

For general release

<b>REPORT TO:</b>	<b>CABINET 17th JULY 2017</b>
<b>AGENDA ITEM:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>JULY FINANCIAL REVIEW</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>COUNCILLOR TONY NEWMAN THE LEADER COUNCILLOR SIMON HALL CABINET MEMBER FOR FINANCE AND TREASURY COUNCILLOR ALISON BUTLER DEPUTY LEADER CABINET MEMBER FOR HOMES, REGENERATION AND PLANNING</b>
<b>WARDS:</b>	<b>ALL</b>

**CORPORATE PRIORITY/POLICY CONTEXT:**

The review of the Financial Strategy as part of the budget setting process enables a balanced budget target to be established with a focus on an affordable level of council tax, delivery of the corporate priorities and policies of the Council and the continued enhancement of value for money and satisfaction with services for the residents of our borough.

**FINANCIAL SUMMARY:**

This report sets out the Council's review of its Financial Strategy for the period 2017/20 to establish the context for the Council's budget and medium term financial planning scenarios and assumptions.

**FORWARD PLAN KEY DECISION REFERENCE NO. - This is not a key decision.**

## **1. RECOMMENDATIONS**

It is recommended that Cabinet approves:

- 1.1 The revised capital programme as detailed in section 11 and appendix 2 of this report.
- 1.2 The Business Rates Discretionary Funding scheme as detailed in section 4 of this report and appendix 3.
- 1.3 The approach to ensuring the financial challenge of the period 2017/20 continues to be managed efficiently and effectively and continues to be reported to this cabinet on a quarterly basis as part of the financial monitoring report.

That Cabinet Notes :-

- 1.4 Details from the Queen's speech held on the 21<sup>st</sup> June 2017 as detailed in paragraph 2.8 of this report.
- 1.5 Progress being made to deliver the 2017/18 budget.
- 1.7 Final outturn of the 2016/17 budget as detailed in section 9.

## **2. EXECUTIVE SUMMARY**

2.1 The Council's budget for 2017/18 was approved by Full Council on the 20th February 2017 (Minute A19/17), as part of the annual budget setting cycle of the Council. This report provides an update of progress towards ensuring the financial challenges for 2017/20 are managed in the most effective way possible and provides an update on the:

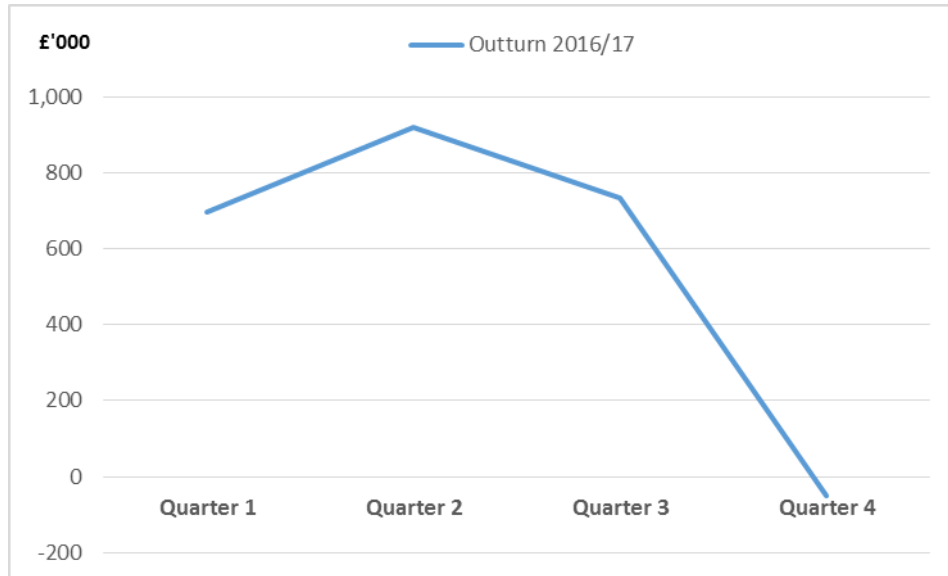
- The Council's overall financial position including the 2016/17 outturn position;
- Key financial changes which impact on Croydon's local and wider financial 'environment'; and
- The Council's readiness in delivering the 2017/18 budget and any resultant impact of this on future years.

2.2 Throughout the year Cabinet have been kept updated on areas of the Council's budget that have been impacted on heavily and have led to significant pressures during the year. These include Adult Social Care demands, Children Social Care, and Temporary Accommodation including Bed & Breakfast.

2.3 Through strong financial management, and the approval of the efficiency strategy by this Cabinet in October 2016 the revenue budget has been managed and the outturn for 2016/17 is an underspend of £0.050m. This

is a significant improvement from the anticipated overspend that was reported at the beginning of the 2016/17 financial year of £0.696m. The 2016/17 outturn is detailed in graph 1 below and section 8 of this report.

**Graph 1 – Forecast Revenue outturn for 2016/17.**



2.4 Specific measure put in place to manage the budget include:-

- A council wide programme to manage demand across all areas of the business, focusing on changing behaviours to create efficiencies.
- Better integration between health and social care including the Outcomes Based Commissioning Programme for over 65's.
- Additional governance measures put in place for Social Care placements.
- Continuation of the Gateway service which aims to provide more support at the front door to prevent service users coming in later with more expensive issues.
- Continuation of the Think Family programme – focusing on the top most expensive families who use multiple council services to make efficiencies through a joined up approach.
- Early intervention in children's social care.
- A new contract for agency staff, providing better value for money.
- Greater use of our assets including leasing two floors of Bernard Wetherill House and the sale of Janette Wallace House.

2.5 As reported to this cabinet in February 2017, 2017/18 is the second year of the four year funding agreement and the council continues to face a level of uncertainty regarding the medium term, 2018/20. Savings have been identified for 2018/19 and 2019/20 and there is no expected budget gap for those two years at this stage. While the government has provided a degree of certainty on the reductions in funding until 2020, the end of the spending review period, this is subject to future decisions of the

government based on the economic position, notably following the EU referendum result last year and the General Election that took place on the 8<sup>th</sup> June 2017.

- 2.6 To set this balanced budget we have also had to make a number of key assumptions around the level of growth for areas where demand and cost have increased, alongside savings to offset this increased growth.
- 2.7 The Local Government Association (LGA) have predicted that there is a funding shortfall of £5.8bn across the Public Sector by 2020. This is as a result of growing demand for services and increases in population particularly in social care services where the gap for adult social care is predicted to be £2.3bn by 2020 and £2bn in children's services. In the Spring Budget 2017 the Chancellor announced additional funding of £2bn via the Improved Better Care fund for social care over the next three years, with £1bn available in 2017/18 to fund adult social care needs, support hospital discharge and to stabilise the social care provider market.
- 2.8 The Queen's speech delivered on the 21<sup>st</sup> June 2017 proposed a total of 27 draft Bills which outlined the legislative program for Government and was described as a package that is intended to deliver ' a Brexit deal that works for all parts of the UK' and that focuses upon 'building a stronger, fairer country by strengthening our economy, tackling injustice and promoting opportunity and aspiration'. Of the 27 Bills, 3 were finance bills to implement budget decisions and a technical Bill to ratify several EU agreements.
- 2.9 The speech was notable for not containing the Local Government Finance Bill that was progressing through Parliament until the General Election was called earlier this year. One of the notable elements of this legislation was the introduction of 100% Business Rates Retention.
- 2.10 As a result of this speech there are now a number of outstanding questions for business rates retention and the wider local government funding reform.
- 2.11 As previously reported to this cabinet the proposed major changes to business rates would have seen 100% of business rates retained locally. In London this meant a split between local authorities and the GLA. Croydon had responded to the national consultation and we were working with London Council's and the GLA to explore a potential pilot for London for 100% business rates retention from April 2018. This is now uncertain and we need to await further details over the coming months. This level of uncertainty creates significant risk and difficulty in planning for the medium term.

2.12 The Government did indicate that it would be consulting on changes in two areas these are:-

- Proposals for consultation that will set out options to improve the social care system and put it on a more secure financial footing,
- Remaining committed to reviewing schools funding and removing the unfairness that is in the current system.

### **3. REVIEW OF FINANCIAL STRATEGY OBJECTIVES**

3.1 The Council approved a new Financial Strategy 2015/19 (the Strategy) in February 2015 as part of the budget setting process. The Strategy was prepared in the context of the cuts made to local government funding since 2010, which based on the 2015 spending review are forecast to continue until 2020. Given the number of changes made since this strategy was written a review will take place over the autumn as part of the budget setting process to ensure the strategy remains fit for purpose.

3.2 The Strategy focuses on three areas that are considered to be essential if the Council is to deliver services to the residents of the borough, whilst ensuring solid financial management.

3.3 The three areas within the Strategy are :-

- To maximise economic growth locally,
- To realign resources to protect front line resources as much as possible,
- To ensure the Council retain a strong financial management framework and systems.

3.4 The Financial Strategy 2015/19 also contains 9 key principles that support the annual budget setting process. The key principles and any commentary are set out in table 1 below.

**Table 1: Financial Strategy Principles**

	<b>Key Principles</b>	<b>Position Statement</b>	<b>Commentary</b>
1	Government grant reductions between 2016 and 2019 in line with overall government spending projections	A more flexible assumption is now set out in the budget 2017/20 position.	The Council has already delivered over £100m in efficiency savings. 2017/18 is the second year of the four year funding agreement and we have set a budget to coincide with the remainder of the settlement period. The budgets assume a level of savings and growth to enable it to be balanced. These will all need regular review

	<b>Key Principles</b>	<b>Position Statement</b>	<b>Commentary</b>
			and scrutiny to ensure delivery during the financial year.
2	Local taxation increases will be kept at or below inflation.	The 2017/18 budget increased Council tax by 1.99% for local services	In addition to Council Tax there is also the Adult Social Care Precept. We have made use of this precept in the years 2016/18 and will continue to charge this precept in the next two allowable years.
3	General Fund balances will be targeted at 5% of our budget requirement.	No change	The 31 <sup>st</sup> March 2017 General Fund balance stands at £10.7m, or 4.2% which is well above the 3% minimum considered prudent. The Financial strategy made it clear that although 5% remains a target there are no plans to actively move towards the target in cash terms over the medium term as the council's budget is expected to reduce in the region of £26m over this period. This would see the 5% target reduce by £1.3m, making it £11.7m by the end of 2020.
4	Earmarked reserves will be set up for specific purposes beyond the general fund balance which is there to mitigate against demand risk on service budgets.	No Change	The balance of general fund earmarked reserves (excluding schools) at 31/3/17 is £30.1m. Earmarked reserves and the effective use of them to support the financial strategy and corporate plan remains a key objective. HRA earmarked reserves are £12.5m and school reserves are £3.3m.
5	Inflation will be estimated in line with sector specific forecast increases.	No Change	Negotiations with providers are ongoing with the aim of minimising inflation increases.
6	Investment in development delivered from the Revolving Investment Fund (RIF) will be ring fenced from the capital programme.	No Change	Investment from the RIF has been made and it will continue to be used to support the delivery of our Growth Plan based on business plans coming forward for individual sites.
7	The Housing Revenue Account does not cross	No change.	The HRA reserves at 31/3/17 are £13.8m, this includes earmarked reserves and Major Repairs reserves. No cross subsidisation

	Key Principles	Position Statement	Commentary
	subsidise or vice versa the General Fund Revenue account up to the point where the HRA continues to exist.		exists.
8	Rents were assumed to rise at CPI + 1% in line with social rent guidance. However, this has now changed in the Housing and Planning Act.	From 2016/17 for 4 years there is to be a 1% per annum decrease in social housing rents.	2017/18 is the second year of a four year cycle to reduce rents by 1% each year in cash terms. This is followed by an assumption that rents will return to the current rent formula from 2020. There is currently uncertainty about this assumption and the impact this will have on the 30 year HRA Business plan. The HRA business plan will continued to be regularly reviewed to ensure the service remains deliverable.
9	Decent Homes standards will be maintained for HRA stock.	No change.	The changes in the Housing and Planning Act place huge uncertainty on the long term sustainability of the HRA. Work remains ongoing on areas where we can reduce costs within the HRA. The delivery of Decent Homes for tenants remains a key priority

3.5 The July Financial Review 2017 has concluded that although the Planning Assumptions of the Financial Strategy remain robust, the financial environment remains unstable, notably given the uncertainties around:-

- future years government funding particularly following the recent general election, and Queen's speech,
- impact of welfare changes,
- direct and indirect impact of government policy (such as housing and education),
- the impact of the EU Referendum,
- demographic pressures,
- economic growth.

#### 4 MAJOR CHANGES IN FUNDING FOR LOCAL GOVERNMENT

4.1 On 8<sup>th</sup> March 2017 the Chancellor of the Exchequer delivered the spring budget statement. This contained a number of key announcements for local government. As detailed below:-

4.1.1 **Social care:** Additional grant funding of £2 billion to social care in England over the next three years, with £1 billion available in 2017/18.

- 4.1.2 **Business Rates:** Measures were introduced to try and mitigate the impact of the recent revaluation particularly on small businesses this includes a £300m fund for local authorities to deliver discretionary relief.
- 4.1.3 **Education:** £320 million in this Parliament to help fund an additional 110 free schools and £216 million investment for school maintenance.
- 4.1.4 **London Devolution:** A Memorandum of Understanding on further devolution to London on joint working on a range of areas. A second memorandum will cover health and social care.
- 4.1.5 **Efficiency Review:** Restatement of previous commitment to a departmental efficiency review. £1 billion of savings from the review will be reinvested in priority areas. A progress report will be made in Autumn 2017

4.2 The impact of these announcements for Croydon are as follows :-

- 4.2.1 **Social care:** Croydon has been awarded Improved Better Care Funding of £11.5m over the three year period, £5.5m in 2017/18, £4m in 2018/19 and £2m in 2019/20. Work is currently underway with the CCG to discuss how this money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.
- 4.2.2 **Business Rates:** The consultation and work towards 100% retention has been on hold as a result of the general election that took place on the 8<sup>th</sup> June 2017. The Queens speech delivered on the 21<sup>st</sup> June 2017 and detailed in section 2 of this report continues to create a level of uncertainty about business rates and the 100% retention scheme at the current time.
- 4.2.3 DCLG announced additional funding in March 2017 to help address increases in business rates charges as a result of revaluation. The National Non Domestic Business (NNDR) Rates Discretionary relief hardship funding allocates £3.070m to Croydon Businesses over a 4 year period as shown in table 2 below, which will be used to provide some additional support to businesses facing increases in business rates as a result of the 2017 revaluation. This is in addition to the national transitional funding arrangements put in place.

**Table 2 NNDR Discretionary relief hardship funding**

	2017-18 £'000s	2018-19 £'000s	2019-20 £'000s	2020-21 £'000s	Total £'000s
Croydon Council	1,791	870	358	51	3,070



4.2.4 The criteria outlined by the DCLG to allocate this funding was:

- Premises facing an increase in their bills of more than 12.5% (before reliefs),
- Premises with a rateable value under £200,000.

4.2.5 Having reviewed the circumstances and affordability within the Borough, the Council is proposing to implement the relief scheme, as detailed below.

4.2.6 Relief will only be allocated where a qualifying ratepayer's bill has increased due to the 2017 revaluation. The maximum amount of relief available will be £5,000 per property.

4.2.7 Relief awarded will be after all other reliefs and exemptions have been applied. Where a ratepayer's 2017/18 or 2016/17 bill is reduced for any reason, the amount of their relief will be reduced or removed accordingly.

4.2.8 The following types of uses will not be eligible for local discretionary business rates relief:

- Betting shops as we do not want to encourage more of these type of premises to come to Croydon,
- Public Houses and Wine bars as they already qualify for a separate scheme, allowing a £1k relief from their 2017/18 bill, irrespective of whether their 2016/17 bill was higher or lower.

4.2.9 It should be noted for the last category a separate relief scheme is being consulted upon by the government, the proposals of which are likely to duplicate this discretionary scheme.

4.2.10 Further exclusions to the scheme include:

- Ratepayers in receipt of small business rate relief support, which limits increases on small properties caused by the loss of small business rate relief to £600 per annum,
- Properties that were not on the rating list at 1 April 2017,
- Properties where the rateable occupation ceases,
- Businesses that reach the state aid limit over a cumulative three-year period.

4.2.11 Full details of the proposed scheme which has been consulted on with the GLA can be found in appendix 3 to this report.

4.2.12 **Efficiency Review:** the impact on local government funding and for Croydon will become clearer in the autumn of 2017 following the progress report.

## 5 Council Funding

- 5.1 As previously reported to this Cabinet in the budget setting report, funding for our services is provided from a number of different sources including government funding and income earned locally from Council Tax and fees and charges. Table 3 below details the funding Croydon has forecast to receive over the period 2017/20.

**Table 3 Croydon Funding 2017/20**

	<b>2017/18 £m's</b>	<b>2018/19 £m's</b>	<b>2019/20 £m's</b>
Settlement Funding Assessment	101.7	94.7	87.8
Council tax	147.8	150.7	153.2
Adult Social care council tax precept	7.3	10.2	11.6
Improved Better Care Fund	5.5	7.1	8.3
Transition Grant	0.4	-	-
The 2017/18 Adult Social Care Support Grant	1.4	-	-
NHB	8.7	6.5	6.2
<b>Core Spending Power</b>	<b>272.8</b>	<b>269.2</b>	<b>267.1</b>

### 5.2 Council Tax

- 5.2.1 Council tax remains a key source of income for the authority. The Council Tax referendum limit remains at 2%. Local authorities with social care responsibilities continue to be able to levy a Social Care Precept. The 2017/18 local government finance settlement has amended the use of this additional precept. It announced that it can be applied at 3% per annum for the next two years, up to 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore if an authority chooses to use the higher 3% threshold in each of 2017/18

and 2018/19, then it would not be able to have an additional precept in 2019/20. For Croydon a 3% levy was applied in 2017/18 and the assumption in our financial planning forecasts is that the council will levy a 2% increase for social care for 2018/19 and then a further 1% for the period 2019/20. Therefore taking advantage of this new flexibility.

### **5.3 New Homes Bonus**

5.3.1 The government has made the following changes to the New Homes Bonus scheme:

- Funding was reduced by £241m in 2017/18,
- Funding will be reduced from 6 years to 5 years' worth of payments in 2017/18,
- Funding will then reduce to 4 years' worth for 2018/19 onwards,
- From 2018/19, the government will consider withholding payments from local authorities that are not "planning effectively, by making positive decisions on planning applications and delivering housing growth".
- A consultation is planned regarding withholding payments for homes that are built following an appeal.

### **5.4 Public Health Grant**

5.4.1 The Public Health grant has been reduced in 2017/18 by 2.5% from the 2016/17 allocation. It has also been confirmed that there will be further reductions over the period to 2019/20 of approximately 2.65% per annum. The 2017/18 Public Health grant is £21.912m, and is expected to reduce by a further £1.2m by 2019/20.

### **5.5 Dedicated School Grant**

5.5.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. This is split into 3 blocks, a Schools block, a High Needs block and an Early Years block. There are currently proposals to transform schools funding and the Department for Education are in the process of consulting on a new National Funding Formula for Schools that is expected to be implemented from April 2018.

5.5.2 The DSG allocation for Croydon for 2017/18 is £324.69m (£311.94m 2016/17). The DSG is reduced by recoupment for academy funding. This is currently estimated to be £140m but will be subject to change throughout the year as schools convert to academies. Most of the increase has been added to the funding blocks for Early Years which is now £16.8m and High Needs which is £57m. This increase is as a result of re-baselining pupil numbers and more funding being targeted at disadvantaged children and increases to free childcare for eligible 3 and

4 year olds. The funding within the Schools block for 2017/18 equates to £4,794.79 per pupil, which is broadly equivalent to the 2016/17 rate.

5.5.3 The Department for Education (DfE) are currently consulting on the changes that they are proposing to make to the way education is funded through the implementation of the National Funding Formula.

5.5.4 The changes that they are proposing can be summarised as follows:

- The proposal is to move from 3 blocks (Schools, High Needs and Early Years) to 4 blocks (schools, LA Central, High Needs and Early Years) and to combine the ESG funding that is currently part of Formula Grant into DSG as part of the Central block.
- The schools block would be ring-fenced. Currently we are able to transfer between blocks; in the future we would only be able to transfer between LA controlled blocks (Central, High Needs and Early Years). The flexibility that currently exists has been used to enable funding of our high level of High Needs pupils. The removal of this flexibility will lead restrict the level of funding available for the most vulnerable groups of young people and it is likely that the high needs block will be underfunded in Croydon resulting in an annual over spend which will need to be funded from the following years allocation.

## **5.6 UASC – UNACCOMPANIED ASYLUM SEEKING CHILDREN and IMMIGRATION ACT**

5.6.1 Croydon for a number of years has faced local pressure as a result of an inadequate grant for UASC which has led to costs being picked up as a result of our location. We face pressures in this area on a scale only Kent can match.

5.6.2 We currently receive a weekly rate of £137.50 for under 16 year old UASC's and £114 for over 16 year old UASC's from the Home Office. After prolonged negotiations and discussions during 2015/16 our rate remained at this enhanced rate in 2016/17. The Home Office have failed to engage in conversation to discuss the 2017/18 rates and at this stage we have assumed they continue to pay these enhanced rates this year. It should be noted that, in the council's view, and as detailed previously, even this level of funding does not come close to covering all the costs, direct and indirect, associated with UASC's.

5.6.3 As detailed above there remains uncertainty over the long term funding in this area which creates a risk, and Cabinet Members have written to the Secretary of State seeking clarity. At this stage no response has been received making it increasingly difficult to plan and manage spending in this area.

- 5.6.4 The Immigration Act 2016 was given royal assent on 12 May 2016. It contains a raft of new measures that have implications for employers, landlords and public service organisations in terms of their interactions with immigrants who do not have permission to remain in the UK. Some elements of the act have already been implemented, including the resettlement of refugee children from Europe and enforcement penalties for employers. However, a number of elements have been delayed and the proposed timescale for rolling them out remains unknown. Consultation is on-going with local authorities to form the details of these provisions, the most significant of which is the removal of local authority support for destitute families and care leavers who have no immigration status.
- 5.6.5 The 2017/18 budget contains a saving of £1m associated with the implementation of the Immigration Act. As a result of the delays to this act this is now unlikely to be achieved this financial year.
- 5.6.6 Last summer the Home Office introduced a scheme of voluntary transfer with the intention of locating UASC over a wider area so there is not the concentration and resulting high costs in certain areas of the country. Croydon were supportive of this policy but we are not seeing this national dispersal scheme operating as promised. So, there remains a risk that the level of funding is not sufficient and will actually add to the burden already borne by the council in this regard.

## **6 BUDGET 2017/20**

- 6.1 Table 4 below sets out the current forecasts in relation to the financial strategy for 2017/20. This includes the savings and pressures identified by departments during the previous budget setting process. Appendix 1 gives details of the savings identified to date as presented at the time of the 2017/20 budget and approved by Council.
- 6.2 The assumptions that are built into this gap include £2.9m for future years inflation. This is based on the following assumptions:
- **Pay** - Future years pay awards have been assumed to be 1% in line with the estimates for 2017/18.
  - **Contracts** - Estimates for future years have been based on a 2% increase. A large element of the council spend is through third party providers. Longer term contracts have in-built indices to calculate annual changes whilst other contracts can be negotiated on an annual basis.
  - **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase by RPI.

- 6.3 Budgetary pressures are continuing to be faced from demand led areas. £14m of departmental growth has been built into the budget assumptions over the financial period 2017/20, with the majority of that growth built into 2017/18. The main areas where pressures are arising are within the people department, notably in relation to vulnerable adults and an increased number of children with disabilities, as well as housing.
- 6.4 This is alongside a reduction in grant funding of £26.7m over the 3 year period 2017/20.
- 6.5 The budget over the period 2017/20 is challenging, as detailed in this report. The increasing reduction of grant income alongside increasing demands on expenditure means significant cost reductions will continue to have to be made. The shift in focus on local government funding means there is much greater direct benefit to the councils funding from economic growth through New Homes Bonus, Business rates and Council Tax. The council's regeneration plans over the medium term will provide huge opportunity for this to have a significant impact.

**Table 4 Budget Gap 2017/20**

	2017/18 £m	2018/19 £m	2019/20 £m	2017/20 £m
Cut in Grant	11.08	9.44	6.24	26.76
Inflation	2.90	2.90	2.90	8.70
Removal of Council Tax surplus	0.60	3.10	0.00	3.70
Departmental & Corporate Growth	16.43	2.21	2.69	21.33
<b>Gross Budget Gap</b>	<b>31.01</b>	<b>17.65</b>	<b>11.83</b>	<b>60.49</b>
Council tax	-7.33	-2.90	-1.47	-11.70
CT Base Increases	-4.20	-2.90	-2.50	-9.60
Savings Options	-19.48	-11.85	-7.87	-39.20
<b>Net Budget Gap</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

- 6.6 It is clear from the level of budgeted savings and growth over this period that Croydon will need to continue to drive out efficiencies and will need to continue to deliver difficult savings over this period. This will include real innovative and joined up working in the People Department, with a

focus on prevention and working with families. It is also clear that there may well need to be some tough choices made on services we can no longer afford. The principle will be one of fairness and the outcomes from the fairness and opportunity commission will also be key in determining how we allocate our reducing resources.

## **6.7 Key Projects to Close the Gap**

6.7.1 In February 2017 Cabinet were made aware of a number of key projects that are underpinned by the efficiency strategy which would deliver the savings identified. An update on each of the key areas is outlined below.

### **Getting the most out of our assets**

6.7.2 As identified in the asset strategy we have rationalised the use of our assets and a number of floors within BWH have already been let to private tenants with further floors to be let in the summer. Janette Wallace House has been vacated and sold, generating a capital receipt and ongoing revenue savings.

6.7.3 29 of the Brick By Brick schemes have now received planning consent and these sites will soon be transferred to Brick by Brick. This is expected to result in a significant capital receipt for the council which can either be used for transformation or to fund capital expenditure. There are also a further fifteen sites at pre planning application stage and once completed these will also transfer generating a further receipt.

6.7.4 There will be a continued focus in identifying further asset opportunities including

### **Better commissioning and contract management**

6.7.5 A corporate contract review has taken place, this focused on driving a more commercial approach to contract management by reviewing contract performance and cost for all tier 1 contracts (contracts with a value of over £1m per annum).

6.7.6 Savings are already anticipated from a number of future commissioning opportunities over the next 3 years. It is expected these will deliver at a minimum £6m of savings. The key ones are;

- Waste Collection and Street Cleansing
- Leisure
- Internal and external audit

### **Managing Demand**

- 6.7.7 Over the past few months we have been focusing on what drives demand for services and looking at ways that the demand, notably for expensive services, can be reduced, whilst maintaining or enhancing the outcomes for residents. This includes adult and children's social care, housing and the continuation of the successful gateway service.
- 6.7.8 We are also undertaking a review of the back office support services provided by the Resources Department to ensure resources are directed according to need and that there is a greater use of self-service modules and technology.

### **Integration of Health and Social care**

- 6.7.9 Work is continuing with health colleagues and the Outcomes Based Commissioning contract for over 65's was signed by all partners in April 2017. 2017/18 is now the transition year for OBC ahead of a nine year contract which will see partners work more closely together to drive service and financial savings. This work will drive greater efficiency across the health and social care sector alongside financial savings and improved client services.

### **Delivering Growth**

- 6.7.10 Delivery of economic growth in the Borough continues to be a key focus to enable increased prosperity and reduced dependency on the Council and the Growth Zone is taking shape with a number of key projects being developed for delivery.
- 6.7.11 The redevelopment of the Fairfield Halls has commenced and the new operating partner has been selected and is working with officers and members to ensure we have a high quality cultural offering when it reopens in 2018.
- 6.7.12 Brick by Brick has successfully obtained planning approval for a number of sites and building works are expected to commence in the autumn. This along with the proposals made in the report on this agenda for the delivery of affordable housing will increase the provision of affordable housing within the Borough.

### **Commercial Approach**

- 6.7.13 As previously report to this Cabinet the Council is continuing to take a more commercial approach to become an innovative and entrepreneurial authority by generating extra revenue through trading and business improvement. This includes the Housing Development Company – Brick by Brick, traded services with schools – Octavo and Croydon Equipment Services. Alongside being able to make use of our ability to borrow monies at low rates and lend at commercial rates through the Revolving Investment Fund (RIF).



## **Digital**

6.7.14 We have already delivered a number of strategic digital projects including providing services on line where possible. This has been successful in delivering efficiencies and changing behaviours and was demonstrated by the success at the recent LGC awards when Croydon was awarded Digital Council of the year.

## **7 HRA**

- 7.1 Managing the Housing Revenue Account continues to be an ongoing challenge for the Council in light of legislative changes driven by the government. The biggest challenge remains the impact of the 1% rent reduction each year to 2020, with 2017/18 being Year 2 of this policy. Combined with the on-going sale of HRA stock via right-to-buy (RTB) and an expectation that further disposals will be required to meet the High Value Voids levy from 2018/19, the outlook for the HRA is based on a rapidly decreasing rent base.
- 7.2 This sharp reduction in income over the medium-term means that savings are needed across the HRA. Once the remaining £11.4m that will take Croydon's HRA up to the debt ceiling has been applied to support the ongoing capital programme we will be unable to borrow additional funding. It is currently projected that the HRA will face a shortfall in funding from 2023/24 onwards.
- 7.3 In 2017/18 an efficiency programme with a value of £808k is being delivered across the housing management structure, and reductions have also been made to the HRA capital programme (including the removal of the new build schemes) to keep the HRA sustainable. Further mitigating options will be identified as part of the HRA business planning cycle in the run up to 2018/19.
- 7.4 Following the Grenfell Tower tragedy, the Council has committed to installing a range of fire safety measures across its own housing stock. This includes the installation of water sprinklers in residential blocks over ten storeys high. The cost of these works is estimated to be in the region of £10m. At this stage this will be funded within the parameters of the HRA's 30-year business plan in a way that maintains long-term sustainability, and work is on-going to re-profile existing capital investment assumptions and identify other efficiencies across the management of the HRA that will support the delivery of this vital work, further detail will be presented to Cabinet in the future. While, we have committed to undertake these works we believe that the Government should support these important safety works and have written to Sajid Javid MP, The Secretary of State for Communities and Local Government seeking funding for these important safety measures.

7.5 In June 2017, a number of proposals were presented to Cabinet that would allow Right-to-Buy (RTB) receipts to be used to support investment in affordable housing across the borough (namely Brick-by-Brick developments, Taberner House, and existing properties purchased under the ETA scheme). These units will be transferred to a series of limited liability partnerships (LLP) with a local charity in a structure that will allow approximately £24.9m of RTB receipts to be invested in the development activity whilst allowing the Council to retain a long-term interest in the assets.

## 8 POTENTIAL RISKS TO THE 2017/20 BUDGET

8.1 £21.33m of growth has been included in our budget to reflect departmental and corporate growth over the period 2017/20. With £14m being allocated to departments as detailed in table 5 below

**Table 5 Departmental Growth**

Department	2017/18 £m	2018/19 £m	2019/20 £m	2017/20 Total £m
People	11.899	0.556	0.192	12.648
Place	0.650	0.000	0.000	0.650
Resources	1.281	0.150	0.000	1.431
<b>TOTAL</b>	<b>13.830</b>	<b>0.706</b>	<b>0.192</b>	<b>14.729</b>

8.2 Growth is needed particularly in areas of the council's budget which are driven by demand for our services, where we know from previous financial years that there are risks to delivering a balanced budget or as a result of new burdens. These pressures are listed in more detail below.

### 8.3 Adult Social Care and All Age Disability Service

8.3.1 There continues to be a national crisis in the provision of adult social care and the LGA are calling for the government to undertake a fundamental review of the adult social care system to ensure it is sustainable.

8.3.2 While the additional money announced in the spring budget will make a significant contribution to protecting services that care for older and disabled people, particularly in 2017/18, it is not enough to address the wider pressures across the sector, nor is it planned to continue after 2019/20.

8.3.3 In Croydon we are continuing to experiencing increasing demand for Adult Social Care services along with a rise in the number of complex cases. The main area of increasing spend is the 25-65 all age disability service where there has been an increased demand for services and increase in complexity of need, with client numbers increasing from

4,141 at the start of 2016/17 to 4,645 at the year end. The overspend in 2016/17 associated with Adult Social Care and all Age Disability was £1.88m and growth has been allocated in the 2017/18 budget to fund these additional costs.

8.3.4 The Outcomes Based Commissioning Programme for over 65's that is underway with Health partners is aimed at managing costs more effectively. However as this programme is in the first transition year it is too early to be in a position to report on the benefits realised yet.

8.3.5 Croydon has been awarded Improved Better care Funding of £11.5m over the three year period 2017 to 2020. £5.5m in 2017/18, £4m in 2018/19 and £2m in 2019/20. Work is currently underway with the CCG to agree how this money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.

#### **8.4 Children's Social Care**

8.4.1 2016/17 saw an increase in the demand for Children's Social Care services resulting in an overspend of £5.3m.

8.4.2 The number of Looked After Children in 2016/17 rose from 386 at the start of the year to 400 at the end of the year peaking at 428 in October 2016. Alongside the increase in the number of cases we have also experienced an increase in the complexity of cases resulting in the need for higher cost placements.

8.4.3 Children in Need continues to remain challenging , and at the start of the financial year we were below target with 729 cases (target was 799) and mid-way through the year numbers escalated to 862 in September and fell again to 551 at the end of the year. This decrease is partly due to an in year audit to close down non active cases. The number of caseloads still resulted in the need for additional staff and an increase placements.

8.4.4 To help manage these increasing demands and costs £3.8m of growth has been allocated in 2017/18 alongside the continuation of the managing demand work.

#### **8.5 Special Education Needs (SEN)**

8.5.1 We are also continuing to experience an increase in the number of children and young people with Special Education needs. Resulting in an increase in costs funded from the Dedicated Schools Grant (DSG) and in the number of young people requiring travel to school. . In 2016/17 the number of pupils requiring SEN transport rose by 6% from 1,083 to 1,150, which led to an additional 48 routes being operated. As a consequence of this and unit cost increases driven by operators, the budget overspent by £1m. Work is continuing to review and manage

transport costs and a new Transport Board has been established to review this service

## 8.6 Housing

8.6.1 Croydon continues to face rising demand for temporary and emergency accommodation along with rising numbers of homeless people sleeping in the borough. Over £3.4m of growth has been included in the 2017/20 budget to help tackle this growing demand.

We have successfully bid for and received £1.4m of funding for homelessness and early intervention and identification.

8.6.2 In Croydon, the number of households approaching the Council for assistance with homelessness increased from 1,680 in 2009/10 to 2,520 in 2016/17. The number of people in temporary accommodation fell from 2,962 at the start of the year to 2,508 at the end of the year. This a greater figure than budgeted for half of the year. The number of people in emergency accommodation rose from 811 at the beginning of the year to 824 at the end of the year, with a peak of 904 in September 2016. Resulting in a £1.5m overspend in 2017/18.

8.6.3 It is likely that (in the immediate short term at least) that the number of households presenting as homeless, the number of households accepted as homeless and the Council's use of temporary accommodation will continue to increase in total, hence the budget growth.

8.6.4 Structural economic and housing market factors support this conclusion and there is a risk that growth may be even greater as a result of the impact of welfare reform and universal credit. While the economy is expected to continue to grow, which is positive for employment and homelessness; there are concerns that access to market housing will be affected by the rate at which household incomes are likely to rise in comparison to house prices and private rents. Affordability is an increasingly significant issue for households in Croydon, despite the fact that house prices and private sector rents are lower than London overall. Competition for market rented housing is pushing up rents, and local landlords are reluctant to let their homes to people on benefits - the most common reason for homelessness is now the loss of a private rented tenancy. This is exacerbated by the Government's decision to freeze the Local Housing Allowance (LHA), even though the council had previously demonstrated to Government that Croydon had the biggest mismatch between LHA and actual rent levels of any English local authority.

8.6.5 We are trying to mitigate these increasing costs by increasing the supply of affordable accommodation and a report was presented to this Cabinet in June 2017 detailing the proposals to increase the provision of affordable housing within the borough. Increasing supply will reduce the

need for expensive temporary accommodation and provide more suitable accommodation.

## **9. The Outturn for 2016/17**

- 9.1 In summary 2016/17 was the sixth successive challenging financial year in the Government's Deficit Reduction Programme and the prevailing economic climate of low growth. The magnitude of government grant cuts resulting again in a high level of savings needing to be achieved to balance the budget. Through careful budget management and in year interventions to reduce costs the year end revenue position for the Council was an underspend of £0.050m.
- 9.2 The measures detailed in the executive summary have played an important part in controlling the Council's expenditure during 2016/17, with the final outturn position being £0.050m underspent, £0.746m lower than the initial Quarter 1 projected over-spend. General Fund balances have increased slightly to £10.7m as at 31<sup>st</sup> March 2017.
- 9.3 The target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. For 2016/17 this equals £13m. The Financial strategy made clear that although 5% remains a target there are no plans to actively move towards the target in cash terms over the medium term as the council's budget is expected to reduce by in the region of £26m over this period. This would see the 5% target reduce by £1.3m, making it £11.7 m by the end of 2020.
- 9.4 The Council's under spend of £0.050m was made up of Departmental over spends of £10.413m offset by items treated as non-departmental of £10.463m. Details are provided in Table 6 below.
- 9.5 The Council's earmarked reserves have decreased by £10.057m to £30.124m. A number of targeted funding streams have continued to be drawn out of reserves in 2016/17 to support delivery mainly around the transformation agenda.
- 9.6 The Housing Revenue Account underspent in 2016/17 by £0.737m as a result of reduced staff and legal costs alongside an increase in lease income.
- 9.7 The overall value of school reserves have decreased by £4.04m to £3.3m. This includes a decrease in revenue by £3.97m to £2.31m and a decrease in capital by £0.25m to £0.330m
- 8.8 The Council's General Fund Provisions have increased from £28.355m to £37.072m as at 31<sup>st</sup> March 2017.
- 9.9 The Collection Fund has carried forward an overall surplus of £12.190m, of which Croydon's share is a surplus of £7.289m. Croydon's share is

comprised of a Council Tax surplus of £5.747m and a Business Rates surplus of £1.542m.

- 9.10 The Council's Pension Fund increased in value in 2016/17 by £220m (25.21%) to a value of £1.095bn.

**Table 6 - Revenue Outturn Summary for 2016/17**

Quarter 3 forecast outturn variance £'000	Department	Revised Budget £'000	Outturn 2016/17 £'000	Variation from Revised Budget	
				£'000	%
10,171	People	184,236	194,234	9,998	5.4%
(192)	Place	49,248	49,782	534	1.1%
335	Resources	36,898	36,779	(119)	-0.3%
<b>10,314</b>	<b>Departmental Total</b>	<b>270,382</b>	<b>280,795</b>	<b>10,413</b>	<b>3.9%</b>
<b>(9,582)</b>	<b>Non-Departmental Items</b>	<b>(270,382)</b>	<b>(280,845)</b>	<b>(10,463)</b>	<b>3.9%</b>
<b>732</b>	<b>Total transfer to / (from) balances</b>	<b>0</b>	<b>(50)</b>	<b>(50)</b>	

## 10 THE BUDGET FOR 2017/18

- 10.1 The 2017/18 budget was approved by Council on the 20<sup>th</sup> February 2017. This budget contained a number of growth and savings items.
- 10.2 Table 7 below gives a summary of the savings required for 2017/20 and a large element of these continue to be underpinned by managing demand programme and other ongoing departmental efficiency programmes.

**Table 7 – Summary of Savings Options by Department**

Department	2017/18 £m	2018/19 £m	2019/20 £m	2017/20 Total £m
People	5.917	4.065	1.498	11.480
Place	1.650	4.900	3.370	9.920
Resources	11.917	2.882	3.000	17.799
<b>TOTAL</b>	<b>19.484</b>	<b>11.847</b>	<b>7.868</b>	<b>39.199</b>

10.3 Early work to assess the delivery of the 2017/18 budget has identified a number of areas at risk of delivery, these key areas are detailed below by department :-

- **People Dept** – The People department continues to see increasing demand for services and rising complexity of needs particularly in the 0-25 disability service, 25-65 disability service and Looked after Children service. Programmes have been put in place to help manage these costs and these are being carefully monitored through the department Governance Board attended the relevant Cabinet Members and Officers.
- **Place Dept** – The level and cost of waste disposal continues to represent the main budget pressure. Landfill tonnages are currently projected to increase by 2.5% year-on-year, and unit costs are scheduled to increase by £3 per ton from August 2017.
- **Resources Dept** – SEN transport is one the largest areas of pressure with a residual overspend from 2016/17 (caused by increased demand) combined with a revised set of projections within the original savings plan. The cost of utilities across the Council estate will also need to be closely monitored over the next 12 months.

10.4 Work is taking place with each department management team to manage these key areas of risk and where necessary identify alternative service delivery models and savings to enable a balanced budget to be delivered. This will be reported to this Cabinet in September as part of the quarter one financial monitoring report.

## 11 CAPITAL PROGRAMME INVESTMENT

11.1 In February 2017 Cabinet agreed the capital programme. During the first quarter of the financial year there have been a number of requests to amend the capital programme as a result of either additional funding being received, urgent projects being identified or changes to priorities, (these are detailed in paragraphs 11.3 to 11.8 below), along with slippage from 2016/17. In addition, the Education capital programme has been realigned across the three year period 2017/18 to 2019/20 to match revisions to the planned profile of works.

11.2 Cabinet is asked to approve the following changes to the Capital Programme resulting in a revised general fund capital programme of £230.8m for 2017/18 and £31m for the HRA. This is detailed below in table 8.

**Table 8 revised Capital Programme.**

	2017/18	2018/19	2019/20
	(£m)	(£m)	(£m)
<b>General Fund</b>			
Original Budget	386.8	148.9	28.0
Slippage from 2016/17	52.4	0	0
Re-Profiling	-238.5	150.6	49.0
New schemes	30.1	41.0	4.5
<b>Revised Budget</b>	<b>230.8</b>	<b>340.5</b>	<b>81.5</b>
<b>HRA</b>			
Original Budget	27.1	27.1	27.1
Slippage from 2016/17	3.9	-	-
<b>Revised Budget</b>	<b>31.0</b>	<b>27.1</b>	<b>27.1</b>

- 11.3 The impact of the proposed revisions to the capital programme is a £23.0m increase in the borrowing requirement for 2017/18. A small part of the increase is due to the additional schemes identified in paragraphs 11.4 to 11.10 below, but most of it is attributable to slippage from 2016/17.
- 11.4 **Blackhorse Road Bridge** – This bridge is currently closed and in urgent need of repair to ensure traffic flow in the area is regulated. It is recommended that the capital programme is increased by £6.859m, of which **£1.353m** is from borrowing in 2017/18 and **£2.456m** is from borrowing in 2018/19. With the balance being funded from TFL and S106.
- 11.5 **Schools Condition Funding 2017/18** – the capital programme set in February 2017/18 contained **£2.104m** of funding for school condition works. Since setting the budget the Department for Education have announced additional funding of **£1.666m** for this financial year. Therefore it is recommended that the budget is increased.
- 11.6 **New Addington Leisure Centre Scheme** – This scheme includes building a number of homes as reported to cabinet in March 2017. Approval is sought to increase the capital programme borrowing by **£2m** to enable the construction of these homes which will be repaid upon completion and sale of the homes.
- 11.7 **Crosfield** – The relocation of the Community Equipment Services (CES) from Boulogne Road to Crosfield requires a capital investment of **£700k** to enable the existing Crosfield building to be made fit for purpose and put in a let able condition.



11.7.1 The additional fit out cost of £250k will be funded from Croydon Equipment services and will enable CES to grow its trading service and generate further incremental profit over the next 5 years. Relocation from Boulogne Road is also essential as this site has been identified as suitable for a school. Approval is sought to increase the capital programme borrowing by **£700k**.

11.8 **Unsuitable Housing Fund** – Several opportunities have been identified for which investment in large scale housing adaptations (on council owned housing stock) has the potential to deliver significant revenue savings across council services where residents can be supported to stay at home. For example, avoiding expensive residential placements within Children’s services can save significant sums. An Unsuitable Housing Fund is proposed to provide the initial investment required to take advantage of these opportunities (estimated at 4 per annum with an average cost of £80k). A mechanism has been agreed to ensure that a share of the revenue savings achieved is returned to the fund over time in order to maintain an on-going level of available funding. Approval is sought to increase the capital programme borrowing by **£250k**.

11.9 **Emergency Generator – Data Centre**

As part of the Council’s strategic direction we plan to move a large number of IT services to the Cloud and to also benefit from the added resilience that the Cloud provides. One of the benefits of this is that we will be able to move away from our current provision and thereby reduce our hosting costs and the costs of maintaining and managing our infrastructure. Due to the size, mix and complexity of our IT estate we won’t be able to move all services to the Cloud and so will need to retain a hybrid infrastructure and local provision and will need the capability to do this in a data centre locally that will require an emergency power supply should there be a power failure. Investment in this provision is estimated to be **£1.2m** and essential to the strategic operation of the Council. There will be the opportunity to sell some of our unused capacity to other organisations and therefore generate an annual revenue income. Full details of the capital programme slippage to be approved are contained in appendix 2.

11.10 **Housing (RIF)**

As detailed in another report on this cabinet agenda it is recommended that **£25m** is invested in the acquisition of up to 250 properties at market rate to enable an increase in the supply of affordable housing. These properties will be managed via the Local Limited Partnership, enabling the Council to utilise Right To Buy Receipts.

**12. SUMMARY AND CONCLUSIONS**

12.1 As all Members are aware, setting a budget for 2018/20 that is robust, balanced and deliverable is challenging, and will involve a number of difficult decisions in these challenging times.

### **13. FINANCIAL CONSIDERATIONS**

- 13.1 This report deals with the Financial Strategy assumptions in planning a balanced budget over the medium term.

(Approved by Richard Simpson, Executive Director of Resources and S151 Officer)

### **14. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

- 14.1 The Solicitor to the Council comments that the information set out in this report supports the Council's statutory duty to set a balanced budget.

- 14.2 In relation to the additional funding made available for rate relief in response to the re-evaluation of business rates as detailed in paragraph 4.2 above, provision is made within the Local Government and Finance Act 1988 as amended (including by section 69 of the Localism Act) for the Council to grant discretionary rate relief subject to parameters as set out within the Act and the recommendations seek approval for the Council's policy on how such matters will be considered for the financial year 2017/18.

- 14.3 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law, Council Solicitor and Monitoring Officer)

### **15. HUMAN RESOURCES IMPACT**

- 15.1 There are no direct Human Resources implications arising from this report.

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR.)

### **16. EQUALITIES IMPACT**

- 16.1 There are no specific issues arising from this report.

### **17. ENVIRONMENTAL IMPACT**

- 17.1 There are no specific issues arising from this report.

### **18. CRIME AND DISORDER REDUCTION IMPACT**

- 18.1 There are no specific issues arising from this report.

### **19. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 19.1 These are detailed within the report.

## 20. OPTIONS CONSIDERED AND REJECTED

20.1 The options considered are detailed in the report. The only option rejected was the one of do nothing as this is not viable.

**Report Author:** Richard Simpson, Executive Director Resources and S151 Officer

**Contact Person:** Richard Simpson, Executive Director Resources and S151 Officer

**Background docs:** Financial Strategy 2015/19  
appendix K of appendix 2 to item 7 Council meeting 23/02/15  
[https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?  
cmt=COU&meet=27&href=/akscroydon/images/att5016.pdf](https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmt=COU&meet=27&href=/akscroydon/images/att5016.pdf)

**RESOURCES DEPARTMENT BUDGET OPTIONS**
**APPENDIX 1**

Director	Division	Options	FTE	Type of Option	18/19 £m	19/20 £m	TOTAL 18/20 £m
Graham Cadle	C &CS	Demand Management - increased income across a number of services, but predominantly council tax through improved processes and utilisation of a number of techniques - improved customer messaging, customer and debt analysis, collection centre of excellence and ease of payment	0.0	Savings	(0.450)	(0.450)	(0.900)
Graham Cadle	C &CS	Further automation and reduction in service menu and self-serve. Would include initiatives such as reduced PA support and improved business process reengineering	0.0	Savings	(0.290)	0.000	(0.290)
Graham Cadle	C &CS	Further channel shift across a number of services Investment in technology	0.0	Savings	(0.132)	0.000	(0.132)
Graham Cadle	C &CS	Revenues & Benefits - Process review and introduction of automation technology	-1.0	Savings	(0.044)	0.000	(0.044)
Graham Cadle	C &CS	ICT Services - consolidation and reduction in licencing and software costs. A further review of options for the 5 year capita contract point is underway and may provide more options in early 2017	0.0	Savings	(0.075)	0.000	(0.075)
Graham Cadle	C &CS	Introduction of Oracle Cloud	0.0	Savings	(0.100)	(0.200)	(0.300)
Graham Cadle	C &CS	Staff Savings	-1.0	Savings	(0.030)	0.000	(0.030)
Richard Simpson	ALL	Managing Demand - New Operating Model Resources - to reduce demand	-30.0	Savings	0.000	(1.000)	(1.000)
Richard Simpson	Legal	Managing Demand - Legal Spend	0.0	Savings	(0.300)	0.000	(0.300)
Simon Maddocks	Governance	New Internal audit contract	0.0	Savings	(0.075)	0.000	(0.075)
Simon Maddocks	Governance	Reduction in Investigation Team Leader post	-0.6	Savings	(0.030)	0.000	(0.030)
Simon Maddocks	Governance	Reshaping election services	0.0	Savings	(0.100)	0.000	(0.100)
Lisa Taylor	Finance, Investment and Risk	Further transformation of team and processes	-6.0	Savings	(0.250)	0.000	(0.250)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Service Asset Strategy	0.0	Savings	(0.500)	(0.500)	(1.000)
Richard Simpson	HR	Redesigned Occupational Health Service	-1.0	Savings	(0.050)	0.000	(0.050)
Sarah Ireland	C & I	Growth in transport service for Adults	0.0	Growth	0.150	0.000	0.150
Sarah Ireland	C & I	Managing Demand Transport - SEN	0.0	Savings	(0.256)	(0.400)	(0.656)
Sarah Ireland	C & I	Additional income from trading travel training model	0.0	Savings	(0.050)	(0.050)	(0.100)
Sarah Ireland	C & I	Additional income from trading - equipment services	0.0	Savings	(0.150)	(0.250)	(0.400)
Sarah Ireland	C & I	Saving in transport service for Adults	0.0	Savings	0.000	(0.150)	(0.150)
		<b>RESOURCES - TOTAL OPTIONS</b>	<b>(39.6)</b>		<b>(2.732)</b>	<b>(3.000)</b>	<b>(5.732)</b>

## PLACE DEPARTMENT BUDGET OPTIONS

## APPENDIX 1

Director	Division	Options	FTE	Type of Option	18/19 £m	19/20 £m	TOTAL 18/20 £m
Steve Iles	Streets	Re-procurement of the Leisure Contract - Fusion (contract expires Oct 17)	0.00	Saving	(0.900)	0.000	(0.900)
Steve Iles	Streets	South London Waste Partnership - Procurement of Joint Waste Collection and Environmental Services	0.00	Saving	(4.000)	0.000	(4.000)
Colm Lacy	Development	Projected dividend from Brick by Brick	0.00	Saving	0.000	(3.370)	(3.370)
		<b>PLACE - TOTAL OPTIONS</b>	<b>0.00</b>		<b>(4.900)</b>	<b>(3.370)</b>	<b>(8.270)</b>

## PEOPLE DEPARTMENT BUDGET OPTIONS

## APPENDIX 1

Director	Division	Options	FTE	Type of Option	18/19 £m	19/20 £m	TOTAL 18/20 £m
Pratima Solanki	Adults	Identified growth required to effectively implement and manage Outcome Based Commissioning.	0.00	Growth	0.017	0.038	0.055
Pratima Solanki	Adults	Increase in the volume of transitions clients being managed (by an average of 16 additional clients per quarter).	0.00	Growth	0.400	0.000	0.400
Pratima Solanki	Adults	Income from partners - Funding to be raised via negotiations with partners.	0.00	Savings	(0.500)	0.000	(0.500)
Pratima Solanki	Adults	Phase two review of day services	0.00	Savings	(0.300)	0.000	(0.300)
Pratima Solanki	Adults	Managing Demand - Encouraging cultural and behavioural change to better manage demand.	0.00	Savings	(0.686)	(0.809)	(1.495)
Ian Lewis	Children	Increase in the cost of external placements for looked after children. Additional staff required to meet the rapidly growing demand in supervised contact and assessment cases.	0.00	Growth	0.000	0.000	0.000
Ian Lewis	Children	2.5% savings on contract & off contract spend. <ul style="list-style-type: none"> <li>• Implementation of new Frameworks for Fostering and semi-independent</li> <li>• Tactical negotiations with off framework providers (residential, leaving care) &amp; re-modelling of supervised contact &amp; assessment</li> <li>• Reducing the number of high cost complex placements through successful transfers to lower level of support</li> </ul>	0.00	Savings	(0.155)	(0.143)	(0.298)
Ian Lewis	Children	Implementation of the Immigration Act should remove commitment to support care leavers who have exhausted their appeal to stay in the UK. The current spend is £2.5m, we have modelled a phased reduction of this spend over the next two years. This could deliver earlier, however we have currently modelled on achieving the full effect by 19/20. All young people will require an assessment to ensure that their human rights are adequately met before they are moved to alternative arrangements.	0.00	Savings	(1.500)	0.000	(1.500)
Ian Lewis	Children	Children in Need staffing - Post implementation of the new operating model, there will be reduction in staff spend. A 5% reduction in Care Planning & Assessment for 18/19 & 19/20 has been assumed. This will be achieved through a reduction in the numbers of agency staffing. Ahead of implementation of the structure, the focus will be on reducing the reliance of agency staff.	0.00	Savings	(0.291)	(0.277)	(0.568)
Ian Lewis	Children	Managing Demand - contact review	0.00	Savings	(0.203)	(0.269)	(0.472)
Mark Fowler	Gateway Services	Increased demand for Emergency Accommodation, alongside a corresponding need for additional supply of Temporary Accommodation.	0.00	Growth	0.139	0.154	0.293
Mark Fowler	Gateway Services	Fundamental review of commissioned services for young people	0.00	Savings	(0.280)	0.000	(0.280)
Mark Fowler	Gateway Services	NRPF - introduction of new immigration regs to stop costs in totality - need to understand enforcement and timing	0.00	Savings	(0.050)	0.000	(0.050)
Barbara Peacock	People Wide	Accommodation review - transfer from registered charities to registered providers	0.00	Savings	(0.100)	0.000	(0.100)
		<b>PEOPLE - TOTAL OPTIONS</b>	<b>0.00</b>		<b>(3.509)</b>	<b>(1.306)</b>	<b>(4.815)</b>

Revised Capital Programme with Slippage

Appendix 2

Category	2016/17			2017/18				2018/19			2019/20		
	2016/17 Revised Budget £000s	2016/17 Outturn £000s	2016/17 Outturn Variance £000s	2017/18 Original Budget £000s	2016/17 Slippage £000s	Budget Adj. £000s	2017/18 Revised Budget £000s	2018/19 Original Budget £000s	Budget Adj. £000s	2018/19 Revised Budget £000s	2019/20 Original Budget £000s	Budget Adj. £000s	2019/20 Revised Budget £000s
Adults ICT	1,375	382	(993)	0	993	0	993	0	0	0	0	0	0
Disabled Facilities Grants	2,438	1,837	(601)	1,600	601	0	2,201	1,600	0	1,600	1,600	0	1,600
Bereavement Services	49	6	(43)	1,300	43	0	1,343	1,250	0	1,250	0	0	0
Unsuitable Housing Fund	0	0	0	0	0	250	250	0	0	0	0	0	0
Education - Academies Programme	1,461	1,461	(0)	0	0	0	0	0	0	0	0	0	0
Education - DDA	199	59	(139)	0	139	0	139	0	0	0	0	0	0
Education - Fixed term expansion	4,109	1,296	(2,813)	0	2,813	0	2,813	0	0	0	0	0	0
Education - Major Maintenance	2,671	2,216	(455)	2,000	78	1,423	3,501	2,000	243	2,243	2,000	0	2,000
Education - Miscellaneous	4,128	136	(3,992)	4,383	3,992	(4,181)	4,194	0	694	694	0	6,833	6,833
Education - Permanent Expansion	88,575	46,403	(42,172)	43,698	12,095	(8,743)	47,050	5,866	4,877	10,743	380	518	898
Education - Secondary Schools	8,500	7,007	(1,493)	150	224	0	374	0	0	0	0	0	0
Education - Special Educational Needs	17,275	7,389	(9,886)	13,500	4,133	(11,212)	6,421	12,603	1,876	14,479	0	8,368	8,368
Onside Youth Zone	2,000	546	(1,454)	2,117	1,454	0	3,571	0	0	0	0	0	0
<b>People Sub-Total</b>	<b>132,780</b>	<b>68,738</b>	<b>(64,042)</b>	<b>68,748</b>	<b>26,565</b>	<b>(22,463)</b>	<b>72,850</b>	<b>23,319</b>	<b>7,690</b>	<b>31,009</b>	<b>3,980</b>	<b>15,719</b>	<b>19,699</b>
East Croydon Station Bridge	1,200	0	(1,200)	0	1,200	0	1,200	0	0	0	0	0	0
Empty Homes Grants	1,942	1,942	0	500	0	0	500	500	0	500	500	0	500
Fairfield Halls (Council)	6,346	1,075	(5,270)	1,500	0	0	1,500	3,500	0	3,500	0	0	0
Fairfield Halls (RIF)	0	0	0	17,600	0	0	17,600	26,400	0	26,400	0	0	0
Feasibility Fund	493	493	(0)	0	0	0	0	0	0	0	0	0	0
Growth Zone	162	162	(0)	2,000	0	0	2,000	2,000	0	2,000	3,000	0	3,000
Highways Programme	5,747	5,747	0	5,000	0	0	5,000	5,000	0	5,000	5,000	0	5,000
Measures to Mitigate Travellers	187	62	(125)	0	125	0	125	0	0	0	0	0	0
New Addington Leisure Centre	8,134	74	(8,060)	8,500	8,060	2,000	18,560	7,429	0	7,429	0	0	0
Old Ashburton Library	420	330	(90)	1,155	90	0	1,245	0	0	0	0	0	0
P&D Machine Replacement Programme	2,815	1,654	(1,161)	0	1,161	0	1,161	0	0	0	0	0	0
Parking	102	102	(0)	0	0	0	0	0	0	0	0	0	0
Public Realm	9,940	5,712	(4,228)	0	4,228	0	4,228	0	0	0	0	0	0
Purley MSCP	200	83	(117)	0	117	0	117	0	0	0	0	0	0
Revolving Investment Fund	116	116	0	0	0	0	0	0	0	0	0	0	0
Salt Barn	728	117	(611)	0	611	0	611	0	0	0	0	0	0
Section 106 Schemes	1,950	1,164	(786)	0	786	0	786	0	0	0	0	0	0
Surrey Street Market	500	82	(418)	0	418	0	418	0	0	0	0	0	0
TFL - Local Implementation Programme	3,844	3,844	0	4,154	0	0	4,154	4,154	0	4,154	4,154	0	4,154
Thornton Heath Public Realm	2,361	256	(2,105)	0	2,105	0	2,105	0	0	0	0	0	0
New Waste Contract Vehicles	0	0	0	1,094	0	0	1,094	7,016	0	7,016	0	0	0
Brick by Brick Programme (RIF)	0	0	0	269,117	0	(214,317)	54,800	54,160	142,940	197,100	5,400	33,277	38,677
Affordable Housing LLP (RIF)	0	0	0	0	0	9,100	9,100	0	24,500	24,500	0	4,500	4,500
Affordable Housing LLP - Reducing EA/TA (RIF)	0	0	0	0	0	12,500	12,500	0	12,500	12,500	0	0	0
Crossfield	0	0	0	0	0	700	700	0	0	0	0	0	0
CIL Local Meaningful Proportion	0	0	0	1,000	0	0	1,000	0	0	0	0	0	0
Waste and Recycling Investment	3,877	1,421	(2,456)	160	2,456	0	2,616	160	0	160	0	0	0
Blackhorse Road Bridge	0	0	0	0	0	2,903	2,903	0	3,956	3,956	0	0	0
<b>Place Sub-Total</b>	<b>51,063</b>	<b>24,436</b>	<b>(26,627)</b>	<b>311,780</b>	<b>21,357</b>	<b>(187,114)</b>	<b>146,023</b>	<b>110,319</b>	<b>183,896</b>	<b>294,215</b>	<b>18,054</b>	<b>37,777</b>	<b>55,831</b>
Coroners	134	134	0	0	0	0	0	0	0	0	0	0	0
Corporate Property Maintenance Programme	4,144	3,417	(727)	2,000	727	0	2,727	2,000	0	2,000	2,000	0	2,000
ICT and Transformation	20,043	16,280	(3,763)	3,000	3,763	0	6,763	10,551	0	10,551	3,853	0	3,853
Emergency Generator (Data Centre)	0	0	0	0	0	1,200	1,200	0	0	0	0	0	0
Finance and HR system	0	0	0	1,126	0	0	1,126	2,557	0	2,557	0	0	0
Ward Programmes	120	0	(120)	120	0	0	120	120	0	120	120	0	120
<b>Resources Sub-Total</b>	<b>24,441</b>	<b>19,831</b>	<b>(4,610)</b>	<b>6,246</b>	<b>4,490</b>	<b>1,200</b>	<b>11,936</b>	<b>15,228</b>	<b>0</b>	<b>15,228</b>	<b>5,973</b>	<b>0</b>	<b>5,973</b>
<b>General Fund Total</b>	<b>208,284</b>	<b>113,005</b>	<b>(95,279)</b>	<b>386,774</b>	<b>52,412</b>	<b>(208,377)</b>	<b>230,809</b>	<b>148,866</b>	<b>191,586</b>	<b>340,452</b>	<b>28,007</b>	<b>53,496</b>	<b>81,503</b>
Housing Revenue Account *	42,960	24,313	(18,648)	27,051	3,944	0	30,995	27,051	0	27,051	27,051	0	27,051
<b>Capital Programme Total</b>	<b>251,245</b>	<b>137,318</b>	<b>(113,927)</b>	<b>413,825</b>	<b>56,356</b>	<b>(208,377)</b>	<b>261,804</b>	<b>175,917</b>	<b>191,586</b>	<b>367,503</b>	<b>55,058</b>	<b>53,496</b>	<b>108,554</b>

\* Sprinklers in housing blocks are not included in the budget at this stage. Funding sources are being finalised and will be reported to Cabinet in a future report.

Financed by:	2017/18				2018/19			2019/20		
	Original Budget £000s	2016/17 Slippage £000s	Budget Adj. £000s	2017/18 Revised Budget £000s	Original Budget £000s	Budget Adj. £000s	2018/19 Revised Budget £000s	Original Budget £000s	Budget Adj. £000s	2019/20 Revised Budget £000s
Borrowing	61,810	41,616	(18,633)	84,793	50,878	8,352	59,230	2,053	5,344	7,397
Capital Receipts	20,644	0	0	20,644	8,356	0	8,356	12,500	0	12,500
External Grants - Education	2,104	6,104	1,423	9,631	2,000	1,212	3,212	0	9,775	9,775
External Grants - TfL	4,154	0	1,500	5,654	4,154	1,500	5,654	4,154	0	4,154
External Grants - Coast to Capital LEP	14,000	0	0	14,000	0	0	0	0	0	0
External Grants - BCF	1,600	601	0	2,201	900	600	1,500	900	600	1,500
External Grants - Other	0	3,305	0	3,305	0	0	0	0	0	0
Section 106	745	786	50	1,581	18	(18)	0	0	0	0
CIL	7,000	0	0	7,000	0	0	0	0	0	0
Borrowing (RIF)	272,717	0	(192,717)	80,000	80,560	179,940	260,500	5,400	37,777	43,177
Borrowing (Growth Zone)	2,000	0	0	2,000	2,000	0	2,000	3,000	0	3,000
<b>General Fund - Funding Total</b>	<b>386,774</b>	<b>52,412</b>	<b>(208,377)</b>	<b>230,809</b>	<b>148,866</b>	<b>191,586</b>	<b>340,452</b>	<b>28,007</b>	<b>53,496</b>	<b>81,503</b>
MRA	17,903	0	0	17,903	17,903	0	17,903	17,903	0	17,903
Revenue Contribution to Capital (RCCO)	2,697	3,944	0	6,641	4,227	0	4,227	4,227	0	4,227
HRA Receipts	6,451	0	0	6,451	4,921	0	4,921	4,921	0	4,921
<b>HRA - Funding Total</b>	<b>27,051</b>	<b>3,944</b>	<b>0</b>	<b>30,995</b>	<b>27,051</b>	<b>0</b>	<b>27,051</b>	<b>27,051</b>	<b>0</b>	<b>27,051</b>
<b>Capital Programme Total</b>	<b>413,825</b>	<b>56,356</b>	<b>(208,377)</b>	<b>261,804</b>	<b>175,917</b>	<b>191,586</b>	<b>367,503</b>	<b>55,058</b>	<b>53,496</b>	<b>108,554</b>

## Proposed Criteria for granting Local Discretionary Business Rate Relief – distribution of Government funded allocation (Section 69 Localism Act 2011)

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### Introduction

In March 2017, the government announced a local discretionary fund of £300 million, to be distributed under 'locally designed criteria'. This fund allocates decreasing amounts to councils over four years. The discretionary business rate relief scheme as set out below has been formed to distribute the funding made available to Councils to address increases arising from the 2017 revaluation, and does not replace the local hardship relief scheme approved by Cabinet in December 2016.

This scheme does not deal with other types of mandatory or discretionary rate relief such as small business rate relief as detailed on the business rates pages of the Croydon Council website.

Whilst devising a scheme within government determined parameters, the Council recognises the importance of supporting local businesses and organisations to promote the provision of local facilities, economic growth, employment and investment to improve prosperity across Croydon and in particular support the most disadvantaged communities.

Councils have the power to grant discretionary rate relief to organisations that meet certain criteria and this policy sets out how the Council will grant local discretionary business rate relief pursuant the amendments introduced by Section 69 of the Localism Act 2011 to the Local Government Finance Act 1988.

### Our criteria

This criteria will address increases in liability arising from the 2017 revaluation, based on the following conditions:

- Relief will only be provided where a qualifying ratepayer's bill has increased due to the 2017 revaluation
- Businesses with no rate liability before 1 April 2017 will not be eligible;
- As at the date of this meeting, the government has allocated reducing totals of relief over 4 years. The criteria and percentages in this appendix will apply for the year 1 April 2017 to 31 March 2018 only; but will be reviewed each year so as to remain within the funding made available from central government for the above purpose;
- The maximum amount of relief available will be £5,000 per property;
- Where a qualifying ratepayer's 2017/18 or 2016/17 rates bill is reduced for any reason, the amount of discretionary relief will be reduced or removed accordingly.

The following types of uses are not eligible for this local discretionary business rate relief:

- Public Houses and premises
- Betting shops and establishments

It should be noted that a government consultation is under way to provide a specific relief for Public Houses and premises, and these premises have been excluded to prevent any duplication of relief.

Ratepayers will **not be eligible** for relief if one or more of the following criteria applies:



## Delivering for Croydon

- Ratepayers are in receipt of small business rate relief support, which limits increases on small properties caused by the loss of small business rates relief to £600 per year;
- Rateable occupation of the premises ceases;
- Where the award of relief would not comply with EU law on State Aid (Businesses will be asked to inform the Council if they breach the EU State Aid cumulative limit of €200,000.)

### Amount of relief

Croydon Council has the discretion to allow relief at any rate up to 100% of the business rates charge under the provisions of Section 69, however in doing so the Council must have regard to the impact this will have on other residents and tax and rate payers within the borough. As the government has allocated a separate national pot of £300 million, over 4 years, there should be no detrimental impact on residents or rate payers.

This discretionary rates relief scheme has been designed to allocate the funding made available Croydon Council in 2017/18, which is capped at £1,791,000.

### Calculation of the proposed Local Discretionary Business Rate Relief

The government have allocated a national pot of £300 million over four years. Croydon Council's share of this pot is £1.791m in 2017/18, reducing to £0.870m, £0.358m and £0.051m in the following three years. Within the annual funding allocation, Local discretionary business rate relief (LDBRR) is calculated after any or all of the following have been applied:

- Exemptions and other reliefs
- Transitional reliefs or premiums

And before the application of the Business Rates Supplement (BRS). LDBRR does not apply to the BRS supplement.

In accordance with the terms of the government grant for LDBRR, all ratepayers are subject to a two percent inflationary increase on their bill, to which the relief will not apply.

Relief will be awarded upon the following basis:

Table 1 – Small Businesses (rateable value up to £28,000)

Percentage Increase in Business Rates Bill	Relief Percentage
3% - 3.99%	10%
4% - 4.99%	20%
5% - 5.99%	30%
6% - 6.99%	40%
7% and above	50%

Table 2 – Medium Businesses (rateable value between £28,000 and £100,000)

Percentage Increase in Business Rates Bill	Relief Percentage
5% - 6.99%	5%
7% - 8.99%	10%
9% - 9.99%	15%
10% - 11.99%	20%
12% and above	25%

Table 3 – Large Businesses (rateable value over £100,000)

Percentage Increase in Business Rates Bill	Relief Percentage
10% and over	5%

### Submitting an application for discretionary relief

An application for LDBRR will not be necessary, as this will be a direct award made by the Council’s business rates team. It should be noted that the software development to process awards is still being tested, and is not expected to be available until later in the summer of 2017.

### How payments will be made

Any relief granted will be credited against the business rates bill.

### Relief will cease where the:

- Applicant ceases to be liable for business rates;
- The property for which the relief is granted becomes empty;
- The use of the property changes to a category that is not included;
- When the business reaches the threshold for state aid, which is a cumulative €200,000 of assistance from a public body over a three-year period. (Businesses will be asked to inform the Council if they breach this cumulative limit.)

### Notification

As there is fixed funding and pre-determined criteria, as outlined above, ratepayers will not be invited to apply. Instead the Council will inform the ratepayer in writing of the amount of relief awarded, via a revised bill for business rates.

### Overpayments

Should a ratepayers eligibility for relief change during the year, the Council will recover all overpayments of discretionary rate relief.

### Right of review

Applications will not be invited and there will be no right of review.

### Consultation

The award of discretionary business rates relief funding by the government was subject to Council’s consulting first with major precepting authorities. The Council has carried out consultation with the Greater London Authority in forming this proposed scheme.

### Review

The government has announced a reducing scale of funding over the four years. Therefore the scheme criteria will be reviewed periodically by the Council, also taking into account other Council policies and priorities and any changes in legislation