

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>AUDIT AND GOVERNANCE</b>	
<b>DATE OF DECISION</b>	<b>2 March 2023</b>	
<b>REPORT TITLE:</b>	<b>Budget Assurance 2023/24</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West Corporate Director of Resources and Section 151 officer</b>	
<b>LEAD OFFICER:</b>	<b>Jane West</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>N/A</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	<b>N/A</b>	
<b>KEY DECISION?</b>	<b>No</b>	<b>REASON: N/A</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

The Council is currently going through its budget process in preparation for 2023/24. The Budget Council is set for the day before the Audit and Governance meeting on 1 March 2023. Given the complex government funding arrangements in respect of the Council's 2023/24 Budget, it is possible that the budget setting process will still be in train on 2 March 2023. The purpose of this report is to inform the Audit and Governance Committee of the improvements that have been made to this year's budget setting process.

## 2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to note the improvements in the budget setting process outlined in this report.

### 3. BACKGROUND AND DETAILS

- 3.1 During the year, the Audit and Governance Committee has regularly considered the Council's position in relation to its 2022/23 Budget Monitoring and its progress against closing the 2019/20, 2020/21 and 2021/22 accounts. It has also reviewed the Council's progress against the two Reports in the Public Interest (RIPI 1 and RIPI 2) and its Annual Governance Statement for 2021/22.
- 3.2 The Audit and Governance Committee has been concerned about the lack of accuracy in previous year's financial accounts and in the 2022/23 Budget, as well as the wider cultural issues in relation to financial management across the Council. This report focusses on the accuracy of the 2022/23 Budget and the actions that have been taken to ensure that the 2023/24 Budget does not contain the same flaws.
- 3.3 This report includes as an Appendix the Revenue Budget and Council Tax Levels 2023/24 report that is currently going through the Cabinet and Council approval process. The report sets out the wide range of corrections that have had to be made to ensure that the 2023/24 Budget is accurate. These fit into the following categories:-
- Parking and traffic income budgets have been reduced by £10.6m and expectations built in last year of a further increase of £3.4m have been removed as unachievable
  - Housing Benefit is under recovering grant and net growth of £7.5 (£9m less potential Transformation savings of £1.5m) has needed to be built into the budget for 2023/24
  - Charges to the Housing Revenue Account have been overstated by £9.5m and other recharges were overstated by £7.7m
  - Erroneous income budgets of £7.3m were identified that had no foundation (excluding parking and traffic income)
  - In total £49m has needed to be built into the budget for legacy errors.
- 3.4 It should be noted that some of these issues have also been holding up the closure of the accounts from 2019/20 onwards eg recharges from the General Fund to the Housing Revenue Account.
- 3.5 Measures have been taken to improve financial modelling of future pressures, although it is acknowledged that there is more to do in this area. Areas of improvement have included the Parking and Moving Traffic Income projections and revised budgets which are now modelled monthly to take into account past trends and actual income being received monthly through Ringo for Pay and Display charges. Previous over-estimates of income have been identified and reversed. Social care expenditure modelling has also been improved by analysing activity and unit cost data on different placement types. Housing activity data is beginning to be routinely reconciled to income received but this is at an early stage and is identifying gaps in the data that need to be resolved before better modelling can be introduced. The Scrutiny Sub-Committees are being briefed on the improvements being made in the areas they cover.
- 3.6 The table below sets out a summary of the additional budgets built into the 2023/24 budget.

Department	Demand Pressures £'000s	Legacy Budget Corrections £'000s	Total £'000s
Children, Young People and Education	0	5,188	<b>5,188</b>
Adult Social Care and Health	7,621	1,648	<b>9,269</b>
Housing	0	5,286	<b>5,286</b>
Sustainable Communities Regeneration and Economic Recovery	1,180	14,759	<b>15,939</b>
Assistant Chief Executive	1,230	2,001	<b>3,231</b>
Resources	1,195	11,271	<b>12,466</b>
Corporate	57	8,884	<b>8,941</b>
<b>Total</b>	<b>11,283</b>	<b>49,037</b>	<b>60,320</b>

- 3.6 Additional challenge has also been applied to proposed savings to ensure they are deliverable. This is the reason for the reduction in savings proposals between the Medium Term Financial Strategy Update report that went to Cabinet in November 2022 from £44m to £36m in the Revenue Budget and Council Tax Levels 2023/24 report.
- 3.7 The Committee's attention is drawn in particular to Section 11 of the Revenue Budget and Council Tax Levels 2023/24 report which sets out the S151 Officer's view on the robustness of the budget estimates. This outlines a wide range of measures employed to improve accuracy.
- 3.8 A report on the outcomes of the Opening the Books project is also included on this Audit and Governance agenda. The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. The project has had a number of facets including the commissioning of a series of reviews by Worth Technical Accounting Solutions.
- 3.9 The following reviews have been completed by Worth TAS and are to be found in full elsewhere on this agenda:
- London Borough of Croydon Capitalisation Direction
  - London Borough of Croydon Managing Revenue Budgets
  - London Borough of Croydon Budget Setting and Financial Management
  - Review of Capital Spending Plans, Treasury Management Strategies, Debt Charges and Borrowing
  - London Borough of Croydon Financial Reporting and Year End Close.
- 3.10 The reviews provided important information over the summer and autumn of 2022 that has fed into the Council's Medium Term Financial Strategy, as reported to Cabinet in November 2022, and the Council Tax Setting papers that are presented elsewhere on this agenda. Areas that have been informed by this work include:
- The Council's increased use of capital receipts to repay its outstanding borrowing, including the revision to the Council's Asset Management Strategy.

- The setting of the Council's Minimum Revenue Provision for the repayment of borrowing, including an increase for earlier years that has been included in the Council's request to government for a Legacy Capitalisation Direction.
- The establishment of a new officer group to review all the debts owed to the Council, the approaches to collection, the requirements for debt write off and the required provision for bad debt. A large shortfall in the provision for bad debt was identified which has been included in the Council's request to government for a Legacy Capitalisation Direction.
- Recent improvements to financial modelling
- Recommended improvements in budget setting across the Council have identified the need to correct a range of budgets as part of the Council Tax Setting process. A significant number of budgets have been identified as being incorrectly calculated or even completely erroneous.

3.11 In terms of processes, the reviews conclude that the Council needs to:

- Improve the clarity and consistency of key financial information
- Closely monitor levels of General Fund balances and reserves
- Ensure all savings plans are realistic and achievable
- Adopt realistic assumptions and consider 'worst case' scenarios
- Get year end accounts up to date
- Improve oversight of key financial processes.

3.12 All the recommendations of the Worth TAS reports are being accepted by the Council and a report elsewhere on this agenda proposes that the Audit and Governance Committee monitor progress against these recommendations.

3.13 The Committee will also continue to receive regular updates on the Oracle Improvement Programme and the financial cultural change programme being rolled out in conjunction with CIPFA.

## **4 ALTERNATIVE OPTIONS CONSIDERED**

N/A

## **5 CONSULTATION**

None

## **6. CONTRIBUTION TO COUNCIL PRIORITIES**

The improvements to the budgeting process aligns with the Mayor's core outcome of balancing the Council's books.

## **7. IMPLICATIONS**

### **7.1 FINANCIAL IMPLICATIONS**

7.1.1 As the report states, the findings of the corporate budget process for the 2023/24 budget setting and the from the Opening the Books project are reflected in the budget setting papers presented for the 2023/24 budget.

**Approved by:** Alan Layton, Interim Head of Service, Finance on behalf of Corporate Director of Resources.

## 7.2 LEGAL IMPLICATIONS

7.2.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Audit and Governance Committee is required by its terms of reference to monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated strategies, actions and resources, and to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

7.2.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.

7.2.3 Separately, the effectiveness of the Council's internal control environment has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness. Therefore, the consideration of this report also seeks to demonstrate the Council's compliance with its Best Value Duty under the Local Government Act 1999.

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

## 7.3 EQUALITIES IMPLICATIONS

7.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

7.3.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;

- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

7.3.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.

7.3.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equality's duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively in a full Equalities impact assessment. Equality analysis has been undertaken to identify the equality impact of the overall budget.

***Approved by:*** Denise McCausland Equality Programme Manager

## **7.4 HUMAN RESOURCES IMPLICATIONS**

7.4.1 There are no immediate workforce implications arising from the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and procedures and where necessary consultation with our recognised trades unions.

***Approved by:*** Dean Shoemith, Chief People Officer

## **8. APPENDICES**

Appendix A Revenue Budget and Council Tax Levels 2023/24 Report – Cabinet  
22 February 2023

## **9. BACKGROUND DOCUMENTS**

None