LONDON BOROUGH OF CROYDON

TITLE:	**2026-27 Period 2 Financial Performance Summary**	
DATE:	**18 August 2026**	
CORPORATE DIRECTOR:	**Conrad Hall** **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**	
SUMMARY FOR:	***Information only – PUBLISHED ON WEBSITE***	
KEY DECISION?	**No**	
CONTAINS EXEMPT INFORMATION?	**No**	**Public** **Grounds for the exemption: N/A**
WARDS AFFECTED:	**All**	

1 EXECUTIVE SUMMARY

1.1 At this early stage, the Period 2 (May 2026) financial performance for General Fund revenue shows a forecast overspend of £3.1m against the 2026-27 budget. If this was the position at the end of the financial year, the overspend would need to be funded through the Business Risk earmarked reserve.

1.2 Medium Term Financial Strategy (MTFS) savings evidenced to date for delivery in 2026-27 are £25.4m (73.2%) against the total savings target of £34.7m. The service directorates are taking savings delivery plans forward and achievement and mitigations will be evidenced as the year progresses.

1.3 The quarterly Financial Performance Reports (presented to Cabinet) and the summary updates for intervening periods from Period 2 to Period 10 are published on the Council's Corporate Performance and Finance Reporting webpage (link: Corporate Performance and Finance Reporting | Croydon Council).

2 CONTRIBUTION TO EXECUTIVE MAYOR PERRY'S BUSINESS PLAN

A Cleaner, and Safer Croydon.	A town centre that is busy, confident and thriving	Stronger local high streets and economies	A fair deal for residents	Better roads, better journeys	Places people can be proud to call home	Backing families, young people and adults
			✓			

To note, Executive Mayor Perry's Business Plan for 2026-2030 approved at Cabinet, pending final approval at Full Council, anticipated October 2026.

3 BACKGROUND AND DETAILS

3.1 The 2026-27 budget approved by Council in February 2026 set a net revenue budget of £485.4m. This required capitalisation directions from Government of £119m 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.

GENERAL FUND REVENUE BUDGET SUMMARY

3.2 Early indications forecast that the General Fund revenue budget outturn at Period 2 could be overspent at financial year end by £3.1m. If this was the position at the end of the financial year, the overspend would need to be funded through the Business Risk earmarked reserve.

3.3 All service directorates are expected to reduce their net expenditure, or bring forward mitigations, so that the annual budget can be balanced within the budgeted level of capitalisation directions and with reduced usage of earmarked reserves.

3.4 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.

3.5 The unfunded local government cost pressures that exist nationally, regionally and locally relating to increases in demand and market prices need to be addressed by Government changes to policy and/or funding levels. For example, the current Government policy of holding housing rent level subsidies at 90% of the Local Housing Allowance (LHA) rates in 2011 currently costs Croydon c£45m per annum.

3.6 Current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

3.7 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.

Table showing the General Fund revenue forecasts by Directorate

Directorate	Net Budget (£m)	Actuals to Date (£m)	Forecast (£m)	Forecast Variance (£m)
Adult Social Care and Health	198.2	33.6	197.0	**(1.2)**
Assistant Chief Executive	18.7	6.0	18.4	**(0.3)**
Children, Young People and Education	162.1	22.1	165.5	**3.4**
Housing	63.1	3.8	63.1	**-**
Place	73.7	7.3	76.5	**2.8**
Resources (note 1)	26.0	33.9	26.0	**-**
Subtotal Service Directorates	**541.8**	**106.7**	**546.5**	**4.7**
Corporate Items and Funding	(56.4)	5.9	(58.0)	**(1.6)**
Total Net Expenditure	**485.4**	**112.6**	**488.5**	**3.1**

Note 1: The actuals to date are high in the Resources Directorate owing to Housing Benefits subsidy expenditure which will be reimbursed through Department for Work and Pensions (DWP) funding.

3.8 The main forecast variances are:

- Adult Social Care and Health - forecast underspend of £1.2m primarily owing to periods of staffing vacancy. There is a risk in care package costs owing to ongoing price negotiations with some providers;
- Assistant Chief Executive - forecast underspend of £0.3m owing to reduced Concessionary Travel expected to be recharged from Transport for London (£0.2m) and periods of staffing vacancy in Policy, Programmes and Performance (£0.1m);
- Children, Young People & Education - forecast overspend of £3.4m consisting primarily of Children's Social Care placements (£2.6m) and

Unaccompanied Asylum-Seeking Children (UASC) (£0.8m). The initiatives underway to mitigate the market volatility, as part of the Helping Families Thrive (HFT) programme, will be detailed in the Period 3 Financial Performance Report to Cabinet;

- Housing - breakeven position with ongoing tight monitoring and controls in place for temporary accommodation placements to contain this;
- Place - forecast overspend of £2.8m owing primarily to a pressure in Parking Services of £3m following the court judgement in March 2026 ceasing the operation of six Low Traffic Neighbourhoods (LTN's) and a £0.6m forecast overspend in the Croydon Adult Learning and Training (CALAT) service owing to premises and staffing costs. Net efficiencies of £0.8m have been identified to reduce the overall forecast overspend pressure for the directorate;
- Resources - breakeven position. Forecast slippage in staffing and corporate disposals savings in Property, Procurement & Capital (£1m) offset through staffing vacancies (pending a restructure) and contracts in Croydon Technology Service (£1m); and
- Corporate - forecast underspend of £1.6m after utilisation of the corporate risk budget. This includes a £3.0m forecast overspend in Minimum Revenue Provision (MRP) borrowing costs following updated figures that have rolled forward from the completion of the 2024-25 annual accounts.

Table showing the revenue forecasts for ringfenced service areas

Ringfenced Service Area	**Net Budget (£m)**	**Actuals to Date (£m)**	**Forecast (£m)**	**Forecast Variance (£m)**
Housing Revenue Account (HRA) (note 1)	-	(10.9)	3.9	**3.9**
Public Health Grant (note 2)	-	(10.8)	-	**-**
Dedicated Schools Grant (DSG) High Needs Block	91.9	23.7	136.9	**45.0**
DSG Early Years Block	88.6	31.7	88.6	**-**

Note 1: The negative actuals to date are high in the HRA owing to Housing Capital Charges which are not processed until year end.

Note 2: 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.

3.9 Housing Revenue Account (HRA) - forecast overspend of £3.9m. This is primarily owing to a forecast overspend on disrepairs work (£2.7m) and an update to the Service Reporting Code of Practice (SERCOP) corporate overhead charges calculated after budget setting (£1.7m), partially offset through extra income and capitalisation of salary costs.

3.10 Dedicated Schools Grant (DSG) High Needs Block - forecast overspend of £45.0m.

3.11 On 9 February 2026, the High Needs Stability Grant was announced alongside the Local Government Finance Settlement. Payment of the High Needs Stability grant will be made by the DfE as a Section 31 grant during 2026-27, following local authorities meeting local SEND reform plan conditions. Local SEND reform plans have been developed collaboratively by local area partnerships (including schools, health, early years settings and post-16 providers) to ensure plans reflect the shared responsibility of the whole local system in supporting children and young people.

3.12 The deficit balance on the DSG adjustment account at 31/3/26 was £67.5m. The net effect including the reserve at 31/3/26 was a deficit of £57.6m. The High Needs Stability Grant will fund 90% of eligible deficit amounts up to 31/3/26. This would fund c£52m of the deficit, leaving a residual deficit of c£6m.

3.13 The risk relating to the DSG deficit impact on the General Fund is currently mitigated through the statutory override up to the end of 2027-28. This means that the DSG deficit does not need to be recovered in full by the General Fund or held against non-earmarked General Fund reserves up to this date.

4. IMPLICATIONS

4.1 FINANCIAL IMPLICATIONS

4.1.1 Finance comments have been provided throughout this summary.

4.1.2 There are no budgeted contributions to, or drawdowns from, the General Fund balances of £27.5m in 2026-27. 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. The current forecast includes usage of General Fund revenue earmarked reserves, but no usage of the General Fund balances.

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

4.2 LEGAL IMPLICATIONS

4.2.1 Under the Local Government Finance Act (LGFA) 1992, the Council is under a legal duty to set a balanced budget (Section 31A 'Calculation of Council Tax requirements by authorities in England'). 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.

4.2.2 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.

4.2.3 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty. The Council is the subject of Directions from the Secretary of State 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 summary serves to ensure the Council is effectively monitoring and managing its budgetary allocations in accordance with its Best Value Duty.

Comments approved by Gina Clarke, Head of Corporate Commercial and Planning Law & Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer, 28/07/2026.