

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION:	3 December 2025	
REPORT TITLE:	2025-26 Period 6 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?	Yes	3725CAB 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** The Period 6 (September 2025) financial performance for General Fund revenue shows a forecast underspend of £23.8m against the 2025-26 budget. This is an improvement of £1.2m since Period 5. The General Fund capital programme shows a forecast underspend of £44.8m.
- 1.2** The Housing Revenue Account (HRA) shows a revenue forecast breakeven position for 2025-26. The HRA capital programme shows a forecast underspend of £26.8m.

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	352.0	(23.8)	(6.3%)
Revenue Forecast (Housing Revenue Account)	-	-	-	N/A
Capital Forecast (General Fund)	275.9	231.1	(44.8)	(16.2%)
Capital Forecast (Housing Revenue Account)	120.5	93.7	(26.8)	(22.2%)

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 6 to underspend at financial year end by £23.8m, contributing to the target as required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £112.2m.
- 2.2** to approve the inter-directorate virement from Resources to Housing (General Fund) of £3.022m budget to align with where the cost of temporary accommodation management fees (non-claimable from Housing Benefit subsidy) now impacts. This aligns with these costs now being recorded in the NEC housing IT system (no longer counted as part of the rent cost for housing benefit subsidy), as set out from paragraph 5.82. This is not a change to the purpose of the budget agreed by Full Council.
- 2.3** 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 5.19. 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.
- 2.4** 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.

- 2.5** to note that the presentation of full Financial Performance Reports to Cabinet is being moved to a quarterly basis, with a shortened Financial Performance Summary being published for other months from Period 2 to Period 10 on the Council's Corporate Performance and Finance Reporting webpage. This change is to ensure regular reporting for transparency whilst also prioritising service and finance officer time on value-added activities including transformation, as set out from paragraph 5.10.
- 2.6** to note the progress in Medium Term Financial Strategy (MTFS) savings achievement of £21.7m (86.2%) against the total savings target of £25.1m as set out from paragraph 5.125.
- 2.7** to note the Housing Revenue Account (HRA) revenue budget forecast outturn is a breakeven position.
- 2.8** to note the General Fund capital programme 2025-26 forecast underspend of £44.8m (16.2%) against the revised budget of £275.9m. The expected decrease in capitalisation direction usage owing to the Stabilisation Plan accounts for £27.3m of the forecast underspend. £24.4m of this is evidenced to date at Period 6 with directorates continuing to reduce their net expenditure wherever possible.
- 2.9** to note the HRA capital programme 2025-26 forecast underspend of £26.8m (22.2%) 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 paragraph 5.146.
- 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.

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.
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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.
- 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; and
- 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 challenging.

Frequency and format of reporting

5.10 The Period 3 Financial Performance Report stated that Periods 4 and 7 would be removed from the Cabinet reporting cycle, bringing the Council more in line with other London boroughs with the majority reporting on a quarterly basis. Further consideration has now been undertaken for a revised plan which best balances regular reporting for transparency and improving the timeliness of publishing the latest financial position for Members and the public, together with the aim of prioritising service and finance officer time on more value-added activities including transformation.

5.11 The revised plan is that presentation of full Financial Performance Reports to Cabinet is being moved to a quarterly basis, with a shortened Financial Performance Summary being published for the other months from Period 2 to Period 10 on the Council's Corporate Performance and Finance Reporting webpage (link: [Corporate Performance and Finance Reporting | Croydon Council](#)).

5.12 Moving the intervening months (between the quarterly reports) to a shortened summary will ensure that Members and the public still receive the main General Fund revenue forecast position on a monthly basis (instead of removing Period 4 and 7 completely going forward) and would support the summaries to be published in a more timely manner following the end of the

reporting month (since the summaries will not involve the full production time of the quarterly substantive report).

- 5.13** It should be noted that budget holders will continue to carry out monthly budget monitoring on the Oracle IT system and directorate positions will continue to be presented by Corporate Directors at the monthly assurance meetings. The change is to reduce the administration burden for service and finance staff in producing the full Financial Performance Report.

Table showing current and updated financial performance reporting plan

Reporting Month	Current plan for Cabinet Meeting timings	Updated plan
Period 2	September	Shorter Financial Performance Summary published
Period 3 (Q1)	October	Full Financial Performance Report to September Cabinet meeting
Period 4	No report published	Shorter Financial Performance Summary published
Period 5	November	Shorter Financial Performance Summary published
Period 6 (Q2)	December	Full Financial Performance Report to December Cabinet meeting
Period 7	No report published	Shorter Financial Performance Summary published
Period 8	February	Shorter Financial Performance Summary published
Period 9 (Q3)	March	Full Financial Performance Report to March Cabinet meeting
Period 10	May	Shorter Financial Performance Summary published
Provisional Outturn (Q4)	July	Full Financial Performance Report to July Cabinet meeting

GENERAL FUND REVENUE BUDGET SUMMARY

- 5.14** The General Fund revenue budget outturn is forecast at Period 6 to underspend at financial year end by £23.8m, contributing to the target as required by the Stabilisation Plan. This would reduce the necessary level of capitalisation directions from £136m to £112.2m.
- 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.
- 5.16** 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	Actuals to Date	Forecast	Forecast Variance	Prior Month Forecast Variance	Change in Forecast Variance
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Adult Social Care and Health	191.4	107.9	187.4	(4.0)	(4.0)	-
Assistant Chief Executive	22.6	24.2	22.0	(0.6)	(0.6)	-
Children, Young People and Education	161.6	64.8	162.1	0.5	0.8	(0.3)
Housing	55.5	13.8	52.4	(3.1)	(0.1)	(3.0)
Resources	20.1	83.7	19.5	(0.6)	(0.6)	-
Sustainable Communities, Regeneration & Economic Recovery	76.7	20.1	76.3	(0.4)	(0.4)	-
Subtotal Service Directorates	527.9	314.5	519.7	(8.2)	(4.9)	(3.3)
Corporate Items and Funding	(152.1)	(31.0)	(167.7)	(15.6)	(17.7)	2.1
Total Net Expenditure	375.8	283.5	352.0	(23.8)	(22.6)	(1.2)

5.17 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.

5.18 A financial assurance process and independent challenge of expenditure and income takes place on a monthly basis. This is in addition to Executive Mayor, Cabinet and Scrutiny & Overview Committee reviews. 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 costs, deliver savings, manage in-year demand and deliver the balanced budget.

Stabilisation Plan

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

5.20 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 stretch 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	3.100	Amber
<i>General Needs allocation to TA</i>	<i>Housing</i>	<i>2.100</i>		
<i>Reduce TA placements from 25% to 20% of presentations</i>	<i>Housing</i>	<i>1.200</i>		
<i>Accelerate House Buying Process for homeless families</i>	<i>Housing</i>	<i>0.350</i>		
<i>Introduce more Out of Borough private sector placements</i>	<i>Housing</i>	<i>0.290</i>		
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	1.500	Amber
<i>Forecast underspend above ALI programme</i>	<i>ASCH</i>		<i>3.600</i>	
<i>Forecast underspend above Access Croydon</i>	<i>ACE</i>		<i>0.500</i>	
<i>Forecast underspend</i>	<i>CYPE</i>		<i>(0.500)</i>	
<i>Forecast underspend above BWH floor maximisation</i>	<i>Resources</i>		<i>0.600</i>	
<i>Forecast underspend above parking income</i>	<i>SCRER</i>		<i>(0.600)</i>	
<i>Forecast underspend above inflation & risk budgets</i>	<i>Corporate</i>		<i>(2.100)</i>	
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	-	Red
Capital programme reduction (£1.5m removed from 2025-26 and £500k deferred to 2026-27)	Corporate	0.050	0.050	Completed
	Total	27.301	24.376	

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.

Housing

5.21 Given the rapid escalation of homelessness over the last couple of years and the seriousness of the impact, a dedicated strategic response has been developed, and this is outlined in the Stabilisation Plan. The plan is focussed on three key objectives which are shown below along with key strands of work associated with each objective. This has resulted in a reduction in demand by 23% compared to 2024-25; reduction in new placements into temporary accommodation from 60% in 2023-24 to 25% in 2024-25 and further to 15% in 2025-26; and an increase in the number of households moved out of temporary into settled housing (private and social housing).

5.22 The plan is focussed on three key objectives along with key strands of work associated with each objective as set out below:

(a) Reduce homelessness demand.

- Providing clear information on the website to help applicants make timely and informed choices on their housing options including a video message. [Support if you are homeless or at risk of becoming homeless | Croydon Council](#);
- Actively promoting self-service and 'find your own' housing options to residents – with financial assistance offered through Discretionary Housing Payment (DHP) grant;
- Implementation of 'appointment only' service for homeless assistance to improve deployment of resources and ensure effective response to those in urgent need;
- Visiting households where family exclusion is the cause of presentation, to prevent homelessness through mediation; and
- Actively working with private landlords to reduce evictions through initiatives as 'call before you serve' - [Call before you serve - Croydon Council](#)

(b) Increase housing supply to support move-on from temporary to settled accommodation.

- Increased access to supply of social rented re-lets from the Council and Registered Providers for temporary accommodation households;
- Expanded the supply of affordable private rented sector accommodation out of London to accelerate move on from temporary accommodation into long-term sustainable solutions;

- Embedded a 'one-reasonable-offer' approach; and
- Moved and eliminated use of Bed & Breakfast with shared facilities for families from April 2025.

(c) Reduce expenditure on temporary accommodation.

- Negotiating reduced nightly rates with temporary accommodation providers;
- Reviewing and undertaking occupancy audit of temporary accommodation to identify any voids, fraud, or irregular arrangements and recovering the units;
- Reducing the volume of spot commissioned nightly charged temporary accommodation by moving to a sustainable model including long-term leased accommodation;
- Increasing the supply of additional social rented housing through an acquisitions programme; and
- Moved and eliminated use of commercial hotels since August 2024.

Open Precious House (previously Angel Lodge) children's home

- 5.23** 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. The Council submitted the registration application in May. OFSTED are currently experiencing a very high volume of requests. OFSTED have added Precious House to a fast-track list and we anticipate approval in November. The Stabilisation Plan financial target is not achievable in 2025-26 owing to the period of experiencing costs prior to being able to place young people into the care home.

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	174.9	100.5	171.9	(3.0)
Adult Strategic Commissioning, Policy & Improvement	14.6	6.2	13.6	(1.0)
Central ASCH	1.9	1.2	1.9	-
Total ASCH	191.4	107.9	187.4	(4.0)
Public Health Grant Ringfenced Services (note 1)	-	(10.5)	-	-

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.

- 5.24** At period 6, the ASCH directorate has a forecast underspend of £4.0m (2.1%) against the budget of £191.4m.

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)
Croydon	(4.0)

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](#)

- 5.25** 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.

Adult Social Care Operations - forecast underspend of £3.0m

- 5.26** All services within operations are currently forecasting either an overall balanced or underspend position.
- 5.27** 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.
- 5.28** 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.
- 5.29** 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.
- 5.30** 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 £1.0m

- 5.31** The Commissioning, Policy and Improvement division is forecasting an underspend of £1.1m owing to overachievement of income (£0.6m), underspend on contracts (£0.3m) and periods of staffing vacancy (£0.1m). However, additional staffing and commissioned resources may be required for the mobilisation of the PFI Care Homes re-procurement and development of intermediate care bed and extra care housing capacity.

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

- 5.32** A forecast breakeven position for Public Health after forecast drawdown of £1.8m from ringfenced Public Health reserves. The planned drawdown from reserves supports prevention related investment in public health services and activities.

5.33 Risks

- Failure of care providers to maintain required Care Quality Commission standards resulting in care needing to be reprovisioned. High likelihood currently, but the impact is dependent on client cohort, care type and volume. Estimated impact is up to £0.5m per provider e.g. for a high volume residential over 65 years provider;
- Replacement costs of new placements continue to increase above the rate of inflation. Measures have and continue to be put in place with the market to mitigate this. Low likelihood currently, but the impact is dependent on client cohort, care type and volume. Estimated impact is up to £0.5m per provider e.g. for a high volume residential over 65 years provider;
- Continued grip on sustainability as Newtons step away from the ALI programme. Low likelihood currently, impact would likely be limited to the value of savings of £2.9m for full year;
- Demand for home care in older people. The trend has been an increasing number of clients but reducing care hours. Medium likelihood, an increase of 5% on 2024-25 spend is £1.2m. However, home care demand management and reviews of existing care are a key focus of the ALI programme and business as usual savings; and
- Potential impact of NHS savings and remodelling of ICBs under the 10-year NHS plan. The effects of the recently announced delay are not yet known.

5.34 Opportunities

- Savings achievement will continue to support the forecast outturn for the ASCH directorate, through both the accelerated delivery of the ALI programme and continued efforts to reduce costs; and
- 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	1.4	3.0	1.2	(0.2)
Elections Service	0.4	0.7	0.4	-
Croydon Digital	4.4	9.2	4.3	(0.1)
Chief People Officer	0.1	2.2	0.1	-
Central ACE	16.3	9.1	16.0	(0.3)
Total Assistant Chief Executive	22.6	24.2	22.0	(0.6)

- 5.35** At period 6, the ACE directorate has a forecast underspend of £0.6m (2.7%) against the budget of £22.6m.

Policy, Programmes & Performance Division - forecast underspend of £0.2m

- 5.36** 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.

Croydon Digital Division – forecast underspend of £0.1m

- 5.37** The division has a forecast underspend in contracts (£0.2m) and a forecast underspend in staffing owing to unfilled vacancies and staffing recharges to capital (£0.2m). The forecast underspend is partially reduced by non-recurrent costs involved in the Information Management transition project.

Chief People Officer Division – forecast breakeven position

- 5.38** The 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.

Central Assistant Chief Executive - forecast underspend of £0.3m

- 5.39** The forecast underspend is mainly relating to Concessionary Travel owing to reduced concessionary travel recharged from Transport for London (£0.4m). There is a further underspend of £0.1m in the Resident Contact Centre resulting from the Stabilisation Plan action regarding Access Croydon. The underspend is partially reduced by non-recurrent costs involved in the Information Management transition project.

Risks

- 5.40** Croydon Digital Services Restructure - the service is affected by the lower supply and higher demand in the IT recruitment market. However, it will deliver the expected savings.
- 5.41** The cost of IT assets - this risk is being mitigated through an automated process being developed, aligned to improvements in Oracle establishment management.
- 5.42** 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.

Opportunities

- 5.43** A review of earmarked reserves is being undertaken to understand the balances and to quantify the requirements against these reserves with a view to releasing any reserve balances no longer required.

CHILDREN, YOUNG PEOPLE AND EDUCATION (CYPE)

Division	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Children's Social Care	114.4	47.6	113.7	(0.7)
Unaccompanied Asylum-Seeking Children (UASC) and UASC Care Experienced Young People	0.4	3.1	2.0	1.6
Asylum Seekers and Homes for Ukraine	0.2	(0.2)	-	(0.2)
Quality, Commissioning and Performance Improvement	1.3	1.0	1.2	(0.1)
Non-DSG Education Services	36.5	10.2	36.4	(0.1)
Central CYPE	8.8	3.1	8.8	-
Total CYPE	161.6	64.8	162.1	0.5

Dedicated Schools Grant (DSG) High Needs Education Services	87.0	68.0	101.0	14.0
Dedicated Schools Grant (DSG) Early Years Block	72.5	40.4	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

- 5.44** At period 6, the CYPE directorate has a General Fund forecast overspend of £0.5m (0.3%) against the budget of £161.6m.

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
Croydon	0.5
Lewisham ⁸	Breakeven

Children's Social Care Division (including UASC and UASC Care Experienced Young People) - forecast overspend of £0.9m

Staffing

- 5.45** Forecast overspend of £0.4m against salary budgets.
- 5.46** Following a detailed review of forecasts in period 6, the forecast has moved in a favourable direction by £0.3m since period 5. Work will continue to identify any further ways to mitigate this overspend.
- 5.47** 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.
- 5.48** Staffing structures were reviewed last year to ensure they reflect current demand, whilst maintaining safe caseload levels. The new structures are being implemented through the financial year. Whilst there is not expected to be a long-term pressure, there is a residual pressure whilst the new structures are implemented. CYPE are working closely with HR and Transformation colleagues to ensure the structures are finalised and take into account the Target Operating Model.

Unaccompanied Asylum-Seeking Children (UASC)

- 5.49** Forecast overspend of £1.6m relating to the placement and social care costs associated with this cohort.
- 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. There is a legacy of increased numbers owing to the period before the National Transfer Scheme (NTS) became mandatory for all local authorities with children's services in November 2021. This now facilitates a more equitable distribution of new cases among local authorities across the country. There is a reduction in grant once young people turn 18 years old.
- 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.

Placements

- 5.52** Forecast underspend of £1.1m in placement costs which is partially offsetting the aforementioned pressure on UASC.
- 5.53** Significant growth was added into this budget area for 2025-26 to address the demand needs related to placement costs. Work is underway to review activity and realign budgets to match activity and planned savings through the Helping Families Thrive Programme.

- 5.54** 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).
- 5.55** Initiatives underway to mitigate the market volatility, including as part of the Helping Families Thrive Programme, 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; and
 - Increased use of kinship care.
- 5.56** 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 savings. Progress against these targets is being closely monitored through the year.
- 5.57** 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. The Council submitted the registration application in May. OFSTED are currently experiencing a very high volume of requests. OFSTED have added Precious House to a fast-track list and we anticipate approval in November. There is a financial pressure in 2025-26 owing to the period of experiencing costs prior to being able to place young people into the care home. The pressure is currently estimated to be £0.1m, based on a November opening date, and this is included in the forecast position on placements.

Asylum Seekers and Homes for Ukraine

- 5.58** Forecast underspend of £0.2m against the General Fund net expenditure budget of £0.2m. Costs are being maintained within the level of grant income and the net expenditure budget within this area will be realigned within CYPE.

Quality, Commissioning and Performance Improvement

- 5.59** Forecast underspend of £0.1m in staffing costs within the integrated commissioning team.

Non-Dedicated Schools Grant (DSG) Education services

- 5.60** Forecast underspend of £0.1m in General Fund Education services.
- 5.61** 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.
- 5.62** Following significant travel assistance growth budget being allocated to this area for 2025-26 to address the increase in demand, a breakeven position is forecast. This is being carefully monitored and the impact of the new academic year, which commenced in September, is being reviewed.

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
Croydon	Breakeven
Lewisham ⁸	Breakeven
Westminster ⁷	(0.4)

Dedicated Schools Grant (DSG)

DSG High Needs education services – forecast overspend of £14.0m

- 5.63** At period 6, the DSG high needs block has a forecast overspend of £14.0m (16.1%) against a budget of £87.0m.

Table showing Dedicated Schools Grant forecast positions for comparison

London Borough	Forecast Over / (Under) spend (£m)	Total DSG High Needs Block Allocation (£m)	Forecast Variance (%)
Croydon	14.0	87.0	16.1
Merton ⁶	12.3	52.9	23.3
Ealing ⁵	10.3	83.3	12.4
Lambeth ²	4.7	66.7	7.0
Enfield ⁴	3.0	79.8	3.8
Haringey ³	3.0	59.9	5.0
Lewisham ⁸	2.5	83.5	3.0

- 5.64** 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 statistics⁹ 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.
- 5.65** Work is ongoing to establish the scale of the pressure for the new academic year, analyse the adequacy of school placement accruals made for 2024-25 (in conjunction with the 2024-25 external audit) and to resolve historic payment queries arising from system issues. The Council has also commissioned CIPFA to carry out a review of processes to identify improvements that can be made in placement cost recording and payment processing, and to consider options for the IT system/s to be used going forward.

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

5.66 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;
- 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; and
- increased number of complex cases, which the local authority has agreed to fund under a separate pathway, to prevent placement in out of borough and independent provisions.

5.67 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; and
- DSG grant set aside to support the DSG High Needs Transformation strategy and staffing underspend.

5.68 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

5.69 At period 6, the Early Years Block has a forecast breakeven position against a budget of £72.5m.

Risks

Home to School Travel Assistance

5.70 The new academic year commenced in September and the number of pupils needing travel assistance and the associated costs are being analysed for the impact in 2025-26.

PFI contract

- 5.71** There is one Private Finance Initiative (PFI) contract within Education services. Following completion of modelling to re-assess the affordability model, it has been identified that current modelling demonstrates that there will be a deficit by the end of the contract. This is caused by the period of higher inflation experienced over recent years (above the general average assumption of 2.5% over the life of the contract). The amount of deficit will be affected by the level of inflation in future years and options are being explored around how the cost pressure could be mitigated.

Dedicated Schools Grant (DSG)

- 5.72** 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.

Opportunities

- 5.73** 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)	55.5	13.8	52.4	(3.1)
Total Housing (General Fund)	55.5	13.8	52.4	(3.1)

- 5.74** At period 6, the Housing directorate has a General Fund forecast underspend of £3.1m (5.6%) against the budget of £55.5m (including £3.022m budget from Resources to be agreed through this report).

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
Croydon	(3.1)

- 5.75** The actuals to date include Homelessness Prevention Grant (£13m) and Rough Sleeping Initiative Grant (£1.1m) income paid in advance, whereas related expenditure for landlord and contractor payments are paid in arrears.
- 5.76** There is ongoing 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 recorded¹⁰.
- 5.77** 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.

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](#)

- 5.78** The average cost per night has increased from the prior year end value of £79.52 to £81.32 at the end of August. Work with the sub region to control rates per night has supported a more contained increase in average cost. However, we remain cautious as the average values per night continue to fluctuate. The forecast assumes the average cost per night will continue to rise.
- 5.79** The forecasting accuracy has improved with the placements income interface from the NEC Housing IT system to Oracle successfully implemented and the outputs on both systems are reconciling.
- 5.80** There is further work underway to improve the forecasting accuracy of expenditure and implement the expenditure interface from NEC to Oracle. The ongoing development of NEC and implementation of additional features will continue to strengthen the ability to forecast and refine the data quality and reporting from the system, including dealing with housing benefits complexity.

Temporary Accommodation Income Pressure

- 5.81** 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. In 2024-25 the subsidy gap was £5.7m for temporary/emergency accommodation and £5.0m for private tenants, equating to actual cost to the Council of £10.7m. By contrast, registered social landlords in the borough receive HB at the value of the actual accommodation costs. This is clearly an unlevel playing field.
- 5.82** In addition, there is a pressure owing to temporary accommodation management fees (extra payment to secure properties from some private landlords) of £40/week/unit which are no longer recoverable through Housing Benefit (HB) subsidy from DWP. The HB subsidy ended in 2017 with the introduction of the Homelessness Prevention Grant (HPG) which Government deemed to be a better means for Local Authorities to manage its temporary accommodation pressures. In previous years this pressure was experienced in the central Housing Benefit subsidy budget held in the Resources directorate, with a partial recharge to Housing. From April 2025 this has been simplified with the extra costs (non-claimable from HB) recorded in the NEC housing IT system and no longer counted as part of the rent cost for housing benefit subsidy.

- 5.83** The Executive Mayor and Cabinet are requested through this report to approve the inter-directorate virement from Resources to Housing (General Fund) of £3.022m budget to align with where the cost of temporary accommodation management fees (non-claimable from Housing Benefit subsidy) now impacts. This is not a change to the purpose of the budget agreed by Full Council.

Risks

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

Opportunities

- 5.85** 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.
- 5.86** 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	6.2	9.2	6.2	-
Finance (<i>refer note 1</i>)	9.0	69.3	8.8	(0.2)
Legal Services and Monitoring Officer	3.8	1.4	3.7	(0.1)
Insurance, Anti-Fraud and Risk	1.1	2.2	0.8	(0.3)
Internal Audit Service	-	0.6	-	-
Pensions and Treasury Management	-	0.9	-	-
Central Resources	-	0.1	-	-
Total Resources	20.1	83.7	19.5	(0.6)

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

- 5.87** At period 6, the Resources directorate has a forecast underspend of £0.6m (3.0%) against the budget of £20.1m (reduced by £3.022m budget to be agreed through this report to move to Housing General Fund).

Property, Procurement and Capital Division – forecast breakeven

- 5.88** The division is forecasting a £0.5m overspend in utilities costs owing to legacy costs and there is a £0.2m forecast pressure in advertising income. These are being offset through £0.5m recovery of schools' utilities costs and £0.2m lease extension income.

Finance Division – forecast underspend of £0.2m

- 5.89** 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 now working on the 2024-25 external audit queries and preparation for the 2025-26 closing of accounts.

- 5.90** 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 £0.3m

- 5.91** There is a forecast underspend of £0.2m owing to projected reduced insurance claims and £0.1m owing to periods of staffing vacancies.

Risks

- 5.92** There is a risk in the Property, Procurement and Capital Division in relation to potential increased cost of energy owing to market fluctuations.
- 5.93** A review of all the Council's portfolio of properties is currently underway to ascertain whether all the sites are fully metered and to establish the frequency of readings from these meters. There could be a risk that there are utility costs which have not been identified and charged.

- 5.94** Increase in cost of external audit fees. The Financial Improvement earmarked reserve is being used to offset extra 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

- 5.95** Potential increased recovery in year for utility costs incurred by the Council, above the £0.5m 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	55.7	13.0	55.4	(0.3)
Culture and Community Safety	12.4	3.2	12.0	(0.4)
Planning & Sustainable Regeneration	8.0	3.5	8.3	0.3
Central SCRER	0.6	0.4	0.6	-
Total SCRER	76.7	20.1	76.3	(0.4)

- 5.96** At period 6, the SCRER directorate has a forecast underspend of £0.4m (0.5%) against the budget of £76.7m.

Streets and Environment Division - forecast underspend of £0.3m

- 5.97** 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. There is a further £0.1m underspend resulting from staffing vacancies within the service.

- 5.98** There is a net forecast overspend of £0.8m across the remaining areas of the division, mainly in Ground Maintenance and Adult Travel Assistance.

Culture and Community Safety Division - forecast underspend of £0.4m

- 5.99** The division is forecasting an underspend of £0.4m. This is owing to higher income in the Bereavement and Registrars service (£0.2m), periods of staffing vacancy and additional income in Culture, Leisure and Libraries (£0.1m) and additional grant funding and periods of staffing vacancy in the Violence Reduction Network (£0.1m).

Planning and Sustainable Regeneration Division – forecast overspend of £0.3m

- 5.100** There is a projected budget pressure of £0.3m, primarily driven by a £0.5m overspend within the Employment, Skills and Economic Development service. This overspend is largely owing to employee costs and rent/facilities management recharges. Mitigation measures for Croydon Adult Learning and Training (CALAT) are being implemented, including recruitment restrictions and a strategic review of staffing and premises to reduce costs and support long-term sustainability. This pressure is partially offset by underspends of £0.2m across other services in the division.

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	3.7	-	-	(3.7)
Risk Contingency Budget	5.0	-	-	(5.0)
Other corporate items	(169.8)	(31.0)	(167.7)	2.1
Total Corporate Items and Funding	(152.1)	(31.0)	(167.7)	(15.6)

- 5.101** At period 6, the corporate directorate has a forecast underspend of £15.6m. 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. This is reduced by Target Operating Model savings held centrally, totalling £2.050m, which will be achieved in 2026-27.
- 5.102** 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.
- 5.103** Corporate holds the £9m balance of non-pay inflation budget and £3.7m balance of pay inflation budget not required by services. The 2025-26 national pay award was agreed at 3.2% by the National Joint Council of employers and trade unions.

- 5.104** 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

- 5.105** 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	351.2	350.3	-	-

- 5.106** 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.

- 5.107** 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.

- 5.108** 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 (%)
182.4	181.0	52.08	51.55	(0.53)

- 5.109** The end of September 2025 collection target is 52.08% and collection to date is 51.55% which is 0.53% behind the target which equates to £1.4m. 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.

5.110 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.

5.111 The factors detailed above, combined with broader economic pressures affecting taxpayers' ability to pay, have contributed to the current collection shortfall. There have been 1,258 more summonses issued this year compared to the same period last year.

5.112 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.

5.113 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 (%)
76.9	78.2	58.19	59.18	0.99

5.114 The end of September 2025 collection target is 58.19% and collection to date is 59.18% which is 0.99% above the target.

5.115 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.

5.116 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

- 5.117** 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	43.3	0.2
Interest receivable income*	(3.0)	(2.5)	0.5

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

- 5.118** The forecast pressure in interest payable and interest receivable is being offset in the corporate area through miscellaneous income and underspends in supplies and services.

Treasury Investments (Quarter Two)

- 5.119** During the quarter the average investment balances held by the Council were £137.6m, earning interest of £1.5m (a yield of 4.22%). Average investment balances for the year to 30 September 2025 were £149.8m, earning £3.4m (a yield of 4.5%). 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 September 2025 are detailed in the table below:

Counterparty	Type	Principal (£m)	Start Date	End Date	Interest Rate (%)	Risk Rating
Insight	MMF	20.000			4.06	1
Aberdeen Sterling	MMF	20.000			4.02	1
Deutsche Managed Fund	MMF	20.000			4.03	1
Morgan Stanley	MMF	2.550			4.01	1
Liverpool City	LA	10.000	07/04/25	07/10/25	4.65	1
Cornwall Council	LA	10.000	25/09/25	24/10/25	4.20	1
Medway Council	LA	5.000	25/04/25	27/10/25	4.50	1
Goldman Sachs International	Bank	10.000	30/07/25	10/12/25	4.11	1
DBS Bank	Bank	10.000	20/08/25	23/01/26	4.14	1
Total Investments		107.550				

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

5.120 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	81.4%
1-3 Months	9.3%
3-6 Months	9.3%
6-9 Months	-

Treasury Borrowing

5.121 During the quarter the Council refinanced £5m of maturing debt from other local authorities and £33.6m of maturing debt from the Public Works Loan Board (PWLB), both with the PWLB under the General Fund. A further £1.4m of debt was added with the PWLB. The level of General Fund external debt increased to £1,106.4m. The average interest rate decreased from 3.93% to 3.83% as per the table below:

General Fund External Debt at 30 September 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	979.408	4.00%	16.9
Market Debt	127.000	2.49%	12.8
Total General Fund external debt	1,106.408	3.83%	16.4

5.122 During the quarter the Council increased the debt under the Housing Revenue Account, taking out a loan of £15m. The following table shows the position of Housing Revenue Account (HRA) external debt:

HRA External Debt at 30 September 2025	Principal Outstanding (£m)	Average Interest Rate	Average Duration (Years)
Public Works Loan Board	364.5	3.67%	21.7
Total HRA external debt	364.5	3.67%	21.7

Transformation Programme (non-capital)

5.123 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 (extended to 31/3/26)	ASCH	0.143
Planning and Sustainable Regeneration Transformation	Develop transformation plan for Planning and Sustainable Regeneration	SCRER	0.140
Corporate File Transfer Project	Develop data infrastructure to support the Digital Operating Model	ACE	0.301
Housing Transformation Plan	Housing Transformation Lead	Housing	0.028
Library Service Review (Community Hubs Programme)	To finalise transformation to ensure libraries remain open at least five days per week within budget	SCRER	0.165
Unallocated to date			1.672

5.124 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 - Helping Families Thrive (Strategic Operating Model)
- Oracle Improvement Programme
- Council-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

- 5.125** The 2025-26 budgets include a challenging 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 £21.7m (86.2%). Directorates have identified risks to achievement of individual savings and have made plans to mitigate these risks, or identify alternative savings, if possible.
- 5.126** 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

	2025-26					
	Savings target	Slippage from previous year	Revised savings target	Forecast savings achievable	Savings slippage	Not yet evidenced or (over delivery)
	£000's	£000's	£000's	£000's	£000's	£000's
Directorate						
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	3,747	402	234
Housing	634	-	634	634	-	-
Resources	2,230	100	2,330	1,980	350	-
Sustainable Communities (SCRER)	3,191	334	3,525	3,525	-	-
Cross-Directorate / Corporate	6,025	1,750	7,775	5,609	-	2,166
Total	21,821	3,333	25,154	21,686	952	2,516

Savings achievement not yet evidenced

- 5.127** 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.
- 5.128** 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.
- 5.129** 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.
- 5.130** Children, Young People & Education: Forecast slippage of £0.402m. £0.253m relates to the Strategic delivery partner savings (total £3.1m) which are being closely monitored through the year against scheduled savings delivery. The further forecast slippage of £0.149m 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.
- 5.131** There are £0.234m savings not yet evidenced relating to “Calleydown - Increasing capacity and reducing respite costs (transformation project)”. This has reduced from £0.284m following the achievement of an alternative saving in relation to the centre. Due diligence is underway to explore other alternative options to achieve this saving.
- 5.132** NHS Funding savings of £0.400m relate to funding from the Integrated Care Board (ICB) for packages of care and support and specialist placements. 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. The Council has employed a nurse assessor to review individual cases, providing backing evidence for negotiations with Health. Based on the evidence the £0.400m target is achievable and conversations have commenced, however, risk remains and progress with the ICB NHS colleagues has been very slow.

- 5.133** 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.
- 5.134** 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. It is likely that any slippage will be offset by staffing savings within the service.
- 5.135** 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; and
 - 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

- 5.136** 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.
- 5.137** 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. The Financial Improvement earmarked reserve is forecast to be used for the estimated Housing Benefit subsidy loss risk above budget (£2.4m) whilst the external audit of Housing Benefit subsidy claims from 2020-21 to 2024-25 are still being completed, and estimated external audit fee costs above budget (£0.4m). These earmarked reserves do not impact the General Fund balances.

5.138 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	(2.8)	0.6
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	(1.8)	10.7
Dedicated Schools Grant (DSG) <i>(please note comments below table)</i>	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	(23.5)	132.4
Balances held by schools	CYPE	5.4	-	5.4
Housing Revenue Account (HRA) reserves	Housing	28.7	(12.5)	16.2

5.139 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.

5.140 The draft deficit balance (prior to finalisation of the external audit of the 2024-25 annual accounts) on the DSG adjustment account at 31/3/25 was £22.7m. The net effect of the adjustment account and reserve is a draft deficit of £12.8m at 31/3/25.

HOUSING REVENUE ACCOUNT (HRA)

- 5.141** At period 6, 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.
- 5.142** Staffing: The consultation period for the restructures within the Housing Assets & Repairs division and Housing Tenancy division have concluded and the new structures have gone live in September. Amendments to existing budget allocations within the overall Housing Directorate following the outcomes of the consultations are currently being considered.

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)	(47.3)	(90.1)	0.2
Service Charge Income	(7.2)	(3.1)	(7.2)	-
Other Income	(4.7)	(2.3)	(4.1)	0.6
Subtotal Income	(102.2)	(52.7)	(101.4)	0.8
Responsive Repairs & Safety (Works)	33.4	10.2	33.4	-
Responsive Repairs & Safety (Non-works)	4.3	2.5	4.3	-
Asset Planning & Capital Delivery	3.4	1.6	3.3	(0.1)
Tenancy & Resident Engagement	9.2	3.7	9.3	0.1
Tenant Support Services	6.6	3.1	6.2	(0.4)
Housing Compliance & Transformation	3.5	1.2	3.6	0.1
Regeneration	1.4	9.8	1.2	(0.2)
Regina Road	0.5	0.8	0.8	0.3
Centralised Directorate Expenditure	5.1	0.5	4.5	(0.6)
Corporate Overheads (SERCOP)	4.6	-	4.6	-
Housing Capital Charges	30.1	-	30.1	-
Subtotal Expenditure	102.2	33.4	101.4	(0.8)
Total HRA Net Expenditure	-	(19.3)	-	-

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

- 5.143** 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

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

Rent debtor balances on the General Ledger

- 5.145** Rent debtor balances on the general ledger are currently being reviewed and this may result in potential write offs, utilising the bad debt provision for the HRA. The position will be reviewed monthly and any potential impact, above the bad debt provision, will be reported once further information is available.

Capital Programme and Financial Sustainability

- 5.146** 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.
- 5.147** 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.
- 5.148** Concerns were highlighted in the RIPIs 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.

- 5.149** 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.
- 5.150** 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.
- 5.151** 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 up to £136m to balance and the 2025-29 MTFS demonstrated a growing estimated budget gap which could reach £203m by 2028-29. The updated MTFS recently presented to Cabinet demonstrates a reduced estimated budget gap for 2026-30, reaching up to £108m in 2029-30.
- 5.152** 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 will, in future, increase at a 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 or secure another solution that would have the equivalent effect.

General Fund Capital Programme

- 5.153** At period 6, the General Fund capital programme has a forecast underspend of £44.8m (16.2%) against the revised budget of £275.9m. The capital budget includes capitalisation directions of up to £136.0m. The expected decrease in capitalisation direction usage owing to the Stabilisation Plan accounts for £27.3m of the forecast underspend.

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

General Fund Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Network Refresh	1,166	53	1,166	-
Tech Refresh	112	78	112	-
Laptop Refresh and Re-imaging	424	198	424	-
Cloud and Disaster Recovery	616	53	616	-
Synergy Education System	220	44	220	-
NEC Housing System Phase 1	108	(60)	108	-
Public Switched Telephone Network Digital Migration Phase 1	240	31	240	-
Windows 2016 Server Upgrades	680	-	680	-
Subtotal Assistant Chief Executive	3,566	397	3,566	-
Adults Living Independently Programme (Strategic Operating Model)	5,438	4,816	5,398	(40)
Subtotal ASCH	5,438	4,816	5,398	(40)
Samuel Coleridge Taylor Hub	25	-	25	-
Children Home DFE (Precious House)	215	213	215	-
Children Home DFE (South Norwood)	780	-	780	-
Helping Families Thrive Programme (Strategic Operating Model)	2,339	1,211	2,339	-
Subtotal CYPE	3,359	1,424	3,359	-
Disabled Facilities Grant	4,112	776	4,112	-
Discharge Temporary Accommodation	16,000	-	16,000	-
NEC Housing System Phase 2	810	-	810	-
Subtotal Housing	20,922	776	20,922	-
Asset Strategy - Stubbs Mead	146	-	146	-
Asset Strategy Programme (stock condition surveys)	86	-	60	(26)
Clocktower Chillers	358	-	441	83
Corporate Property Maintenance Programme	1,786	355	1,786	-
Fairfield Halls - Council	1,006	76	800	(206)
Fairfield Halls External Screen	89	8	8	(81)
Fieldway Cluster (Timebridge Community Centre)	168	59	59	(109)
Coroner's Court Relocation	4,560	-	255	(4,305)
Oracle Improvement Programme	4,143	1,391	3,793	(350)
Contingency	1,000	-	1,000	-
Education - Compliance and Fire Safety	865	93	815	(50)
Education - Fixed Term Expansions	25	-	-	(25)
Education - Major Maintenance	3,175	1,882	4,607	1,432
Education - Miscellaneous	1,571	99	749	(822)
Education - Permanent Expansion	1,118	35	-	(1,118)

General Fund Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
Education - SEN	5,467	1,104	4,734	(733)
NHS Coulsdon - GP Hub	4,437	-	1,581	(2,856)
Subtotal Resources	30,000	5,102	20,834	(9,166)
Ashburton Park Heritage Fund	374	57	374	-
Cashless Pay & Display	897	270	500	(397)
Grounds Maintenance Insourced Equipment	1,053	340	1,133	80
Waste and Street Cleansing Fleet Vehicles	16,900	2,949	16,900	-
Highways	7,645	3,886	7,645	-
Highways – DfT (<i>aligned to updated grant funding</i>)	1,241	98	1,241	-
Highways - bridges and structures	6,057	343	4,000	(2,057)
Highways - flood water management	436	139	436	-
Highways - Tree works GLA	114	-	114	-
Local Authority Tree Fund	67	-	67	-
Trees Sponsorship	11	15	11	-
Park Asset Management	1,283	195	1,283	-
Parking cameras replacements	2,168	253	1,850	(318)
Parking IT system replacement	150	-	150	-
Street Lighting LED replacement	4,386	-	500	(3,886)
Sustainability Programme	939	47	112	(827)
Libraries Investment	385	238	405	20
Archive Stores	179	-	179	-
Museum Refurbishment	63	-	188	125
Leisure centres equipment - contractual agreement	574	-	574	-
PlayZones	360	-	170	(190)
Safety - digital upgrade of CCTV	1,524	9	1,524	-
Tennis Court Upgrade	20	5	20	-
Electric Vehicle Charging Point (EVCP)	109	5	122	13
Growth Zone	6,428	366	6,428	-
Amplifying Surrey Street	976	-	976	-
Surrey Street Drinking Fountain	53	30	36	(17)
Kenley Good Growth	56	35	56	-
South Norwood Good Growth	491	32	377	(114)
Local Implementation Plan (LIP)	2,460	705	2,471	11
Reconnecting Croydon	7,093	740	7,093	-
District Centre Improvements	233	33	233	-
District Centre and Park Improvements (UKSPF)	957	18	957	-
CIL Local Meaningful Proportion (LMP) Small Schemes	104	-	104	-
Town Centre Regeneration (ILTA)	1,136	-	1,136	-
Walking and Cycling Strategy	97	5	97	-
Subtotal SCRER	67,019	10,813	59,462	(7,557)

General Fund Capital Scheme	2025-26 Revised Budget	2025-26 Actuals to Date	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)	(£000's)
TOM - Improving Payments	1,500	107	1,500	-
TOM - Digital Operating Model	3,000	188	3,335	335
TOM - Unified Front Door	600	48	600	-
TOM - Information, Advice & Guidance	300	141	300	-
TOM - Predictive Analytics & Prevention	1,400	189	800	(600)
TOM - Recommissioning contracts with a local focus	300	27	300	-
TOM - Commercial Excellence	200	33	200	-
TOM - Integrated Shared Services	200	86	200	-
TOM - Simpler Organisation	300	43	300	-
TOM - Strategic Delivery Support	1,800	-	1,326	(474)
Capitalisation Direction	136,000	-	108,700	(27,300)
Subtotal Corporate Items and Funding	145,600	862	117,561	(28,039)
TOTAL GENERAL FUND CAPITAL	275,904	24,190	231,102	(44,802)

Table showing 2025-26 General Fund Capital Programme Financing

General Fund Capital Financing	2025-26 Revised Budget	2025-26 Forecast	2025-26 Forecast Variance
	(£000's)	(£000's)	(£000's)
Community Infrastructure Levy (CIL)	2,000	2,000	-
CIL Local Meaningful Proportion (LMP)	1,278	451	(827)
Section 106	573	573	-
Grants & Other Contributions	40,858	39,575	(1,283)
Growth Zone	6,864	6,864	-
HRA Contributions	727	727	-
Capital Receipts	45,445	44,396	(1,049)
Borrowing	178,159	136,516	(41,643)
Total General Fund Financing	275,904	231,102	(44,802)

5.154 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.

5.155 The £80k extra expenditure in Grounds Maintenance Insourced Equipment is financed through capital receipts from the sale of older equipment.

HRA Capital Programme

5.156 At period 6, the HRA capital programme has a forecast underspend of £26.8m (22.2%) against the revised budget 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	3,513	21,549	(1,200)
Gas/Fire Servicing	6,762	-	6,762	-
Building Safety Works	6,083	61	10,611	4,528
Special Projects	4,984	44	4,918	(66)
Support Costs	2,584	-	2,584	-
Repairs Referrals	8,600	1,237	6,000	(2,600)
Stock Capital Investment	0	0	575	575
Regina Road	29,753	1,850	10,510	(19,243)
Acquisitions	35,696	9,160	28,360	(7,336)
Regeneration Feasibility Studies	250	70	395	145
Warm Homes Social Housing Fund Wave 3 EPC Investments	2,309	-	724	(1,585)
NEC Housing IT System	727	(61)	727	-
Total HRA Capital	120,497	15,874	93,715	(26,782)

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	27,280	(17,056)
Other Grants	16,840	16,840	-
Borrowing	32,634	22,908	(9,726)
Total HRA Capital Financing	120,497	93,715	(26,782)

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 £23.5m 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. Section 114 of the Local Government Finance 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 1999, "the 1999 Act"). 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 issued under the 1999 Act (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 Part 4H, Financial Regulations provides, at paragraph 5.4 that if a change to the purpose of the funding is required, so that funding will be used for a purpose different to that for which it was approved, then a virement is required. This must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. A new policy or a change in an existing policy require prior approval in line with the Constitution and the Budget and Policy Framework (Part 4C of the Constitution). Paragraphs 2.4 (vi) and (vii) provide that the Executive Mayor (or Cabinet) as the case may be, may approve revenue virements of £1m and above and capital virements or additions of £1m and above.

Comments approved by Kiri Bailey, Head of Commercial Property and Litigation Law and Deputy Monitoring Officer on behalf of Stephen Lawrence-Orumwense Director of Legal Services and Monitoring Officer (31/10/25).

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,
27/10/2025.

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, 27/10/2025.

9. APPENDICES

- 9.1** None.

10. BACKGROUND DOCUMENTS

- 10.1** None.