IT assets - this risk is being mitigated through an automated process being developed, aligned to improvements in Oracle establishment management.

5.39 Filming income - the film income achievement is challenging to profile, as securing a major production can quickly shift the financial picture. The service is working to drive activity through proactive contract management to maximise income opportunities.

5.40 Stabilisation Plan - there is a risk that transformation projects cannot provide earlier delivery of savings than the timing set in the MTFS. However, there is potential to deliver higher transformation savings in total over the time of the programme.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	113.5	20.9	112.1	(1.4)
Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Experienced Young People	0.2	1.1	2.2	2.0
Asylum Seekers and Homes for Ukraine	0.2	(0.4)	0.2	-
Quality, Commissioning and Performance Improvement	9.4	2.0	9.5	0.1
Non-DSG Education Services	37.3	4.1	37.3	-
Central CYPE	-	0.1	-	-
Total CYPE	**160.6**	**27.8**	**161.3**	**0.7**

Dedicated Schools Grant (DSG) High Needs Education Services	87.0	51.1	92.0	5.0
Dedicated Schools Grant (DSG) Early Years Block	72.5	21.3	72.5	-

Note 1: The actuals to date are high in the DSG areas owing to grant income yet to be allocated to cost centres.

General Fund

5.41 At period 3, the CYPE directorate has a General Fund forecast overspend of £0.7m (0.4%) against the budget of £160.6m.

Table showing Children's Social Care forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)
Ealing[5]	8.3
Haringey[3]	4.1
Enfield[4]	3.5
Westminster[7]	3.3
Merton[6]	3.1
Redbridge[1]	2.8
Lambeth[2]	2.5
Lewisham[8]	Breakeven

Children's Social Care Division (including UASC and UASC Care Experienced Young People) - forecast overspend of £0.6m after application of £7.0m centrally held growth budget

Staffing

5.42 Forecast overspend of £0.6m against salary budgets.

5.43 Work has taken place across the service to ensure staffing structures reflect current demand, whilst maintaining safe caseload levels. The new structure is being implemented in 2025-26 to bring spend in line with staffing budgets.

5.44 The forecast overspend includes the review of youth engagement services, which has been implemented in 2025-26. The full-year savings effect of the changes will be achieved in 2026-27.

Placements

5.45 Significant growth was added into this budget area for 2025-26 to address the demand needs related to placement costs. Volatility remains a challenge and high cost placements have a disproportionate impact on overall placement spend. The current highest placement cost is £16,000 per week (£834,000 per year).

5.46 Initiatives are underway to mitigate the market volatility. These include:

- Development of Council owned children's homes - Croydon is developing children's homes and supported accommodation provision within the borough, which we own or have nomination rights for, to help manage the impact of high cost placements and ensure a clear pathway for care experienced young people.

- Market engagement and exploring block contracting - this will help to stabilise costs and address the challenge of in borough provision being used by other councils.

- Development of specialist foster carers.

5.47 These initiatives represent a comprehensive, proactive approach to managing current budget challenges whilst establishing a long-term sustainable approach for placements moving forward. This will contribute towards the achievement of the MTFS and Stabilisation Plan savings. Progress against these targets will be closely monitored through the year.

5.48 Whilst we are currently forecasting an in year saving from Precious House, this is dependent on Ofsted completing the registration process. If this is delayed further than 1st October this will become a cost pressure.

5.49 Croydon has set up a cross London group for children's finance leads, which sits under the London Deputy Treasurers Group. This group is carrying out benchmarking of placement costs across London peers.

Unaccompanied Asylum-Seeking Children (UASC)

5.50 The current funding model is not adequate to cover the costs of UASC, especially as the number of care experienced young people continues to rise. Based on current numbers, taking into account the reduction in grant once young people turn 18 years old, an overspend of c£2m is currently forecast.

5.51 Work is underway to review those that are deemed non-grant claimable, to ensure we are maximising all possible funding streams and providing the best outcomes for this cohort.

Quality, Commissioning and Performance Improvement Division – forecast overspend of £0.1m

5.52 There is a forecast staffing overspend of £0.1m in this division owing to not being able to implement efficiencies in recording child protection meetings. The Metropolitan Police have stated that their policy is that they will not engage in meetings that discuss confidential information where Artificial Intelligence (AI) transcription is used. This includes the Magic Notes software which is used by Croydon.

Non-Dedicated Schools Grant (DSG) Education services – forecast breakeven

5.53 Home to school travel assistance for children with special educational needs and disabilities (SEND) is a national pressure. Croydon, like many other boroughs, experienced significant financial pressures in 2024-25 as a result of the growing number of SEND pupils requiring travel assistance.

5.54 Following significant growth budget being allocated to this area for 2025-26 to address the increase in demand, a breakeven position is forecast. This will be carefully monitored through the year and there will be a clearer idea of the number of pupils and their related costs after the new academic year commences in September 2025.

Table showing SEND travel assistance forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)
Lambeth[2]	2.4
Ealing[5]	1.1
Enfield[4]	0.3
Lewisham[8]	Breakeven
Westminster[7]	(0.4)

Dedicated Schools Grant (DSG)

DSG High Needs education services – forecast overspend of £5.0m

5.55 At period 3, the DSG high needs block has a forecast overspend of £5.0m (5.7%) against a budget of £87.0m.

Table showing Dedicated Schools Grant forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)
Merton[6]	12.3
Ealing[5]	10.3
Lambeth[2]	4.7
Enfield[4]	3.0
Haringey[3]	3.0
Lewisham[8]	2.5

5.56 The adverse variance is above the performance target set by the Department of Education (DfE) Safety Valve Team as part of the approved Deficit Recovery Plan and reflects the increase in SEND demand being experienced locally and nationally. The DfE published statistics[9] on 26 June 2025 that demonstrate a 10.8% national increase in the number of Education, Health and Care Plans (EHCPs) from January 2024 to January 2025.

5.57 The main areas of overspend are owing to the following factors:

- overspends in independent placements and Out of Borough placements, owing to a significant increase in demand with limited places available locally. The cost per placement of these provisions is significantly higher. The service is working with our special and mainstream schools to expand local provision and placement options.

[9] Education, health and care plans, Reporting year 2025 - Explore education statistics - GOV.UK

- more placements of pupils in mainstream schools owing to increase in demand above the budgeted amount. This growth is, however, expected as part of the High Needs strategy to place more pupils in mainstream provisions and the use of the Cluster of Schools model. The cost per placement of these provisions has stayed the same, as the banding rates have remained unchanged over the last few years.
- significant demand for speech and language therapy provision outside the current main contract with health.
- increased number of complex cases, which the local authority has agreed to fund under a separate pathway, to prevent placement at out of borough and independent provisions.

5.58 The main favourable variances, partially offsetting overspends, are owing to the following factors:

- extra grant from the Schools Block to the High Needs Block as part of the approved Schools Forum and DfE disapplication request.
- DSG grant set aside to support the DSG High Needs Transformation strategy and staffing underspend.

5.59 The Safety Valve programme is aimed at reducing the deficit ahead of the 2026-27 target date, however, this has become increasingly difficult with the growth in SEND demand.

DSG Early Years Block – forecast breakeven position

5.60 At period 3, the Early Years Block has a forecast breakeven position against a budget of £72.5m.

Risks

Home to School Travel Assistance

5.61 Once the new academic year commences in September we will have a clearer idea of how many pupils need travel assistance and the associated cost. Activity and unit costs will be closely tracked through the year.

Precious House

5.62 Earlier achievement in 2025-26 of future MTFS savings, as part of the Stabilisation Plan, is directly linked to completion of the Ofsted registration process. Ofsted have been asked to prioritise the registration.

Dedicated Schools Grant (DSG)

5.63 The "high needs pressures" within the DSG refers to the growing financial strain on local authorities in England to meet the needs of children and young people with special educational needs and disabilities (SEND). This pressure stems from increased demand for services, rising costs of specialist placements, and complexities in diagnosis and support. Croydon has an overall deficit owing to pressures within this area and are subject to a safety valve agreement to manage this deficit position. Work is ongoing to establish the scale of the pressure going into the new academic year in September and also to resolve some historical payment queries arising from system issues.

Opportunities

5.64 Transformation projects are underway which will generate savings. There is an expectation within the forecast that any associated costs will either be covered by in-year savings or funded through transformation. Bids are in the process of being compiled to demonstrate the anticipated savings. Once quantified, both the costs and savings will need to be factored into the forecast taking into account the phasing of savings over multiple years.

HOUSING

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Housing General Fund	52.0	(3.8)	51.9	(0.1)
Total Housing General Fund	**52.0**	**(3.8)**	**51.9**	**(0.1)**

5.65 At period 3, the Housing directorate has a General Fund forecast underspend of £0.1m (0.2%) against the budget of £52.0m.

Table showing Housing General Fund forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)
Lambeth[2]	20.0
Redbridge[1]	18.3
Westminster[7]	13.2
Haringey[3]	11.4
Merton[6]	6.5
Ealing[5]	4.2
Enfield[4]	1.2
Lewisham[8]	Breakeven

5.66 The actuals to date include Homelessness Prevention Grant income paid in advance (£13m), whereas related expenditure for landlord and contractor payments are paid in arrears.

5.67 There is ongoing increased demand within the nightly paid portfolio, in line with the increased activity experienced in the 2024-25 financial year and is consistent with other London boroughs' experiences. London Councils reported the number of homelessness Londoners requiring temporary accommodation reached the highest level ever recorded[10].

5.68 The pressure in temporary accommodation is being managed through prevention work. The service has set, within the Stabilisation Plan, the initiatives to manage the demand of paid accommodation units per month. The service has achieved the net reduction in temporary accommodation placements in the year to date. The forecast spend is based on the reduced level of activity being maintained for the remainder of the financial year.

5.69 The average cost per night has increased from the prior year end value of £79.52 to £80.88 at Period 3. Work with the sub region to control rates per night has supported a more contained increase in average cost. However, we remain cautious as this has still increased from the Period 2 average value of £80.61 per night. The forecast assumes the average cost per night will continue to rise.

5.70 The forecasting accuracy has improved with the placements income interface from NEC to Oracle successfully implemented and the outputs on both systems are reconciling.

5.71 The ongoing development of the NEC Housing IT system and implementation of additional features continue to strengthen the ability to forecast and refine the data quality and reporting from the system.

Temporary Accommodation Income Pressure

5.72 The Housing Benefit (HB) subsidy received from the Department for Work and Pensions (DWP) for temporary accommodation is frozen at 90% of the Local Housing Allowance (LHA) in 2011 and has not been increased since. This inherent gap between the accommodation costs, which have increased since then, and HB income remains significant for provision of temporary accommodation.

[10] London Councils reporting of the worsening homelessness risk to boroughs' finances [£330m homelessness overspend as housing crisis threatens to bankrupt London boroughs | London Councils – Home]

Risks

5.73 The ongoing reduction in the number of properties available for private rent and supply constraints as landlords exit the market.

Opportunities

5.74 The Housing Service will continue to ensure the use of ringfenced Household Support Fund, Rough Sleeping initiative grants, and asylum seeker & refugee grant funding within the grant terms and to maximise the mitigating effect on General Fund spend. This includes supporting households that are in rent arrears.

5.75 Opportunities such as the acquisition of properties including bulk purchases continue to be investigated. The acquisitions are funded from the use of Right to Buy (RTB) receipts and, as a result of the change in legislation last year, can also use other grants to part fund acquisitions.

RESOURCES

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Property, Procurement and Capital	1.5	5.5	1.2	(0.3)
Finance *(refer note 1)*	11.5	36.0	11.4	(0.1)
Legal Services and Monitoring Officer	3.8	1.2	3.8	-
Insurance, Anti-Fraud and Risk	1.0	1.6	0.9	(0.1)
Internal Audit Service	-	0.2	-	-
Pensions and Treasury Management	-	0.4	(0.1)	(0.1)
Central Resources	-	0.1	-	-
Total Resources	**17.8**	**45.0**	**17.2**	**(0.6)**

Note 1: The actuals to date are high in the Finance Division owing to Housing Benefits expenditure which will be reimbursed through DWP funding.

5.76 At period 3, the Resources directorate has a forecast underspend of £0.6m (3.4%) against the budget of £17.8m.

<u>Property, Procurement and Capital Division – forecast underspend of £0.3m</u>

5.77 The Division is forecasting a £0.3m underspend in utilities, including recovery of schools' utilities costs. There is a £0.2m forecast pressure in advertising income being offset through extra rental income.

Finance Division – forecast underspend of £0.1m

5.78 Forecast underspend owing to staffing vacancies and extra income (land charges and street naming, and court cost income) in the Payments, Revenues, Benefits and Debt service. This is being partially offset by a forecast staffing overspend in Strategic Finance owing to temporarily increased agency staffing to work through historic accounting issues, including the prior years' accounts, and the 2024-25 external audit.

5.79 The Finance Division holds the Improvement Costs cost centre which has a £0.6m budget. This funded the cost of the Improvement and Assurance Panel up to July and now funds the cost of the four Commissioners appointed by MHCLG to support the Council in meeting its Best Value Duty. The level of cost incurred in 2025-26 will depend on the number of days worked by the Commissioners, however, it is currently expected that the costs will be contained within the £0.6m budget.

Insurance, Anti-Fraud and Risk Service - forecast underspend of £0.1m

5.80 There is a forecast underspend owing to periods of staffing vacancies.

Pensions and Treasury Management - forecast underspend of £0.1m

5.81 The Treasury Management service is forecasting an underspend in staffing and non-pay expenditure budgets.

Risks

5.82 There is a risk in the Property, Procurement and Capital Division in relation to potential increased cost of energy owing to market fluctuations.

5.83 Increase in cost of external audit fees. An earmarked reserve is being used to offset extra short-term costs above budget in 2025-26, estimated as a £0.4m overspend pressure. An increase in the annual budget will be required in the longer term.

Opportunities

5.84 Potential increased recovery in year for utility costs incurred by the Council, above the £0.3m estimate already included in the forecast above.

SUSTAINABLE COMMUNITIES, REGENERATION & ECONOMIC RECOVERY (SCRER)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Streets and Environment	55.0	7.5	54.3	(0.7)
Culture and Community Safety	12.0	1.9	11.7	(0.3)
Planning & Sustainable Regeneration	7.5	3.4	7.9	0.4
Central SCRER	0.7	0.2	0.7	-
Total SCRER	**75.2**	**13.0**	**74.6**	**(0.6)**

5.85 At period 3, the SCRER directorate has a forecast underspend of £0.6m (0.8%) against the budget of £75.2m.

Streets and Environment Division - forecast underspend of £0.7m

5.86 Parking is forecasting a favourable income variance of £1m owing to the London-wide Penalty Charge Notice (PCN) increase for 2025-26, new Key Performance Indicators (KPIs) for enforcement of warrants and procuring a new digital debt recovery agency for aged debts.

5.87 There is a net forecast overspend of £0.3m across the remaining areas of the division, mainly in Parks Services and Adult Travel Assistance.

Culture and Community Safety Division - forecast underspend of £0.3m

5.88 The division is forecasting an underspend of £0.3m. This is mainly driven by higher income in Bereavement and Registrars (£0.2m), and periods of staffing vacancy and additional income in Culture, Leisure and Libraries (£0.1m).

Planning and Sustainable Regeneration Division – forecast overspend of £0.4m

5.89 There is a forecast overspend in the division of £0.4m. This is primarily driven by a £0.5m forecast overspend within the Employment, Skills and Economic Development service. This is largely attributable to employee-related costs and rent/facilities management recharges. Mitigation measures for Croydon Adult Learning and Training (CALAT) are being implemented, including maximisation of additional external funding, a recruitment freeze, and a strategic review of staffing, commissioning and premises to reduce costs and support long-term sustainability.

In addition, there is a £0.1m forecast overspend in the Building Control service owing to projected income below the income budget assumption.

These forecast overspends are partially offset by £0.2m of forecast staffing underspend in the Strategic Transport service.

CORPORATE ITEMS AND FUNDING

Area of Spend	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Non-pay Inflation Budget	9.0	-	-	(9.0)
Pay Inflation budget	10.8	-	7.1	(3.7)
Risk Contingency Budget	5.0	-	-	(5.0)
Other corporate items	(169.9)	(27.0)	(169.9)	-
Total Corporate Items and Funding	**(145.1)**	**(27.0)**	**(162.8)**	**(17.7)**

5.90 At period 3, the Corporate directorate has a forecast underspend of £17.7m. The forecast underspend relates to £9.0m of non-pay inflation budget and £3.7m pay inflation budget not required by services, and the non-utilisation of the £5.0m risk contingency budget.

5.91 The corporate area holds funding streams such as Council Tax, retained share of Business Rates and Core Grants. The corporate budget also holds the Council-wide risk contingency budget (£5m) and the budgets for borrowing and interest received.

5.92 Corporate holds the £9m balance of non-pay inflation budget not required by services. It also currently holds the £10.8m pay inflation budget. The 2025-26 national pay award has been agreed at 3.2% by the National Joint Council of employers and trade unions. The cost of this for General Fund services is £7.114m and the budget will be allocated to the service cost centres. The remaining budget of £3.686m in Corporate creates an underspend for the Council.

5.93 The growth budgets originally retained centrally have been allocated out to adult social care (£4.0m), children's social care (£7.0m) and temporary accommodation (£5.0m) to meet the ongoing demand and market price increases that were predicted for the 2025-26 budget and have materialised. The Stabilisation Plan will create underspends which offset this growth budget requirement and, therefore, will reduce the use of exceptional financial support.

5.94 The corporate area funds redundancy, severance and pension strain costs which contribute to achieving General Fund MTFS savings. There may be a pressure in 2025-26 if costs, above those that can be allocated to transformation capital schemes, exceed the budget of £0.6m.

Collection Fund

5.95 The table below shows a summary of the Council Tax annual income estimated in the 2025-26 budget agreed by Full Council in February, the updated billing amount following changes in the Council Tax Base during the year (net collectable debit) and the expected Council Tax net collectable debit at year end.

Total Council Tax income (for Council and Government bodies)	Annual Net Collectible Debit (NCD) at budget setting (£m)	Revised Annual NCD at current period (£m)	Forecast Annual NCD at year end (£m)	Variance Forecast Against Budget (£m)	Variance Forecast Against Budget (%)
Council Tax	350.3	350.0	350.3	-	-

5.96 When the budget was set it was assumed that we would collect 98% of the £350.3m NCD, this is budgeted income equal to £343.3m. The current forecast is collection of 94.26% or £330.1m in this financial year, and £8.4m in Council Tax arrears for previous years, total forecast income collected in 2025-26 of £338.5m. The remaining £4.8m will be collected in future years.

5.97 Council Tax income is collected for the Council, the Greater London Authority (GLA) and to pay levies to the London Pensions Fund Authority (LPFA), Lee Valley Regional Park Authority and the Environment Agency.

5.98 The table below shows the performance to date on collecting Council Tax income.

Council Tax Income Target (NCD) to date (£m)	Council Tax Income Collection to date (£m)	Council Tax Income Target to date (%)	Council Tax Income Collection to date (%)	Council Tax Income Collection to date variance (%)
94.4	93.1	26.98	26.60	(0.38)

5.99 The end of June 2025 collection target is 26.98% and collection to date is 26.60% which is 0.38% behind the target which equates to £1.3m. One contributing factor to the lower collection rate has been delays by the Valuation Office in processing property bandings. This has caused properties to be brought into council tax several months after completion, with bills having to be backdated.

5.100 The Council Tax premiums on empty properties and the introduction of the second homes premium has contributed to lower collection rates. These accounts are typically more difficult to recover owing to absentee ownership and reduced payment compliance. The increase in premium levels has increased arrears among these higher-risk accounts.

5.101 The factors detailed above, combined with broader economic pressures affecting taxpayers' ability to pay, have contributed to the current collection shortfall. There have been 405 more summonses issued this year compared to the same period last year.

5.102 Business Rates income is collected for the Council (retained share), the GLA and the Government. The Business Rates Supplement is collected to fund the Cross-Rail development in London. The Council acts as an administrator for Business Rates with the level of rates for businesses set by the national Valuation Office Agency.

5.103 The table below shows the performance to date on collecting Business Rates income.

Business Rates Income Target (NCD) to date (£m)	Business Rates Income Collection to date (£m)	Business Rates Income Target to date (%)	Business Rates Income Collection to date (%)	Business Rates Income Collection to date variance (%)
42.4	45.5	32.05	34.42	2.37

5.104 The end of June 2025 collection target is 32.05% and collection to date is 34.42% which is 2.37% above the target.

5.105 There is a funding risk in the Collection Fund if the growth in Council Tax properties is not as high as budgeted, and similarly if there is a decline in the number (or level of rates) of Business Rates premises.

5.106 There is also a funding risk in the Collection Fund if cost of living pressures impact the collection of Council Tax and Business Rates income, and/or increase the levels of claimants for Council Tax Support. The impact of the Council Tax increase is partially mitigated through the Council Tax Hardship Fund (supporting low income households that cannot afford to pay their full increase in Council Tax).

Treasury Management

5.107 The table below shows the position on the Council's interest payable on external debt (borrowing) and interest receivable on cash and cash equivalent balances (primarily interest received on immediately accessible money market funds).

General Fund Interest Type	2025-26 Budget (£m)	2025-26 Forecast (£m)	2025-26 Forecast Variance (£m)
Interest payable cost	43.1	43.1	-
Interest receivable income*	(3.0)	(3.0)	-

**Note we are currently assuming 50% of interest receivable is in respect of HRA balances.*

Treasury Investments (Quarter One)

5.108 During the quarter the average investment balances held by the Council were £143.6m, earning interest of £1.6m (a yield of 4.56%). Investments were made in accordance with the Council's Investment Policy included in the Treasury Management Strategy Statement for 2024-25 agreed by Full Council. The Council's investments at 30 June 2025 are detailed in the table below:

Counterparty	Type	Principal (£m)	Start Date	End Date	Interest Rate (%)	Risk Rating
Insight	MMF	20.000			4.31	1
Aberdeen Sterling	MMF	14.550			4.25	1
Blackpool	LA	10.000	30/04/25	30/07/25	4.60	1
Police & Crime Commissioner for Northumbria	LA	10.000	22/05/25	07/07/25	4.30	1
Liverpool City	LA	10.000	07/04/25	07/10/25	4.65	1
Wirral Council	LA	5.000	19/05/25	21/07/25	4.35	1
Cheshire East Council	LA	10.000	07/04/25	07/10/25	4.50	1
Cornwall Council	LA	5.000	25/06/25	25/09/25	4.30	1
Medway Council	LA	10.000	25/04/25	27/10/25	4.50	1
LB Hillingdon	LA	10.000	24/03/25	04/07/25	6.00	1
ANZ Bank	Bank	10.000	10/06/25	10/09/25	4.43	1
Total Investments		**114.550**				

Type acronyms: MMF = Money Market Fund. LA = Local Authority.

5.109 The Council's investments have a risk rating of 1 according to the methodology adopted by our treasury advisers. A score of 1 is the lowest score and indicates an extremely low risk of default.

Table showing maturity structure (liquidity)

Maturity Period (Liquidity)	Percentage of investments
< 1 Month	60.7%
1-3 Months	21.8%
3-6 Months	17.5%
6-9 Months	-

Treasury Borrowing

5.110 During the quarter the Council refinanced £10m of maturing debt from other local authorities with the Public Works Loan Board (PWLB) and £5m of debt was repaid under the General Fund. The level of General Fund external debt decreased to £1,105m with an average interest rate of 3.93% as per the table below:

General Fund External Debt at 30 June 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	973.084	4.12%	17.1
Market Debt	127.000	2.49%	13.1
Other Local Authority	5.000	4.75%	0.2
Total General Fund external debt	**1,105.084**	**3.93%**	**16.7**

5.111 The following table shows the position of Housing Revenue Account (HRA) external debt:

HRA External Debt at 30 June 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	349.5	3.64%	18.8
Total HRA external debt	**349.5**	**3.64%**	**18.8**

Transformation Programme (non-capital)

5.112 The Transformation Programme (non-capital) has £2.741m earmarked reserve which can be used to support the Transformation Plan 2025-26. The earmarked reserve was the result of the closedown, at the end of 2024-25, of the Corporate Improvement Plan and clawback of all unspent budget allocations. There are a number of one-off financial commitments which the Corporate Director of Resources (S151 Officer) is reviewing and may approve for funding from this reserve. Those currently approved are set out in the table below. The revenue base budget for the Transformation Management Office is £1.1m.

Transformation Programme (non-capital) Allocations

Project	Detail	Lead Directorate	2025-26 Allocation (£m)
Opening Balance at 1/4/25			**2.741**
Procurement and Contract Management Improvement Project 2025-26	Original funding was approved until 31/7/25	Resources	0.292
Adults Living Independently	Business Intelligence Strategic Lead	ASCH	0.079
Planning and Sustainable Regeneration Transformation	Develop transformation plan for Planning and Sustainable Regeneration	SCRER	0.140
Unallocated to date			**2.230**

5.113 The main transformation plan investment in 2025-26 is through the capital projects listed below which feature in the General Fund Capital Programme reported later in this report.

- ASCH - Adults Living Independently Programme (Strategic Operating Model)
- CYPE - Strategic Operating Model for CYPE
- Oracle Improvement Programme
- Corporate-wide projects:
    - TOM - Improving Payments
    - TOM - Digital Operating Model
    - TOM - Unified Front Door
    - TOM - Information, Advice & Guidance
    - TOM - Predictive Analytics & Prevention
    - TOM - Recommissioning contracts with a local focus
    - TOM - Commercial Excellence
    - TOM - Integrated Shared Services
    - TOM - Simpler Organisation
    - TOM - Strategic Delivery Support

Savings

5.114 The 2025-26 budgets include a challenging new MTFS savings target of £21.8m. Together with slippage of £3.3m from 2024-25, the total savings target is £25.1m. The forecast achievement of savings is £21.3m (84.9%). Directorates have identified risks to achievement of individual savings and have made plans to mitigate these risks, or identify alternative savings, if possible.

5.115 The new MTFS savings target of £21.821m includes the £21.705m savings shown in the Full Council Budget Meeting schedule plus the £0.116m extra contracts saving agreed through the budget amendment.

Table showing 2025-26 forecast savings achievement by directorate

Directorate	2025-26 Savings target £000's	Slippage from previous year £000's	Revised savings target £000's	Forecast savings achievable £000's	Savings slippage £000's	Not yet evidenced or (over delivery) £000's
Adult Social Care & Health	4,975	-	4,975	4,975	-	-
Assistant Chief Executive	1,032	500	1,532	1,216	200	116
Children, Young People & Education	3,734	649	4,383	3,550	149	684
Housing	634	-	634	634	-	-
Resources	2,230	100	2,330	1,980	350	-
Sustainable Communities (SCRER)	3,191	334	3,525	3,385	140	-
Cross-Directorate / Corporate	6,025	1,750	7,775	5,609	-	2,166
Total	**21,821**	**3,333**	**25,154**	**21,349**	**839**	**2,966**

Savings achievement not yet evidenced

5.116 Assistant Chief Executive: The achievement of Human Resources and Organisation Development savings of £0.1m are delayed until 2026-27 when the Oracle Time and Labour module is fully implemented and reductions in payroll staffing will occur.

5.117 The workforce restructure saving in Croydon Digital Services of £0.5m is linked to the End User Service re-procurement and subsequent service transformation. £0.3m is achieved in 2025-26 through the expiry of the contract extension, with a further full-year effect of £0.1m achievable in 2026-27. The service is currently working on permanently identifying the £0.1m balance of the savings, however, has implemented efficiencies in 2025-26 non-pay expenditure to offset the savings delay.

5.118 The Film Office income generation saving of £0.016m is not yet evidenced. The film income achievement is challenging to profile, as securing a major production can quickly shift the financial picture. The service is working to drive activity through proactive contract management to maximise income opportunities.

5.119 Children, Young People & Education: The £0.149m slippage relates to the timing of changes in 2025-26 relating to the review of youth engagement services and safeguarding partnership back office support savings. These will be achieved in full in 2026-27 through the full-year effect of changes implemented in 2025-26.

5.120 There are £0.284m savings not yet evidenced relating to “Calleydown - Increasing capacity and reducing respite costs (transformation project)”. Due diligence is underway to review options to achieve this saving.

5.121 There are "NHS Funding" savings of £0.400m not evidenced to date. This relates to funding from the Integrated Care Board (ICB) for packages of care and support and specialist placements. Detailed analysis of the spend on health and care for children in the social care system and in schools was undertaken in 2021-22 to inform a more proportionate allocation of costs across the Council and the NHS. However, it has proved challenging to reach agreement on increased health contribution to placement and care package costs. Benchmarking by Impower in September 2024 evidenced that compared to Croydon receiving no joint funding towards care placements in 2024-25, other London statistical neighbour boroughs (including those in the South West London ICB area) do receive joint funding income.

5.122 Resources: There is potential savings slippage of £0.350m. The "Increasing advertising income from Council assets and property" saving of £0.100m is being offset in 2025-26 through increased rental income. The achievement of the "Reduction in legal demand including reduced use of external legal advice" saving of £0.250m is dependent on the level of legal casework across the Council and will be monitored through the year.

5.123 SCRER: All savings are on track to be fully delivered. There is risk of slippage on the 'Proactive marketing & use of council maintained green spaces for public events' saving of £0.140m. The Streets & Environment and Planning teams are liaising around the number of days that events can be held in parks.

5.124 Cross-Directorate: There are £2.166m savings that have not been evidenced to date. These will be delivered through the transformation projects that are underway:

- Target Operating Model (TOM) - Digital Operating Model project £1.800m. This includes the "Customer access (council wide)" saving of £1.500m slipped from 2024-25.
- TOM - Simplifying the Organisation project £0.250m. This consists of the "Consider new structures through layers and spans review" saving slipped from 2024-25.
- TOM - Commercial Excellence project £0.116m. This relates to the extra contract spend saving agreed through the budget amendment at Full Council in February 2025.

Reserves

5.125 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2025-26. General Fund balances serve as a cushion should any overspend remain at the end of 2025-26. The use of General Fund balances to support the budget is not a permanent solution and must be replenished back to a prudent level in subsequent years if used.

5.126 The current forecast position for the Council utilises £1.249m of Collection Fund earmarked reserves (as agreed by Full Council in the budget to fund the prior year Collection Fund deficit) and utilises up to £2.741m of transformation earmarked reserves carried forward from 2024-25. These earmarked reserves do not impact the General Fund balances.

5.127 The following table shows the current earmarked revenue reserves and forecast changes in 2025-26:

Earmarked Revenue Reserve	Service Area	Balance at 1/4/25 (£m)	Forecast Change (£m)	Forecast Balance at 31/3/26 (£m)
General Fund Balances	Corporate	27.5	-	27.5
Collection Fund (Council Tax and Business Rates)	Corporate	16.8	(1.2)	15.6
Business Risk	Corporate	8.5	-	8.5
Financial Improvement	Corporate	3.4	(0.4)	3.0
Transformation	Corporate	2.7	(2.7)	-
Insurance	Resources	2.9	-	2.9
Growth Zone	SCRER	30.0	(8.7)	21.3
Borough CIL – Local Meaningful Proportion	SCRER	5.1	(3.0)	2.1
Indemnity Land and Transfer Agreement (ILTA)	SCRER	2.4	(1.6)	0.8
Street Lighting PFI	SCRER	7.8	(0.6)	7.2
Public Health Grant	ASCH	12.5	(4.1)	8.4
Dedicated Schools Grant (DSG) *(please note comments below table)*	CYPE	9.9	-	9.9
Homes for Ukraine - Tariff Grant	CYPE	4.0	(1.1)	2.9
Other earmarked revenue reserves (under £2m)	Various	22.4	-	22.4
Total General Fund Earmarked Revenue Reserves		**155.9**	**(23.4)**	**132.5**
Balances held by schools	CYPE	5.4	-	5.4
Housing Revenue Account (HRA) reserves	Housing	28.7	(12.5)	16.2

5.128 The accounting treatment for the Dedicated Schools Grant dictates that prior year surpluses need to be held in a DSG reserve as above. However, where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in a DSG adjustment account. This is commonly known as the DSG statutory override and the Government has indicated its intention to extend this until the end of 2027-28.

5.129 The deficit balance on the DSG adjustment account at 31/3/25 was £22.7m. The net effect of the adjustment account and reserve is a deficit of £12.8m at 31/3/25.

HOUSING REVENUE ACCOUNT (HRA)

5.130 At period 3, the HRA is forecasting a breakeven position. Cost controls in the responsive repairs service are key to ensuring the budget remains on track. Demand and job volume activity are closely monitored.

5.131 Staffing: The Housing Assets & Repairs division and Housing Tenancy division are under consultation with staff on their respective restructures. Amendments to existing budget allocations within the overall Housing Directorate may be required following the outcomes of those consultations.

Table showing 2025-26 HRA revenue budget and forecast

	Net Budget (£m)	**Actuals to Date (£m)**	**Forecast (£m)**	**Forecast Variance (£m)**
Rental Income	(90.3)	(21.6)	(90.3)	-
Service Charge Income	(7.2)	(2.3)	(7.2)	-
Other Income	(4.7)	(0.6)	(4.7)	-
Subtotal Income	**(102.2)**	**(24.5)**	**(102.2)**	**-**
Responsive Repairs & Safety (Works)	29.3	4.2	29.3	-
Responsive Repairs & Safety (Non-works)	8.5	0.6	8.5	-
Asset Planning & Capital Delivery	3.4	0.3	3.4	-
Tenancy & Resident Engagement	9.2	0.3	9.2	-
Tenant Support Services	6.6	0.2	6.6	-
Housing Compliance & Transformation	3.5	0.5	3.5	-
Regeneration	1.4	0.1	1.4	-
Regina Road	0.5	-	0.5	-
Centralised Directorate Expenditure	5.1	0.1	5.1	-
Corporate Overheads (SERCOP)	4.6	-	4.6	-
Housing Capital Charges	30.1	-	30.1	-
Subtotal Expenditure	**102.2**	**6.3**	**102.2**	**-**
Total HRA Net Expenditure	**-**	**(18.2)**	**-**	**-**

Note 1: The actuals contain repair costs yet to be capitalised (but allowed for in the forecast).
Note 2: No actuals for Housing Capital Charges have been posted as these journals are processed at year end.

Risks

Damp and Mould

5.132 The impact of the legislative changes with Awaab's Law coming into effect from 27 October 2025 will be monitored. As a landlord the Council must address damp, mould and emergency hazards within strict timeframes to ensure tenant safety.

Disrepair

5.133 This area remains a concern as the Council is dealing with a significant number of disrepair claims.

Capital Programme and Financial Sustainability

5.134 The Capital strategy and programme was approved by Council in February 2025. With £1.4bn of General Fund debt and an environment of higher interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, continues to be essential to mitigate rising cost pressures, reduce the speed of increases to the overall debt burden and help the Council to balance its books.

5.135 The strategy reflects the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI) issued in October 2020 and January 2022. The Council understands that the improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.

5.136 Concerns were highlighted regarding value for money and investment decisions as the Council has incurred debt in investing in assets which have not retained their value and, therefore, the level of debt exceeds the value of the investment assets, e.g. Fairfield Halls, Croydon Park Hotel and the Colonnades. This includes the debt write-off against loans historically given to Brick By Brick.

5.137 In the three years between 2017-20 the Council borrowed £545m with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the Council exposed to current higher interest rates. The debt is anticipated to be refinanced in 2025 onwards and, therefore, likely to drive significant increases in annual repayment levels.

5.138 Over £70m is required to service debt in 2025-26 from the General Fund which represents around 19% of the Council's net budget. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority. The Council's historic legacy borrowing and debt burden is, therefore, critical to the non-sustainability of the Council's revenue budget.

5.139 The Council concluded that the expenditure it is anticipated to incur in each year of the period of 2025-29 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further Government assistance will not be possible. The Council's 2025-26 budget required capitalisation directions from Government of £136m to balance and the 2025-29 MTFS demonstrates a growing estimated budget gap which could reach £203m by 2028-29.

5.140 It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden (each £1m of capitalisation adds circa £85k per annum revenue cost). Also capital receipts from the Asset Disposal Strategy are no longer sufficient to cover the capitalisation directions and, therefore, the Council's debt is increasing at an ever faster pace. Therefore, a request was made to MHCLG in January 2023 for Government funding to write-off £540m of the Council's General Fund debt.

General Fund Capital Programme

5.141 The 2025-26 revised General Fund capital budget (including changes agreed in the Period 2 report) is £281.9m. The capital budget includes capitalisation directions of £136.0m.

5.142 The Executive Mayor and Cabinet are asked through this report to approve the various additions, virements and re-profiling across years as detailed in the table below, which in total comprise a net budget decrease to the 2025-26 General Fund capital programme of £6.035m.

5.143 At period 3, the General Fund capital programme has a forecast underspend of £27.3m (9.9%) against the revised budget (including changes to be agreed through this report) of £275.9m. The expected decrease in capitalisation direction usage owing to the Stabilisation Plan accounts for the £27.3m forecast underspend.

Table showing 2025-26 General Fund Capital Programme budget and forecast

General Fund Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Changes (to be approved in this report) (£000's)	2025-26 Revised Budget (to be approved in this report) (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Network Refresh	1,166	-	1,166	14	1,166	-
Tech Refresh	112	-	112	29	112	-
Laptop Refresh and Re-imaging	165	259	424	135	424	-
Cloud and Disaster Recovery	616	-	616	16	616	-
Synergy Education System	85	135	220	(22)	220	-
NEC Housing System Phase 1	108	-	108	(61)	108	-
Public Switched Telephone Network Digital Migration Phase 1	240	-	240	29	240	-
Windows 2016 Server Upgrades	680	-	680	-	680	-
Subtotal Assistant Chief Executive	**3,172**	**394**	**3,566**	**140**	**3,566**	**-**

General Fund Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Changes (to be approved in this report) (£000's)	2025-26 Revised Budget (to be approved in this report) (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Adults Living Independently Programme (Strategic Operating Model)	5,438	-	5,438	3,003	5,438	-
Subtotal ASCH	**5,438**	**-**	**5,438**	**3,003**	**5,438**	**-**
Samuel Coleridge Taylor Hub	-	25	25	-	25	-
Children Home DFE (Precious House)	190	25	215	119	215	-
Children Home DFE (South Norwood)	-	780	780	-	780	-
Strategic Operating Model for CYPE	2,339	-	2,339	510	2,339	-
Subtotal CYPE	**2,529**	**830**	**3,359**	**629**	**3,359**	**-**
Disabled Facilities Grant	4,112	-	4,112	470	4,112	-
Discharge Temporary Accommodation	16,000	-	16,000	-	16,000	-
NEC Housing System Phase 2	810	-	810	-	810	-
Subtotal Housing	**20,922**	**-**	**20,922**	**470**	**20,922**	**-**
Asset Strategy - Stubbs Mead	146	-	146	-	146	-
Asset Strategy Programme (stock condition surveys)	86	-	86	-	86	-
Clocktower Chillers	358	-	358	15	358	-
Corporate Property Maintenance Programme	1,786	-	1,786	83	1,786	-
Fairfield Halls - Council	1,006	-	1,006	84	1,006	-
Fieldway Cluster (Timebridge Community Centre)	168	-	168	59	168	-
Coroner's Court Relocation	4,560	-	4,560	-	4,560	-
Oracle Improvement Programme	4,143	-	4,143	38	4,143	-
Contingency	1,000	-	1,000	-	1,000	-
Education - Compliance and Fire Safety	865	-	865	69	865	-
Education - Fixed Term Expansions	25	-	25	-	25	-
Education - Major Maintenance	3,175	-	3,175	1,069	3,175	-
Education – Miscellaneous	1,571	-	1,571	-	1,571	-
Education - Permanent Expansion	1,118	-	1,118	-	1,118	-
Education – SEN	5,467	-	5,467	252	5,467	-
NHS Coulsdon - GP Hub	-	4,437	4,437	-	4,437	-
Subtotal Resources	**25,474**	**4,437**	**29,911**	**1,669**	**29,911**	**-**
Ashburton Park Heritage Fund	44	330	374	-	374	-
Cashless Pay & Display	897	-	897	-	897	-
Grounds Maintenance Insourced Equipment	1,053	-	1,053	122	1,053	-
Waste and Street Cleansing Fleet Vehicles	16,900	-	16,900	2,277	16,900	-

General Fund Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Changes (to be approved in this report) (£000's)	2025-26 Revised Budget (to be approved in this report) (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Highways	7,418	227	7,645	-	7,645	-
Highways – DfT *(aligned to updated grant funding)*	1,241	-	1,241	-	1,241	-
Highways - bridges and structures	6,057	-	6,057	12	6,057	-
Highways - flood water management	436	-	436	-	436	-
Highways - Tree works GLA	114	-	114	-	114	-
Local Authority Tree Fund	67	-	67	-	67	-
Trees Sponsorship	11	-	11	-	11	-
Park Asset Management	1,265	18	1,283	38	1,283	-
Parking cameras replacements	2,318	(150)	2,168	152	2,168	-
Parking IT system replacement	-	150	150	-	150	-
Street Lighting LED replacement	4,386	-	4,386	-	4,386	-
Sustainability Programme	939	-	939	-	939	-
Libraries Investment	1,303	(918)	385	1	385	-
Archive Stores	-	179	179	-	179	-
Museum Refurbishment	-	63	63	-	63	-
Leisure centres equipment - contractual agreement	278	296	574	-	574	-
PlayZones	-	360	360	-	360	-
Safety - digital upgrade of CCTV	1,524	-	1,524	8	1,524	-
Tennis Court Upgrade	20	-	20	5	20	-
Fairfield Halls External Screen	89	-	89	8	89	-
Electric Vehicle Charging Point (EVCP)	1,133	(1,024)	109	-	109	-
Growth Zone	6,659	(231)	6,428	(22)	6,428	-
Amplifying Surrey Street	808	168	976	-	976	-
Surrey Street Drinking Fountain	-	53	53	-	53	-
Kenley Good Growth	56	-	56	-	56	-
South Norwood Good Growth	491	-	491	4	491	-
Local Implementation Plan (LIP)	5,984	(3,524)	2,460	57	2,460	-
Reconnecting Croydon	17,259	(10,166)	7,093	(320)	7,093	-
District Centre Improvements	-	233	233	-	233	-
District Centre and Park Improvements (UKSPF)	-	957	957	-	957	-
CIL Local Meaningful Proportion (LMP) Small Schemes	-	104	104	-	104	-
Town Centre Regeneration (ILTA)	-	1,136	1,136	-	1,136	-
Walking and Cycling Strategy	54	43	97	-	97	-
Subtotal SCRER	**78,804**	**(11,696)**	**67,108**	**2,342**	**67,108**	**-**
TOM - Improving Payments	1,500	-	1,500	-	1,500	-
TOM - Digital Operating Model	3,000	-	3,000	-	3,000	-

General Fund Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Changes (to be approved in this report) (£000's)	2025-26 Revised Budget (to be approved in this report) (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
TOM - Unified Front Door	600	-	600	-	600	-
TOM - Information, Advice & Guidance	300	-	300	-	300	-
TOM - Predictive Analytics & Prevention	1,400	-	1,400	-	1,400	-
TOM - Recommissioning contracts with a local focus	300	-	300	-	300	-
TOM - Commercial Excellence	200	-	200	-	200	-
TOM - Integrated Corporate Services	200	-	200	-	200	-
TOM - Simpler Organisation	300	-	300	-	300	-
TOM - Strategic Delivery Support	1,800	-	1,800	-	1,800	-
Capitalisation Direction	136,000	-	136,000	-	108,700	(27,300)
Subtotal Corporate Items and Funding	**145,600**	**-**	**145,600**	**-**	**118,300**	**(27,300)**
TOTAL GENERAL FUND CAPITAL	**281,939**	**(6,035)**	**275,904**	**8,253**	**248,604**	**(27,300)**

Table showing 2025-26 General Fund Capital Programme Financing

General Fund Capital Financing	2025-26 Revised Budget (£000's)	2025-26 Changes (to be approved in this report) (£000's)	2025-26 Revised Budget (to be approved in this report) (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Community Infrastructure Levy (CIL)	6,600	(4,600)	2,000	2,000	-
CIL Local Meaningful Proportion (LMP)	2,092	(814)	1,278	1,278	-
Section 106	328	245	573	573	-
Grants & Other Contributions	47,016	(6,158)	40,858	40,858	-
Growth Zone	7,095	(231)	6,864	6,864	-
HRA Contributions	727	-	727	727	-
Capital Receipts	45,445	-	45,445	45,445	-
Borrowing	172,636	5,523	178,159	150,859	(27,300)
Total General Fund Financing	**281,939**	**(6,035)**	**275,904**	**248,604**	**(27,300)**

5.144 The level of Community Infrastructure Levy (CIL) income in receipt by the Council has decreased in recent years. The forecast income for 2025-26 is £3.4m. After allocations to fund revenue service activities and administration costs, the forecast income available to fund general capital expenditure is estimated as £2.0m.

HRA Capital Programme

5.145 At period 3, the HRA capital programme has a forecast breakeven position against the revised budget (including slippage from 2024-25 agreed in the Period 2 report) of £120.5m.

Table showing 2025-26 HRA Capital Programme budget and forecast

HRA Capital Scheme	2025-26 Revised Budget (£000's)	2025-26 Actuals to Date (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Major Repairs and Improvements Programme	22,749	1,888	22,749	-
Gas/Fire Servicing	6,762	-	6,762	-
Building Safety Works	6,083	51	6,083	-
Special Projects	4,984	44	4,984	-
Support Costs	2,584	-	2,584	-
Repairs Referrals	8,600	244	8,600	-
Regina Road	29,753	11,700	29,753	-
Acquisitions	35,696	11,290	35,696	-
Regeneration Feasibility Studies	250	70	250	-
Warm Homes Social Housing Fund Wave 3 EPC Investments	2,309	-	2,309	-
NEC Housing IT System	727	(66)	727	-
Total HRA Capital	**120,497**	**25,221**	**120,497**	**-**

Table showing 2025-26 HRA Capital Programme Financing

HRA Capital Financing	2025-26 Revised Budget (£000's)	2025-26 Forecast (£000's)	2025-26 Forecast Variance (£000's)
Major Repairs Reserve (MRR)	14,217	14,217	-
Revenue Contribution	12,470	12,470	-
Right To Buy (RTB) Receipts	44,336	44,336	-
Other Grants	16,840	16,840	-
Borrowing	32,634	32,634	-
Total HRA Capital Financing	**120,497**	**120,497**	**-**

6 ALTERNATIVE OPTIONS CONSIDERED

6.1 None.

7 CONSULTATION

7.1 None.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 Finance comments have been provided throughout this report.

8.1.2 The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers. This has also been supported through improvements to the revenue and capital budget monitoring modules in the Oracle IT system from the beginning of 2025-26, as part of the Oracle Improvement Programme.

8.1.3 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2025-26. General Fund balances serve as a cushion should any overspend remain at the end of 2025-26. The use of General Fund balances to support the budget is not a permanent solution and must be replenished back to a prudent level in subsequent years if used.

8.1.4 The current forecast position for the Council utilises £23.4m of General Fund revenue earmarked reserves in 2025-26. This includes £1.249m of Collection Fund earmarked reserves (as agreed by Full Council in the budget to fund the prior year Collection Fund deficit) and utilises up to £2.741m of transformation earmarked reserves carried forward from 2024-25. These earmarked reserves do not impact the General Fund balances.

8.1.5 A General Fund revenue underspend would mean that a reduced amount of capitalisation directions would be needed in 2025-26 than the budgeted £136.0m. The Stabilisation Plan target is to reduce capitalisation directions by £27.3m.

8.1.6 The Council's historic legacy debt burden and national, regional and local service pressures are critical to the non-sustainability of the Council's revenue budget.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

8.2 LEGAL IMPLICATIONS

8.2.1 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.

8.2.2 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.

8.2.3 Actions to mitigate budget pressures will need to take into account the Council's Public Sector Equalities Duty under section 149 of the Equality Act 2010 to have regard to equality considerations and impact on local people and communities.

8.2.4 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 current situation regarding the General Fund, Capital Programme and the position relating to the Housing Capital Programme and Housing Revenue Account as set out in this report. In addition, Section 114 of the Local Government Act 1988 requires the Council's Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget.

8.2.5 The operation of the Housing Revenue Account (HRA) is governed by Schedule 4 of the Local Government and Housing Act 1989 (the 1989 Act). Section 76 of the 1989 Act requires the Council to prevent debit balances on the HRA. Where a debit balance occurs, the Council must take appropriate action to maintain a balanced budget.

8.2.6 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty. The Council as a best value authority "must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (Section 3 Local Government Act (LGA) 1999). The Best Value Duty applies to all functions of the Council including to deliver a balanced budget, providing statutory services such as adult social care and children's services and securing value for money in all spending decisions.

8.2.7 The Council is the subject of Directions from the Secretary of State (dated 17th July 2025) that requires the Council, amongst others, to continue to develop and implement the stabilisation and transformation Plans and to improve on its financial management. This report serves to ensure the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

8.2.8 The Council's Constitution Financial Regulations (at Paragraphs 2.4 (vii), 5.6, and 5.7) provides that the Executive Mayor (or Cabinet) can approve capital virements or additions of £1m and above.

Comments approved by the Director of Legal Services and Monitoring Officer, 25/09/2025.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate workforce implications arising from the content of this report, albeit there is potential for several proposals to have an impact on staffing. Any mitigation of budget implications that may have a direct effect on staffing will be managed in accordance with relevant human resources policies and procedures, which includes consultation with the recognised trade unions.

8.3.2 The Council is aware that many staff may also be impacted by the increase in cost of living. The Council offers support through the Employee Assistance Programme (EAP) and staff may seek help via and be signposted to the EAP, the Guardians' programme, and other appropriate sources of assistance and advice on the Council's intranet, including the trade unions.

Comments approved by Dean Shoesmith, Chief People Officer, 19/9/2025.

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council remains committed to upholding its statutory duties under the Public Sector Equality Duty (PSED), as set out in Section 149 of the Equality Act 2010. In doing so, the Council must have due regard to the need to:

- eliminate unlawful discrimination, harassment, and victimisation.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between different groups.

8.4.2 In line with our Equality Strategy 2023-2027 and anti-racism commitments, we recognise that financial decisions, particularly those relating to budget savings, service redesigns, and transformation programmes, have the potential to impact residents disproportionately and service users from protected characteristic groups, including disabled people, children and young people with SEND, care experienced young people, older adults and racially minoritised communities.

8.4.3 To ensure that equality considerations are embedded in both the planning and delivery of services, all directorates are required to complete robust Equality Impact Assessments (EQIAs) for new policies, budget proposals and service changes. The Equality function reviews these assessments to promote consistency, ensure legal compliance, and help identify risks and opportunities for mitigation. Where impacts are identified, appropriate actions are developed to address or reduce potential harm.

8.4.4 Given the complex challenges set out in this financial outturn report, including in areas such as children's social care and SEND placements, homelessness and adult social care, EQIAs have played a critical role in informing recovery planning, service prioritisation and the targeting of resources. The Council will continue to monitor equality impacts throughout implementation and engage in regular review of EQIAs to ensure that decisions remain fair, inclusive and responsive to changing needs.

8.4.5 This ongoing commitment reflects our aim to not only comply with the letter of the law but to actively promote equity, reduce structural disadvantage and ensure that the needs of all Croydon residents are considered in our journey towards financial resilience and sustainable local public services.

Comments reviewed by Philip Conteh, Senior Equalities Officer, 21/09/2025.

9. APPENDICES

9.1 None.

10. BACKGROUND DOCUMENTS

10.1 None.