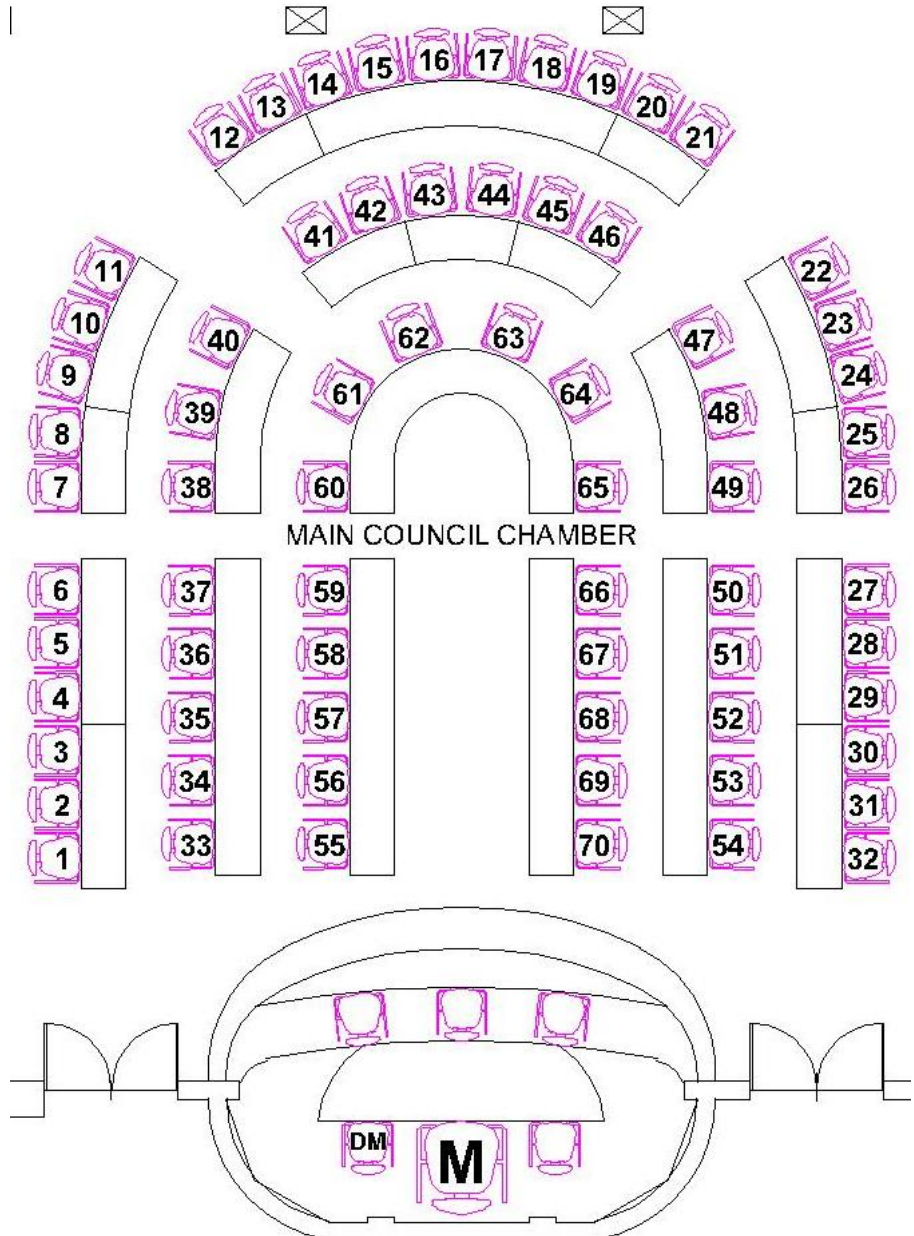




**COUNCIL
AGENDA**
for the meeting on
27 FEBRUARY
2017 at
6.30pm

1. Mike Selva
2. Sherwan Chowdhury
3. Maddie Henson
4. Andrew Rendle
5. Maggie Mansell
6. Pat Clouder
7. Humayun Kabir
8. Karen Jewitt
9. Kathy Bee
10. Patricia Hay-Justice
11. Bernadette Khan
12. Joy Prince
13.
14. Matthew Kyeremeh
15.
16. Dudley Mead
17. Margaret Mead
18. Luke Clancy
19. Michael Neal
20. James Thompson
21. Andy Stranack
22. Sue Winborn
23. Richard Chatterjee
24. Sue Bennett
25. Jeet Bains
26. Simon Brew
27. Mario Creatura
28. Vidhi Mohan
29. Margaret Bird
30. Donald Speakman
31. Badsha Quadir
32. Chris Wright
33. Shafi Khan
34. David Wood
35. Robert Canning
36. Manju Shahul-Hameed
37. Paul Scott
38. Oliver Lewis
39. John Wentworth
40. Callton Young
41. Pat Ryan
42. Andrew Pelling
43. Jane Avis
44. Jamie Audsley
45. Stephen Mann
46. Carole Bonner
47. Mike Fisher
48. Steve Hollands
49. Jan Buttinger
50. Lynne Hale
51. Steve O'Connell
52. Yvette Hopley
53. Phil Thomas
54. Helen Pollard
55. Alisa Flemming



56. Hamida Ali
57. Stuart Collins
58. Alison Butler
59. Tony Newman
60. Simon Hall
61. Louisa Woodley
62. Stuart King
63. Mark Watson
64. Timothy Godfrey
65. Sean Fitzsimons
66. Tim Pollard
67. Sara Bashford
68. Jason Cummings
69. Maria Gatland
70. Jason Perry

Notes etc.....
M – Mayor Councillor Wayne Trakas-Lawlor
DM - Deputy Mayor Councillor Toni Letts
Please note that the numbers relate to microphone numbers.
May 2016

To: All Members of the Council
Date: 17 February 2017

You are summoned to attend the Council Tax Meeting of the
COUNCIL to be held on
MONDAY 27 FEBRUARY 2017 AT 6.30 PM
in the **COUNCIL CHAMBER**, the **Town Hall, Katharine Street, Croydon.**

AGENDA - PART A

1 APOLOGIES FOR ABSENCE

2 MINUTES

To approve the **attached** minutes of the Ordinary Meeting of the Council held on Monday 30 January 2017.

3 DISCLOSURES OF INTEREST

4 URGENT BUSINESS (if any)

To receive notice of any business not on the agenda which should, in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

5 ANNOUNCEMENTS

To receive announcements, if any, from the Mayor, the Leader, Head of Paid Service and/or Returning Officer.

6 COUNCIL TAX DEBATE

To debate the Council Tax and vote on the recommendations as contained in the documents attached at agenda item 8. The following recommendations will be taken through a recorded vote:

- 1.1 (I) A 1.99% increase in the Council Tax for Croydon Services
- 1.1 (II) A 3% increase in the Adult Social Care precept (a charge central government has assumed all Councils will levy in its spending power calculations).

7 SCRUTINY BUSINESS REPORT

To receive the Scrutiny Business Report and questions to the Chair of the Scrutiny and Overview Committee.

8 BUSINESS REPORT OF THE LEADER AND CABINET INCORPORATING QUESTIONS TO THE LEADER AND CABINET

To receive the Business Report of the Leader and questions to the Leader and Cabinet Members.

9 ANY EXEMPT OR CONFIDENTIAL BUSINESS WHERE THE PUBLIC ARE EXCLUDED FROM THE MEETING EXEMPT OR CONFIDENTIAL BUSINESS as per Part 1 of Schedule 12A of the Local Government Act 1972, as amended

To resolve, if necessary, that the Press and Public be excluded from the remainder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

AGENDA PART B:

None

Jacqueline Harris-Baker
Acting Director of Law and
Monitoring Officer

Contact Officer:
James Haywood
Members' Services Manager
020 8726 6000 Ext 63319
james.haywood@croydon.gov.uk
Bernard Weatherill House, 8 Mint Walk,
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Members of the public are welcome to attend this meeting.
If you require assistance, please phone or e-mail James Haywood as detailed
above.

The meeting webcast can be viewed here: <http://www.croydon.public-i.tv/core/portal/home>

The agenda papers are available on the Council website
www.croydon.gov.uk/meetings

MINUTES

MEETING OF THE COUNCIL HELD ON

**Monday 30 January 2017 at 6:30 p.m. in Council
Chamber, Town Hall, Katharine Street, Croydon, CR0
1NX**

Present: Councillor H Ali, Councillor J Audsley, Councillor J Avis, Councillor J Bains, Councillor S Bashford, Councillor S Bennett, Councillor M Bird, Councillor C Bonner, Councillor S Brew, Councillor A Butler, Councillor J Buttinger, Councillor R Canning, Councillor R Chatterjee, Councillor L Clancy, Councillor P Clouder, Councillor S Collins, Councillor M Creatura, Councillor J Cummings, Councillor S Fitzsimons, Councillor M Gatland, Councillor T Godfrey, Councillor L Hale, Councillor S Hall, Councillor P Hay-Justice, Councillor M Henson, Councillor S Hollands, Councillor Y Hopley, Councillor K Jewitt, Councillor H Kabir, Councillor B Khan, Councillor S Khan, Councillor S King, Councillor T Letts, Councillor O Lewis, Councillor M Mansell, Councillor M Mead, Councillor V Mohan, Councillor M Neal, Councillor T Newman, Councillor S O'Connell, Councillor A Pelling, Councillor J Perry, Councillor H Pollard, Councillor T Pollard, Councillor J Prince, Councillor B Qadir, Councillor A Rendle, Councillor P Ryan, Councillor P Scott, Councillor M Selva, Councillor M Shahul-Hameed, Councillor D Speakman, Councillor A Stranack, Councillor P Thomas, Councillor J Thompson, Councillor W Trakas-Lawlor, Councillor M Watson, Councillor J Wentworth, Councillor S Winborn, Councillor D Wood, Councillor L Woodley, Councillor C Wright, Councillor C Young

MINUTES - PART A

A1 Apologies for Absence

Apologies for absence were received from Councillors Bee, Chowdhury, Fisher, Flemming, Mann and Dudley Mead.

Apologies for lateness were received from Councillors Scott and Holland.

A2 Minutes

Council **RESOLVED** to approve the minutes of the Extraordinary Council meeting held on Monday 5 December 2016 as a correct

record of the meeting.

Council **RESOLVED** to approve the minutes of the Ordinary Council meeting also held on Monday 5 December 2016 as a correct record of the meeting.

A3 Disclosure of Interest

There were none.

A4 Urgent Business (if any)

There was no urgent business.

A5 Announcements

The Mayor began the announcements by awarding a Citation to representatives from TONE Scaffolding. TONE Scaffolding had played a significant part in Croydon's entry into the 2017 New Year's Parade that had taken place in central London. TONE Scaffolding provided and prepared the HGV truck for Croydon's parade float, as well as a driver for the parade. Particular thanks were given to Andy Needham and Paul Healey from the company.

Thanks were also made to the Council's Creative Director and her team for their help with the New Year's Day Parade, and the dancers from Apsara Arts.

Thanks were made to Members who attended the Christmas Dinner, Panahar Fundraiser and Burns Night Dinner. Finally, the Mayor thanked the volunteers who had helped with the bucket collections outside Selhurst Park.

The Leader announced that the administration would recommend Council support a Council Tax increase of 47p per week, and to implement the government's surcharge for adult social care by an increase of 70p per week. This would protect front line services and investment in regeneration across the borough.

The Leader further announced that the Mayoralty and Honorary Freedom Selection Sub-Committee had met before the start of the Council meeting, and on a cross-party basis had resolved to invite Councillor Letts to put her name forward to be the next Mayor of Croydon.

Croydon Question Time

Scott Roche asked why the consultation on 20 mph in the south of the borough had not followed the same process as the consultation in the north of the borough. Councillor King responded that the first consultation had been reviewed and feedback from residents had indicated confusion over the process. The revised consultation process had addressed the issues and would provide residents with more information, not less.

Scott Roche asked a supplementary question on the lack of signage in zones 3, 4 and 5 for the consultation. Councillor King replied that the consultation process in those areas had been more than adequate. 90,000 letters had been distributed to households in addition to emails and social media to ensure that residents had been made aware of the consultation.

Helen Redfern asked a question on the 20% of fly tipping in the borough that was not cleared within 48 hours of reporting. Councillor Collins responded that the most up-to-date statistics from the Echo reporting system had show that 87% of fly tipping in the borough had been cleared within 48 hours. In addition, a further 9% had been cleared within 72 hours of being reported. Considerable work had been done to target hotspot areas with staff overtime and surveillance, including night-time surveillance, so that offenders were caught.

Helen Redfern asked a supplementary question on whether Councillor Collins would publish all of the available fly tipping reporting data so that the general public could see how quickly all fly tipping reports were resolved. Councillor Collins responded that there was a dashboard that recorded the data, but the scale of the amount of data captured would be difficult to publish without computer software capable of supporting such large amounts of data.

Lianne Bruney asked why residents in Waddon had not been consulted on the development of Surrey Street Market. Councillor Watson responded that since the half-a-million pound investment had been announced in 2016, there had been considerable public consultation – a public meeting, in which the outcomes were published in the Croydon Advertiser, updates in the Cabinet Member Bulletins to Council, updates at Committee meetings in the Town Hall and in Your Croydon magazine. In addition, leaflets had been handed out, residents emailed and the architects' proposals for the redevelopment published on the Council website. There would be another public meeting to be held on 23rd February 2017.

Lianne Bruney asked a supplementary question on when details of the meeting that was held on 12 January 2017 would be published. Councillor Watson responded that the outcomes of that meeting were published on the front page of the Croydon Guardian and a press release was available on the Council website.

Colin Etheridge asked why residents from the south of the borough were not given the opportunity for a yes/no vote on 20mph zones. Councillor Newman responded that lessons had been learnt from the previous consultations in the north of the borough and that lives would be saved by the proposed scheme.

Colin Etheridge asked a supplementary question on how the Council would assess objections to the 20mph proposals. Councillor Newman responded that the consultation was an open and democratic process and the objections would go to the Traffic Management Advisory Committee to be considered.

James Hogg asked for clarification over the volume of the new big belly bins introduced in the borough. Councillor Collins responded that the published information was provided by the contractor and that the new bins had a capacity of 130 litres. However, solar powered crushers within the receptacles actually allowed for eight times as much capacity as the old bins.

James Hogg asked a supplementary question as to whether Councillor Collins would apologise for the suggestion made at a previous meeting that one of the new street cleaning machines acquired by the Council be named after an opposition Councillor. Councillor Collins responded that the comment was a light-hearted comment made between two long-standing Councillors and apologised if the Councillor had taken any offence.

Oscar Dahling asked a question on the accuracy of the stated capacity of the new big belly bins. Councillor Collins responded that the figures were provided by the contractor but would be revisited to ensure accuracy, but that the new bins were far more efficient than the old receptacles.

Councillor Creatura made a point of order, and claimed that a Councillor had insulted a member of the public in the gallery.

The Mayor responded that he had not heard the alleged incident and so could not take further action at that stage.

Stephen Ayselford asked a question regarding the signage in the north of the borough to enforce the new 20mph limit. Councillor King responded that the signs were up and were enforced by the police in the north east of the borough and that for the second area of the north of the borough the signs would be operational by the beginning of the new financial year.

At this point in the meeting the Mayor announced that five questions had been received from residents who were not in attendance at the meeting. All the questions related to 20mph zones and were summarised and put to Councillor King as follows:

- What had been the process for consulting on the 20mph proposals?

- Why had it been different to previous consultations?
- Had the Council followed Department for Transport rules on 20mph zones?
- Had street notices followed the legal requirements for making a Traffic Order?
- Why was it not possible to vote on the proposals?
- Would the Police enforce the limits?
- Would 20mph zones have a detrimental effect on the Croydon economy?

Councillor King responded that the Department for Transport guidance for setting local speed limits included ensuring that speed limits were kept under review, and introducing more 20mph limits in residential town areas to increase safety. Councillor King was of the opinion that the Council was meeting these requirements. The Police were approached at the outset of the 20mph proposals, had no objections and informed the Council that the 20mph limit would be enforced in the same way that 30mph was enforced. Councillor King also announced that, along with Councillor Ali, he would be meeting the new borough commander for Croydon Police, where there would be discussion on joint enforcement work on speed limits.

Following a number of interruptions from the Public Gallery, Oscar Dahling was warned by the Mayor on several occasions to desist from shouting from the Gallery and was required to leave after refusing to comply with the Mayor's requests.

QUESTION TIME: THE LEADER

Councillor Tim Pollard asked whether the Leader agreed with comments made by Councillor Scott at Planning Committee regarding building flats in the borough. The Leader responded that Councillor Scott was referring to areas appropriate for building flats, and that there should be a mixture of homes and flats across the borough.

Councillor Tim Pollard asked a supplementary question on Councillor Scott's comments that all of the borough would require intensification and why this had not been included in the Local Plan. The Leader responded that the Local Plan consultations were a democratic process and received thousands of responses and were still within the system. The previous Mayor of London supported the building of flats around transport hubs and this formed part of the planning policies of the Greater London Authority (GLA).

Councillor Scott made a point of personal explanation regarding the comments from Councillor Pollard. The comment that he had made was in response to a Councillor and was that flat developments were appropriate in any zone in the borough that had been deemed appropriate for residential accommodation.

Councillor Audsley asked what the Leader would do to promote the London Living Wage at Crystal Palace Football Club. The Leader responded that he was in discussions with the club on the matter and strongly encouraged Crystal Palace to be a trailblazer in the Premiership on the London Living Wage.

Councillor Cummings asked whether the Leader would condemn the Mayor of London's continuation of the Olympic precept that was supposed to end in 2017. The Leader stated that it was an extraordinary question, the Olympics was still being paid for and it was important to be clear about what exactly Londoners were still paying for. The details of the Mayor of London's proposal was to use the precept to fund more police officers in London.

Councillor Cummings asked a supplementary question on why the Mayor of London was not proposing to remove the precept when it was due to be ended. The Leader responded that the Council had signed an agreement with central government regarding the future long term funding but had since uncovered that £2million from the agreement would be removed. The Mayor of London was dealing with huge funding cuts and would use the precept to fund extra policing.

Councillor Rendle asked how the Council would continue the good partnerships with the National Autism Society following the renewal of key service contracts. The Leader responded by thanking the Councillor for the work done on autism in the borough and was delighted to renew the services contracts. Over the following 12 months the contract would be looked at to improve for service users and flexibility to deal with the change in needs of service users.

Councillor Rendle asked a supplementary question on how the Council would work with service users. The Leader responded that service users must be at the heart of the contracts when they were renewed and reviewed. Success would be service users feeling they were part of the contracting process.

QUESTION TIME: CABINET MEMBER QUESTIONS

Councillor Shafi Khan, deputising for Councillor Flemming, announced that the Council was considering the implementation of an automatic right for school admission deferral for babies born between 1 April and 31 August, and that further information on this proposal would be provided in due course.

Councillor Woodley delivered an update on the flagship food borough scheme in which many residents, businesses and schools had signed up to differing schemes that included gardening and eat well programmes.

- Councillor Helen Pollard, asked why there had been no updates since November 2016 on the Fairfield Halls website. Councillor Godfrey responded that he was pleased to confirm that the internet website handle had been purchased to guarantee its future use when the venue was reopened. The redevelopment was on schedule and it would be ensured that it would stay on schedule.
- Councillor Helen Pollard asked a supplementary question pertaining to further details of the current schedule for the redevelopment. Councillor Godfrey responded that the operator would be appointed soon and the procurement process to this end was proceeding and should be completed by Easter. Marketing would commence as soon as possible and the operator would have an opening schedule and business plan in 2018.
- Councillor Lewis asked whether, due to poor performance by Fusion, a better contractor should be sourced for the delivery of services at the New Addington leisure centre. Councillor Godfrey responded that the contract would be up for renewal in October 2017 and it was important that the selection of a new operator was the right one as the current contract performance was unacceptable.
- Councillor Lewis asked a supplementary question for assurance that there would be a greater partnership arrangement with the new operator and more community outreach. Councillor Godfrey responded that such assurance would be given and the Council would not just continue with the current contract as it stood.
- Councillor Margaret Mead asked whether new venues had been found for schools that had used the Fairfield Halls for drama and arts events. Councillor Godfrey responded that the Council was open to any schools that required support for locating new venues, however he had not been made aware of any schools that had such difficulties.
- Councillor Margaret Mead asked a supplementary question on whether the Council would publish what school events used to be hosted at Fairfield Halls and where they were hosted after the closure. Councillor Godfrey responded that the venue was used by schools from across the region, beyond Croydon, and therefore the requested data was not available. It was requested that if there were schools with such problems, they should be brought forward and help could be offered for the

number of alternative venues available.

- Councillor Avis asked for information on what the Council was doing to retain teachers in Croydon. Councillor Shafi Khan responded that the last academic year was a very good one for the borough, with key improvements across the age ranges, and this was an important selling point to new teachers in Croydon. The administration wanted a “feel good factor” for teachers in Croydon and a recruitment fair for teachers was planned to be held at the Croydon Park Hotel. Availability of affordable housing was also a key strategy to retain teachers in Croydon.
- Councillor Chatterjee asked for information on the insurance arrangements the Council had for the Fairfield Halls development. Councillor Godfrey responded that all the necessary insurance policies were in place for the Council and the contractors. A meeting would be arranged with the insurance team if more technical questions were required.
- Councillor Pelling asked how many people had been saved from homelessness by the Council’s Gateway Service. Councillor Woodley responded that over 500 families had been saved from homelessness the previous year, primarily through discretionary payments to keep them in their homes. The biggest cause of homelessness was in losing tenancy through issues such as increases in rent. The Council had saved £1.8 million through the Gateway Service.
- Councillor Pelling asked a supplementary question as to whether this showed the difference between the two parties’ attitudes towards homelessness. Councillor Woodley responded that the old way the Council dealt with such matters was to wait for an eviction notice before action was taken for 'at-risk' tenants. A sensible approach was now being undertaken and included work across departments. The Gateway team had received the Andy Ludlow Homelessness award and had been recognised by a central government cross-party select committee for its pioneering work.
- Councillor Gatland asked whether the Council would take seriously the criticisms voiced at the Schools Forum with regard to lack of strategic policy over nurseries in the borough. Councillor Shafi Khan responded that he did not believe the comments made at the meeting were criticisms but were calls for clarification and further discussions over the policy.

- Councillor Gatland asked a supplementary question to clarify what the Council's policy on maintained nurseries was. Councillor Shafi Khan responded that he could not respond directly on behalf of the Cabinet Member but notes had been taken at the Schools Forum and would be passed on to her and actions would be taken forward.
- Councillor Avis asked what effect the central government funding cuts to local authorities was having on what the Red Cross had referred to as a "humanitarian crisis" in adult social services. Councillor Woodley responded that there had been a meeting of adult social care leads across London and the shortfall of funding was approximately £400million. Despite the difficult pressures, fantastic work was being done in Croydon with multi-disciplinary teams, but there had been a real growth in the sector of £8million and the Council precept increase would only cover £4.9million. Local people were being taxed for resources that should have been received from central government.
- Councillor Avis asked a supplementary question on what the Croydon Central and Croydon South MPs were doing to support the Council in overcoming the crisis. Councillor Woodley responded that she was disappointed that the two MPs had not made the case to government, especially as there were nearly 50,000 residents in the borough who required specific adult social services care.
- Councillor Bennett asked whether Councillor Flemming's lack of attendance at the Schools Forum was an example of a lack of commitment. Councillor Shafi Khan responded that he had only been notified at the last minute of the meeting and had to work for a living so it was not always possible to attend. The question was disingenuous as Councillor Flemming was not present to respond. In addition the Cabinet Member only attended as an observer and so it was not obligatory to attend. Regardless of that, the Schools Forum was considered an important body.
- Councillor Bennet asked a supplementary question that the previous question was not an attack, but was whether the administration considered the Schools Forum a vital forum and to confirm that Councillor Flemming had not been in attendance. Councillor Shafi Khan responded that Councillor Flemming had had an important commitment on that day, and that in future he would be attending as the deputy Cabinet Member.

- Councillor Rendle asked whether there was evidence that some Croydon parents were still concerned with their children taking the MMR vaccine. Councillor Woodley responded that there still were some families that believed that there were harmful side-effects to the vaccine, despite evidence to the contrary. The Council would work hard to educate these families.

Councillor Butler announced her appreciation to Gavin Barwell MP for a speech delivered regarding support to local authorities who receive political opposition to housing developments. Councillor Butler also took the opportunity to explain to Council that Councillor Flemming was not present due to her young children being very poorly.

Councillor Ali announced that she had had a productive meeting with the Deputy Mayor for Policing and Crime and it was an opportunity to discuss matters such as the draft policing priorities to include issues such as domestic violence and child exploitation. Councillor Ali had also visited St Mary's school which had run a pilot project on the prevention of violence to young girls.

Councillor Watson announced that there would soon be the launch of the small businesses commission which would have an independent chair and would listen to small business to understand what the barriers were to success in Croydon and what could be done to help.

- Councillor Hale asked how many employees Brick by Brick had. Councillor Butler responded that a business plan would be considered at Cabinet which would contain the information requested.
- Councillor Hale asked a supplementary question regarding which Cabinet meeting the paper would be considered at. Councillor Butler responded that it would be considered at the February 2017 meeting, or the March Cabinet at the latest.
- Councillor Audsley asked what role community-led partnerships could have to create affordable housing. Councillor Butler responded that the key issue with housing was the lack of supply, and that homes of every type were needed. The community could play a role in this endeavour and the Council was in active discussion with two community schemes and was also looking at self-build projects.
- Councillor Creatura asked why Brick by Brick intended to close down the Coulsdon Community Centre and move it into the local CALAT building. Councillor Butler responded that

Brick by Brick had been in discussions with local residents associations and the community centre itself. Some users wanted to see the community centre moved to a more central location and others had stated the wish to keep it at the same site. Given the diversity of opinions the discussions would continue.

- Councillor Creatura asked a supplementary question regarding the CALAT building which was at 95% capacity, and therefore inappropriate for the community centre to move into without a reduction in services provided. Councillor Butler responded with disappointment at the language being used by Councillor Creatura. The community centre proposals were an open discussion with a diversity of viewpoints from residents and the purpose was to consider better use of the space and the potential to expand it.
- Councillor Canning asked what consideration was being given to elderly residents when new home developments were being considered. Councillor Butler responded that elderly residents were considered in proposals such as where major developments require 10% of homes to be life-time houses for residents of old age or disability. New ways of servicing these residents was being considered as well, such as older people community housing developments rather than only traditional sheltered accommodation. The Council also considered the extra care required with developments such as special sheltered accommodation. Downsizing for older residents was also an important area for Brick by Brick to look into.
- Councillor Canning asked a supplementary question regarding whether a Labour-led Council would build new homes and champion older residents. Councillor Butler stated that it was a Labour Council that was building new affordable homes and championing older residents, but hope was expressed that the opposition would support the administration in this endeavour.
- Councillor Mohan asked whether there would be proper consultation with residents on the regeneration of Surrey Street. Councillor Watson responded that a public meeting had been held the previous year and the outcomes of that meeting had been published. A lot of residents had been engaged but at the current stage the issues were mainly engineering matters. The next stage would be a second public meeting due on 23 February 2017.
- Councillor Mohan asked a supplementary question regarding the consultation with residents on the Surrey Street

development. Councillor Watson responded that all local businesses were leafleted about the last public meeting and leaflets were distributed through the doors of local residents. There had been significant consultation with the public across the borough as Surrey Street was the jewel in the crown of the borough.

- Councillor Avis asked for an update on the borough's work to combat Female Genital Mutilation (FGM), which had been recognised internationally. Councillor Ali responded that the Council would continue to fund the important work in the borough and work with the public health department. It was disappointing that since 1985 there had only been one FGM prosecution. Councillor Ali also stated the importance of work in GPs and schools.
- Councillor Bains asked what proactive steps were being taken to ensure the planned Westfield Hammerson development delivered on time. Councillor Butler responded that the Council was still in discussions with Westfield over a number of issues such as the s106 agreement. Therefore the planning application was still live with matters to consider before it would go to the Planning Committee. Support for the development was forthcoming from Croydon's MPs and the Greater London Authority (GLA) and continued to remain on time.
- Councillor Bains asked a supplementary question regarding the lack of communication regarding the Westfield development. Councillor Butler stated that the development was still at the pre-application phase and so details would not be published until agreed. The Council was working with all parties involved to ensure the development stayed on schedule.
- Councillor Henson asked what impact the newly introduced video devices for police officers would have on policing in the borough. Councillor Ali welcomed the roll out of body-worn cameras across the Metropolitan Police. It would provide for the collection of evidence, particularly important for the prosecution of crimes where evidence was hard to source, such as rape and domestic violence. Additionally the technology would build trust and confidence with communities that had had an historically difficult relationship with the police such as young people and black, minority, ethnic (BME) communities.
- Councillor Perry asked why there had been little mention of

the Westfield Hammerson development since the initial announcement that had been over 18 months previous, and what meetings had taken place since that time. Councillor Watson responded that a number of meetings had taken place with Westfield in that time, and that as the development was still in the planning process details could not be made public at that current time.

- Councillor Perry asked a supplementary question regarding details on what employment opportunities the development would provide. Councillor Watson responded that Westfield was working with the Croydon job brokerage scheme to ensure that local people received good, well paid employment.
- Councillor Canning asked how many residents had benefited from the GO ON Croydon scheme. Councillor Watson responded that three thousand residents had received one to one support through the scheme and 94% stated their skills had improved and all stated an improvement in their confidence. A lot of good work had been achieved through the scheme, particularly with residents over 65, and Councillor Brew was acknowledged for his support for the project across the borough.
- Councillor O'Connell asked how the number of police officers operating in Croydon would be protected after the Mayor of London had abandoned his target of funding 32,000 police officers in the capital. Councillor Ali responded that the Metropolitan Police budget had been cut by £38million by central government, on top of £600million that had already been removed since 2010. The total funding cuts accounted for approximately one third of the total Metropolitan Police budget. Despite these cuts, the Mayor of London had committed to putting the community at the centre of policing by the deployment of a front line police officer in every neighbourhood team in the capital.

Councillor Collins announced that, following consultation with residents, action had been taken to tackle long queues at recycling centres and improvements had been noted since implementation. All the officers involved in the successful prosecution of Mr Smith for fly-tipping offences were also thanked for the excellent work undertaken and the good example set for the Don't Mess With Croydon campaign.

Councillor King announced that, in order to promote a business friendly environment across the borough's district centres, the Council would implement a free one hour parking scheme in Croydon's town centres. Charges for residents' parking permits

would also not change for the third year in a row.

Councillor Hall stated that, in relation to previous comments made at the meeting, the previous Conservative Mayor of London's own budget had made assumptions that the Olympic precept would continue beyond the originally scheduled end date of 2017. In addition, central government budgets were based on the assumption that local authorities would raise Council Tax and the adult social precept up to the maximum allowance.

- Councillor Bashford welcomed the news of free parking in town centres and asked for the number of residents that had been consulted on the proposed 20mph zoning in the south of the borough, due to significant numbers of residents who had stated that they knew nothing about the consultation. Councillor King responded that an external company had been utilised to deliver leaflets to every household in the affected zones and tracking devices were used to monitor delivery performance. In addition, the consultation had been publicised through social media, emails, physical signage, and the Council website. The Council had been advised that the non-delivery rate was 0.04%, so the claim that thousands of residents did not know about the consultation was incorrect.
- Councillor Bashford asked a supplementary question that the reasoning for 20mph limits, to reduce accidents, was flawed. The vast majority of accidents were on roads that would fall outside the scheme and excessive speed was not the main reason for accidents in the borough. Councillor King responded that he welcomed the debate moving on from the consultation process to the benefits of the 20mph scheme. The evidence clearly supported 20mph limits, that it reduced accidents occurring and reduced the severity of accidents that did happen. Experts stated that there was a 98% chance of survival when a person was hit at 20mph. Department for Transport research highlighted that a 1mph reduction in speed created a 6% reduction in accidents. Just in the previous week, the Royal College of Paediatrics and Child Health delivered a recommendation that 20mph limits would create a safer environment for young people.
- Councillor Lewis asked when the new street cleaning equipment that had been recently invested in would be deployed in New Addington. Councillor Collins responded that 80 big belly bins had been purchased that were more efficient and would require fewer collections. Two landfill carts had been acquired for fly tip clearance and as they were larger vehicles, there would be less need for return visits and thus time would be saved. The additional savings this would accrue

were invested in purchasing three fly tip carts that would focus on smaller sites that the larger vehicles could not access. Three street sweeping machines had been acquired that would clean district centres more efficiently and 25 vacuum cleaners would be used by street cleaners. The savings made by the increased efficiency would be reinvested to increase the frequency of cleaning runs. It was expected that most of the equipment would be operational by April 2017.

- Councillor Lewis asked whether Councillor Collins would visit New Addington to support the planned community clean up. Councillor Collins responded that he would attend and had recently spoken at the South Croydon Residents' Association where he would attend a local community clean up as well.
- Councillor Mohan asked how many objections would need to be received on the 20mph consultation to reconsider implementation of the scheme. Councillor King responded that the purpose was to consult with residents who were affected and it would therefore be inappropriate to comment on implementation whilst the consultation was ongoing. The consultation was not a referendum and would be evidence based.
- Councillor Mohan asked a supplementary question regarding the importance of setting a number of objections threshold and why the consultation had been undertaken cheaply. Councillor King responded that the consultation process had been explained in the leaflets, it would also be submitted to the Traffic Management Advisory Committee (TMAC) where all objections received would be considered and the Committee would make its recommendations based on the evidence obtained from the consultation.
- Councillor Audsley asked for an update on the progress with Veolia implementing the London Living Wage to their employees. Councillor Collins responded that he had attended a branding meeting with Veolia who had agreed to include that they are a London Living Wage employer in their brand signage.
- Councillor Wright asked if community speed watch devices could be calibrated to monitor 20mph speeds. Councillor King stated that he believed the cameras could be, and would confirm to the Councillor in writing.
- Councillor Wright asked a supplementary question regarding

work done to recruit volunteers to use the devices to support enforcement of the 20mph limit. Councillor King responded that the community speed watch scheme was a valuable tool and undermined the accusation that speed enforcement was a ploy by the police to generate income. The Council was looking to recruit more volunteers to the scheme.

- Councillor Avis asked what was being done with Southern and Network Rail regarding the poor service and lack of accessibility at Norwood Junction. Councillor King responded that Norwood Junction was busier than Reading station and therefore it was appalling that the station was not fully accessible. The Cabinet Member was looking forward to a successful meeting with the Rail Minister to discuss the Brighton Mainline upgrade which should include improvements to Norwood Junction.
- Councillor Buttinger asked what enforcement had taken place for the current 20mph limit zones in Croydon and how many speeding tickets had been issued. Councillor King responded that the question regarding speeding tickets would have to be directed to the police as they were the body responsible for issuing tickets. However Councillor King stated he would be willing to raise the matter with Croydon's new Borough Commander. There was a lot of evidence that enforcement was taking place where the 20mph limits were already in place.
- Councillor Buttinger asked a supplementary question on whether volunteers would be used to ensure enforcement of the new speed limits. Councillor King responded that volunteers would be recruited and were being recruited.
- Councillor Pelling asked a question pertaining to Transport for London (TfL) research that there was a 50% reduction in road traffic accidents in zones designed as 20mph, and that it was a shame that the opposition party opposed a campaign that could save lives. Councillor King stated that the TfL research was further independent evidence to support the 20mph scheme. It was also unclear what the opposition's policy was on 20mph as it used to be supported.

Member Petitions

The Mayor invited Councillor Fitzsimons to read out the title of the submitted Member petition which read:

"We the undersigned request that Croydon Council reviews and actions changes, in the short term to reduce the high levels of non-local traffic using Addiscombe Court Road and Tunstall Road as a rat run, caused by their recent changes in making Lebanon Road one way. In order to return our residential roads to pre-change levels of traffic and to remove the potential risks associated with traffic overtaking and cutting across the Trams into Addiscombe Court Road.

"We also request that these issues are brought before the Traffic Management Committee at the next available meeting and that all decisions and options are discussed openly and fully with ALL residents in the surrounding area not just those requesting the change."

Councillor King responded that the matter would be going to the Traffic Management and Advisory Committee (TMAC) the week after the Council meeting, where the issues identified would be considered.

The Mayor invited Councillor Avis to read out the title of the submitted Member petition which read:

"We the undersigned have serious concerns about the speed of vehicles on South Norwood Hill and also the removal of the lighting at the pedestrian refuge close to the bus stops on South Norwood Hill.

"There have recently been some serious accidents on the stretch of South Norwood Hill between Whitehorse Lane and South Norwood High Street and it is our contention that a fatal accident is very likely. We suggest that a speed camera, similar to the one near the top of South Norwood Hill, be installed to address the speed issue.

"We further suggest that those pedestrian refuges on this part of South Norwood Hill be properly lit."

Councillor King responded that the Council could not deploy speed cameras as it was a Transport for London partnership that determined speed camera locations. However, the Council would work with residents to introduce a road watch scheme in the area and officers had been asked to add the location to areas for enforcement.

Council Debate Motions

Two motions were submitted for debate.

Motion 1.**Proposed by Councillor Tony Newman****Seconded by Councillor Hamida Ali**

"To secure our rail network for this and future generations, this Council calls upon the government to ensure that the funding for the Brighton mainline upgrade is confirmed with immediate effect to ensure the much needed work of improving rail infrastructure across Croydon and the South East can begin, and further calls for the Government to support the policy of both the current and previous Mayor of London to remove Southern from their failed franchise and replace them with TFL."

Councillor Newman proposed the motion and stated that in the previous year Croydon had achieved the highest economic growth indicators in the entire UK and that the economic future of the borough was secure under the Labour administration. However, the growth was under threat by the failure of central government to run the trains to schedule. The Coast to Capital Local Enterprise Partnership (LEP) was in agreement that one of the biggest threats to economic growth in the region was the failure of the train service. The Leader had met the Transport Minister and the Minister understood the importance of the matter, however the opposition party needed to enforce the urgency of the issue with the Secretary of State, Chris Grayling. Many had agreed that it was Chris Grayling's refusal to end Southern's contract that was at the heart of recent service failures. Whilst strikes had been an issue, the non-strike days had seen the worst service levels. The results were unsafe overcrowding on platforms at East Croydon and short trains when services did arrive. The government needed to invest in the railway service and sack Southern from the franchise.

Councillor Ali seconded the motion and reserved her right to speak.

Councillor Tim Pollard stated that the motion was strange as most of the issues raised had already been addressed. Additional investment in the Brighton Mainline had already been announced and there was a general consensus that Southern should have the franchise removed. The call for Transport for London (TfL) to take over the franchise was misguided as TfL had stated that they did not want to. The motion ignored the elephant in the room, that the trade unions were causing disruption to the service by striking, and there should be a call for unions to desist from their industrial action.

Councillor Pollard stated that the motion was inaccurate and failed to deal with some key issues, however there was enough within the motion that the opposition could support it.

Councillor Cummings stated that he had used the route on a regular basis and the poor service was not right for commuters. It was stated that all parties should drop their self-interest and support passengers. The opposition supported the central government funding into rail infrastructure and supported the call for Southern to lose the franchise. The way forward would be for a proper, competitive franchise process to be undertaken. Councillor Cummings stated that the telling omission from the motion was the strikes by the trade unions, which all commuters had stated needed to stop. Despite this omission, the opposition would support the motion.

Councillor Ali, seconding the motion, stated that the experience for residents had been abysmal. There had been a long standing consensus that the Brighton Mainline was full to capacity with regular issues of bottle necking. The demand on the line would only increase and a government survey commissioned in 2015 to consider an additional Brighton Mainline track had yet to be published. The Coast to Capital LEP had written to the government to demand that action was taken, and the long term infrastructural requirements were not being met by Westminster. Central government had been negligent on this issue and had not listened to residents, most of whom had no choice but to use the train service. Southern needed to be removed and the franchise handed to the Mayor of London, this was a demand that most Londoners supported. However, central government seemed more interested in an ideological war with the trade unions, and the Secretary of State Chris Grayling had been exposed as more interested in the politics of the situation.

The motion was put to the vote and was **carried unanimously**.

Motion 2.

Proposed by Councillor James Thompson

Seconded by Councillor Sara Bashford

“We call on this Council to show fairness and equity across the borough by allowing all residents the same opportunities to express their views on council consultations, using the same mechanisms. This council further believes it would be wrong to allow residents in one part of the borough a yes/no vote on a significant issue whilst denying that mechanism to residents in other areas who are equally affected”

Councillor Thompson, in proposing the motion, opened by reading the poem “The Kings of Dystopia”. It was stated that at a scrutiny meeting in 2015 it was promised that a fair and open consultation would be provided for the 20mph zones across the borough. However in zones three, four and five, residents had not received a full consultation as had been seen in zones one and two. The

administration was called upon to honour their word and act with integrity and honesty and carry out a fair consultation.

Councillor Bashford seconded the motion and reserved her right to speak.

Councillor King stated that the reasons for the change in the consultation process had been to Cabinet in December and no opposition had been raised by the Conservatives present at that time. The amendments to the consultation process were for the purpose of improving it. Feedback from the zones one and two consultation highlighted that residents had some confusion over the two stage process. Feedback had also showed that consultation across the borough was important. In addition, every London borough had undertaken the consultation in the same way, which included Wandsworth Council that was run by the Conservative party. Councillor King stated that the motion was hypocritical as it went against policy that the Conservatives had called for in the past. The consultation process for zones three, four and five had been improved, for example by the introduction of leaflets for residents. It was also a simpler and easier process.

Councillor Prince stated that the motion had been submitted by the party that had signed up to an incinerator on the border of the borough without consultation. The motion was really about opposition to the 20mph policy and was hypocritical. Eight studies and reports from Transport for London (TfL) that had been commissioned under the Conservative Mayor of London, all evidenced safety increases in 20mph zones. A one percent reduction in speed reduced accidents by 6% and a higher reduction in speed would create even better outcomes. The argument that bad driving, not fast driving, caused accidents was wrong since fast driving was bad driving. Councillor Prince stated that the Conservatives were opposing 20mph zones for political purposes, which included a road in Waddon Ward that had four schools along it.

Councillor Bashford, seconding the motion, stated that the reason for the change in the consultation process was that the Labour administration were worried that a referendum in the south of the borough would be lost. It was about ideological interests rather than the interests of residents. The administration had created an Opportunity and Fairness Commission yet residents had not had a fair say on the 20mph zones, and were not given an equal opportunity to voice their opinion as the north of the borough had. In addition, Councillor Bashford stated that the evaluation and decision process was flawed and there would be no way to measure the statistics of how many residents opposed the 20mph zones. The Traffic Management and Advisory Committee was only advisory and in any event had a Labour majority on it and so would vote the way of the administration.

The motion was put to the vote and **lost**.

A9 Recommendations of Cabinet or Committees referred to the Council for decision

Council considered three recommendations that had been received from Cabinet and the Ethics Committee.

The first recommendation from Cabinet pertained to Connect2: the proposed grant of a way of privilege for cycling in parks in accordance with Croydon's byelaws. The recommendation was moved by Councillor Newman and seconded by Councillor Butler.

Council **RESOLVED** to grant the privileges, as detailed in the attached report at Appendix 1 and associated appendices (1A-1D), for the proposed signed cycle routes in:

- Lloyd Park
- Park Hill Recreation Ground
- Wandle Park

The second recommendation from Cabinet pertained to the Schools Admissions Arrangements. The recommendation was moved by Councillor Newman and seconded by Councillor Butler.

Council **RESOLVED** to agree the proposed Admission Arrangements for Community Schools for the 2018/19 academic year as set out in Appendices 2 and 2A of the attached report.

The third recommendation was from the Ethics Committee and pertained to the Members' Code of Conduct. The recommendation was moved by Councillor Lewis and seconded by Councillor Prince.

Council **RESOLVED** to amend the Members' Code of Conduct as set out in Appendix 3A of the attached report for the reasons set out within the body of the attached report at Appendix 3.

A10 Camera Resolution

No resolution was required.

MINUTES - PART B

None

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For General Release

REPORT TO:	COUNCIL 27 February 2017
AGENDA ITEM NO:	7
SUBJECT:	SCRUTINY BUSINESS REPORT
LEAD OFFICER:	Stephen Rowan, Head of Democratic Services and Scrutiny
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Part 4A of the Constitution provides for the Business Report of the Scrutiny and Overview Committee, comprising a written scrutiny update following the Scrutiny Council Tax meeting.	

1. RECOMMENDATIONS

- The Council is asked to:
- 1.1 Note the Scrutiny Business Report.

2. EXECUTIVE SUMMARY

- 2.1 This report of the Scrutiny and Overview Committee forms a written update following the Scrutiny and Overview Committee held on Tuesday 13 December 2016 which considered the proposed budget for 2017/20. The conclusions from this meeting can be found below at paragraph four.
- 2.2 In addition, the Education Budget 2017/18 was considered by the Children and Young People Scrutiny Sub-Committee at its meeting on Tuesday 7 February 2017. The outcomes of this meeting can be found at paragraph five.

3. COUNCIL TAX AND BUDGET SCRUTINY

- 3.1 At its meeting on Tuesday 13 December 2016 the Scrutiny and Overview Committee heard an item on the budget from the Leader and the Chief Executive Officer.
- 3.2 The Leader stressed that Croydon was a promising investment location, providing public transport services worked efficiently. He highlighted the impact of the long running railway strike on local firms and on future decisions whether to base company headquarters in Croydon or not. He added that the outcome of the Brexit referendum could dampen business vitality as the uncertain economic climate made it difficult for local firms to plan ahead.

- 3.3 The Leader highlighted the importance of the borough's Growth Zone for the economy of Croydon and his hopes to attract businesses that would bring well paid jobs to the area. Members went on to question him on progress with the Westfield Hammerson project and express concerns over delays in implementation. They were advised that this was due in part to plans changing to include more housing provision. It was suggested that representatives of Westfield Hammerson be invited to a future Scrutiny meeting to give a detailed update.
- 3.4 Members discussed the current cost of living crisis in Croydon due mainly to the significant rise in housing costs and the disappearance of many well paid jobs in the borough with the move away from Croydon of large companies such as Nestlé. They asked what measures were being taken to bring such jobs back and improve housing affordability. The Leader pointed to the landlord licensing scheme as a tool for preventing extreme rent rises and improving housing conditions, and to the council's Good Employer Charter and commitment to the implementation of the Living Wage. He added that the commitment of the Mayor of London to improving the housing stock in the capital should also help reduce the upward pressure on rents.
- 3.5 In addition, Members questioned Councillor Simon Hall, Cabinet member for Finance and Treasury, on the proposed General Fund Revenue Budget for 2017-2020, developed against a background of grant reductions which began in 2011-2012 and are set to continue until 2019-2020.
- 3.6 Having explained that a key approach to dealing with these funding reductions was "managing demand", members asked what this meant. The Cabinet Member explained that this entailed implementing various ways of preventing problems from emerging through education, support, enforcement and publicity. The Council's Gateway service was highlighted as a means of supporting families to overcome risks such as unemployment, rent arrears and homelessness. This was particularly important for Adult Social Services, which was experiencing fast growing demand and rising costs.
- 3.7 Members questioned the Cabinet Member on the effectiveness of contract management and resource implications. He explained that a review of major contracts was in progress, with some external support to ensure robust outcomes. These may include the termination of some service lines with the services being provided in a different way at a reduced cost.
- 3.8 The Cabinet Member was questioned on the proposed cut of 58.1 council posts in 2017-2020. He gave assurances that every effort would be made to avoid compulsory redundancies and that trade unions would be fully consulted when concrete proposals had been drawn up.
- 3.9 Members discussed forthcoming financial risks faced by the borough. Councillor Simon Hall echoed the Leader's concerns regarding the outcome of the Brexit referendum, the impact of the long-running railway strike on business decisions on the future location of their premises. Assurances were given that the Council would provide whatever support it could to local businesses through its various networks and links with local firms to make it as easy as possible for business to thrive in the borough.

- 3.10 Another acknowledged financial risk to the council is the considerable rise in the demand for adult social care and the cost of these services. The committee agreed that the pressures on these services and their budgets needed to be robustly scrutinised in the following year.

4. CONCLUSIONS

- 4.1 Following the Council Tax and budget item, Members of the Committee drew the following conclusions:
- Budgets for the “People Department” are the ones which give the most concern to the Committee in terms of demand and cost of service provision
 - The pressures on adult social care and health services and their budgets needed to be robustly scrutinised in the following year.

5. EDUCATION BUDGET 2017/18

- 5.1. The Children and Young People Scrutiny Sub-Committee at its meeting on Tuesday 7th February 2017 considered an item on the Education Budget 2017/18. The Executive Director (People) and the Director of Finance, Investment and Risk were in attendance to answer Members’ questions.
- 5.2 The Director of Finance, Investment and Risk gave an overview of the Dedicated Schools Grant (DSG) allocation for the forthcoming year, which will rise from this year’s £309.36m to £324.69m. This includes additional funding for the Early Years and High Needs Blocks allocated in response to local pressures, with more funding for 3-4 year olds and 2 year olds from disadvantaged backgrounds.
- 5.3 Members questioned officers regarding the impact of the reduction in the Education Services Grant (ESG), which is used to fund central education functions. This is set to go down from £3.1m this year to £1.58m in 2017-18. The Executive Director (People) explained that this funding had been cut nationally in a drive to remove responsibility for education from local authorities. However, this drive was not implemented in full, and local authorities have been left with some duties and with reduced resources.
- 5.4 In answer to a further question, the Director of Finance, Investment and Risk explained that the ESG was currently made up of two elements paid on a per pupil basis:
- the maintained duties rate paid to the local authority per pupil in maintained and non-maintained schools
 - the general funding rate paid to the local authority for maintained school pupils only (funding to academies is paid directly to them by central government)
- 5.5 In 2017-18, however, the general funding rate component will be removed and the £1.58m funding will include:

- £820,000 for the retained duties element, equating to £15 per pupil, paid to the local authority for all pupils in both maintained and non-maintained schools, down from £855,000 this year
 - £762,000 transitional funding to cover general funding for the period April to August 2017 (equivalent to £20 per pupil for this period), down from £2.2m this year
- 5.6 Members discussed funding for Pupil Referral Units (PRUs). Officers explained that they were funded through the High Needs Block. They added that efforts had been made to maximise the use of PRUs for pupils with challenging behaviour as the council has better control over the quality of teaching and support, as well as over the costs of these establishments.
- 5.7 Asked about trends in school exclusions, officers explained that permanent exclusions were now very few in number, although fixed exclusions were high in some schools. He added that some children were moved to PRUs due to challenging behaviour but expressed the view that these establishments should be used as a temporary solution and not as a long-term destination for pupils.
- 5.8 Members questioned officers regarding funding for Octavo, Croydon's school improvement mutual. Officers explained that the reduction in funding had been agreed with the mutual in the light of its work during its first year of operation. The reduction represents services which are no longer needed, and officers gave assurances that there had been no cuts to funding for school facing services provided by the mutual. Officers added that the value of the Octavo contract was agreed yearly between Octavo and the council, and that the operation would be extended for two years if it operated satisfactorily. The contract was monitored on the quantity of services traded as well as on their quality.
- 5.9 Members expressed their dissatisfaction regarding the low funding allocation to the London Borough of Croydon, which, although an outer London borough, has many of the characteristics of an inner London borough. They felt that the council needed to make cross-party representations to persuade central government to increase resources to Croydon, which has a number of wards with high levels of deprivation. The Cabinet Member and officers agreed with this view and gave assurances that they were continuing to lobby central government for a significant increase in resources for Croydon's schools.
- 5.10 Members discussed place planning. Officers explained that all schools to be built in future would be free schools, which will be funded directly by central government. In answer to a member's question, officers commented that there would be opportunities for the Roman Catholic Archdiocese of Southwark to make applications for new Catholic free schools to open in Croydon.
- 5.11 Officers were asked whether a grammar school was due to be opened in the south of the borough. The Cabinet member stated that no new school could be designated as a new grammar school as this was illegal, and that primary legislation would be needed to establish such a school in Croydon. It was observed, however, that existing grammar schools could open "annexes" and thus circumvent current legislation. The Cabinet Member stressed that the new secondary school in the south of the borough would be a free school, and that

the application to the Education Funding Agency (EFA) had been accepted. However, no site had yet been allocated to this school.

- 5.12 Officers announced that the national funding formula for schools was set to change in future and that the results of stage 2 of the consultation were expected towards the end of March. They added that they would seek clarification on the rationale for any losses in funding for the borough.

6. PROCEDURE

- 6.1 There will be an opportunity for questions to the Chair of the Committee with a time limit of 10 minutes. Two minutes of this allotted time may be used for the announcements from the Chair.

CONTACT OFFICER: James Haywood, Members' Services Manager
Ext. 63319

BACKGROUND DOCUMENTS: None

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REPORT TO:	COUNCIL 27 FEBRUARY 2017
AGENDA ITEM NO:	8
SUBJECT:	BUSINESS REPORT OF THE LEADER AND CABINET AND QUESTIONS TO THE LEADER AND MEMBERS OF THE CABINET
LEAD OFFICER:	Jacqueline Harris-Baker, Acting Director of Law and Monitoring Officer
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
The Business Report of the Leader and Cabinet is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.	

1. RECOMMENDATIONS

Under agenda item 6, Council will be asked to:

- 1.1 Take a recorded vote on paragraph 1.1(I) of **Appendix 1** of this report.
- 1.2 Take a recorded vote on paragraph 1.2(II) of **Appendix 1** of this report.
- 1.3 Vote on the remaining recommendations detailed in paragraphs 1 and 2 of **Appendix 1** of this report.

2. BACKGROUND

- 2.1 This item is to enable Members to ask questions of the Leader and Cabinet on a matter related to the Council Tax or draft Budget. Any questions of a detailed nature regarding a specific budget item shall be noted and shall receive a written response within three weeks following the meeting. The responses shall be published on the Council's website. Questions asked under this item are also subject to the normal rules for questions at Council meetings (detailed in 3.21, Part 4A, of the Constitution). In case of doubt, the Mayor shall decide whether it is appropriate for the matter to be considered at a Council Tax Meeting and shall disallow any questions considered inappropriate. Each Member asking a question will also be allowed to ask a supplementary question.
- 2.2 The Leader shall be the first to respond to questions under this item and the total time allocated to questions by Members to, and responses from the Leader, shall be 20 minutes. The first four minutes of the Leader's 20 minute slot may be used by the Leader to make any announcements.

2.3 Cabinet Members, divided into three 'pools' of three Members each, shall thereafter respond to questions by other Members of the Council. The total time allocated to each 'pool' of Cabinet Members shall be 30 minutes. The three Cabinet Members shall each be permitted to use two minutes of this 30 minute slot to make announcements. The pools will be as follows:

Pool 1

Name	Portfolio
Councillor Alison Butler	Deputy Leader and Cabinet Member for Homes, Regeneration and Planning
Councillor Hamida Ali	Cabinet Member for Communities, Safety and Justice
Councillor Mark Watson	Cabinet Member for Economy and Jobs

Pool 2

Name	Portfolio
Councillor Stuart Collins	Deputy Leader and Cabinet Member for Clean, Green Croydon
Councillor Stuart King	Cabinet Member for Transport and Environment
Councillor Simon Hall	Cabinet Member for Finance and Treasury

Pool 3

Name	Portfolio
Councillor Timothy Godfrey	Cabinet Member for Culture, Leisure and Sport
Councillor Alisa Flemming	Cabinet Member for Children, Young People & Learning
Councillor Louisa Woodley	Cabinet Member for Families, Health and Social Care

3. BUSINESS REPORT

3.1 The business report is attached at **Appendix 1**.

CONTACT OFFICER:	Stephen Rowan, Head of Democratic Services and Scrutiny
BACKGROUND DOCUMENTS:	None
ATTACHED DOCUMENTS:	
APPENDIX 1:	Business report of the Leader and Cabinet
CABINET REPORT 6.1:	General Fund and HRA Budget 2017/20 and Appendices A-H
CABINET REPORT 6.2:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018 and Appendices A-G

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**COUNCILLOR TONY NEWMAN
LEADER OF THE COUNCIL**

A full copy of the Cabinet agenda, reports and appendices are available on the Council website at:

<https://secure.croydon.gov.uk/akscroydon/users/public/admin/kab14.pl?operation=SUBMIT&meet=55&cmte=CAB&grpId=public&arc=1>

**Cabinet 20 February 2017
Items relating to the Council Tax and Budget Setting process**

Budget 2017-20

1. General Fund & HRA Budget 2017/20

Cabinet will consider a report (**attached as Cabinet Report 6.1: General Fund & HRA Budget 2017/20**) that sets out the detailed proposals for the financial year 2017/18 and also proposals that would deliver a balanced budget for 2018/20.

The report details the revenue and capital budgets for the General Fund for 2017/18, including the total Council Tax increase of 4.3%, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2017/18.

Cabinet recommends Council to approve:

1.1

- I. A **1.99%** increase in the Council Tax for Croydon Services
- II. A **3%** increase in the Adult Social Care precept (a charge Central Government has assumed all Councils will levy in its spending power calculations).
- III. Note the GLA increase of 1.5% (the increase is solely associated with the Police budget).
With reference to the principles for 2017/18 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in

terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 5.4 of the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**).

- IV. The calculation of budget requirement and council tax as set out in Appendix D and E of the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**). Including the GLA increase this will result in a total increase of 4.3% in the overall council tax bill for Croydon.
- V. The three year revenue budget assumptions as detailed in the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**) and the associated appendices:-
 - Appendix A The programme of revenue savings and growth by department for 2017/20.
 - Appendix B The Council's detailed budget book for 2017/18.
- VI. The Capital Programme as set out in section 12, table 22 and 23 of the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**).
- VII. The continuation of the Council's existing Council Tax Support Scheme in 2017/18 as detailed in section 10.4 of the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**).
- VIII. The adoption of the Pay Policy statement at Appendix H of the report (**Cabinet Report 6.1: General Fund & HRA Budget 2017/20**).

1.2 Council notes that Cabinet was requested to agree:

- I. A rent decrease for all Council tenants for 2017/18, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.
- II. Garage and Parking space rents will increase by 2 % per week.
- III. The service charges for caretaking, grounds maintenance and bulk refuse collection will increase by 2% per week as detailed in section 11

2. **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/18**
2. Cabinet **recommends** Council to approve:
 - 2.1 The Treasury Management Strategy Statement 2017/2018 as set out in the report (**Cabinet Report 6.2: Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/18**) including the recommendations that:
 - 2.1.1. The Council takes up the balance of its 2016/2017 borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.6 of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**).
 - 2.1.2. That for the reasons detailed in paragraph 3.11 of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**), opportunities for debt rescheduling are reviewed throughout the year by the Executive Director of Resources and Section 151 Officer and that, he be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury and in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2016-2020.
 - 2.1.3 That delegated authority be given to the Executive Director of Resources and Section 151 Officer, in consultation with the Cabinet Member for Finance and Treasury, to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.
 - 2.2 The Annual Investment Strategy as set out in paragraph 3.14 of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**).
 - 2.3 That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.7 of the report

(**Cabinet Report 6.2: Treasury Management Strategy Statement**) and as detailed in the associated Appendix C be as follows

2017/2018	2018/2019	2019/2020
£1,234.442m	£1,365.442m	£1,372.442m

The Prudential Indicators as set out in the associated Appendix C of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**).

- 2.4 The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in Appendix D of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**).
- 2.5 The Council's authorised counterparty lending list as at 31st December 2016 as set out in Appendix E of the report (**Cabinet Report 6.2: Treasury Management Strategy Statement**) and the rating criteria set for inclusion onto this list

REPORT TO:	CABINET 20 FEBRUARY 2017
AGENDA ITEM:	6.1
SUBJECT:	GENERAL FUND & HRA BUDGET 2017/20
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES (SECTION 151 OFFICER)
CABINET MEMBER:	COUNCILLOR TONY NEWMAN, LEADER OF THE COUNCIL COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY COUNCILLOR ALISON BUTLER, CABINET MEMBER FOR HOMES AND REGENERATION
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2017/18 and also proposals that would deliver a balanced budget for 2018/20.</p>	
FINANCIAL SUMMARY:	
<p>The report details the revenue and capital budgets for the General Fund for 2017/18, including the total Council Tax increase of 4.3%, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2017/18.</p>	
FORWARD PLAN KEY DECISION REFERENCE	
<p>The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 27th February 2017.</p> <p>The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/17/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.</p>	

1.0 RECOMMENDATIONS

1.1 The Cabinet recommend to full Council:

- I. A **1.99%** increase in the Council Tax for Croydon Services
- II. A **3%** increase in the Adult Social Care precept (a charge Central Government has assumed all Councils will levy in it's spending power calculations).
- III. Note the GLA increase of 1.5% (the increase is solely associated with the Police budget).

With reference to the principles for 2017/18 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 5.4 of this report.

- IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 4.3% in the overall council tax bill for Croydon.
- V. The three year revenue budget assumptions as detailed in this report and the associated appendices :-
 - Appendix A the programme of revenue savings and growth by department for 2017/20.
 - Appendix B The Council's detailed budget book for 2017/18
- VI. The Capital Programme as set out in section 12, table 22 and 23 of this report.
- VII. The continuation of the Council's existing Council Tax Support Scheme in 2017/18 as detailed in section 10.4 of this report.
- VIII. The adoption of the Pay Policy statement at Appendix H;

1.2 That Cabinet agree:

- I. A rent decrease for all Council tenants for 2017/18, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.
- II. Garage and Parking space rents will increase by 2 % per week.

- III. The service charges for caretaking, grounds maintenance and bulk refuse collection will increase by 2% per week as detailed in section 11.

1.3 That Cabinet note:-

- I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.
- II. The progress being made towards balancing the Council's financial position for 2016/17 as at Quarter 3 and the current projected outturn forecast of £0.732m as set out in the report at item 6.3 on this agenda.
- III. The response to the draft local government settlement which is attached at Appendix F.
- IV. That pre-decision scrutiny of the proposed budget 2017/20 took place at the Scrutiny and Overview Committee on the 13th December 2016 with no recommendations made by the Scrutiny and Overview Committee.
- V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

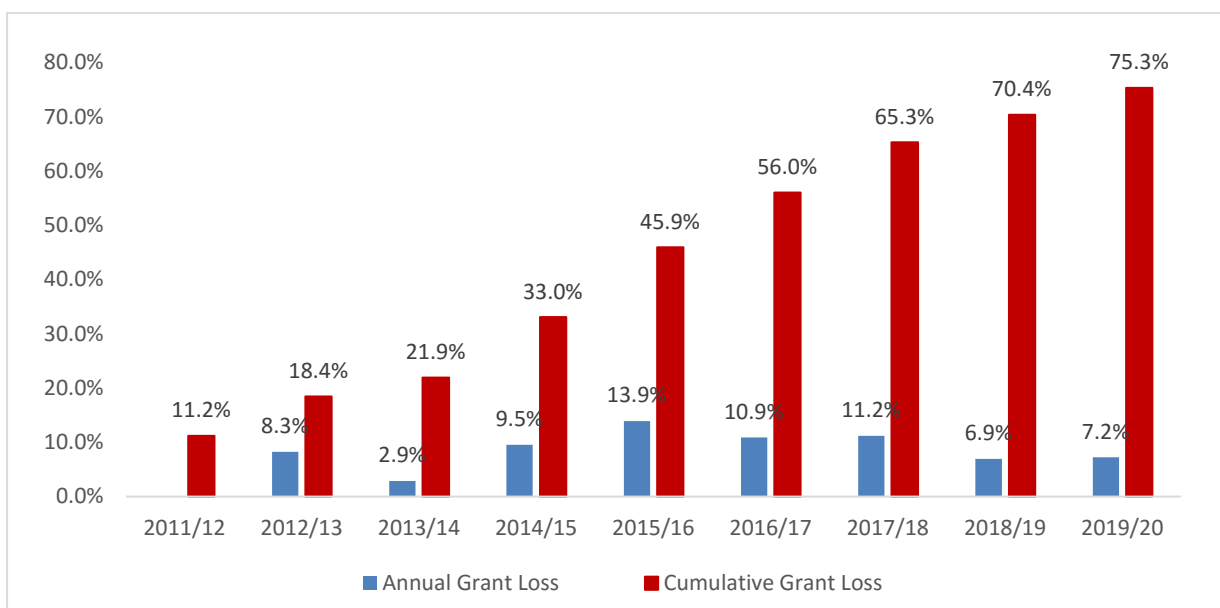
2.0 EXECUTIVE SUMMARY

- 2.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2017/20. The report also sets out the current savings plans and approach to transformation of the council over the next 3 years.
- 2.2 This administration has been determined to deliver on the priorities it set out in its Ambitious For Croydon manifesto, notwithstanding the pressures that come, directly or indirectly, from Central Government. This budget reflects the delivery of those priorities.
- 2.3 Funding and grant reductions are expected from national government based on the Spending Review and Local Government Financial Settlement, over the medium term with a funding gap of over £53.3m projected over the period 2017/20. To address previous and this funding gap the Council initiated the Croydon Challenge programme in 2014 to drive through the transformation of Council services. The programme has focused on making the council more efficient but critically more effective, through a focus on the right outcomes, and delivering services to the public that changes people's lives for the better. During the last year the Council has focused more on managing demand and changing behaviours of both residents and staff to enable the budget challenges to be met, and while the Council continues to focus on managing this challenge, it will also be continuing to seek immediate action from national government to deliver a Fair Funding Share for the People of Croydon.

2.4 The choices made in this budget reflect the clear priorities of the administration. This is particularly clear in the focus on reducing back office costs and protecting the front line and those services that matter most to residents. This is reflected in table 16 and 17 which show the investment and savings by department. With the most significant savings within the Resources department for the third successive year.

2.5 The Government that took office after the 2015 general election has continued to follow a policy aimed at reducing the public sector deficit, principally through reductions in public expenditure. One of the main areas to be cut has been local government. As a result Councils have had significant reductions in their funding from government grants and further reductions are expected over the medium term (Croydon's Grant loss over the period is shown in graph 1 below). At the same time the Council has faced increasing demand for some services due to demographic pressure (population growth due to natural increases and migration, growth in the numbers with significant need such as the number of older people) and the consequences of other government policies such as welfare reform.

Graph 1: Croydon's Grant Reductions 2011/20



2.6 As reported to this cabinet in January there were a number of key changes to Local Government Funding contained within the 2017/18 settlement that have had a significant impact both nationally and in Croydon. Cabinet has received reports previously showing the scale of the reductions in funding that the Council is facing and the way that inflation and the growing demand for services from population growth, demographic changes and legislative changes (such as welfare reform) are not being reflected in the funding that Croydon receives. The announcement on 15th December, together with associated announcements around the same time, have exacerbated this position.

2.7 In addition, the Government has increased the amount it assumes that councils will collect from residents to fund national adult social care responsibilities through its adult social care precept. It has also assumed a high level of increase for local taxation.

2.8 The key change announced in the Provisional Finance Settlement in December was the transfer of funds nationally from New Homes Bonus (NHB) to a 'new' Adult Social Care Support (ASC) Grant. £241.1m was transferred nationally. No new money has been introduced as part of this, rather this is a reallocation between two unring fenced pots of money. For Croydon this resulted in a net loss of £1.9m for 2017/18 compared to our previous assumptions, making us the 7th biggest loser in the Country. This change in funding arrangements also saw London lose a net £10.6m compared to previous assumptions and one third of councils with social care responsibilities being net loser. Table 1 below sets out the biggest net losers in cash terms from this change nationally.

Table 1 Local Government Funding changes in Local Government Settlement

Local authority	2017-18 ASC grant £m	NHB proposed for 2017-18 £m	NHB revised for 2017-18 £m	Difference £m	Overall £m
Tower Hamlets LBC	1.5	29.0	24.2	-4.8	-3.4
Salford MBC	1.3	11.2	7.5	-3.6	-2.3
Westminster City Council	1.3	13.4	9.9	-3.5	-2.2
Milton Keynes Council	0.9	12.5	9.5	-3.0	-2.1
Islington LBC	1.3	15.5	12.2	-3.3	-2.1
Southwark LBC	1.6	16.7	13.1	-3.6	-2.0
Croydon LBC	1.4	12.0	8.7	-3.3	-1.9
Bristol City Council	2.0	13.8	10.3	-3.5	-1.5
Birmingham	5.6	21.9	15.0	-6.9	-1.3
Medway	1.0	7.6	5.4	-2.2	-1.2

2.9 At a national level this change sees a significant transfer of resources to county councils from district councils which is moving funds to where responsibility for social care sits. However in unitary authorities, such as London, the transfer sees a net reduction to an area which has responsibility for social care at a time of rising need. Indeed, one in three local authorities with social care responsibilities are net losers as a result of these changes. At the same time the winners and losers in London does not appear to bear any relationship to where the pressure on the social care system sits.

2.10 At the Cabinet meeting on the 10th October 2016 (min A101/16) the Council agreed to accept the four year funding settlement and submitted its efficiency plan accordingly which set out the key principles and programmes that will be delivered to achieve a balanced budget.

2.11 The offer of a four year funding settlement made by Government as part of the Spending Review was to help local authorities plan their finances and prepare for the move to a more self-sufficient resource base by 2020. The multiyear settlement was aimed at providing certainty and stability to help local authorities strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents”.

- 2.12 At the time of writing this report the Final Local Government Financial Settlement debate has not taken place and it is expected to occur during the week commencing 20th February 2017. It is not anticipated that there will be any changes, and if there are these will be reported to the meeting of Council on the 27th February 2017.
- 2.13 It is incredibly disappointing that the government has changed its plans and moved the goal posts which have resulted in Croydon seeing a further **£1.9m** reduction compared to our previous assumptions at a time when we are seeing a rising demand for services in areas that provide support to our most vulnerable clients. These areas include adult and children's social care and temporary accommodation.
- 2.14 This reduction in funding will result in the need for a greater level of funding to be raised from local tax payers via council tax and adult social care precept which will mean that there is a greater burden on our local tax payers as we struggle to manage demand within the funding available.
- 2.15 While, the London Borough of Croydon is no different from other councils. In order to balance its budget the Council has already delivered over £100m in efficiency savings and cuts so far with a 56% cumulative reduction in government funding up to 2016/17 in cash terms. This equates to 74% in real terms.
- 2.16 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2017. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 27th February 2017.
- 2.17 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 3% increase based on the Adult Social Care Levy as set by the Chancellor. The GLA are proposing a 1.5% increase in their element of the charge and that is due to be agreed by the GLA on the 20th February 2017. The overall headline increase is 4.3%. The effect of this increase on Band D is set out in table 2 below.

Table 2 – Local Taxation & GLA Taxation increase (Band D comparison)

Band D	2017/18	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,218.94	1.99	24.24	0.47
Adult Social Care Levy	59.97	3.00	36.54	0.70
Greater London Authority	280.02	1.46	4.02	0.08
Total	1,558.93	4.34	64.80	1.25

- 2.18 On the 13th December 2016 Scrutiny and Overview Committee met and received a report on budget options for 2017/20 from the Executive Director of Resources (Section 151 Officer). These budget options are now included within the proposed final budget detailed within this report at appendix A.

3 External Financial Environment

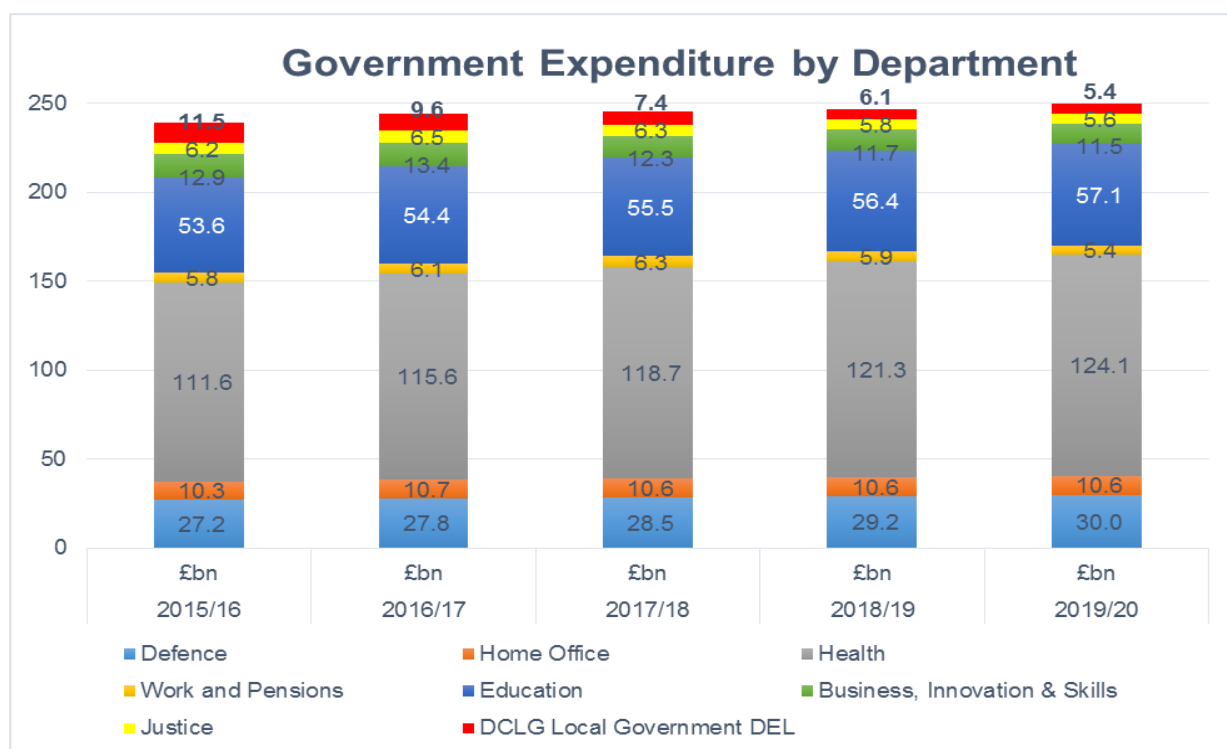
Spending Review 2015 and settlement 2017/18

- 3.1 The Chancellor of the Exchequer published the government's Spending Review 2015 on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20. This was the first four year settlement and was designed to give authorities more certainty on their funding levels and the ability to undertake longer term financial planning.
- 3.2 The provisional local government funding settlement 2017/18 announced a number of key changes as detailed in section 4.4 of this report, that have had a significant impact both nationally and in Croydon.
- 3.3 The funding amounts for the main government department were published as part of the spending review 2015 and were reported to cabinet in February 2016, they are shown again for info in table 3 and graph 2 below. It is important to note that the figures for local government do not include the business rates element of funding and are therefore not a true reflection of the change in funding.

Table 3 - Published Funding Amounts for Selected Government Departments

	2015/16	2016/17	2017/18	2018/19	2019/20	% Change
	£'bn	£'bn	£'bn	£'bn	£'bn	
Defence	27.2	27.8	28.5	29.2	30	10%
Home Office	10.3	10.7	10.6	10.6	10.6	3%
Health	111.6	115.6	118.7	121.3	124.1	11%
Work and Pensions	5.8	6.1	6.3	5.9	5.4	-7%
Education	53.6	54.4	55.5	56.4	57.1	7%
Business, Innovation & Skills	12.9	13.4	12.3	11.7	11.5	-11%
Justice	6.2	6.5	6.3	5.8	5.6	-10%
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4	-53%

Graph 2 Published Funding Amounts for Selected Government Departments



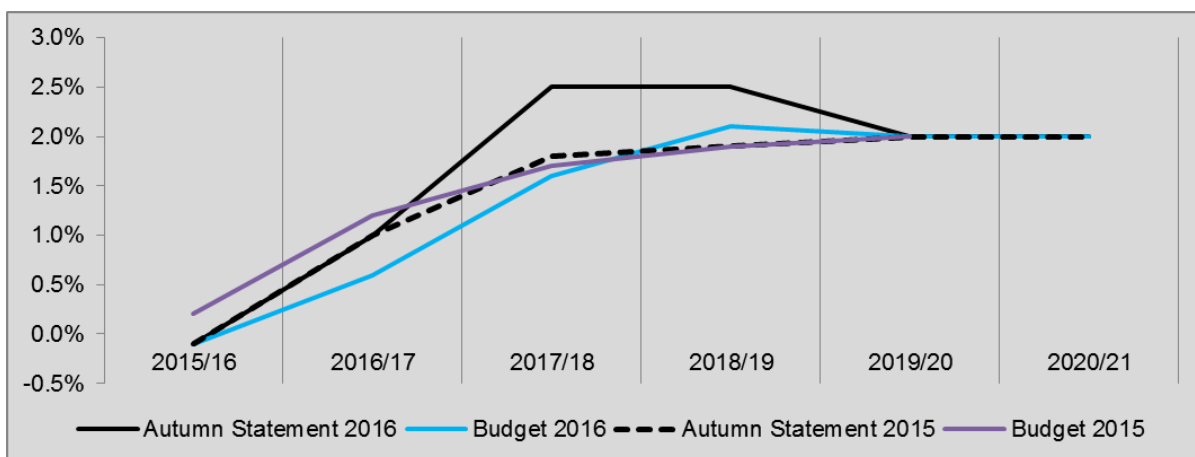
4 Inflation

- 4.1 The Office of Budget Responsibility (OBR) updated its forecast CPI and RPI inflation forecasts for the 2016 Autumn Statement.
- 4.2 Table 4 and graph 3 shows the CPI inflation forecasts published against those published in previous announcements. The table shows increases to the level of CPI projected from 0.6% to 1.0% in 2016/17, from 1.6% to 2.5% in 2017/18 and from 2.1% to 2.5% in 2018/19.

Table 4 CPI Inflation Forecasts

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	-0.10%	1.00%	2.50%	2.50%	2.00%	2.00%
Budget 2016	-0.10%	0.60%	1.60%	2.10%	2.00%	2.00%
Autumn Statement 2015	-0.10%	1.00%	1.80%	1.90%	2.00%	2.00%
Budget 2015	0.20%	1.20%	1.70%	1.90%	2.00%	-

Graph 3 CPI Inflation Forecasts



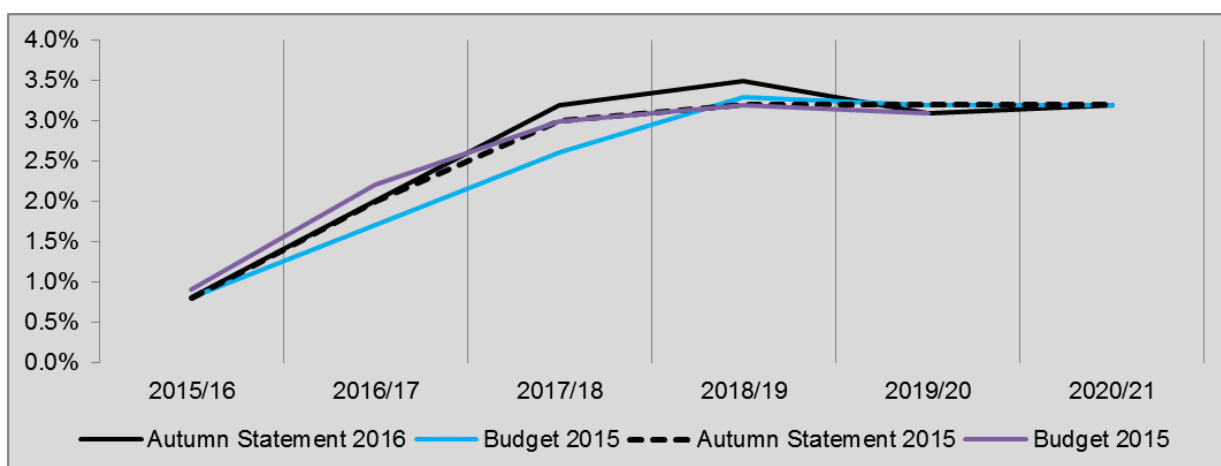
Inflation - RPI

4.3 Table 5 and graph 4 below shows the RPI inflation forecasts published against those published in previous announcements. The table shows increases in the level of RPI projected for the next three years from 1.7% to 2.0% in 2016/17, from 2.6% to 3.2% in 2017/18 and from 3.3% to 3.5% in 2018/19.

Table 5 RPI Inflation Forecasts

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	0.80%	2.00%	3.20%	3.50%	3.10%	3.20%
Budget 2016	0.80%	1.70%	2.60%	3.30%	3.20%	3.20%
Autumn Statement 2015	0.80%	2.00%	3.00%	3.20%	3.20%	3.20%
Budget 2015	0.90%	2.20%	3.00%	3.20%	3.10%	-

Graph 4 RPI Inflation Forecasts



Provisional Local Government Finance Settlement 2017/18 – Nationally

- 4.4 The Provisional Local Government Finance Settlement was published on 15 December 2016. The settlement provided provisional allocations for 2017/18 and indicative allocations for 2018/19 and 2019/20.

The main issues were as follows:

- No changes to overall funding provided by DCLG.
- The terms of the Social Care Precept changed.
- Changes to the New Homes bonus scheme were announced.
- A move of £241m from the New Homes Bonus scheme to Adult Social Care for 2017/18.
- 97% of authorities, including, Croydon accepted the government's offer of a four-year fixed settlement.

Overall Funding: Core Spending Power

- 4.5 The Core Spending Power figures include the SFA; Council Tax; the Improved Better Care Fund; NHB; Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant (new for 2017/18). Table 6 below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows a reduction of 1.1% for 2017/18 and an overall increase for the period 2015/16 to 2019/20 of 0.4%.

Table 6 Core Spending Power figures for England 2015/16 to 2019/20

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
Settlement Funding Assessment	21,250	18,601	16,632	15,599	14,584
Council Tax	22,036	23,247	24,623	26,082	27,629
Improved Better Care Fund	-	-	105	825	1,500
New Homes Bonus	1,200	1,485	1,252	938	900
Rural Services Delivery Grant	16	81	65	50	65
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	-	-
Core Spending Power	44,501	43,564	43,069	43,494	44,678
Change %		-2.10%	-1.10%	1.00%	2.70%
Cumulative change %		-2.10%	-3.20%	-2.30%	0.40%
Real Terms Change %		-2.22%	-3.67%	0.98%	3.15%
Real Terms cumulative Change %		-2.22%	-5.89%	-4.92%	-1.77%

4.6 Table 7 below shows the change in figures from those published at the 2016/17 final settlement.

Table 7 Change in Core Spending Power figures for England 2017/18 to 2019/20

	2017-18	2018-19	2019-20
	£m	£m	£m
Settlement Funding Assessment	+9	+40	+85
Council Tax	+164	+229	+276
Improved Better Care Fund	0	0	0
New Homes Bonus	-241	0	0
Rural Services Delivery Grant	0	0	0
Transition Grant	0	0	0
Adult Social Care Support Grant	+241	0	0
Core Spending Power	+172	+269	+360

4.7 Table 7 shows:

- An increase to the Settlement Funding Assessment and Council Tax amounts, and
- The move in resources from New Homes Bonus to Adult Social Care Support Grant.

Change to forecast SFA amounts

4.8 The increase in the SFA amounts shown in table 7 above of £9m in 2017/18, £40m in 2018/19 and £85m in 2019/20 is within the Business Rates Retention element. This increase is due to inflation being higher than forecast for 2017/18 and being forecast to be higher than previously assumed for 2018/19 and 2019/20. This means that there is no real terms change.

Change to forecast Council Tax income

4.9 The increase in forecast Council Tax revenues (from Table 7 above) of £164m in 2017/18, £229m in 2018/19 and £276m in 2019/20 is due to assumptions around council taxbase and the rate of increase in council tax charges. For 2017/18, the £164m increase is a result of:

- A forecast higher taxbase +£110m
- There will be increases in council tax in line with the referendum limit of 1.99%, instead of the previous assumption of 1.75% +£54m

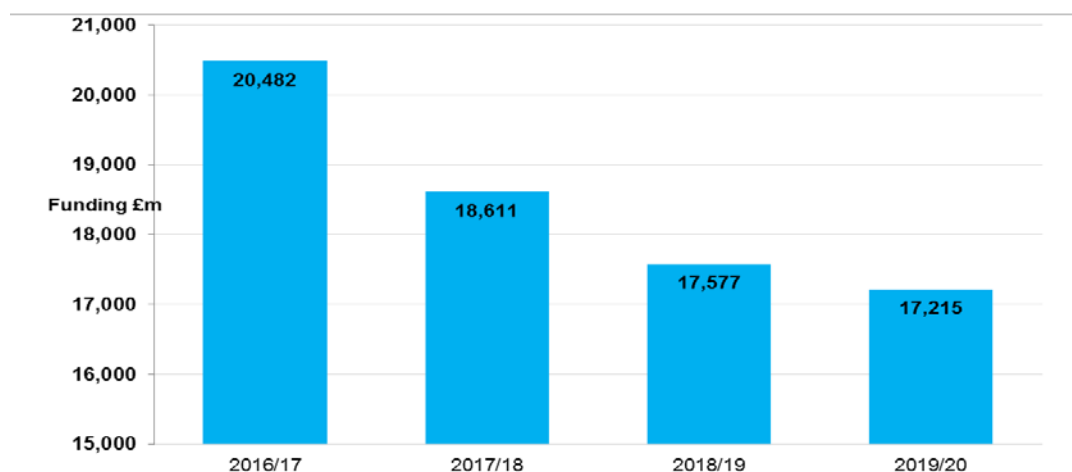
Adult Social Care Support Grant: +£241m in 2017/18

4.10 This is a new funding stream announced for 2017/18. Funding for this has been taken from previously announced New Homes Bonus allocations (see section 4.19). Funding has been allocated based on the adult social care relative needs formula.

Overall Funding: Excluding Council Tax

4.11 Graph 5 below shows the level of central government funding to local government between 2016/17 and 2019/20 excluding Council Tax. It shows a reduction of £3.3bn from £20.5bn to £17.2bn, a reduction of 16%.

Graph 5 – Local Government Funding 2016/17 to 2019/20



Social Care Precept

- 4.12 The introduction of a social care precept was originally announced at SR2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.
- 4.13 The provisional 2017/18 local government finance settlement has amended the use of this additional precept. It has 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.
- 4.14 To ensure that councils are using income from the precept for adult social care, councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (section 151 officer). Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017/18 must also show how they plan to use this extra money to improve social care. The government intend to provide further guidance to adult social care authorities on the conditions of the scheme in the near future.

Council Tax

- 4.15 For 2017/18, there will continue to be differential limits that will trigger the need for a council tax referendum.
- 4.16 For upper tier authorities wishing to use the social care precept at the maximum, a referendum will be triggered where council tax is increased by 5% or more above the authority's relevant basic amount of council tax for 2016/17.
- 4.17 Police and Crime Commissioners whose Band D precept is in the lowest quartile of that category will continue to be allowed increases of less than 2% or up to and including £5, whichever is higher.
- 4.18 For the Greater London Authority, a referendum will be triggered where council tax is increased by 2% or more above the authority's relevant basic amount of council tax for 2016/17.

New Homes Bonus

- 4.19 The New Homes Bonus scheme was subject to a consultation paper in December 2015. This paper outlined a number of potential changes to the scheme, including a change in the scheme's funding. This change moved from having an open-ended funding amount (based on the number of new homes) to a finite amount that could not be exceeded. The funding for the scheme over the period 2017/18 to 2019/20 was also announced, these amounts being:

- 2017/18 £1,493m
- 2018/19 £938m
- 2019/20 £900m

4.20 The individual authority amounts that were shown in the Core Spending Power figures for this period were only indicative, based on the proportion of the 2016/17 allocations.

4.21 The New Homes Bonus allocations for 2017/18 have been announced, reflecting the outcome of the consultation. The Core Spending Power figures for 2017/18 include these allocations and the New Homes Bonus returned element of the funding.

4.22 The government has made/proposed the following changes to the scheme:

- Funding is reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20).
- 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.

Other Specific Grants

4.23 The allocations of the three grants below remain unchanged from the amounts announced for the 2016/17 local government finance settlement.

- Improved Better Care Fund - £105m in 2017/18
- Rural Services Grant - £65m in 2017/18
- Transition Grant - £150m in 2017/18

Four Year Settlements

4.24 97% of authorities (including Croydon) accepted the government's four-year fixed settlement offer. In response to a question in Parliament, the Minister said that those authorities not accepting the offer would therefore still be subject to an annual settlement.

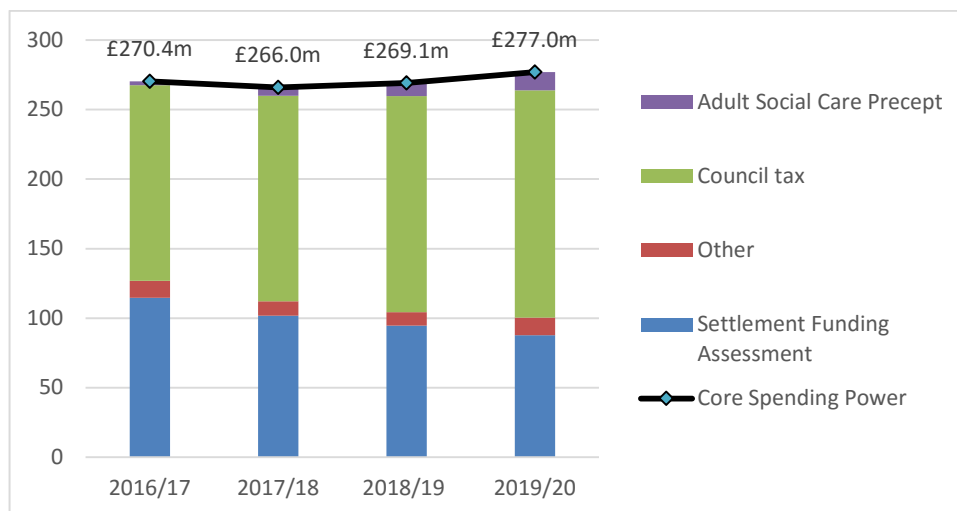
5 Provisional Local Government Finance Settlement 2017/20 – Croydon

5.1 The published Core Spending Power figures for Croydon are shown in table 8 and graph 6 below. The funding per head reduces from £723.77 per person in 2015 to £617.36 in 2020. This is a reduction of 15% or £106 per head. If funding rates were held at the same rate per head from 2015/16 to 2019/20 then we would receive an additional £12m of funding in 2019/20. If funding was held at the same rate per head in real terms over the period we would an extra £43m in 2019/20.

Table 8 Croydon's Settlement Funding Assessment allocations 2015/16 to 2019/20

	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Settlement Funding Assessment	132.0	114.6	101.7	94.7	87.8
Council tax	133.4	140.7	147.9	155.5	163.5
Adult Social care council tax precept	0.0	2.8	5.9	9.3	13.2
Improved Better Care Fund	0.0	0.0	0.0	3.1	6.3
Transition Grant	0.0	0.4	0.4	0.0	0.0
The 2017/18 Adult Social Care Support Grant	0.0	0.0	1.4	0.0	0.0
NHB	9.9	11.9	8.7	6.5	6.2
Core Spending Power	275.3	270.4	266.0	269.1	277.0
Population	380,368				399,552
Core funding per Head	£723.77				£693.28
Core spending power real terms		265.5	252.8	246.9	246.7
Core funding per Head - real terms	£723.77				£617.36

Graph 6 Croydon's Settlement Funding Assessment allocations 2016/17 to 2019/20



5.2 Table 8 shows an increase in funding over the period of 0.6% in cash terms (a real terms decline). However, it is important to note that this includes assumptions by DCLG. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the DCLG's figures are relevant to Croydon is discussed below.

Council Tax

5.3 The amounts for Council Tax income include DCLG's assumptions on base growth and maximum increases in the rate (i.e. the allowed 2.0% increase per annum plus the 2% per annum for the social care precept).

- 5.4 The Council Tax referendum limit remains at 2%. However, local authorities with social care responsibilities will continue to be able to charge an additional levy for adult social care. The Spending Review set this levy at a maximum of 2% per annum for a 4 year period, until 2019/20. The recent funding Settlement has allowed a greater level of flexibility around this levy and is now allowing Councils with social care responsibilities the flexibility to charge up to 3% per annum with a maximum increase of 6% over the period 2017/18 to 2019/20, providing the increase is used to fund adult social care. While overall there is no increase this does allow councils the opportunity to create additional income sooner.
- 5.5 There is no Council Tax Freeze Grant offering for the period 2017/18 to 2019/20.
- 5.6 The government produced national and local indicative council tax income levels for the period 2017/18 to 2019/20; with income increasing from £23.2bn in 2016/17 to £27.6bn in 2019/20. These figures assume:
- 5.7 An allowance for an increase in council tax in line with CPI for the period, using the OBR estimates. The government indicates it has used an average of 2% per annum for the period (excluding the additional 3% for social care);
- 5.8 An assumption of growth in the tax base which is based on the average levels of growth between 2013/14 and 2015/16, of 2.1% per annum. However, the increases used by the government are higher than those forecast by the Office of Budget Responsibility in March 2016, which was an average increase of 1.0% across the period 2017/20.
- 5.9 The equivalent government figures for Croydon are Council Tax income increasing from £140.7m in 2016/17 to £163.5m in 2019/20. However, as indicated above, these figures are only based on national assumptions regarding council tax and tax base growth.

New Homes Bonus

- 5.10 The Settlement included a number of planned changes to the New Homes Bonus scheme from 2017/18. The number of years the scheme is to be based on will now reduce from 6 to 5 in 2017/18 and to 4 years from 2018/19 onwards. The scheme will also now only award growth in homes above 0.4% per annum.
- 5.11 For Croydon, this means a significant reduction in grant income. We had previously estimated New Homes Bonus of £12m in 2017/18 and these changes to the scheme will result in a £3.3m reduction to £8.7m. The estimated impact for Croydon in future years is a £1m reduction against current assumptions.
- 5.12 For future years, new indicative allocations for Croydon of £6.6m (2018/19) and £6.2m (2019/20) were published. This is a reduction of £1m against previous assumptions. However, these amounts could still alter. The figures also do not take into account future new homes growth locally (they are based on previous years' growth).

Adult Social Care Support Grant

- 5.13 The settlement announced a new one off Adult Social Care Support grant of £241.1m in 2017/18. With £37.3m being allocated to London. This grant is being funded from savings achieved as a result of changes to the New Homes Bonus. This new grant is not as a result of new money being made available.
- 5.14 It is estimated that London will lose £10.6m as a result of this funding 'switch', with 12 London Boroughs gaining slightly and 21 becoming worse off. Croydon is a net loser by £1.9m as a result of this funding 'switch'.
- 5.15 Croydon will receive £1.4m in 2017/18 from this newly announced one year only Adult Social Support Grant. This will help us fund a service that is experiencing increasing demands and rising costs in 2017/18 but we are concerned that this is a one year only grant and would welcome a greater level of certainty for the future.

Other Grants

- 5.16 Funding for the remaining funding streams i.e. Improved Better Care Fund & Transition Grant will be received by Croydon at the amounts previously announced in 2016/17.
- 5.17 As shown in table 9 Croydon is ranked 21 in London on a settlement per head basis. If the funding were at the level of the lowest inner London borough, Croydon would receive an additional £26m in 2017/18. If the funding were at the level of the average inner London borough, Croydon would receive an additional £97m in 2017/18.

Table 9 – Settlement Funding Assessment per Head

Authority	Population 2015	Settlement Funding assessment - per head					Rank 2015/20 Average
		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	
City of London	8,760	3,187.32	2,956.32	2,785.91	2,695.62	2,605.03	1
Hackney	269,009	696.32	634.77	589.56	565.09	541.36	2
Westminster	242,299	636.04	580.14	538.88	516.79	494.66	3
Southwark	308,901	640.71	581.16	537.38	513.66	490.53	4
Tower Hamlets	295,236	636.37	578.28	535.52	512.45	489.78	5
Islington	227,692	637.82	575.08	528.94	503.90	479.45	6
Camden	241,059	642.20	574.72	524.98	498.05	471.42	7
Hammersmith & Fulham	179,410	588.82	529.86	486.39	462.91	439.64	8
Lambeth	324,431	585.81	528.35	486.11	463.16	440.83	9
Newham	332,817	568.78	518.84	482.17	462.29	443.09	10
Kensington & Chelsea	157,711	576.68	506.02	453.70	425.48	396.80	11
Lewisham	297,325	546.84	493.37	454.11	432.72	412.10	12
Greenwich	274,803	521.76	471.35	434.35	414.18	394.78	13
Haringey	272,864	516.04	461.85	422.03	400.32	379.24	14
Barking & Dagenham	201,979	489.33	443.09	409.17	390.68	372.94	15
Brent	324,012	471.20	422.30	386.35	366.77	347.72	16
Waltham Forest	271,170	449.53	400.82	365.01	345.46	326.48	17
Wandsworth	314,544	401.26	364.33	337.11	322.46	307.92	18
Enfield	328,433	394.46	348.40	314.55	296.01	278.05	19
Ealing	343,059	393.93	346.69	311.94	292.92	274.39	20
Croydon	379,031	348.30	302.26	268.38	249.78	231.67	21
Sutton	200,145	339.30	290.19	254.01	234.12	214.65	22
Hounslow	268,770	325.93	283.52	252.29	235.18	218.44	23
Redbridge	296,793	316.55	276.14	246.40	230.10	214.22	24
Merton	204,565	317.41	271.31	237.31	218.68	200.29	25
Hillingdon	297,735	285.22	244.00	213.65	196.96	180.67	26
Barnet	379,691	282.69	238.61	206.11	188.25	170.69	27
Harrow	247,130	280.57	235.69	202.61	184.42	166.57	28
Bexley	242,142	271.02	229.04	198.14	181.12	164.51	29
Havering	249,085	254.24	210.84	178.88	161.22	144.01	30
Kingston upon Thames	173,525	232.27	185.29	150.57	131.47	112.45	31
Bromley	324,857	214.47	173.93	144.01	127.53	111.26	32
Richmond upon Thames	194,730	227.24	169.43	125.99	111.74	77.36	33

Expenditure Pressures

- 5.18 As well as reduced funding levels the council also faces pressures on its expenditure as has previously been reported to Cabinet. Demand pressures resulting from demographic and population change, impact from national legislation and policy, eg welfare reform, and inflationary pressures are not factored into the government's calculation of spending power. Section 6 sets out the latest estimate of these pressures for Croydon over the medium term. The above table does not reflect that some of the funding is for new responsibilities. In addition, there are pressures created from reductions in other funding streams, such as public health, Education Services Grant, Home Office funding for Unaccompanied Asylum Seeking Children and CALAT.

6 2017/20 GENERAL FUND REVENUE BUDGET

- 6.1 2017/18 is the second year of the four year funding agreement and to coincide with this we have set a balanced budget for the next three years (the remainder of the settlement period) based on known funding levels.
- 6.2 The next section sets out the key areas of change in the London Borough of Croydon budget for 2017/20, with a key focus on the next financial year 2017/18. Table 10 below gives a summary of the high level budget movements

Table 10 – Budget Gap

	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
Gross Budget Gap	31.01	17.65	11.83	60.49
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
Net Budget Gap	0.00	0.00	0.00	0.00

Local Taxation / Collection Fund

- 6.3 Alongside grant income, local taxation is the other major income stream that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in appendix C.
- 6.4 **Council Tax base:** the number of domestic properties in the borough is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported from any given level of Band D equivalent Council Tax. It is anticipated that there will be an increase in the Council tax base of 2.9% compared to the 2016-17 base, which will enable a further £4.200m of expenditure to be supported in the 2017-18 general fund budget. The Council tax base is adjusted for collection rates, which are proposed to be 97.0% for 2017-18.

Table 11 - Increase in Council Tax Base

Year	Council Tax base (units)	Band D equivalent * £	Council Tax funding £m
2016-17	117,795	1,218.13	143,490
2017-18	121,243	1,218.13	147,690
Change	3,448	0	4,200

*for the purpose of demonstrating the tax base increase remains unchanged, the Band D Council tax rate used in table 11 is the 2016/17 amount.

Projected Collection Fund Surplus

- 6.5 It is anticipated that a surplus of £3.651m will be available for release into the 2017/18 general fund budget. This figure is now a combination of the forecast surplus / deficit position for both Council Tax and Business Rates, as set out below.
- 6.6 Council Tax - Croydon's share of the anticipated council tax surplus for 2017/18 is £5.829m. There has been a council tax surplus in the last 3 years as a result of tax base growth and improved collection rates.
- 6.7 Business rate localisation since 2013/14 has led to some added risks for the council particularly in relation to valuation appeals from businesses that can go back a number of years. The council has to provide for these within the collection fund even though these may go back a long time before the current financial year. A deficit is projected for 2017/18, of which Croydon's share is £2.178m.
- 6.8 Any difference between the projected surplus and final surplus for 2017/18 will be carried forward within the collection fund, for consideration in 2018/19's general fund budget.

Local Taxation Change for 2017/18

- 6.9 The council tax change for the Croydon element of the charge for 2017/18 is recommended to be **4.99%** in accordance with Appendix E of the report.
- 6.10 This decision includes a 3% increase for the Chancellor' adult social care levy that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 12 below.

Table 12 – Local Taxation for 2017/18

	2017/18 £	Increase £
Croydon Band D per year	1,218.94	24.24
Adult Social Care Levy per year	59.97	36.54
Band D per year	1,278.91	60.78

- 6.11 Table 13 gives details of the increases to the Croydon element of the council tax over the last 4 years and the increase being recommended for 2017/18.

Table 13 – Croydon Council percentage increase since 2013/14

	2013/14	2014/15	2015/16	2016/17	2017/18
Croydon Council Percentage change	1.85%	0%	0%	1.99%	1.99%

Greater London Authority Precept 2017/18

- 6.12 On 25th January 2017 the Mayor published his final draft budget and announced his intention to increase the Band D council tax by £4.02 to £280.02. This results in an increase of **1.5%** in the precept. The Mayor will present his final budget to the London Assembly on 20th February 2017. Details of the Mayor's budget are shown in table 14 below.

Table 14- Detail of Mayor's Budget – Components of Council tax

Components of Council Tax Requirements	Approved 2016/17 £m	Proposed 2017/18 £m	Proposed 2018/19 £m	Proposed 2019/20 £m	Proposed 2020/21 £m
GLA Mayor	60.8	65.0	69.3	73.6	78.0
GLA Assembly	2.6	2.6	2.6	2.6	2.6
Mayors Office for Policing and Crime	566.7	589.5	601.2	613.3	625.6
London Fire and Emergency Planning Authority	138.2	138.2	138.2	138.2	138.2
Transport for London	6.0	6.0	6.0	6.0	6.0
London Legacy Development Corporation	0.0	0.0	0.0	0.0	0.0
Old Oak and Park Royal Development Corporation	0.0	0.0	0.0	0.0	0.0
Consolidated Council Tax Requirement	774.3	801.3	817.4	833.7	850.4
Band D – London Boroughs	276.0	280.2	280.2	280.2	280.2

6.13 This overall resultant council tax increase is set out in 15 below.

Table 15 – Local Taxation increase and the GLA Tax increase

Band D	2017/18 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,218.94	1.99	24.24	0.47
Adult Social Care Levy	59.97	3.00	36.54	0.70
Greater London Authority	280.02	1.46	4.02	0.08
Total	1,558.93	4.34	64.80	1.25

6.14 The overall increase on the total bill for the residents of Croydon is **4.3%**.

Growth areas in the 2017/18 budget

6.15 There are a number of other changes to expenditure assumptions that have to be factored into the budget assumptions. The major ones are set out below;

6.16 **Inflation assumptions for Pay** – At the time of setting the budget the pay award for 2017/18 has not been agreed and we have assumed a 1% increase for 2017/18. **This has a cost of £1.172m**

- 6.17 **Contracts** – 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. Appropriate provision has been made based on detailed work on a contract by contract basis. **This has a cost of £1.888m.**
- 6.18 **Adult Social Care** - A large percentage of contract spend relates to Adult Social care and to ensure decisions made regarding inflation increases for third party providers of Adult Social Care are fair and lawful, Croydon Council must ensure that it balances budget considerations with the following:
- The actual cost of good quality care when deciding a personal budget
 - Risks in terms of quality of care and provider financial stability
 - Consultation with the Care Market
 - Local factors
- 6.19 The Inflation Strategy has considered these factors and sets out the Council's approach to setting inflation for the next 3 years 2017/2020.
- 6.20 The approach for Older People (Over 65's) will reflect the Financial model set out in the Croydon Health and Care Alliance Agreement and for 2017/18 inflation has been set at 1.5% for Third Party Services and at 1% for Council Delivered Services and Teams.
- 6.21 Inflation for Learning Disability, Mental Health, and Physical Disability services will be made on a case by case basis, reflecting the wide variation in individual needs and circumstances. An inflation holding account and exceptional fee increase request process has been developed to support this approach, and has been successfully used in 2016/17.
- 6.22 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2017/18 by RPI. **This will generate additional income of £0.137m**
- 6.23 The current figures for Inflation for December were 1.6% for CPI and 2.5% for RPI. Local Government will continue to face pressures on inflation mainly through pay pressures and existing contracts. The management of these inflationary pressures will be a crucial factor in balancing the future budgets of the Council.
- 6.24 **Pensions** the tri-annual actuarial review is due to be completed for commencement in April 2017. Draft figures assumed in the budget model are for the employer's contribution rate to increase by 0% per annum in 2017/18 and 2018/19 and by 1% in 2019/20 which will see it increase from 15.1% to 16.1% of pensionable pay. **This has a cost of an estimated £1m.**

- 6.25 **Interest Payable** – the size of the capital programme drives the changes in the interest budget. The programme is set out in section 12. As a result of the borrowing planned for 2017/20 the interest payable budget will increase by £1.0m in 2017/18, and £1.5m in both 2018/19 and 2019/20, although it is anticipated that a review of our debt strategy will yield interest payable savings of £0.5m in 2017/18.
- 6.26 As previously reported to this Cabinet the Council has a separate credit facility with the European Investment Bank (EIB) to fund capital schemes within the Council's Education Capital Strategy. This facility will allow the Council to access up to £102m in loans from the EIB for these capital projects in tranches up to 2018. To date two have been drawn down. A maturity loan of £25.745m was taken on 1 December 2015 over 15 years at a rate of 2.292% - the comparable PWLB loan interest rate on the day was 3.14%. A second loan, in two tranches, was drawn down for £19m at a similar discount to the PWLB rate. The Council is therefore expected to make substantial savings of interest on this and future loans taken from the EIB. The balance of the facility, £57m, will be drawn down during the period 2017/2018. It is not expected that this facility will be impacted by the UK Government invoking Article 50 to leave the European Union.
- 6.27 **Concessionary Fares** – London Councils' TEC committee agreed in December 2012 that there should be a transition for the introduction of usage apportionment for the National Rail and London Overground elements of the Freedom Pass settlement from 2014/15 onwards when the 2-years of usage data became available for these journeys. Owing to the significant distributional effects of moving these elements to usage apportionment the approach that was adopted is identical to that of the implementation of the original 2008 Arbitration Award, where it was phased in over three years. The total cost to Croydon of the scheme for 2017/18 is estimated to be £15.598m. **This is a decrease of £0.553m.**

Departmental Growth

- 6.28 The Council continues to experience budgetary pressures on services, many of the pressures being demand led. Appendix A sets out all the growth included in the 2017/20 budget assumptions. The approach has been to ensure that the significant recurring departmental pressures identified in the 2016/17 Financial Performance reports to Cabinet are included as growth in 2017/18 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration. **The total funding for 2017/20 department growth is £14.729m**, and Corporate Growth is £6.6m. Table 16 below gives details at a summary level of the growth identified for each department;-

Table 16 – Summary of Growth Options by Department

Department	2017/18	2018/19	2019/20	2017/20 Total £m
	£m	£m	£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
TOTAL	13.830	0.706	0.192	14.729

6.29 To achieve these levels, notably the 2018/19 and 2019/20, there will need to be highly successful delivery on demand management, behavioural change, successful switch to prevention and innovation.

6.30 The 2017/18 budget will also see the continued prioritisation of the reserve set aside to support the administration’s priorities.

6.31 To date, £1m of this reserve has been allocated to specific initiatives. In 2017/18 the reserve will continue to support key administration priorities. Updates will be reported to Cabinet on a regular basis.

7. Savings and managing demand

7.1 In order to present a balanced budget for 2017/20 significant savings are required as has been set out in the earlier elements of this report. The approach is underpinned by the efficiency strategy that was approved by cabinet in October 2016 (A101/16).

7.2 The efficiency strategy sets out the key principles and programmes that will be targeted to deliver these savings. These key principle and areas of focus are :-

- Getting the most out of our assets
- Better commissioning and contract management
- Managing Demand
- Prevention and early intervention
- Integration of Health and Social care
- Delivering Growth
- Commercial Approach
- Digital

These are all in addition to the continuing programme of seeking savings and improving productivity, which is integral to all areas of working in the Council.

Getting the most out of our assets

7.3 Savings of over £2m have already been delivered from making better use of our assets (in addition to the reduced costs coming from the new approach to facilities management). The major savings to date have come from;

- 7.3.1 The leasing of the 11th and 12th floor of Bernard Wetherhill House (“BWH”)
- 7.3.2 The sale of Janette Wallace House
- 7.3.4 The ending of a number of property leases
- 7.4 40 sites have also been transferred to Brick by Brick to develop housing. 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.
- 7.5 There will be continued focus over the next 18 months in identifying further asset opportunities this will include;
 - 7.5.1 Further opportunities to lease parts of BWH
 - 7.5.2 Reduction in running costs linked to managing demand
 - 7.5.3 A service based asset review in parts of the business to release or make better use of our operational assets.

Better Commissioning and Contract Management

- 7.6 The council uses third parties to deliver a number of our services. Therefore getting best value both in terms of delivery and cost is crucial. This has involved two key measures:
 - 7.6.1 Introduction of a ‘Make or Buy’ framework, to ensure that we have services delivered by the right parties (i.e. split between in-house, partnerships and third party)
 - 7.6.2 Enhanced contract management focus, including the professionalisation of contract management, notably on the major contracts and the separation between operational management and contract management.
- 7.7. There have been a number of areas where savings been made over the last 12 months including £2m from the new approach to Facilities Management.
- 7.8 A corporate contract review has commenced, the focus of this will be to test the Council’s contract management framework and proposed developments for 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).
- 7.9 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. The key ones are;
 - Waste Collection and Street Cleansing
 - Leisure
 - Internal and external audit

Managing Demand and Early Intervention and Prevention

- 7.10 The focus of this is to look at what drives demand for services and then look at ways that the demand, notably for expensive services, can be reduced, whilst maintaining or enhancing the outcomes for residents. The work done in creating the 'Gateway' service and on the 'Top 50 families' are examples of this, which have already delivered tangible benefits. The programme going forward will deliver options in the medium and longer term. In the short term a range of immediate actions are in place, including:-
- 7.10.1 The application of the successful Gateway approach to the 'front door' of adult social care which is likely to bring both cost savings and service improvement.
- 7.10.2 Introduction of Family Link workers to assist families
- 7.10.3 The development of a recruitment and retention strategy for social workers has been commissioned to reduce the use of agency social workers
- 7.10.4 The transformation of adult social care continues, which includes some detailed reviews of high cost care packages to ensure individual needs are being met in the most effective way.
- 7.10.5 High profile enforcement and prosecution of fly-tipping and other anti-social behaviours
- 7.11 Over the recent months departments have been analysing and working up the opportunity areas to gain a better understanding of the activities and projects required to deliver financial benefits over the next four financial years.
- 7.12 This approach has identified a number of opportunity areas and these include:
- 7.12.1 **Gateway extension and Family approach:** Across all parts of the People Department, including at the front door, supporting families at risk or in need, looking at all aspects of their assets, needs and aspirations, to avoid crises and increase independence and empower those families.
- 7.12.2 **Adults Social Care:** Embedding an asset based approach at all points of contact with the council, and in commissioned Information Advice and Guidance services. Redesign brokerage controls and processes to increase our commercial focus, and develop strategic domiciliary care, residential and nursing provider relationships that include increased telecare options. Greater personalisation.
- 7.12.3 **Early Intervention & Children's Social Care:** Use analytics to understand what support is required in the community, to commission this support and to direct families appropriately. Work with partners to agree a shared risk-based operating model which makes full use of the community support available. Optimise processes across re-modelled pathways, and implement a new model of provision for care leavers and fostering.

- 7.12.4 **Temporary and Emergency Accommodation:** Redesign communications to embed consistent messages to residents at all points of contact. Develop initiatives to target prevention and early intervention. Implement a supply side strategy based on cost modelling and supported by process redesign
- 7.12.5 **Public Health:** Develop an outcomes framework against which contracts will then be reviewed to determine value for money, delivery against outcomes and alignment to wider council strategic priorities. Use behaviour change approaches across the council to deliver improved public health outcomes for residents.
- 7.12.6 **Place:** Divert or increase resources to prevention and increase efficiency within teams. Increase income from licensing and trade waste. Work with staff, residents, landlords and partners to encourage greater pride of place, to increase recycling, reduce flytips and divert waste from landfill.
- 7.12.7 **Travel:** Design and implement an adults transport policy to increase independence.
- 7.12.8 **Buildings:** Deliver a service led asset review to establish building requirements, to identify the most effective whole council approach to use of space (aligned to outcomes as well as value for money) and to deliver the recommendations of the review. Reduce Facilities Management and variable costs through a behaviour change initiatives.
- 7.12.9 **Back Office Support Services:** Design and implement a new operating model for back office based on easy access to services (self-serve). Implement a more mature approach to risk based decision making across the organisation, enabled by training/behaviour change, improved record collection, reporting, and inspection regimes.
- 7.12.10 **Income and Debt:** Streamline policy and processes to maximise income and debt collection. Implement a centralised approach for customers with multiple debts, and design services to improve customer financial resilience.
- 7.13 The approaches outlined above are designed to be complimentary to existing activities and projects in the council, and through delivering the approaches above it is estimated that benefits of between £17m and £30m will be achieved over the next 4 years, of which between £11m and £19m in the next 2 financial years.
- 7.14 As reported to Cabinet in July the council will be taking advantage of the flexibility to use capital receipts to fund a number of the projects above.

Integration of Health and Social Care

- 7.15 As previously reported to Cabinet the Council and CCG have been working in partnership to achieve integration both in commissioning and at the point of service delivery, to provide better outcomes for residents at lower cost for the Council and the CCG.

- 7.16 Recently this has been exemplified in the Better Care Fund (BCF) programme and through the establishment of multi-disciplinary health and social care teams, including the Transforming Adult Community Services (TACS) model.
- 7.17 To realise further benefits of integration, the Council has been working with the CCG and committed to a process looking at the whole of the health and social care system for older people. Instead of simply redesigning services and customer journeys, the Council and CCG decided to go back to first principles and ask Croydon people what outcomes they are seeking from the whole system, resulting in the Outcomes Based Commissioning project for over 65's.
- 7.18 Commissioning for outcomes rather than activity allows services to be delivered in a personalised way, and designed to focus on wellbeing. It enables providers to truly transform care, as it removes existing payment mechanisms that can be barriers to integration. It rewards both value for money and delivery of better outcomes
- 7.19 A shared vision has been developed between the Council and Croydon Clinical Commissioning Group for all partners (statutory, voluntary and community) to come together to provide high quality, safe, seamless care to the older people of Croydon that supports them to stay well and independent. People will have a co-ordinated, personalised experience that meets their needs in the context of their family circumstances.
- 7.20 Outcomes Based Commissioning focuses on measuring and rewarding outcomes rather than inputs. Measuring outcomes and aligning incentives will enable the Commissioners to monitor performance across the whole health and care economy and, when combined with appropriate contractual and payment mechanisms, will allow providers to work together to deliver whole person integrated care and achieve a common set of goals
- 7.21 The project is progressing and it is hoped that there will be a go live date of April 2017, although there are already some pilot initiatives. This new model of provision will result in improved service delivery and financial savings to both the Council and CCG. Over the coming years, we would seek to build on this in other areas of health and social care.

Sustainability and Transformation Plan

- 7.22 In December 2015, the NHS shared planning guidance 2016/17 – 2020/21 outlined a new approach to help ensure that health and care services are built around the needs of local populations. To do this, every health and care system in England will produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years – ultimately delivering the Five Year Forward View vision of better health, better patient care and improved NHS efficiency.

- 7.23 To deliver plans that are based on the needs of local populations, local health and care systems came together in January 2016 to form 44 STP 'footprints'. Croydon is part of the South West London Strategic Planning Group and is working with the health and care organisations in the group to develop a STP which will help drive genuine and sustainable transformation in patient experience and health outcomes of the longer-term.
- 7.24 The footprints should be locally defined, based on natural communities, existing working relationships, patient flows and take account of the scale needed to deliver the services, transformation and public health programmes required, along with how they best fit with other footprints.

Delivering Growth

- 7.25 The delivery of economic growth remains a key part of our efficiency strategy. Growth can support this strategy in a number of ways;
 - 7.25.1 Increase prosperity and reduce dependency on the council and its services
 - 7.25.2 Lead to increased income whether from business rates or from service income such as planning and parking
 - 7.25.3 Increase council tax income from the delivery of new homes
- 7.26 The Council was successful in agreeing the 'Growth Zone' with Central Government. During the next four years, this will see very substantial investment in the Borough, which will benefit the residents and businesses in the borough and improve the finances, through increased income and reduced costs.
- 7.27 The council approach to regeneration and major projects has been set out a number of times to Cabinet. These projects improve the lives of the community, generate employment, as well as supporting the delivery of revenue savings. Two examples are:
 - 7.27.1 Fairfield – provide a focal point for culture in the borough, with all the benefits that will bring, as well as reducing subsidy from capital investment of £30m.
 - 7.27.2 New Addington Leisure Centre – provide enhanced facilities for a community with substantial need, whilst allowing the removal of subsidy from an £18m new centre.
- 7.28 In order to take advantage of the opportunities offered from business rates income a new discretionary business rates policy was presented to this Cabinet in December for agreement. The key objectives of the policy are to increase or safeguard the number of jobs in the borough by;
 - 7.28.1 Supporting inward investment from large companies bringing significant numbers of new jobs to the borough;
 - 7.28.2 Supporting smaller businesses to locate in the area and helping them through difficult periods to become sustainable in the longer term;

- 7.28.3 Bringing empty space back into use to support the economy.
- 7.28.4 From the range of proposals in this area the savings should be over £5m in the period of this strategy.

Commercial approach

- 7.29 There have been a number of areas of the council where a more commercial approach is now taken and the aim is to do more of this where it works.
- 7.30 The overall objective is to ‘To become an innovative and entrepreneurial authority by generating extra revenue through trading and business improvement.’
- 7.31 This includes ensuring that charges are set to cover cost where possible and also the creation of companies to deliver returns back to the council and support the achievement of key objectives. The two key areas where this has been done to date are;
- Traded services with schools – Octavo
 - Housing development company – Brick by Brick
- 7.32 It is also vitally important in this challenging financial period for the council to make use of its balance sheet and also its access to finance and the low current interest environment. This drives the idea for the Revolving Investment Fund (RIF) where the council borrow at low rates and lend at commercial rates based on a viable business case. The main focus of the RIF over the next 24 months will be to act as debt and equity funder to Brick by Brick.
- 7.33 It is anticipated that a range of projects in this area will save over £5m over the period.

Digital

- 7.34 Projects under way have delivered or will deliver some £4 million of savings. We continue to build on our digital by design approach, wherever possible providing services on-line to improve access whilst reducing service costs. The digital and enabling project continues to work with services to develop opportunities. This approach is underpinned by a digital inclusion program which ensures all our community can benefit from digital opportunities, not just for council services but for their wider benefits.
- 7.35 The strategy has been built on a foundation of outcome thinking, and instead of looking at what services we provide, we have looked at why we provide them and how all our resources contribute to the local area and our community. We have reviewed our service offer against the strategic objectives and understood the level of need and unit costs. By operating in this way the strategy will contribute significantly to the savings required to deliver a balanced budget over the next 3 financial years.

7.36 Alongside the council wide approach from the efficiency strategy there has been scrutiny of both the budget and net spend for each department. Table 17 below gives details at a summary level of the savings identified for each department. Appendix A provides the detail of the 2017/20 savings and growth items by service and also narrative on each. The decisions on savings reflect the policy priorities of the administration.

Table 17 – Summary of Savings Options by Department

Department	2017/18	2018/19	2019/20	2017/20 Total £m
	£m	£m	£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)
TOTAL	(19.484)	(11.847)	(7.868)	(39.199)

8.0 Public Health grant

8.1 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015. Funding for 2017/18 has been cut by £0.554m to £21,912m and is expected to reduce by a further £1m by the end of the current spending review period (2019/20). To £21.364m in 2018/19 and £20.814m in 2019/20.

8.2 The savings will be realised through a combination of a reduction in the public health staffing budget, service efficiencies, and reductions in the value of a number of contracts.

9.0 Dedicated Schools Grant (DSG)

9.1 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 live proposals to transform schools funding and the Department for Education (DFE) are in the process of consulting on a new National Funding Formula that is expected to be implemented from April 2018.

- 9.2 The DSG allocation for Croydon for 2017/18 is **£324.69m** (£311.94m 2016/17). The DSG allocation will be reduced by recouPMENT for academy funding. This is currently estimated to be £140m but will be subject to change throughout the financial year if more schools convert to academies. Most of the increase has been added to the funding blocks for Early Years and High Needs where pupil numbers have been re-baselined and more funding has been 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.
- 9.3 DSG does not fund the statutory functions of the Local Authority which are contained within the Local Education Authority Central Functions sub-block of the Children's Services Block within Formula Grant and are funded through the Education Services Grant (ESG). The government have announced their intention to abolish the general funding element of the ESG but have introduced transitional measures to cover the period April to August 2017 at which point a new permanent arrangement is expected to be in place. As a consequence, Croydon's ESG allocation for 2017/18 is **£1.58m** as things stand, which represents a £1.5m reduction year-on-year.
- 9.4 Full details of the DSG breakdown for 2017/18 are contained in Appendix G.

Homelessness and Housing Pressures

- 10.1 Croydon continues to face rising demand for temporary and emergency accommodation along with rising numbers of homeless people sleeping in the borough. We have successfully bid and recently received funding for homelessness of over £400k. This will be used to undertake a lot of work with partners, in supporting a more immediate approach to street homelessness, which we're committed to.
- 10.2 We have also recently received a further £1m of funding for early identification and intervention.
- 10.3 Alongside this we are continuing to ensure that we maintain a supply of accommodation and as reported to Cabinet previously we have invested a further £15m in the Real Letting scheme and are continuing to look at efficient ways of working with other Housing suppliers.

THE COUNCIL TAX SUPPORT SCHEME

- 10.4 There are no proposed changes to the Council Tax support (CTS) scheme, which offers support to residents with the payment of their Council Tax . The implications of CTS expenditure are built into the Council's Council tax base for 2017/18.

- 10.5 Demand continues to be monitored in both Revenues and Benefits although it is not possible to be able to identify how many contacts directly relate to the Council's council Tax Support Scheme (CTS) or any of the other benefit changes under welfare reform. The value of CTS discounts provided to residents remains broadly unchanged between years, with the value of CTS as a percentage of the total value of council tax collectable reducing from 17.1% to 15.4% between December 2015 to December 2016. This reduction is as a result of more up to date earnings data being made available to the Council.

RISKS

- 10.6 As previously reported to this cabinet there are a number of risks associated with the delivery of this budget these are detailed below:
- Business Rates Retention
 - Dedicated Schools Grant
 - Brexit impact
 - Welfare reform
 - Demographic Pressures
 - Demand Growth
 - UASC
 - Delivery of savings options
 - Temporary Accommodation
 - Possible additional responsibilities

HOUSING REVENUE ACCOUNT (HRA)

- 11.1 The Housing Revenue Account (HRA) is the main business account for the housing service. It remains a ring-fenced account funded primarily from tenants' rents. The services provided to tenants, including responsive repairs, management services and caretaking as examples, are resourced from this account.
- 11.2 Long-term financial planning is undertaken through the HRA 30-year business plan which is updated annually to reflect actual expenditure and refresh the assumptions under-pinning financial projections.
- 11.3 As part of recent housing reform, Croydon's HRA took on an additional debt of £223.13m which is scheduled to be repaid over the next 30 years. The 'valuation' was based on 30 year subsidy calculations for Croydon, discounted to a current value. The Council borrowed money to make a one off payment to Government. This loan is financed and repaid from the HRA. This was based on the presumption on rent increases.
- 11.4 The Welfare Reform and Work Bill legislates that council's must reduce rents by 1% per annum from 2016/17 for 4 years. The reduction in rents has meant that the HRA needs to make corresponding reductions in expenditure of at least £13m over this period. The budget for 2017/18 has been balanced, and was reported to the Tenants and Leaseholders Panel on the 18th January 2017.

- 11.5 A draft budget for the HRA for 2017/18 can be found in the Budget Book in Appendix B.
- 11.6 One of the main changes required to make the cost reductions identified above has been a reduction to the planned levels of investment included on the HRA capital programme, most notably the removal of HRA resources committed to building new social housing. A budget was allocated for this in 2016/17, although no programme is in place and no money has been spent in the current year. It is intended that plans for new affordable housing will transfer to the Council's Development Company, Brick by Brick, as part of its proposed development schemes. Some other programmes have also been reduced which has allowed for a reduction in the revenue contribution required to fund capital investment. Over the next 10 years, it is anticipated that additional borrowing of £11.4m will be required to continue to fund planned capital works and maintain a balanced budget position.
- 11.7 The budget position of the HRA is subject to continued uncertainty in light of further policy proposals that have been issued by the government. The Council is awaiting the final outcome of the legislative process followed by detailed guidance still to be issued by government.
- 11.8 However, assumptions about these policy changes and the current legislation, % reduction in rental income, have been incorporated into the 30 year business plan. These are explained below:

Disposal of "high value" properties

- 11.9 The government has proposed an extension of the right to buy scheme to housing association tenants. The funding for this measure is intended to come from the proceeds of selling "higher value" council houses as they become available. The initial indications are that "higher value" homes would be those that are in the top third of values for their size and area, although precise details have yet to be released. Payments will be made to central government in the form of a levy which would be based on assumptions about receipts from void sales. It is therefore possible that actual receipts will fall short of the payments due. Where this is the case, local authorities would need to fund the payments from the HRA. The Housing Minister has recently written to councils to confirm that the national roll-out of this policy has been delayed until April 2018 at the earliest to ensure that there is sufficient time to consult. This has removed any financial impact for 2017/18. In addition to the above, Councils in London would have to replace the loss of social housing through this mechanism on a two for one basis. It is assumed that this requirement could be met by activity undertaken by 'Brick by Brick', the Council's Development company.

Pay to Stay

- 11.10 In November the Government announced that it would no longer be pursuing its policy of compulsory Pay to Stay. It had previously proposed that Councils would be required to charge market, or near market, rents for tenants where the household income exceeded £40,000 per annum in London

(£31,000pa outside of London). Additional income could be retained by housing associations but would be payable to the Treasury by councils. The Government announced that this policy will no longer be compulsory but that local authorities would retain the power to implement something similar at their own discretion. This has removed any potentially adverse financial consequences for Croydon and there are no plans to exercise this discretionary power.

Right to Buy

- 11.11 The government has set out that Local Authorities can only retain the receipts from right to buy (RTB) sales if they use them to create new stock and match fund the purchase of this new supply on a 70:30 basis. Therefore for every £30 retained the Council needs to source a further £70 from elsewhere (such as HRA, local authority or third party funds). If these criteria cannot be met the receipts will need to be repaid to Government with interest. The current HRA business plan assumes there will be 130 right to buy sales per year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement. Options are currently being explored as to where the match funding could be sourced to boost investment in housing supply.

Changes in Rent

- 11.12 The Welfare Reform and Work Act requires all registered providers of social housing in England to reduce rents by 1% a year for four years. This commenced in 2016/17, making 2017/18 year 2 of the 4 year cycle. Rents for new tenants must also reflect the 1% per annum reduction. Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap.
- 11.13 Social rents in Croydon are currently approximately 35-40% of the private sector equivalent. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent. In the last 12 months, average market rents for Croydon have increased by 9% for 1 bed properties, 2.5% for 2 beds, and just 0.3% for properties with 3 bedrooms. The affordability of council rents in comparison to the private sector has therefore improved in the last year, as shown in table 18 below.

Table 18 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2016/17	Average weekly Council rent 2017/18	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£87	£86	£218	39%
2 bed	£105	£104	£292	36%
3 bed	£127	£126	£357	35%

Service Charges

11.14 In 2016/17 service charges covering caretaking, grounds maintenance and bulk refuse collection were not subject to any increase. The council is proposing an increase of 2% for tenant service charges in 2017/18. This is in line with RPI and reflects the fact that charges have not risen for two years during which time there have been inflationary increases to salaries and other costs associated with the provision of these services.

11.15 The charges for 2017/18 will therefore be:

Table 19 – 2017/18 Tenant Service Charges

	2016/17	2017/18	Change
Caretaking	£9.98pw	£10.18pw	£0.20pw
Grounds Maintenance	£2.05pw	£2.09pw	£0.04pw

Heating Charges

11.16 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will increase by 2% in line with RPI.

Garages and Parking Spaces

11.17 Rents for garages and parking spaces were increased by 2% in 2016/17 and it is proposed that the same increase will be applied for 2017/18. This has the following impact:

Table 20 – 2017/18 Parking and Garage Charges

	2016/17	2017/18	Change
Parking Spaces			
Tenants	£7pw	£7.14pw	£0.14pw
Non-Tenants	£10pw	£10.20pw	£0.20pw
Garages			
Avg. Rent*	£12.84pw	£13.10pw	£0.26pw

*Garage rents vary within a range of £12.73 to £20.01 in 2016/17 (although £12.73 is the most common charge). All will be subject to the 2% increase.

HRA Savings

- 11.18 In order to balance the HRA budget position in the medium-term (particularly the impact of the 1% rent reduction), the Council has identified a range of management savings to ensure that it continues to drive value for money from the services that it provides. A summary of these savings is shown in table 21 below:-

Table 21 – 2017/18 HRA Savings Proposals

2017/18 Management Savings	£000s
Staff Savings (vacant posts)	212
Cost Efficiencies	416
Additional Income (traffic management)	180
TOTAL	808

- 11.19 The cost efficiencies identified above include reductions across a range of budgets that have been identified as under-spending in recent financial years. It also includes an initiative to identify efficiency options as part of a data benchmarking exercise undertaken with House Mark.

12.0 CAPITAL BUDGET 2017/20

- 12.1 The Capital Programme for 2017/20 reflects the investment priorities of the administration. It remains focused on supporting the delivery of our statutory responsibility in relation to school places whilst also investing in district centres and community facilities across Croydon.
- 12.2 Tables 22 and 23 show the draft Capital budget by programme and funding streams, the potential slippage from 2016/17 will be reviewed at the end of the financial year and reported to Cabinet in July.

Table 22 – Capital Programme

Description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Total 2017/18 to 2019/20
	£000's	£000's	£000's	£000's
Corporate Property Maintenance Programme	2,000	2,000	2,000	6,000
Disabled Facilities Grant	1,600	1,600	1,600	4,800
Education - Major Maintenance	2,000	2,000	2,000	6,000
Education - Miscellaneous	4,383	-	-	4,383
Education - Primary Perm Expansion	43,698	5,866	380	49,944
Education - Secondary Schools	150	-	-	150
Education - SEN	13,500	12,603	-	26,103
Onside Youth Zone	2,117	-	-	2,117
Burial Land	1,300	-	-	1,300
Cremators	-	1,250	-	1,250
Empty Homes Grants	500	500	500	1,500
ICT	1,500	1,500	1,500	4,500
ICT Refresh	1,500	9,051	2,353	12,904
Finance and HR system	1,126	2,557	-	3,683
Waste and Recycling	160	160	-	320
New Waste contract Vehicles	1,094	7,016	-	8,110
Fairfield Halls - Council	1,500	3,500	-	5,000
Fairfield Halls - Brick by Brick	3,600	26,400	-	30,000
Brick by Brick programme (RIF)	269,117	54,160	5,400	328,677
College Green	14,000	-	-	14,000
Highways	5,000	5,000	5,000	15,000
New Addington Regeneration	8,500	7,429	-	15,929
Ashburton Library	1,155	-	-	1,155
Growth Zone Programme	2,000	2,000	3,000	7,000
TFL - LIP	4,154	4,154	4,154	12,462
Community Ward Budgets	120	120	120	360
CIL local meaningful proportion	1,000	-	-	1,000
General Fund Total	386,774	148,866	28,007	563,647

Description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Total 2017/18 to 2019/20
	£000's	£000's	£000's	£000's
Special Transfer Payments	180	180	180	540
Larger Homes	100	100	100	300
Sub-Total	280	280	280	840
Repair and Improvements	26,771	26,771	26,771	80,313
HRA Total	27,051	27,051	27,051	81,153
TOTAL CAPITAL EXPENDITURE	413,825	175,917	55,058	644,800

Table 23 - Funding for the capital programme

Funding	Budget 2017/18 £000's	Budget 2018/19 £000's	Budget 2019/20 £000's	Total 17/18 - 1920 £000's
Capital Receipts	20,644	8,356	12,500	41,500
School Condition Funding	2,104	2,000	-	4,104
S106 funding (Education)	738	18	-	756
TFL	4,154	4,154	4,154	12,462
Coast to Capital LEP	14,000	-	-	14,000
CIL	6,000	-	-	6,000
CIL local meaningful proportion	1,000			1,000
Better Care Fund	900	900	900	2,700
Borrowing - Brick by Brick (RIF)	272,717	80,560	5,400	358,677
Growth Zone - Borrowing	2,000	2,000	3,000	7,000
Borrowing	62,517	50,878	2,053	115,448
GENERAL FUND	386,774	148,866	28,007	563,647
Major Repairs Allowance	17,903	17,903	17,903	53,709
HRA - Revenue Contribution	2,697	4,227	4,227	11,151
HRA - Use Of Reserves	6,451	4,921	4,921	16,293
HRA FUNDING	27,051	27,051	27,051	81,153
TOTAL FUNDING	413,825	175,917	55,058	644,800
UNDER/OVER FUNDING OF PROGRAMME	-	-	-	-

12.3 Schemes funded from external grants will only be undertaken once the funding is secure.

12.4 Some of the key projects supported in the 2017/20 programme are:

12.4.1 Continued investment in the primary school estate to provide additional places to meet the growing demand, including **£49.9m** on schools expansions from 2017/18 to 2019/20.

- 12.4.2 Significant Investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the Revolving Investment Fund and opportunities presented by the Croydon Growth Zone.
- 12.4.3 Significant investment in a new leisure centre in New Addington.
- 12.4.4 Improvements to the councils ICT infrastructure to provide a fit for purpose service to staff and residents.
- 12.4.5 Investment in Fairfield Halls estimated at £35m, both through Brick by Brick and by the Council directly.

Revolving Investment Funding (RIF)

- 12.5 Cabinet has previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder to Brick by Brick. The level of expected investment for Housing and other schemes over the next 3 years is set out above at £244m.
- 12.6 The fund lends at commercial rates whilst borrowing at the lower rates which are available to the council. The net returns estimated over the next 3 years are £2m per annum and are included in the revenue budget.

Section 106 and Community Infrastructure Levy (CIL)

- 12.7 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.
- 12.8 The Council manages, monitors and recovers Section 106 income. In the 2016/17 year up to quarter 3, £357,871 of a total income of £530,778 was directly related to the Council's recovery processes.
- 12.9 The Council's Section 106 balance as at 26/01/2017 was £10.925m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement. Set out below in table 24 is the Council's detailed Section 106 balance sheet.

Table 24 – S106 breakdown of funds

Section 106 – Head of Term	Balance
Air Quality	£37,236
Business Centre	£10,000
Culture	£40,052
Education	£1,089,960
Environmental Improvements	£44,058
Footways & Pedestrian	£65,066
Health	£865,745
Highways	£188,453
Housing	£3,195,659
Libraries	£132,252
Management Costs	£112,330
Parking	£76,624
Public Art	£15,000
Public Realm Improvements	£87,151
Open Space	£1,649,529
Renewable Energy	£121,080
Bus Improvements	£334,272
Equality Programme	£21,975
Skyline	£19,159
Sustainable Transport	£2,212,260
TFL Tramlink	£57,100
Tree Planting & Maintenance	£14,283
Vision 2020	£68
Wettern Tree Gardens	£14,674
West Croydon Station Capacity Enhancements	£222,782
East Croydon Station Capacity Enhancements	£298,658
TOTAL	£10,925,426

- 12.10 In terms of future Section 106 assignment, affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively looking at how the remainder of the Section 106 moneys can be used to benefit the people of Croydon
- 12.11 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.
- 12.12 At the end of 2015/16 the borough's CIL closing balance was £5.079m. This is a combined total for the borough's CIL and Local Meaningful Proportion, but excludes the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2016/17 as at 02/12/16 was £2.785m. This figure is yet to have the 5% administration fee deducted.

- 12.13 Therefore, the total borough CIL balance as at 2/12/16 was £7.864m.
- 12.14 Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of CIL to ensure no duplication between CIL and planning obligations (Section 106).
- 12.15 The Council's Regulation 123 list indicates the infrastructure projects or types that will, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.
- 12.16 Since the Council started collecting borough CIL, it was agreed that borough CIL would not be assigned until the Council knew the outcome of Croydon's Growth Zone (GZ) application. This was sensible and prudent due to the outcome of Croydon's GZ application having such an impact on the availability of infrastructure funding in the borough. Post the success of Croydon's GZ being approved by the Council, Mayor of London, Treasury and DCLG, this report assigns £6m of borough CIL to the Capital Programme to offset the Council's borrowing exposure. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report.
- 12.17 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.
- 12.18 The CIL Local Meaningful Proportion as at 02/12/16 was £1m. The assignment of the Local Meaningful Proportion will be detailed in due course.

Housing Programme

- 12.19 In the past housing investment has been undertaken using HRA funds and Council borrowing. It is now anticipated that future housing new builds are undertaken by Brick by Brick, the Council's independent development company. Alongside this housing building programme we will be continuing to invest in housing improvements.
- 12.20 The proposed housing improvements programme reflects the priorities detailed in the Housing Strategy and aims to improving the condition of the existing housing stock.

Repair and Improvement of council stock

- 12.21 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard, and this was achieved in the Council's own stock by 31 March 2011. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, and the council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's

direction that social landlords should comply with the decent home standard with ongoing effect. The council must also invest in other maintenance and improvement works in order to maximise the life of the assets.

- 12.22 The proposed repair and improvement programme for 2017/18 will remain at circa £27m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling **£12m**.

Capital Allowance (HRA)

- 12.23 Local authorities are required to establish a 'Capital Allowance'. This is a notional amount set by the Council. The main considerations in setting the allowance are to ensure that it will exceed the anticipated receipts during the year and that total investment in affordable housing needed within the borough exceeds the allowance. This is in order to justify 100% use of the receipts.
- 12.24 The Capital Allowance for 2016/17 was set at £10m. It is recommended that the Capital Allowance for 2017/18 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

Treasury Management

- 12.25 The Executive Director of Resources (S151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy. The details are set out in the Treasury Management Strategy which is recommended to Cabinet for approval as a separate item on this agenda.

13.0 Statement of the Section 151 Officer on reserves and balances and robustness of estimates for purposes of the Local Government Act 2003

- 13.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to his advice throughout the year in the preparation of the budget for 2017/18. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Executive Director for Resources. This is his statement which meets the Section 25 requirement of the Act.
- 13.2 All Members of the Council have been advised of the financial challenges the Council faces over the medium and longer term indicated clearly to the Council through the spending review reductions for the Council and more recently in the Provisional local government settlement from the Chancellor of the Exchequer. This clearly forecasts further and deeper reductions to Local Government and to the Council's funding until at least 2019/20. These further reductions are going to require a further review of the way we work and the

way we deliver services. In taking decisions on any budget all Members must first and foremost understand the underlying funding changes which the Council faces and set these associated decisions within the context of the overall financial environment the Council faces.

- 13.3 These are very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycles if the Council is to maintain a continued solid financial foundation and achieve a balanced budget position in future years. Continuous improvements have been made in the Council's overall financial standing demonstrated through progress towards targeted levels of general fund balances and the Council's ability to manage the significant in-year risks in a corporate and planned way. The revised financial strategy has been written to help us navigate through these difficult times and Members will need to fully support this strategy if the Council is to maintain a solid financial foundation. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves I have reviewed this position in detail and have reported my conclusions and assumptions to the Cabinet on a continued on-going basis as part of the Council's overall governance and financial stewardship arrangements.
- 13.4 All Members must be aware that the calculation of the budget is, in its simplest form, dependent on three key factors, which are set in the context of the reducing level of support from central government, these are:
- a) The structural growth and savings in service expenditure or income;
 - b) The level of increase in local taxation (council tax); and
 - c) The level of reserves and balances.
- 13.5 With regard to the Housing Revenue Account, It is important for Members to understand that a 1% reduction for the next 3 years through government legislation would result in a significant reduction in income to the Housing Revenue Account and would make the 30 year business plan unsustainable based on the current expenditure plans. There is a great deal of uncertainty around other changes covered in the report that will impact on the HRA and therefore the focus has been on ensuring the 2017/18 budget is balanced and working on options within the control of the council to reduce expenditure in future years.
- Growth and Savings in service expenditure**
- 13.6 Proposals for growth and savings in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough with the available resources from Government and that which can be raised locally through taxation and income. In balancing such decisions Members must have regard to the professional advice of officers in such matters as service need, statutory responsibility, changes to Government legislation, demographic factors (particularly in respect of demand-led services), unavoidable cost pressures and future levels of Government funding support. This report forms part of the advice.

Local Taxation

- 13.7 The level of change in council tax is similarly a matter of political judgment, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the budget, the level of reserves and balances, prudent financial management, the current and future financial risks the Council may face over the medium to longer term such as the localisation of business rates and council tax benefit support and the future forecast of Government funding support. The recent local government settlement saw a major shift in the government's approach to Council tax. There are no plans for further Council tax freeze grants and there has been the creation of the option to increase council tax by up to 3% to cover the expected increases in costs in relation to Adult Social Care. It is important for Members of the Council to understand that this reflects a long term pressure that the council faces as a result of demographic and population change and any decision made now also has a long term impact on the council's financial strategy.

The Level of Reserves and Balances

- 13.8 The level of reserves and balances are principally the responsibility of the s151 officer. The Members of the Council are not automatically obliged to accept my advice in every particular, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from my advice.
- 13.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice remains to all Member is that 5% should now been seen as an appropriate level of General Fund balances for the medium term. Given the reduction in the budget this should happen by default if we retain balances at the current level. In determining the level of reserves and balances key factors include:
- The risks inherent in the budget;
 - The level of specific reserves and associated provisions;
 - The identified efficiencies to be achieved;
 - The future financial risks the Council may be exposed to both quantifiable and unquantifiable; and
 - The Authority's history of delivering services within the budgetary provision set.
- 13.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. Table 25 below sets out the projected position on earmarked reserves at the 31st March 2017. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council.

Table 25 -Earmarked Reserves Projected at 31st March 2017

Description	£'000's
Corporate Items:	
Croydon Challenge transformation	3,645
Community Priority Reserve	1,099
Revolving Investment Fund	1,100
Corporate Transition Funding	300
Total Corporate Items	6,144
People	2,588
Place	21,201
Resources	732
TOTAL EARMARKED RESERVES	30,635

- 13.11 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures. The Council has set plans to deliver efficiencies of £39m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2017/20 financial period.
- 13.12 The Authority has now achieved an overall balanced budget for an established period of time and I believe that although it will be demanding on the organisation to achieve this again, it will be achieved in 2017/18. However, this remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members.
- 13.13 In order to recognise that there will always remain a level of unidentifiable risk a £1.0m contingency budget will again be included in the budget.
- 13.14 The level of General Fund balances currently represent 3.8% of net operating expenditure and therefore just short of the Financial Strategy target. However based on the expected reductions in budget, the 5% target will be hit with no changes to the balance within the Financial Strategy period. HRA reserves are currently held to fund investment in Housing Supply, and overall revenue balances within the HRA are being maintained at 3% in line with the Financial Strategy. Tese amounts are detailed in table 26 below.

Table 26 – General Fund and HRA Balances

	Balance as at 31/03/16 £m	Forecast balance as at 31/03/17 £m	Forecast at 31/03/17 %
GF balances	10.677	10.677	3.8%
HRA balances	2.397	2.397	3%

13.15 Table 27 shows the schools reserves position.

Table 27 Reserves (Schools)

Reserves	Balances as at 31/03/16 £m	Estimated 31/3/17 £m
Local Maintained School balances	7.339	4.893
Total	7.339	4.893

13.16 The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If Schools have balances greater than these sums and do not have plans meeting approved criteria that explain the reasons for additional balances, the additional balances may be redistributed between Croydon's schools.

13.17 The Section 151 officer has a responsibility to ensure Croydon's schools have sound financial management. Where a school has set a deficit budget (one where anticipated expenditure will exceed anticipated income), or is heading towards a deficit position in year, the Section 151 officer requires the school to submit a pro forma, setting out their action plan to show how the deficit position will be managed. The pro forma is signed by the School Governors and submitted to the Section 151 officer for agreement.

14.0 SUMMARY AND CONCLUSIONS

14.1 As all Members are aware, setting a budget for 2017/18 that is robust, balanced and deliverable has been challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.

14.2 This budget report is based on the current financial outturn projections for 2016/17. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

14.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2017/18.**

15.0 FINANCIAL CONSIDERATIONS

15.1 The report contains the financial implications of the options to deliver a balanced budget for 2017/18, the current position for the following financial years 2018/20 and the draft capital programme for 2017/18.

16.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

Budget and Council Tax Setting

- 16.1 The Solicitor to the Council comments that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2017 but it may not be set before the GLA has issued the precept on 1st March.
- 16.2 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum.
- 16.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Proposed Thresholds for 2017-18 have been published and provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if the Council tax is to be increased by 5% or more. This consists of a 2% threshold for general spending purposes plus a maximum 3% "social care precept". The expressed intention is that these local authorities would then be able to raise council tax by a total of 6% over and above the "standard" threshold of 2% by 2019/20. However, those that raise 3% in 2017/18 and in 2018/19 will be unable to raise it further in 2019/20.
- 16.4 For the coming financial year, and for which this Council Tax is being set, such principles have not yet been approved. However, as noted in the recommendations, in accordance with the statutory requirements, the Council Tax recommended is not considered excessive such that no referendum is required.
- 16.5 The procedure followed in developing the budget proposals as detailed in the report meets the requirements of the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council's Constitution.
- 16.6 When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council's resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon's communities.
- 16.7 To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010.

(Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer).

17.0 HUMAN RESOURCES IMPACT

- 17.1 The implementation of the efficiency and cuts programme will in a number of instances necessitate a change of structure and skill mix of staff and/or change of working practices. Where a redundancy is being 'contemplated' the unions must be informed. If subsequently a redundancy is actually 'proposed' then the employer is immediately obliged to consult with the unions and staff for a minimum statutory period before any decisions and formal notification of redundancy is issued. The organisation will take these considerations into account in planning for the implementation of any structural reform.
- 17.2 Table 28 below indicates the indicative net level of reduction in full time equivalent posts by departments in the period 01 April 2017 to 31 March 2020 (excluding any TUPE transfer proposals where redundancies do not apply). Many of these proposals are still subject to consultation and the actual numbers of redundancies will not necessarily correlate identically because (a) vacant posts may be deleted instead if staff turnover allows reducing the impact on our permanent workforce whilst reducing the cost to taxpayers of any potential redundancy and, (b) some staff will be redeployed to newly created posts during the same time period to mitigate the risk of compulsory.

Table 28 – Indicative net reduction on posts per department

INDICATIVE NET REDUCTION IN POSTS PER DEPARTMENT	FTE
People	(3.00)
Place	(1.00)
Resources	(55.1)
TOTAL	(59.1)

- 17.3 Where restructures or transfers are proposed the Council's existing policies and procedures must be observed.

Pay Policy Statement

- 17.4 The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.
- 17.5 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2017/18 on:
- 17.5.1 The remuneration of its senior staff including chief officers
- 17.5.2 The remuneration of its lowest paid employees
- 17.5.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers
- 17.6 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 27th February 2017.

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

18 EQUALITIES CONSIDERATIONS

- 18.1 The Equality Act, 2010, also requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to:-
- Eliminate unlawful discrimination, harassment and victimisation;
 - Advance equality of opportunity; and
 - Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.
- 18.2 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.
- 18.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.
- 18.4 In developing its detailed budget proposals for 2017/20 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.
- 18.5 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

18.6 An equality analysis has been completed in respect of the overall Council Tax increase which will apply to all households in the borough. While this increase is relatively modest it will nonetheless impact on those on low and fixed incomes and in particular those that may have been adversely affected by changes to the benefit system and who do not qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of BAME residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. This will benefit Croydon's most vulnerable adults and families. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:

- Pensioners on low incomes.
- People that are in receipt of disability living allowance or employment support allowance.
- People that are in receipt of income support.
- Single parents with a child or children aged under five.

18.7 As part of the overall welfare support provided, customers having difficulties with their payments are also offered wider budgeting advice and support and help in finding work is also available where applicable through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

18.8 In respect of specific proposals as outline in Appendix A that may result in new policies or policy or service changes an equality analysis will inform the final proposal and its implementation and will be available at the time of decision.

19.0 ENVIRONMENTAL IMPACT

19.1 There are no direct environmental considerations arising from this report.

20.0 CRIME AND DISORDER REDUCTION IMPACT

20.1 There are no savings which should impact upon this Corporate Priority.

21.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

21.1 The council has a duty to set a balanced budget and therefore the proposals set out in the report achieve this duty.

22.0 OPTIONS CONSIDERED AND REJECTED

22.1 Various other options were considered in terms of council tax levels, investments and savings. These are ultimately decisions of policy and political choice.

**REPORT AUTHOR AND CONTACT: RICHARD SIMPSON, EXECUTIVE
DIRECTOR OF RESOURCES (S151 OFFICER)**

Background documents: none

PLACE DEPARTMENT BUDGET OPTIONS

APPENDIX A

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Steve Iles	Streets	Revenue Investment in Street Cleaning service, in addition to capital investment in technology and equipment	0.00	Growth	0.650	0.000	0.000	0.650
Steve Iles	Streets	Savings as a result of the investment in street cleaning service and equipment	0.00	Saving	-0.650	0.000	0.000	(0.650)
Steve Iles	Streets	Generating additional trade waste income	0.00	Saving	(0.200)	0.000	0.000	(0.200)
Steve Iles	Streets	Re-procurement of the Leisure Contract - Fusion (contract expires Oct 17)	0.00	Saving	0.000	(0.900)	0.000	(0.900)
Steve Iles	Streets	South London Waste Partnership - Procurement of Joint Waste Collection and Environmental Services	0.00	Saving	0.000	(4.000)	0.000	(4.000)
Andy Opie	Safety	Fixed Penalty Notices - increase in number of higher value notices issued in connection with Fly Tipping and Housing Enforcement.	0.00	Saving	(0.045)	0.000	0.000	(0.045)
Andy Opie	Safety	Surrey Street waste cost review	0.00	Saving	(0.020)	0.000	0.000	(0.020)
Andy Opie	Safety	Staff savings through restructure of CCTV Team and other associated costs	-1.00	Saving	(0.065)	0.000	0.000	(0.065)
Andy Opie	Safety	Additional P&D and Permit Income from New CPZ (Controlled Parking Zone) schemes. Efficiencies delivered through implementation of postal tracking software.	0.00	Saving	(0.094)	0.000	0.000	(0.094)
Colm Lacy	Development	Projected dividend from Brick by Brick	0.00	Saving	0.000	0.000	(3.370)	(3.370)
Heather Cheeseborough	Planning	Additional Income from Planning Fees	0.00	Saving	(0.500)	0.000	0.000	(0.500)
Heather Cheeseborough	Planning	Building Control Trading Account - cost recovery review / shared services savings	0.00	Saving	(0.076)	0.000	0.000	(0.076)
		PLACE - TOTAL OPTIONS	(1.00)		(1.000)	(4.900)	(3.370)	(9.270)

PEOPLE DEPARTMENT BUDGET OPTIONS

APPENDIX A

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Pratima Solanki	Adults	Cost increases due to growth in the complexity of physical disability clients and volume of learning disability clients, as well as increased staffing requirements across social care to meet demand.	0.00	Growth	2.890	0.000	0.000	2.890
Pratima Solanki	Adults	Market Management - anticipated increase in the cost of nursing care beds across providers in Croydon.	0.00	Growth	0.100	0.000	0.000	0.100
Pratima Solanki	Adults	Identified growth required to effectively implement and manage Outcome Based Commissioning.	0.00	Growth	0.366	0.017	0.038	0.422
Pratima Solanki	Adults	Increase in the volume of transitions clients being managed (by an average of 16 additional clients per quarter).	0.00	Growth	1.000	0.400	0.000	1.400
Pratima Solanki	Adults	0-25 SEND Service - increase in the cost of Children with Disabilities and NRPF cases.	0.00	Growth	0.300	0.000	0.000	0.300
Pratima Solanki	Adults	Increase in demand for depreciation of liberty safeguarding services.	0.00	Growth	0.250	0.000	0.000	0.250
Pratima Solanki	Adults	Shared Lives - Increased use of shared lives schemes which will reduce care package costs.	0.00	Savings	(0.050)	0.000	0.000	(0.050)
Pratima Solanki	Adults	Supported Housing -Adult element - Increased use of supported housing scheme which will reduce care package costs.	0.00	Savings	(0.042)	0.000	0.000	(0.042)
Pratima Solanki	Adults	Learning Disabilities Respite Review – Review of respite services to provide a personalised offer , following current service user consultation.	0.00	Savings	(0.130)	0.000	0.000	(0.130)
Pratima Solanki	Adults	Mental Health - savings across package costs and commissioned contracts.	0.00	Savings	(0.384)	0.000	0.000	(0.384)
Pratima Solanki	Adults	Day Services Review - More efficient use of in-house day care facilities.	0.00	Savings	(0.300)	0.000	0.000	(0.300)
Pratima Solanki	Adults	Income from partners - Funding to be raised via negotiations with partners.	0.00	Savings	(0.750)	(0.500)	0.000	(1.250)
Pratima Solanki	Adults	Phase two review of day services	0.00	Savings	0.000	(0.300)	0.000	(0.300)
Pratima Solanki	Adults	Managing Demand - Encouraging cultural and behavioural change to better manage demand.	0.00	Savings	(0.478)	(0.686)	(0.809)	(1.973)
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	3.806	0.000	0.000	3.806
Ian Lewis	Children	Leaving care - reduction in subsistence payments (Gateway) - More efficient process to enable young people to access benefits	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Ian Lewis	Children	Looked after Children over 16 transitioning to Semi Independent Accommodation - Where appropriate for all LAC, transitioning 16 year olds into semi-independent accommodation.	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Ian Lewis	Children	Bring SGO(Special Guardianship Order) assessments in-house - We currently spot purchase SGO assessments.	0.00	Savings	(0.150)	0.000	0.000	(0.150)
Ian Lewis	Children	2.5% savings on contract & off contract spend. • Implementation of new Frameworks for Fostering and semi-independent • Tactical negotiations with off framework providers (residential, leaving care) & re-modelling of supervised contact & assessment • Reducing the number of high cost complex placements through successful transfers to lower level of support	0.00	Savings	(0.166)	(0.155)	(0.143)	(0.464)
Ian Lewis	Children	Review of existing placements and developing provision to enable children to stay at home, as opposed to high cost placements. If this activity is successful, additional savings will be added to the budget planning	0.00	Savings	(0.250)	0.000	0.000	(0.250)
Ian Lewis	Children	Restructure of phase two implemented, full effect realised in 18/19.	0.00	Savings	(0.450)	0.000	0.000	(0.450)
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	(1.000)	(1.500)	0.000	(2.500)
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	0.000	(0.291)	(0.277)	(0.568)
Ian Lewis	Children	Managing Demand - contact review	0.00	Savings	0.000	(0.203)	(0.269)	(0.472)
Jane Doyle	Universal Services	Minor growth associated with CALAT.	0.00	Growth	0.010	0.000	0.000	0.010
Jane Doyle	Universal Services	Growth in costs of operating Upper Norwood Library.	0.00	Growth	0.034	0.000	0.000	0.034
Jane Doyle	Universal Services	Charging for exclusions	0.00	Savings	(0.010)	0.000	0.000	(0.010)
Jane Doyle	Universal Services	Charging for admissions appeals	0.00	Savings	(0.005)	0.000	0.000	(0.005)
Jane Doyle	Universal Services	Charging for academisation	0.00	Savings	(0.060)	0.000	0.000	(0.060)
Jane Doyle	Universal Services	Octavo contract savings	0.00	Savings	(0.095)	0.000	0.000	(0.095)
Jane Doyle	Universal Services	Restructure Savings	(2.00)	Savings	(0.098)	0.000	0.000	(0.098)
Jane Doyle	Universal Services	Libraries savings	0.00	Savings	(0.100)	0.000	0.000	(0.100)

PEOPLE DEPARTMENT BUDGET OPTIONS

APPENDIX A

Mark Fowler	Gateway Services	Increased demand for Emergency Accommodation, alongside a corresponding need for additional supply of Temporary Accommodation.	0.00	Growth	3.143	0.139	0.154	3.436
Mark Fowler	Gateway Services	Fundamental review of commissioned services for young people	0.00	Savings	(0.120)	(0.280)	0.000	(0.400)
Mark Fowler	Gateway Services	Bereavement - replacement of organ music with a digital music system	0.00	Savings	(0.015)	0.000	0.000	(0.015)
Mark Fowler	Gateway Services	Supported Housing - increased use of supported housing scheme which will reduce care package costs.	0.00	Savings	(0.033)	0.000	0.000	(0.033)
Mark Fowler	Gateway Services	NRPF - introduction of new immigration regs to stop costs in totality - need to understand enforcement and timing	0.00	Savings	0.000	(0.050)	0.000	(0.050)
Mark Fowler	Gateway Services	NRPF - review of the framework for booking accommodation to obtain lower rates by negotiating contracts rather than separate bookings	0.00	Savings	(0.136)	0.000	0.000	(0.136)
Mark Fowler	Gateway Services	No Recourse to Public funds (NRPF) - reduction in legal costs as a result of putting in place a more robust mechanism for Judicial review.	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Mark Fowler	Gateway Services	Registrars - increased income from registration fees and wedding ceremonies	0.00	Savings	(0.125)	0.000	0.000	(0.125)
Mark Fowler	Gateway Services	Review of the travel service to identify errors and duplication in the provision Blue Badges	0.00	Savings	(0.050)	0.000	0.000	(0.050)
Mark Fowler	Gateway Services	Leaving care - saving from management post - merge income maximisation team with Gateway	(1.00)	Savings	(0.050)	0.000	0.000	(0.050)
Mark Fowler	Gateway Services	Bereavement Services - Increased income from funeral services	0.00	Savings	(0.170)	0.000	0.000	(0.170)
Barbara Peacock	People Wide	Accommodation review - transfer from registered charities to registered providers	0.00	Savings	(0.150)	(0.100)	0.000	(0.250)
Barbara Peacock	People Wide	Accommodation review -improvement procurement and management of Private Rented Sector	0.00	Savings	(0.250)	0.000	0.000	(0.250)
		PEOPLE - TOTAL OPTIONS	(3.00)		5.982	(3.509)	(1.306)	1.168

RESOURCES DEPARTMENT BUDGET OPTIONS
APPENDIX A

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Graham Cadle	C &CS	Revenues Services - Creation of in-house bailiff service	0.0	Savings	(0.200)	0.000	0.000	(0.200)
Graham Cadle	C &CS	Business support - to cover the reduction in recharges to other services	0.0	Growth	0.500	0.000	0.000	0.500
Graham Cadle	C &CS	Revenues Services - Improved collection processes for corporate debt	0.0	Savings	(0.020)	0.000	0.000	(0.020)
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	(0.300)	(0.450)	(0.450)	(1.200)
Graham Cadle	C &CS	Business Support - Deployment of new technology and expansion of scanning	0.0	Savings	(0.063)	0.000	0.000	(0.063)
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	0.000	(0.290)	0.000	(0.290)
Graham Cadle	C &CS	Further channel shift across a number of services Investment in technology	0.0	Savings	(0.084)	(0.132)	0.000	(0.216)
Graham Cadle	C &CS	Revenues & Benefits - Process review and introduction of automation technology	-2.0	Savings	(0.015)	(0.044)	0.000	(0.059)
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	(0.100)	(0.075)	0.000	(0.175)
Graham Cadle	C &CS	ICT Services - Reduction in infrastructure requirements as a consequence of reduced staffing numbers - Integrations and Consolidation of ICT Applications - Reduction in costs for major contracts and licencing	0.0	Savings	(0.273)	0.000	0.000	(0.273)
Graham Cadle	C &CS	Strategy & Development - Implementing of Digital Advertising scheme across the borough. Current contract let delayed - expected guaranteed income level not met.	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Graham Cadle	C &CS	Facilities Management - Reprocurement of the Contract	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Graham Cadle	C &CS	Introduction of Oracle Cloud	0.0	Savings	0.000	(0.100)	(0.200)	(0.300)
Richard Simpson	ALL	Managing Demand - New Operating Model Resources - to reduce demand	-30.0	Savings	0.000	0.000	(1.000)	(1.000)
Richard Simpson	Legal	Managing Demand - Legal Spend	0.0	Savings	(0.300)	(0.300)	0.000	(0.600)
Richard Simpson	Legal	New Operating Model	-1.0	Savings	(0.050)	0.000	0.000	(0.050)
Graham Cadle	C &CS	Unachievable 4% turnover rate for services.	0.0	Growth	0.080	0.000	0.000	0.080
Simon Maddocks	Governance	Saving on external audit fees	0.0	Savings	(0.025)	0.000	0.000	(0.025)
Simon Maddocks	Governance	New Internal audit contract	0.0	Savings	0.000	(0.075)	0.000	(0.075)
Simon Maddocks	Governance	Reduction in Investigation Team Leader post	-0.6	Savings	0.000	(0.030)	0.000	(0.030)

Simon Maddocks	Governance	Reshaping election services	0.0	Savings	(0.050)	(0.100)	0.000	(0.150)
Lisa Taylor	Finance, Investment and Risk	Reduction in historic pension payments	0.0	Savings	(0.091)	0.000	0.000	(0.091)
Lisa Taylor	Finance, Investment and Risk	Deletion of Vacant post	-1.0	Savings	(0.045)	0.000	0.000	(0.045)
Lisa Taylor	Finance, Investment and Risk	Further transformation of team and processes	-6.0	Savings	0.000	(0.250)	0.000	(0.250)
Lisa Taylor	Finance, Investment and Risk	Delete Vacant Risk Officer post	-1.0	Savings	(0.050)	0.000	0.000	(0.050)
Lisa Taylor	Finance, Investment and Risk	Asset Management - Increased income for improved space utilisation in BWH and other office space	0.0	Savings	(1.000)	0.000	0.000	(1.000)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Building costs	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Service Asset Strategy	0.0	Savings	0.000	(0.500)	(0.500)	(1.000)
Lisa Taylor	Finance, Investment and Risk	Staff Savings	-2.5	Savings	(0.048)	(0.030)	0.000	(0.078)
Lisa Taylor	Finance, Investment and Risk	Revolving Investment Fund – Interest earned on a range of projects funded by the fund	0.0	Savings	(2.000)	0.000	0.000	(2.000)
Lisa Taylor	Finance, Investment and Risk	Pensions Pre Payment - upfront payment of deficit contribution to pension fund	0.0	Savings	(1.000)	0.000	0.000	(1.000)
Lisa Taylor	Finance, Investment and Risk	Debt and PFI Review - review of options for debt re-financing	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Increase in Coroners contribution	0.0	Growth	0.160	0.000	0.000	0.160
Richard Simpson	HR	Council wide learning and development	0.0	Growth	0.041	0.000	0.000	0.041
Richard Simpson	HR	Review of staffing structure and Trade Union Facility time	-3.0	Savings	(0.010)	0.000	0.000	(0.010)
Richard Simpson	HR	Redesigned Occupational Health Service	-1.0	Savings	(0.050)	(0.050)	0.000	(0.100)
Sarah Ireland	C & I	Growth in transport service for Adults	0.0	Growth	0.500	0.150	0.000	0.650
Sarah Ireland	C & I	Review of all tier 1 contracts to identify options for savings.	0.0	Savings	(2.000)	0.000	0.000	(2.000)

Sarah Ireland	C & I	Managing Demand Transport - SEN	0.0	Savings	(1.583)	(0.256)	(0.400)	(2.239)
Sarah Ireland	C & I	Agency Contract savings	-2.0	Savings	(0.300)	0.000	0.000	(0.300)
Sarah Ireland	C & I	Integration of adults and children transport services	-5.0	Savings	(0.150)	0.000	0.000	(0.150)
Sarah Ireland	C & I	Additional income from trading travel training model	0.0	Savings	(0.025)	(0.050)	(0.050)	(0.125)
Sarah Ireland	C & I	Additional income from trading - equipment services	0.0	Savings	0.000	(0.150)	(0.250)	(0.400)
Sarah Ireland	C & I	Saving in transport service for Adults	0.0	Savings	0.000	0.000	(0.150)	(0.150)
Sarah Ireland	C & I	Redesign of mayoral transport service	0.0	Savings	(0.025)	0.000	0.000	(0.025)
Richard Simpson	Strategy and Partnerships	Review of Voluntary Sector Funding	0.0	Savings	(0.060)	0.000	0.000	(0.060)
RESOURCES - TOTAL OPTIONS			(55.1)		(10.636)	(2.732)	(3.000)	(16.368)

SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL

SERVICE DEPARTMENT	2017/18 Budget £'m	Estimated 2018/19 Budget £'m	Estimated 2019/20 Budget £'m
People	191.859	189.323	191.279
Place	46.871	41.965	39.791
Resources	34.143	32.250	30.621
Corporate Items	8.387	8.387	9.387
NET EXPENDITURE	281.260	271.925	271.078
Contribution to provisions for Doubtful Debts	0.180	0.180	0.180
Interest (Net)	14.083	15.583	17.083
Deferred Charges	(4.540)	(4.540)	(4.540)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(2.100)	(2.100)	(2.100)
Capital Asset Charges Adjustment	(16.460)	(16.460)	(16.460)
Risk Contingency	1.000	1.000	1.000
Core Grants	(16.319)	(12.999)	(15.584)
Levies	1.446	1.446	1.446
Demand Led Service Growth	0.000	0.706	0.192
Budget Gap Carried Forward	0.000	0.000	0.000
Budget Gap	0.000	0.000	0.000
TOTAL ADJUSTED BUDGET REQUIREMENT	258.550	254.741	252.295
Financed by:			
Revenue Support Grant	32.577	25.526	18.664
Business Rates Top Up Grant	31.956	31.956	31.956
Business Rates Income	35.306	35.306	35.306
Collection Fund Surplus/Deficit	3.652	0.000	0.000
Croydon Tax Element	155.059	161.953	166.369
Greater London Authority Precept Element	33.950	33.950	33.950
TOTAL COUNCIL TAX REQUIREMENT	189.009	195.903	200.319

COUNCIL TAX 2017/18 INCREASES

Band	2016/17 Croydon Council Tax £	2016/17 Croydon Adult Social Care Levy £	2016/17 Croydon Tax £	2016/17 GLA Precept £	2016/17 Overall Tax
A	796.47	15.62	812.09	184.00	996.09
B	929.21	18.22	947.43	214.67	1,162.10
C	1,061.96	20.83	1,082.79	245.33	1,328.12
D	1,194.70	23.43	1,218.13	276.00	1,494.13
E	1,460.19	28.64	1,488.83	337.33	1,826.16
F	1,725.68	33.84	1,759.52	398.67	2,158.19
G	1,991.17	39.05	2,030.22	460.00	2,490.22
H	2,389.40	46.86	2,436.26	552.00	2,988.26

2017/18 Croydon Council Tax £	2017/18 Croydon Adult Social Care Levy £	112.06 Croydon Tax £	2017/18 GLA Precept Draft £	2017/18 Overall Tax £
812.63	39.98	852.61	186.68	1,039.29
948.06	46.64	994.70	217.79	1,212.49
1,083.50	53.31	1,136.81	248.91	1,385.72
1,218.94	59.97	1,278.91	280.02	1,558.93
1,489.82	73.30	1,563.12	342.25	1,905.37
1,760.69	86.62	1,847.31	404.47	2,251.78
2,031.57	99.95	2,131.52	466.70	2,598.22
2,437.88	119.94	2,557.82	560.04	3,117.86

Band D % Change			
Croydon Council Tax	Croydon Adult Social Care Levy	GLA Precept	Overall Increase
1.99%	3.00%	1.46%	4.34%
£24.24	£36.54	£4.02	£64.80

2017/18 BAND	Annual increase £	Weekly Increase £
A	43.20	0.83
B	50.39	0.97
C	57.60	1.11
D	64.80	1.25
E	79.21	1.52
F	93.59	1.80
G	108.00	2.08
H	129.60	2.49

OVERALL CHANGE
4.34%

RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2017/18

The Cabinet has considered a report in respect of the level of Council Tax for 2017/18 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. The Cabinet also had copies of the draft Budget Book for 2017/18.

In summary, the Cabinet recommends to the Council a 2017/18 Council Tax at Band D for Croydon purposes of £1,218.94, in addition a 3% increase for the Adult Social Care Levy £59.97 GLA Precept of £280.02, giving an overall Band D charge, £1558.93, a 1.99% increase for Croydon Council, a 3% increase for the adult social care levy and a 1.5% increase for the GLA.

Following detailed consideration, the Cabinet recommends that the Council should:

- (1) Approve the 2017/18 Revenue Budget of £258.550m, a decrease in budget requirement of 0.56%
- (2) Approve the 2017/18 Council Tax Requirement of £155.059m.

Appendix E

Agenda Item 6.1 Cabinet Report 20th February 2017

Calculation of Council Tax Requirement		£'000	£'000	£'000
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)			
(i)	expenditure on Croydon's services, local precepts and levies		943,078	
(ii)	allowance for contingencies		1,000	
(iii)	transfer to General Reserves		0	
(iv)	transfer to Earmarked Reserves		0	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		0	944,078
	<i>Less</i>			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		669,211	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,		3,652	
(iii)	Income from Government			
	Core Grants	16,317		
	Business Rates Top Up Grant	31,956		
	Business Rates Income	35,306		
	Revenue Support Grant	32,577	116,156	789,019
	<i>Equals</i>			
(C)	The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.* This is (A) above less(B) above (as per Section 31A(4) of the Act)			155,059
Calculation of basic amount of council tax				
(C)	Council Tax Requirement			155,059
	<i>Divided by</i>			
(D)	The Council's Tax base			121,243
	<i>Equals</i>			
(E)	The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			£1,278.91
	* The exact figure is			
		£155,058,885.13		

(F) The tax for different bands calculated as follows (as per Section 36(1) of the Act):

Council Tax for Croydon for 2017/18	
Band A	6/9 x £1,278.91 = £852.61
Band B	7/9 x £1,278.91 = £994.70
Band C	8/9 x £1,278.91 = £1,136.81
Band D	9/9 x £1,278.91 = £1,278.91
Band E	11/9 x £1,278.91 = £1,563.12
Band F	13/9 x £1,278.91 = £1,847.31
Band G	15/9 x £1,278.91 = £2,131.52
Band H	18/9 x £1,278.91 = £2,557.82

(G) to which is added the following precept (issued by the Mayor of London, in exercise of the powers conferred on him by sections 82, 83, 85, 86, 88 to 90, 92 and 93 of the Greater London Authority Act 1999 (“the 1999 Act”) and sections 40, 47 and 48 of the Local Government Finance Act 1992 (“1992 Act”))

GLA Precept for 2017/18	
Band A	186.68
Band B	217.79
Band C	248.91
Band D	280.02
Band E	342.25
Band F	404.47
Band G	466.70
Band H	560.04

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2017/18 for each of the categories of dwellings shown below:-

Total Council Tax For 2017/18	
Band A	1,039.29
Band B	1,212.49
Band C	1,385.72
Band D	1,558.93
Band E	1,905.37
Band F	2,251.78
Band G	2,598.22
Band H	3,117.86

Appendix F

Response to the Provisional Local Government Finance Settlement 2017/18 – London Borough of Croydon

1. The London Borough of Croydon welcomes the opportunity to comment on the Government's consultation on the provisional Local Government Finance Settlement (LGFS) 2017-18.

We are particularly disappointed that no new funding has been provided by Government to address the funding pressures local government is facing. In particular, London is facing a cumulative funding gap in adult social care of £800 million over the Spending Review period, and increased flexibility to raise Council Tax to fund social care in the next two years is a short term measure that does nothing to address the overall problem by 2020: even if all boroughs fully utilised the new social care precept flexibility, the money available for adult social care would only increase by around 1% over the next three years – at a time when London's population of older people will rise by more than 6% and when overall spending power for councils is showing real terms decline.

2. As well as the adult social care funding crisis, we are facing equally significant pressures in children's social care and a rapidly growing crisis in temporary accommodation, during a time of rapid population growth and increased demand on services due to demographic changes and welfare reform. The provisional settlement does little to alleviate these pressures.
3. This response outlines a number of concerns that the London Borough of Croydon has regarding the provisional settlement including the:
 - timing of the settlement;
 - the inadequacy of funding for adult social care;
 - cuts to New Homes Bonus when London is facing a housing crisis;
4. This response sets out our general comments about the settlement followed by direct replies to the questions posed in The Provisional 2017-18 local government finance settlement: confirming the offer to councils.

Timing of the Settlement

5. We would again like to raise concerns about the timing of the local government finance settlement. For the last five years the settlement has been delivered at the latest possible date before the Parliamentary recess. While this may be helpful for central government, it does little to provide local authorities with the level of certainty and funding assurance needed when formulating their

budgets, and setting Council Tax levels, for the following financial year. It is imperative that local authorities have confirmation of funding allocations as early as possible so that robust plans can be formulated and implemented. This is particularly important at a time of rapidly reducing resources. Councils typically begin preparations for the financial year during the preceding summer. While much of this preparation can be undertaken based on information from previous years and the multi-year agreements, final budget setting cannot be completed until the final figures are received from central government. This is particularly so given that the settlement typically contains a number of significant surprises that need to be taken into account, for example the cuts to New Homes Bonus in 2017-18. We are particularly concerned that the specific conditions of the additional social care precept flexibility scheme have not been set out alongside the settlement.

6. We welcome the return to the process of holding a technical consultation this year prior to the provisional settlement (although it would have been helpful had this been held earlier in the year than September/October); however, in future we ask that the provisional settlement is announced by no later than the end of November each year.

Adult social care funding

Inadequate funding

7. Given the extremely tough financial context for local government, it is hugely disappointing that the Government has found no new money for adult social care, and even more frustrating that it has chosen to present this as finding an additional £900 million to address social care pressures.
8. While the increased flexibility to raise funding through the social care precept, and front load it, is some recognition by Government of the urgent need to tackle the immediate and significant pressures facing social care, it clearly does not go far enough. Given the weight of cross-party and cross-sector consensus on the issue of funding for adult social care, we support the call for an urgent national review of adult social care funding.

Adult Social Care Support Grant

9. We are disappointed that the £241 million being moved from New Homes Bonus (NHB) to fund the one-off Adult Social Care Support Grant in 2017-18 has been presented by the Government as new funding, and as a solution to the social care funding crisis. The switch will see the London Borough of Croydon lose overall by at least £1.9 million compared with the illustrative NHB funding allocations for 2017-18 set out in last year's settlement. It is illogical that a funding grant designed to benefit social care authorities will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. Indeed, the LGA has provided data showing that one in three authorities who provide adult social care services are net losers. The changing of the formula for NHB is effectively retrospective legislation, as the housing was built at a time when the six year period was in place. This move

will also see money designed to incentivise new homes taken away from councils at a time when the Government has made boosting housebuilding a clear priority.

10. From an administrative perspective, the decision to fund a contribution to addressing the ASC crisis by dampening a funding mechanism designed to help address the housing crisis illustrates the problem with this short term piecemeal approach to finance policy - as it is effectively a decision to top slice a top slice (the NHB is being top sliced to fund ASC, but is itself majority funded by a top slice of RSG). Given that spending patterns suggest that much of RSG is spent on ASC anyway, it is reasonable to question the efficiency of the system that has emerged. The overall quantum of money available to local government is being reduced overall, at a time of increased population and demand pressures and this transfer from one distribution mechanism to another, and then a further transfer again to meet the use that it was likely to have been spent on originally. This is clearly not an efficient or transparent way to allocate funds.

Reforms to the New Homes Bonus

11. The London Borough of Croydon are disappointed that the overall funding for NHB is being cut by reducing the number of years funding is awarded from 6 to 5 (in 2017-18) and then to 4 from 2018-19, and reducing the annual amounts awarded from 2017-18 onwards. We are also disappointed that Government's contribution to the overall funding for NHB has fallen from £210 million in 2016-17 to just £93 million – meaning more is required to be top-sliced from RSG. The cuts to NHB are a direct result of insufficient funding in the Spending Review to address the funding pressures facing local government in adult social care – with savings being used to fund the “improved” Better Care Fund and ASC Support Grant (in 2017-18). Had sufficient funding been found within SR15, savings from this valuable and important funding stream would not be required.
12. London is facing a housing crisis with 280,000 new homes needed by 2021 to keep pace with the anticipated increase in population. London boroughs face unique challenges to deliver the necessary housing growth required in the capital, including a lack of suitable sites, high land values and affordability issues. With such extreme pressure on housing supply, London Councils believes the incentive to increase house building will be significantly diminished by the lower financial reward from the New Home Bonus. Furthermore, the Government has provided no evidence that it has assessed the potentially negative impact of these proposals.
13. It is also disappointing that the sector had to wait until late December for the Government's response to a consultation that closed mid-March. Increasing the deadweight threshold for tax base growth from the previously preferred option of 0.25% to 0.4% is a significant new change that will impact the amount of NHB London boroughs were expecting in 2017-18 at short notice. London Councils disagrees with the Government's contention that introducing reforms from 2017-18 gives local authorities sufficient time to deal with the changes to

funding, because the lead in time for housing development projects is much greater than the present financial year. There are significant risks this will impact negatively on planned developments. Reducing the length of risk destabilising existing investment and medium term financial plans, which will already have NHB funding allocations locked in based on the 6 year time period.

14. We strongly disagree with the Government's plans to consider withholding or reducing NHB payments related to homes that are built following an appeal. This risks incentivising the approval of permissions for poor quality and or inappropriate residential development, as rejecting residential applications would carry a financial risk associated with losses on appeal. Given that the planning process is quasi-judicial, and given the complexity of the issues involved, this proposal risks undermining the operation of the planning system. It is also worth noting that any reduction in NHB payments with a time lag between the appeal outcome and any adjustment to payments will only add to uncertainty and obstruct long-term planning that is needed to enable delivery of housing.

Consultation Questions

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

15. We agree that the basis is consistent with 2016-17. It seems sensible that central funding should be allocated in a way that ensures councils delivering the same set of services receive the same percentage change in Settlement Core Funding for those sets of services. However, we remain concerned at the failure to make any adjustments for changing circumstances of councils, even the basic and simple to calculate and justify one of population growth. In addition, we would once again raise the issue of the shift of need from Inner London to some Outer London boroughs such as Croydon, which we have previously raised. The fact that Croydon has received some one-off funding for, for example, homelessness-related matters, shows the extent of growing need in the borough.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

16. Notwithstanding the fact that we disagree with the reduction in funding for New Homes Bonus, if the Government does decide to proceed with these measures, we believe it should consider transitional arrangements to mitigate their impact on local authorities. We have planned on the basis that NHB payments would continue for six years, so any reduction in this will introduce instability and impact on our future medium term financial plans. The proposed changes will lead to a significant reduction in funding allocations for Croydon and thus undermine delivery plans. It will be important to ensure any significant changes are smoothed to enable boroughs to manage change.

Question 3: Do you agree with the Government’s proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

17. Regarding the returning of any surplus to authorities, we would argue that any top-slice or “holdback” should be returned to authorities in proportion to that by which it was deducted in the first place. The Government has not clarified how it will redistribute the NHB surplus and we urge it to do so in the final settlement.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

18. As set out in paragraph 11, the London Borough of Croydon believes the Government should have ensured there was enough funding in Spending Review 2015 for local government to deliver adult social care and to the NHS in terms of health provision which is now impacting on adult social care costs, and given the evidence of the funding shortfall as a result of not doing so, Government should have found new money to address social care funding pressures rather than reallocated existing NHB funding and pushed the burden onto Council Tax payers. As such, we disagree with the general proposal. This results in less money for Croydon an authority with significant pressure on adult social care rather than more.
19. We have particular concerns about the accuracy of the needs assessment within the ASC Relative Needs Formula, data for which has not been updated since 2013-14 and some of which still uses data from the 2001 Census.

Question 5: Do you agree with the Government’s proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

20. We disagree with the safety net hold back. This penalises local authorities through no fault of their own because of the complex system the Government has established. Since 2013 the Government has top-sliced £275 million to fund the safety net because of lower than expected business rates growth. The overriding factor behind this is the effect of outstanding and future rating appeals. Local authorities should not be financially penalised, via what is effectively a cut to RSG, for the increase in the safety net holdback because not enough assurance has been built into the system around the effect of appeals – which are entirely outside the control of local government.

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

21. We cannot agree without further information. There is still insufficient information or exemplification of how this has been calculated.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

22. We disagree with the additional funding in the settlement for rural areas, which is effectively being topsliced from RSG – funding that would have benefited all authorities – to benefit only some in rural areas. This funding stream raises questions about the funding of urban areas, particularly as historic funding has failed to reflect fully the pressures on London, most notably in terms of its underestimated population and the failure to properly recognise the impact of daytime visitors.
23. We believe that if the Government is minded to further recognise some of the financial pressure on rural authorities, it is not unreasonable to expect further consideration to be given to the unique pressures faced by urban authorities, and particularly those that pertain in London and, in particular, our borough.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

24. We disagree with the statement within the Equality Statement that “The impact of this re-cycling of funding [NHB funding] could be expected to provide additional funding for areas with higher social care needs which we might expect will include areas with greater numbers of elderly or disabled residents”. As set out in paragraph 22, it is clear that the switch from NHB to ASC support grant will mean a number of boroughs have less funding than they would have previously. The new ASC support grant - designed to benefit social care authorities - will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. This will clearly not benefit the elderly or disabled residents in these affected areas.

Agenda item 6.1 Cabinet Report 20th February 2017

DEDICATED SCHOOLS GRANT (DSG)

Table 1 – 2017/18 DSG Funding Breakdown

DSG Funding Blocks	Total (£m)
Individual Schools (before recoupment)	241.77
High Needs	55.72
Early Years	27.20
Total DSG funded services	324.69

2017/18 DSG allocation for Croydon

The 2017/18 the total DSG settlement for Croydon (including academies) is £324.69m. Academy recoupment is estimated to be £140m in 2017/18, reducing the DSG total to £185m. Academy recoupment currently stands at £139.6m in 2016/17 within the existing Schools block. This total will be subject to change depending on the number of new schools that convert to academies during the year

The funding per pupil within the Schools block is £4,794.79 for 2017/18. The starting rate in 2016/17 was £4,855.90, but once transfers between blocks (which are now permanent) have been reflected it is broadly equivalent to the 2017/18 level. Croydon remains one of the ten lowest funded local authorities in London on a per pupil basis (24th out of 32).

The latest pupil numbers used to calculate the DSG funding are 49,810 for the Schools block and 4,023 within Early Years. These numbers are based on the October 2016 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2017 will be used to update Croydon's DSG allocation with more accurate Early Years pupil numbers during 2017/18.

The £27.20m shown above for the Early Years block includes an indicative Early Years pupil premium of £0.494m. The rates for 2017/18 pupil premiums have been maintained at the 2016/17 levels.

Croydon Council

Pay Policy Statement 2017-18

1. Introduction

- 1.1. The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.
- 1.2. Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council’s policy for 2017-18 on:
 - The remuneration of its senior staff including Chief Officers
 - The remuneration of its lowest paid employees
 - The relationship between the remuneration of its Chief Officers and the remuneration of staff who are not Chief Officers
- 1.3. Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and termination payments.
- 1.4. Following the decision of the Annual Council meeting on 03 June 2014, the Appointments Committee has delegated responsibility for approving appointments in accordance with the threshold specified in statutory guidance issued by the Secretary of State under section 40 of the Localism Act 2011. The statutory guidance is that elected Members should be given an opportunity to vote before a salary package upon appointment above a specified threshold is offered; and a severance package beyond a specified threshold is approved for staff leaving the Council’s employment. For both these purposes, the specified threshold is currently £99,999 as set by Government.
- 1.5. Once approved, all remuneration paid to officers will comply with this policy for the 2017-18 financial year. The statement will be reviewed in accordance with legislation prevailing at the time.
- 1.6. The provisions of the Localism Act do not apply to schools that are excluded from this statement.
- 1.7. In accordance with Part 3 of the Constitution – Responsibilities for Functions the Chief Executive’s Scheme of Authorisations provides delegated authority to the Director of Human Resources for pay and terms and conditions for staff other than the Chief Executive and employees covered by the Joint National Council

for Chief Officers. Grading and conditions of service for these staff are approved by the Appointments Committee. Reference paragraph 4.2.8 and 4.2.9 of Part 3 of the Constitution Responsibilities for Functions – see extracts below:

“.....the Chief Executive’s delegation is subject to:

4.2.8 “the approval of the Director of Human Resources to the grading and conditions of service of staff (other than those based in schools or subject to the conditions of service of the Chief Officers and Chief Executives J.N.C

4.2.9 the approval of the Appointments Committee to grading and conditions of service of staff employed subject to the conditions of service of the Chief Officers and Chief Executives J.N.C”

2. Pay structure

2.1. The Council uses a combination of locally and nationally determined pay structures for its workforce.

- a) The pay structures, including basic pay, for the Chief Executive and Head of Paid Service, Executive Directors, Directors and posts at Croydon Special Range (CSR) level are determined locally.
- b) The basic pay for teachers, youth workers, and young people/community service managers is in accordance with nationally negotiated pay structures.
- c) To reflect market and industry specific factors, staff in the in-house bailiff service have locally determined pay arrangements which includes an element of performance pay.
- d) For the majority of other staff, the Council uses a locally determined grading structure aligned to the outer London pay spine of the Greater London Provincial Council.

2.2. Pay allowances other than basic pay are the subject of local or nationally negotiated rates having been determined from time to time in accordance with the collective bargaining arrangements and/or as determined by the Council.

2.3. Other than for the Chief Executive and Head of Paid Service, Executive Directors and Directors, the Council adheres to national pay bargaining and will normally apply a nationally negotiated cost of living pay award for staff covered by the relevant negotiating body (also see paragraph 3.5).

3. Remuneration

3.1. For the purpose of this pay policy statement, Chief Officers include:

- a) Tier 1: The Chief Executive and Head of Paid Service; Executive Directors; Directors; and
- b) Tier 2: Heads of service and certain senior staff in Croydon Special Range graded posts who report to Directors

3.2. Current remuneration for tiers 1 and 2 staff are:

- a) The Chief Executive and Head of Paid Service who is currently paid a spot salary of £185,000; there is no incremental progression for this post. The salary was agreed for a fixed period of two years by resolution of the Council in July 2016 and is therefore due for review in July 2018.
- b) Executive Directors and Directors are paid on spot salaries as set out in Appendix A without provision for incremental progression (see paragraph 3.9 for provisions relating to new appointments).
- c) Heads of service and senior staff reporting to Directors are placed on a salary following evaluation of their post using the Hay job evaluation scheme (for CSR graded posts) or the Greater London Provincial Council job evaluation schemes (for posts graded 16 and 17). Annual increments may be awarded, subject to the postholder's rating in their annual appraisal. See paragraph 3.5 for proposed changes.

The grading structures for tiers 1 and 2 are shown in Appendix A.

- 3.3. The pay of the Chief Executive and Head of Paid Service is determined by reference to market rates. In establishing market rates, the Council will compare remuneration data from other comparable local authorities. This allows closer benchmarking where possible to take account of factors such as population size, social demographics, budgetary responsibilities, economic and regeneration activity.
- 3.4. The spot salaries for Executive Directors and Directors are subject to review every two years. There has been no change in the salaries between April 2015 and April 2017. An increase of 2% on the spot salaries has been applied for 2017-19. This would mean a 2% increase over 4 years which is well below inflation and below the increases received by the rest of the workforce. The next review is due with effect from 01 April 2019. Subject to the approval of the Appointments Committee referred to in paragraph 1.4 above, salaries may be reviewed earlier when recruiting to a post or to maintain parity with the salary of a related post being recruited to (see paragraph 3.9 for the remuneration for new appointments).
- 3.5. It is proposed, subject to consultation with staff, to introduce revised pay arrangements during 2017/18 for staff on Croydon Special Range grades, mirroring the principles that apply to pay for Tier 1 including: spot pay with fixed pay reference points replacing CSRA and CSRB grades; the spot pay as an inclusive salary with no eligibility for other allowances other than those mentioned in 3.6(a) and 3.6(d) below); no incremental progression; and salaries subject to local review every two years rather than being linked to national pay awards.

Additional remuneration elements

- 3.6. The Council does not apply any bonuses or performance payments to its Tier 1 or Tier 2 staff. In addition to basic pay elements of "additional pay", other than those that constitute re-imbursment of expenses incurred during the fulfilment of duties, are set out below:

- a) In order to recruit or retain employees in a post at its designated grade or spot point consideration will be given to the use of market supplements as approved by the Director of Human Resources and Chief Executive with such payments being subject to periodic review. Market supplements will, when added to basic pay, not normally exceed 10% of base pay and in any event will not exceed the next pay reference point. Any market supplement for the Chief Executive will be determined by the Appointments Committee will be limited so as not to exceed the ratio in paragraph 5.2 between the salary of the chief executive and head of paid service and the lowest paid employee.
- b) A compulsory car allowance may be made to authorised car users at all levels of the workforce other than to Tier 1. The compulsory car allowance applies to employees where driving a car is an integral feature of the employee's post and the employee is unable to carry out their post without providing and using their own car. The amount of the allowance depends on the engine size and emissions of the employee's car as shown in Appendix A.
- c) Returning Officer fees: the Council is required by the Representation of the People Act 1983 to appoint an officer to act as the Electoral Registration Officer (ERO) for any constituency or part of a constituency within its area to be responsible for the preparation and maintenance of the electoral register and to act as the Returning Officer (RO) for all elections. Such duties attract a fee payable to the individual, paid for by the Government except in relation to local elections. The fees are set by central government for national elections and referenda and for local elections fees are prescribed by and agreed on an annual basis by the Chief Executives' London Committee, which reports into the London Councils network. The Council's Electoral Registration Officer and Returning Officer is the Chief Executive and Head of Paid Service, as agreed by resolution of the Council or as delegated to a committee.

In her capacity as the Council's Electoral Registration Officer and the Council's Returning Officer, the Chief Executive and Head of Paid Service may appoint deputy Electoral Registration Officers and a deputy Returning Officer. Fees for carrying out such duties are payable to appointed individuals.

- d) From time to time consideration will be given to making additional payments, as approved by the Director of Human Resources, to Chief Officers who undertake additional and/or higher level responsibilities for example when covering the duties of a vacant Chief Officer post. Such payments are subject to periodic review.

Remuneration on appointment

- 3.7. Where employees are appointed to a grade rather than a spot salary, it is the Council's policy to appoint all employees on the bottom spinal point of the grade unless there are exceptional circumstances as authorised by the relevant Director and approved by the Director of Human Resources.

- 3.8. In exceptional circumstances and subject to approval of the Director of Human Resources, where it is necessary for a newly appointed employee to relocate and move home to take up appointment a contribution towards certain relocation expenses may be made. A copy of the scheme, which applies to the Chief Executive and Head of Paid Service, Chief Officers and other employees is attached as Appendix B.
- 3.9. New Executive Director and Director appointments will be made at the salaries stated for the respective post as set out in Appendix A. Should it be deemed necessary for a new appointment to be made on a salary higher than that set out for the post in Appendix A and the new salary exceeds the threshold referred to in paragraph 1.4 above, the new salary will be subject to the approval of the Appointments Committee.

Redundancy payments and payments on leaving

- 3.10. The Council has a single redundancy scheme which applies to all employees including Chief Officers (see Appendix C). The Council does not make any other payments to employees on termination of their employment other than those, where there is a statutory or contractual requirement to do so, such as payment for accrued and untaken annual leave.
- 3.11. Subject to paragraph 1.4 above, in exceptional circumstances other severance payments may be made subject to agreement of the Chief Executive and Head of Paid Service and the Director of Human Resources and as allowed for in the Council's scheme of delegation. Such payment will take account of the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee.
- 3.12. The Appointments Committee has decided, in accordance with delegations agreed by Full Council, that it will consider only those future severance packages where there are non-contractual and/or non-statutory elements to the proposed severance package which would mean that the severance package exceeds the specified threshold as a result of those elements. In those instances, the Committee will vote in respect of the non-contractual and/or non-statutory elements of such packages. For these purposes the specified threshold set, from time to time, by statutory guidance, is £99,999.

Re-employment of officers previously made redundant and retirement

- 3.13. Where an officer who has previously been made redundant from the Council applies for employment with the Council, their application will be treated on its own merits, the financial merits and wider interests of the Council and will have regard to any agreement under which the officer left their previous employment. Where an officer leaves the Council's employment through voluntary severance or voluntary redundancy arrangements, they will not be allowed to work for the Council in any capacity, including engagement via employment agencies or as a consultant, for a period of at least one year after leaving.
- 3.14. At the time of drafting this pay policy statement, the Government is proposing legislation that will: limit exit payments to £95,000 in the public sector; and require public sector employees earning more £80,000 to repay some or all of an exit

payment if they return to public sector employment within twelve months. The Council will seek recovery of exit payments from previous employees and in so doing apply limits to exit payments in accordance with the legislation as an when it is introduced.

- 3.15. The Council permits flexible retirement, as permitted by the Local Government Pension Scheme Regulations where by an employee can receive a salary and be in receipt of a pension for doing the same job. Such retirement is on the basis that there is no cost to the Council. The pension of employees retiring before their normal retirement age is subject to an actuarial reduction as allowed for under the Local Government Pension Scheme Regulations, to reflect the financial impact on the pension fund by the employee's early retirement.

4. Remuneration of lowest paid employees

- 4.1. The definition of "lowest paid employee" is for local determination. The Council has agreed that the lowest paid employee will be those workers employed under a contract of employment on full-time equivalent hours, in accordance with the minimum grade of the Council's agreed grading structure. Workers, such as apprentices, who are engaged on fixed term training contracts, are excluded from this definition.

- 4.2. The Council is a London Living Wage employer and will pay the London Living Wage as its minimum rate of pay to employees, other than those engaged specifically on apprentice or similar training contracts. The Council will apply increases in the London Living Wage with effect from the 01 April following announcement of the increase. With effect from 01 April 2017 the full-time equivalent annual pay of the lowest paid employee will £18,302 which equates to an hourly rate of pay of £9.75 (the current London Living Wage).

5. The relationship between the pay of Chief Officers and that of other staff

- 5.1. The Council does not set the pay of individuals or groups of individuals by reference to a simple multiple of the pay of another individual or group. The use of simple pay multiples cannot capture the complexities and dynamics of a highly varied workforce. The Council sets pay as outlined above by reference to the evaluated level of responsibilities of the post or at a rate determined by a national pay body.

- 5.2. Although there is no requirement under the Localism Act, the Council has decided to publish its pay multiples to aid transparency and future benchmarking:

- The multiple for 2017-18 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:10.1.
- The multiple between the lowest paid employee and the median chief officer is a ratio of 1:6.4
- The multiple between the median pay and the chief executive and head of paid service's pay is a ratio of 1:5.9.
- The multiple between the median pay and the average chief officers' pay is a ratio of 1:4.

5.3. As part of its overall and ongoing monitoring of alignment with external pay, both within and outside the sector, the Council will use available benchmarking information as appropriate.

6. Non-permanent staffing resources

6.1. To maintain flexibility in delivering services the Council supplements its employee workforce with workers who are not Council employees or on the Council payroll. This non-permanent resource includes consultants, who are procured under a Contract for (Consultancy) Services, and interims who are procured through the Councils managed service provider (the London Group Recruitment Partnership) or other approved third party providers including through the Council's neutral vendor framework.

6.2. In managing its non-permanent staffing resource, the Council seeks to ensure that: the Council and the wider public sector achieve value for money; tax and national insurance liabilities are managed appropriately; and contractual relationships between the Council, workers and thirds parties are properly reflected. In this regard, it is the Council's policy not to engage directly with self-employed individuals, or wholly owned one person limited companies in all but the rarest of exceptions. Where such arrangements are used, the Council seeks to limit them to a maximum duration of 24 months.

6.3. Where it is necessary to engage a worker at Tier 1 or Tier 2 temporarily as an interim or consultant, the remuneration paid to the individual will generally fall within the following rates. The higher rates of pay, compared to those paid to directly employed staff, are in recompense of interims and consultants not receiving all of the same conditions of employment, most notably regarding leave, pension, redundancy and notice.

Grade of post	Day rate range £ (payable to the individual)
Croydon Special Range	£400 - £525
Director	£525 - £775
Executive Director	£775 - £900
Chief Executive	£1200 - £1500

7. Publication

7.1. Upon approval by the full Council this statement will be published on the Council's website. In addition, the Council's Annual Statement of Accounts will include a note setting out the remuneration paid to each member of the corporate leadership team (the Chief Executive and Head of Paid Service and those reporting directly to her) including the total amount paid to each individual by way of: salary, including fees and allowances; performance related pay; expense allowances; compensation for loss of office; benefits in kind and employers pension contributions. The Annual Statement of Accounts is published on the Council's website.

7.2. The Annual Statement of Accounts will also report on termination payments for all employees in keeping with international financial reporting standards. This will

show the number of termination payments, within specific financial bands, made to employees during the year.

End

Pay structure for Tier 1 and Tier 2**Tier 1: 01 April 2017 to 31 March 2019**

Post	Spot Salary
Chief Executive	£185,000
Executive Director of Resources, Executive Director of Place, Executive Director of People	£153,000
Director of Commissioning & Improvement, Director of Adult Social Care & All-Age Disability	£127,500
Director of Strategy & Partnerships, Director of Customer & Corporate Services, Director of District Centres & Regeneration, Director of Development, Director of Public Health, Director of Early Help & Children Social Care	£117,300
Director of Finance, Investment & Risk, Director of Economic Growth, Director of Planning & Strategic Transport, Director of Education & Youth Engagement, Director of Gateway & Welfare, Director of Housing Need	£107,000
Director of Law & Monitoring Officer, Director of Governance, Director of Human Resources, Director of Safety, Director of Streets	£96,900

Tier 2: current (2017-18)

Grade	Scp	Salary
Croydon Special Range A	1	£59,337
	2	£61,356
	3	£63,372
	4	£65,379
	5	£67,404
Croydon Special Range B	6	£74,904
	7	£77,367
	8	£79,830
	9	£82,290

Tier 2: proposed subject to consultation (2017-18)

Post	Reference Point	Spot Salary (indicative)
Tier 2 (including heads of service)	T5	£82,250
	T4	£75,000
	T3	£68,000
	T2	£62,250
	T1	£55,000

Car allowances and mileage payments

	<u>451 - 999cc</u>	<u>1000 - 1199cc</u>	<u>1200 - 1450cc</u>
<u>Compulsory car users</u>		Only payable for cars within DVLA bandings A-E for CO2 emissions	
Lump sum per annum	£846	£963	£1,239
per mile first 8,500	36.9p	40.9p	50.5p
per mile after 8,500	13.7p	14.4p	16.4p

	<u>451 - 999cc</u>	<u>1000 - 1199cc</u>	<u>1200 - 1450cc</u>
<u>Other users</u>		Only payable for cars within DVLA bandings A-E for CO2 emissions	
per mile first 8,500	46.9p	52.2p	65.0p
per mile after 8,500	13.7p	14.4p	16.4p

CROYDON COUNCIL**RELOCATION SCHEME****Introduction**

These guidelines may be used to overcome a skills shortage or as a recruitment and retention tool. The Council's approach to attracting, recruiting, developing and retaining talent sometimes needs to be supported to enable the placement of someone with known abilities and expertise into a specific role.

The decision to apply this scheme should be agreed before an offer of employment has been accepted and should preferably be displayed in the job advertisement. An "in principle" offer of assistance, subject to meeting the requirements of the scheme, must be contained in the offer of employment letter. An offer of a relocation package cannot be made after employment commences.

There is no automatic entitlement to help with relocation or the amount paid. Payment is subject to approval in all cases by the relevant tier 1 manager, production of receipts and the amount of budget available within the service. No central relocation budget exists, so payments must be made from the relevant department's own budget.

Relocation assistance will not exceed £8,000, will not normally be provided to employees already employed by the Council (including those on fixed term or temporary contracts) and can be paid once only. Any subsequent moves will not attract a payment.

Eligibility

The following criteria must be met to be eligible for a relocation payment;

- The applicant lives more than 90 minutes travelling distance away from the new workplace and is relocating to a location within that limit.
- all owners or joint owners of the residence are moving, if claiming fees connected with the sale and purchase of a property
- the applicant is moving within 6 months of starting their employment with the Council
- the applicant is not benefiting from relocation assistance from another source (e.g. their partner's employer)
- the applicant is moving to work solely for Croydon

Conditions

The recipient must sign an agreement to remain in Croydon Council's employment for a minimum of three years. If they leave voluntarily or are dismissed on grounds of misconduct or capability within three years, repayment will be due, charged at 1/36 of the total amount of expenses paid per uncompleted month of service.

Two quotes must be obtained for removal and storage expenses for which the lower amount may be reimbursed. Records of payments made will be recorded on the employee's personal file and retained by the manager who signs the agreement.

The employee is responsible for:

- taking steps to sell their property (if applicable) and obtaining accommodation within reasonable travelling distance (90 minutes) within 6 months of their start date with Croydon Council.
- seeking approval for any relocation expenses prior to incurring the expense.
- signing the three year agreement
- providing a full breakdown of costs and comprehensive receipts for all expenses claimed for under the scheme. Bank statements or credit card receipts cannot be accepted.
- providing at least two quotes if claiming for removal expenses.

The manager is responsible for:

- obtaining approval of the Director of Human Resources and their Director and the correct financial authorisation (including departmental expenditure panel if relevant), before offering a relocation package
- subject to the eligibility criteria, informing the successful candidate of the relocation scheme when offering the appointment
- ensuring that finances are available to fund a relocation package
- agreeing with the employee the types of expenses they are able to cover and the maximum amount to be paid
- reviewing the situation if positive steps are not being taken by the candidate/employee to sell and/or buy a new property within 6 months of starting their employment.
- ensuring an agreement is signed by the employee and storing a copy on their personal HR file
- keeping a copy of the agreement, a full breakdown of costs, receipts and quotes.
- arranging for payment(s) to be paid into the employee's bank account before the end of the tax year following their appointment date and that taxable payments are paid via Payroll

- ensuring that records of all payments are kept on the employee's personal HR file
- arranging the recovery of expenses if the employee leaves within three years, including writing to them to confirm the outstanding amount due and informing them if it will be taken out of their final salary or pension contributions.

Tax

Relocation expenses up to £8,000 per move are currently tax free as long as they are provided by the employer before the end of the tax year following the date of appointment (including VAT on expenses), but some payments are taxable. The following expenses may or may not be included in the agreed package.

- Payment for rent where it is necessary to temporarily maintain two homes , up to a maximum of 6 months*
- Travelling costs where two homes are temporarily maintained, up to a maximum of 6 months (either standard class train fares or casual car user mileage rates)
- Legal and Estate Agents fees connected with the sale and purchase of property
- Removal and storage of household furniture and effects
- Disconnection and reconnection of utilities*
- Reinstallation of domestic appliances such as cookers and washing machines*
- Charges incurred for ending a rental agreement early *
- Deposit for rented accommodation *
- Two days paid removal leave in addition to normal leave entitlement*
- Refund of unexpired season tickets*
- Shipping costs, if moving from abroad
- Survey Fees*
- Unplanned costs such as school uniforms, carpets, curtains, *
- Redirection of mail*

*subject to tax and NI contributions

As the tax position may change, it is advisable to check with the HMRC before finalising any arrangements under this guidance.

EARLY RETIREMENT & REDUNDANCY SCHEME (incl. Efficiency of the Service)

Council approved 1981.

Amended by Corporate Services Committee on 11 October 2006; effective from 1st December 2006

Amended 010410: legislative changes

Amended 010411: Employee Based Cost Review (EBCR)

1. SCOPE AND PURPOSE OF SCHEME

- 1.1. This scheme is without prejudice to the Council's and the trade unions' general policy of opposition to redundancies. It outlines the approach the Council may use when making staffing reductions through redundancy, early retirement on the grounds of redundancy, and early retirement on the grounds of efficiency of the service.
- 1.2. The scheme covers all categories of staff except teachers and lecturers for whom a separate scheme exists.
- 1.3. The scheme sets out the normal level of payments made to employees. Certain payments in the scheme are enhanced by the Council exercising its discretion, as allowed for in legislation. The exercise of the Council's discretion is subject to a decision in each case, and the Council reserves the right to apply different payments in particular cases. The Council also reserves the right to withdraw or suspend the scheme at any time.

2. GENERAL

- 2.1. Where redundancies as defined in the Employment Rights Act 1996 are contemplated the Council may choose to seek volunteers for early retirement or redundancy from the staff. Should the number of volunteers for early retirement or redundancy exceed the required number of post reductions the Council will consult staff representatives about the method of selection.

3. EARLY RETIREMENT BY REASON OF REDUNDANCY (only for employees aged 55 and over)

- 3.1. Employees aged 55 or more who are made redundant (including those who volunteer under paragraph 2.1) will be eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).
- 3.2. In addition to immediate payment of pension benefits, employees with 2 years continuous service will also be entitled to a redundancy payment. The redundancy payment will be calculated as set out in section 4.

- 3.3. The granting of any augmentation in respect of redundancy and early retirement in the interests of the efficiency of the service is at the Council's discretion to compensate officers for the loss of position and future expectations as a result of the Council's actions. It is not in respect of past service, which is covered by pension entitlement arising from contributions made into the Pension Fund.
- 3.4. The costs of the early payment of benefits are charged to departmental budgets rather than the Pension Fund.

4. REDUNDANCY

- 4.1. Employees who are made redundant will receive a redundancy payment based on length of continuous service and age as laid down in the Employment Rights Act. The details of the statutory redundancy payments vary with age and length of service and a ready reckoner is set out in Appendix 1.
- 4.2. Continuous local government service (and certain related service) will be used where this exceeds service with the London Borough of Croydon and in calculating the redundancy payment the weekly pay used for calculating redundancy payments will be as follows:
- a) In cases of compulsory redundancy, by reducing by 50% the amount by which an employee's actual weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £450.
 - b) In cases of voluntary redundancy, by reducing by 25% the amount by which an employee's weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £475.

5. EARLY RETIREMENT IN THE INTERESTS OF THE EFFICIENCY OF THE SERVICE

- 5.1. The Council will consider applications from staff, supported by their Directors, for early retirement on the grounds of the efficiency of the service. Each case will be decided on its merits by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) in consultation with the Director of Human Resources and the relevant departmental Director. They will use their discretion based on the following criteria:
- (a) staff suffering ill-health of a nature not covered by the ill-health provisions of the Pension scheme
 - (b) a change in the organisation of an establishment or department which does not give rise to redundancy
 - (c) staff who are unable to meet the changed requirements of their post
- 5.2. Employees aged 55 or over, who retire on the grounds of efficiency of the service are eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

5.3. In these cases there is no entitlement to a redundancy payment.

6. COMPLYING WITH LEGISLATION

6.1 The Council will only apply the above policy in a manner which is compatible with the law (inc. legislation, subordinate legislation and case law) and anything in this policy which is incompatible with the law shall be disregarded or applied only to the extent that doing so would not be contrary to the law as it is understood when the policy is applied in any particular case.

End

“Ready Reckoner” For Statutory Redundancy Pay

Figures in grid show the number of weeks pay due

Continuous Service (Years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
18 ¹	1																		
19	1	1½																	
20	1	1½	2																
21	1	1½	2	2½															
22	1	1½	2	2½	3														
23	1½	2	2½	3	3½	4													
24	2	2½	3	3½	4	4½	5												
25	2	3	3½	4	4½	5	5½	6											
26	2	3	4	4½	5	5½	6	6½	7										
27	2	3	4	5	5½	6	6½	7	7½	8									
28	2	3	4	5	6	6½	7	7½	8	8½	9								
29	2	3	4	5	6	7	7½	8	8½	9	9½	10							
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11						
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12					
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13				
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14			
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15		
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½

¹ It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore the table starts from age 18.

Continuous Service (Years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61*	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

* The same figures should be used when calculating the redundancy payment for a person aged 61 and above.

Notes:

Statutory redundancy payments are based on length of continuous service (up to max of 20 yrs) and age as follows:

- for each completed year of service up to age 21 inclusive: half a week's pay
- for each completed year of service from age 22-40 inclusive: one week's pay.
- for each completed year of service from age 41 inclusive: one and a half week's pay.

For General Release

REPORT TO:	Cabinet 20th February 2017
AGENDA ITEM NO:	6.2
SUBJECT:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018
LEAD OFFICER:	Richard Simpson Executive Director of Resources (Section 151 Officer)
CABINET MEMBER:	Cllr Simon Hall , Cabinet Member for Finance and Treasury
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT:

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

FINANCIAL IMPACT:

This report sets out the Council's Treasury Management objectives, which are to manage the Council's cash flows, borrowing and investments minimising the level of risk exposure; maximising investment yield returns; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in 2017/2018 and the capital borrowing needs of the Council for 2017/2018:-

	<u>£m</u>	<u>Total £m</u>
1. In Year Borrowing Requirement (Net)	349	<u>349</u>
2. Total Interest Payable on Debt		
- chargeable to Housing Revenue Account (HRA)	12	
- chargeable to General Fund (GF)	20	
		32
In addition the report details the investment activities and the estimated level of income earned. Investment Income net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:-	<u>(0.750)</u>	<u>(0.750)</u>

KEY DECISION REFERENCE NO.:

This is not an executive key decision – this is reserved to the full Council for decision as part of the budget and policy framework.

1. RECOMMENDATIONS

- 1.0. The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.
- The Cabinet is asked to recommend to Full Council that it approve:
- 1.1. The Treasury Management Strategy Statement 2017/2018 as set out in this report including the recommendations that:
- 1.1.1. The Council takes up the balance of its 2016/2017 borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.6.
- 1.1.2. That for the reasons detailed in paragraph 3.11, opportunities for debt rescheduling are reviewed throughout the year by the Executive Director of Resources and Section 151 Officer and that, he be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury and in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2016-2020.
- 1.1.3. That delegated authority be given to the Executive Director of Resources and Section 151 Officer, in consultation with the Cabinet Member for Finance and Treasury, to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.

- 1.2. The Annual Investment Strategy as set out in paragraph 3.14 of this report.
- 1.3. That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.7 and as detailed in **Appendix C** be as follows:

2017/2018	2018/2019	2019/2020
£1,234.442m	£1,365.442m	£1,372.442m

The Prudential Indicators as set out in **Appendix C** of this report.

- 1.4. The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in **Appendix D** of this report.
- 1.5. The Council's authorised counterparty lending list as at 31st December 2016 as set out in **Appendix E** of this report and the rating criteria set for inclusion onto this list.

2. EXECUTIVE SUMMARY

2.1. The Council defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.2. The CIPFA Code of Practice on Treasury Management in the Public Services (updated 2011) was approved and adopted by the Council on 10 February 2013 (Minute A31/13 refers).

2.3. The Code recommends that the Council approve before the commencement of each financial year:

1. A Treasury Management Strategy for borrowing;
2. An Annual Investment Strategy setting out the Council’s policies for managing its investments; and
3. A statement on the Council’s policy for its annual Minimum Revenue Provision (MRP) (repayment of debt).

2.4. The Local Government Act 2003 requires the Council to have regard to CIPFA’s Prudential Code for Capital Finance in Local Authorities, 2011, to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which incorporates these indicators, also details the expected treasury activities for the year 2017/2018, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.

2.5. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its expenditure requirement for each financial year to include the revenue costs that flow from capital financing decisions.

3. DETAIL OF THE REPORT

3.0 The strategy for 2017/2018 covers two main areas:

Capital issues

- The capital plans and borrowing need (paragraphs 3.1 and 3.2);
- The minimum revenue provision (MRP) policy (paragraph 3.3);.

Treasury management issues

- Policy on use of external service providers paragraph 3.4);
- The Current Treasury Position (paragraph 3.5);
- Borrowing Requirement (paragraph 3.6);
- Treasury indicators which limit the treasury risk and activities of the Council (paragraph 3.7);
- Prospects for Interest Rates (paragraph 3.8) ;

- The Borrowing Strategy (paragraph 3.9);
- The policy on borrowing in advance of need (paragraph 3.10);
- Debt Rescheduling and Repayment (paragraph 3.11);
- Sources of Finance (paragraph 3.12);

Annual Investment Strategy

- The investment policy (paragraph 3.13);
- The Annual Investment Strategy (paragraph 3.14);
- Treasury Limits (paragraph 3.15) and
- Prudential Indicators (paragraph 3.16).

CAPITAL ISSUES

3.1. Capital Expenditure and borrowing need

3.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

3.1.2 In order to fulfil its ambitions for Croydon the Council has an extensive capital programme. This includes funding for: a Revolving Investment Fund (RIF), set up to fulfil the Council's Growth Promise and initially be principally focused on the delivery of development and regeneration on Council Land; a Development company also focused on regeneration in the borough, primarily homes; and a Growth Zone, which invests in priority infrastructure to help deliver sustainable economic growth in Croydon. The RIF, Growth Zone and Development company are expected to create their own revenue streams in order to repay the debt taken out to finance the expenditure.

3.1.3 Members are asked to note the capital expenditure forecasts given in the table below:

Table 1: Capital Expenditure Forecasts (2016 / 2020)

Capital expenditure £m	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
Non-HRA	127.746	386.774	148.866	28.007
HRA	25.724	27.051	27.051	27.051
Total	153.470	413.825	175.917	55.058

3.1.4 This financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

3.1.5 The Council's financing need is funded from various capital and revenue resources plus borrowing.

3.2 The Council's borrowing need (the Capital Financing Requirement)

3.2.1 The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

3.2.2 The Council's estimated CFR is detailed in the table below:

Table 2: Estimated Capital Financing Requirement 2016 / 2020

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
	Forecast	Estimate	Estimate	Estimate
Capital expenditure	153.470	413.825	175.917	55.058
Less amount funded from resources	(98.748)	(58.598)	(37.345)	(39.71)
Gross In Year Borrowing Requirement (CFR)	54.722	355.227	138.572	15.348
Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(5.547)	(5.993)	(7.134)	(7.895)
In Year Borrowing Requirement (Net)	49.175	349.234	131.438	7.453
2. Add previous years' outstanding borrowing requirement (not taken in that year)	0.00	0.0	0.0	0.0
3. Borrowing – to replace maturing debt	12.5	26.0	11.0	10.0
4. Less loans taken up in-year	(59)	0.0	0.0	0.0
In Year Borrowing Requirement outstanding	2.675	375.234	142.438	17.453

3.3 Minimum Revenue Provision

3.3.1 Minimum Revenue Provision (MRP), often referred to as a 'provision for the repayment of debt', is a charge to revenue in relation to capital expenditure financed from borrowing or through credit arrangements.

3.3.2 The annual MRP charge was previously determined under Regulation but is now determined under Guidance ('the Guidance') issued by the Secretary of State in February 2008. There is now a statutory duty, embodied within Statutory Instrument 2008 No.414 s 4, which lays down that:

'A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.'

3.3.3 MRP only applies to the General Fund. There is no requirement to make a MRP charge for the Housing Revenue Account (HRA).

3.3.4 Along with the above duty, the Government issued guidance in February 2008 which requires that a statement on the Council's policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate.

3.3.5 The Executive Director of Resources is responsible for ensuring that accounting policies and the MRP policy complies with the statutory Guidance in determining a prudent level of MRP.

3.3.6 As part of the mid-year review of the 2015/2016 Minimum Revenue Provision Statement, the Council's General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Council's MRP Policy Statement for 2017/2018 also adopts these revisions and is attached at Appendix D.

TREASURY MANAGEMENT ISSUES

3.4 Treasury management consultants

3.4.1 The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

3.5 The Current Treasury Position

3.5.1 The Council's Treasury position as at 31st December 2016 comprised:

Table 3: Borrowing by the Council as at 31 December 2016

		Principal £m	Average Rate %
Fixed Rate Funding	- PWLB ¹	614.926	3.85
	- Other ²	0.315	3.50
	- LOBO ³	79.500	3.91
	- Local Authorities ⁴	52.500	1.10
	- Amber Green LEEF 2LLP	3.575	1.80
	- European Investment Bank	44.745	2.0
Variable Rate Funding	- LOBO ³	60.000	4.23
Internal Loans – Trust Funds		0.006	0.23
Total External Debt as 31/12/2016		<u>855.567</u>	<u>3.60</u>
<u>Additional</u>			
GF borrowing requirement outstanding for 2016/2017		2.675	
HRA borrowing requirement outstanding for 2016/2017		0	
Estimated Debt as at 31/03/2017		<u>858.242</u>	<u>3.60</u>

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

2. Other relates to 3 ½% Irredeemable Stock which was issued by this Authority in the past.

3. Lender's Option Borrower's Option (LOBOs) loans are commercial debts with options for the lender to vary the rate at pre-set intervals. If the option is exercised, then the Council can either accept the new rate or repay the loan with no penalty.

4. As an alternative to borrowing from the Government, several local authorities have come to the market offering loans at competitive rates.

3.5.2 The Council's debt maturity profile is included in **Appendix A**.

Table 4: Temporary Investments as at 31 December 2016

	Principal £m	Average Rate %
Temporary investments outstanding as at 31/12/2016	127.96	0.47
Estimated temporary investments outstanding as at 31/03/2017	<u>95.00</u>	<u>0.53</u>

3.6 The Borrowing Strategy and Borrowing Requirement

3.6.1 The Council's capital expenditure plans are set out in Sections 3.1.1, 3.1.2 and 3.1.3. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The

strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

- 3.6.2 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5: Borrowing and the Capital Financing Requirement 2016 / 2020

£m	2015/2016 Actual	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
External Debt					
Debt at 1 April	766.670	808.633	858.242	1,192.242	1,165.242
Expected change in Debt	41.963	49.609	334	131	7
Actual gross debt at 31 March	808.633	858.242	1,192.242	1,323.242	1,330.242
The Capital Financing Requirement	880.713	939.34	1,288.58	1,420.01	1,427.47
Under/(over) borrowing	72.08	81.098	96.338	96.768	97.228

Note: this calculation does not allow for the impact of internal borrowing which has the effect of reducing real borrowing (see Table 2, above).

- 3.6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/2018 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 3.6.4 The Executive Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.7 Treasury Indicators: limits to borrowing activity

- 3.7.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table 5: The operational boundary for 2016 / 2020

Operational boundary £m	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
Debt	858.242	1,192.242	1,323.242	1,330.242
Other long term liabilities	2.2	2.2	2.2	2.2
Total	860.442	1,094.442	1,325.442	1,332.442

3.7.2 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

3.7.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.7.4 The Council is asked to approve the following authorised limit:

Table 6: The Authorised Limit for External Debt 2016 / 2020

Authorised Limit £m	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
Debt	898.242	1,232.242	1,363.242	1,370.242
Other long term liabilities	2.2	2.2	2.2	2.2
Total	900.442	1,234.442	1,365.442	1,372.442

3.8 The Prospects for Interest Rates

3.8.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their and our central view.

Table 7: Interest Rate Forecast December 2016 to March 2020

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

3.8.2 Commentary on interest rate forecasts and the economy has been provided by Capital Asset Services in **Appendix G**.

3.9 The Borrowing strategy

3.9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2017/2018 treasury operations. The Executive Director of Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.9.2 Any decisions will be reported to Cabinet at the next available opportunity.

3.10 Policy on borrowing in advance of need

3.10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.11 Debt rescheduling and repayment

3.11.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.11.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term

rates on investments are likely to be lower than rates paid on current debt. The forecasts underpinning this strategy assume that cash balances will be used to repay maturing debt, at least for the short-term, i.e. the next three-year period.

3.11.4 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.12 Sources of finance

3.12.1 The Council's main source of finance is borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed up to 50 years at both fixed and variable rates. The Council has qualified for borrowing from the PWLB at the 'certainty rate' which is the prevailing PWLB interest rate on the date of borrowing less a discount of 0.20%. This discounted rate applies for funding of capital schemes through prudential borrowing and for the refinancing of maturing long term debt. With long-term PWLB rates currently low, this 'certainty rate' now makes funding through the PWLB an attractive option. In order to reduce the risk that loans will mature when interest rates are peaking, debt is taken on in portions that mature over a spread of years. This is described as the debt maturity profile. New loans will be taken to fit into gaps in the Authority's existing debt maturity profile.

3.12.2 The Council continues to source cheaper alternatives to the PWLB in order to finance the borrowing requirement for future years. Other than the PWLB, the Council currently uses other UK local authorities willing to offer loans up to 5 years and the European Investment Bank, both of which provide financing below the PWLB certainty rate. The Council has also found and will make use of commercial lenders willing to lend at rates below the PWLB certainty rate and continues to look at options such as Local Authority Bonds and the Municipal Bond Agency. The Government is currently consulting on making debt available at a discounted rate to support investment in infrastructure. This option will be considered alongside those others listed here.

3.12.3 Long-term borrowing to support Borough regeneration will service the capital financing requirements of the Council's arms-length development company, Brick by Brick. Onwards lending will be at a margin to the cost of borrowing and interest payments together with repayment of principal will prime additional investment. Investment in the Borough's Growth Zone should generate additional business rates that can be applied to service debt funding.

ANNUAL INVESTMENT STRATEGY

3.13 Investment policy

3.13.1 The Council's investment policy has regard to the Department for Communities and Local Government (DCLG)'s Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return. In accordance with the above guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

- 3.13.2 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 3.13.3 Investment instruments identified for use in the financial year are listed in **Appendix B** under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.
- 3.13.4 The Council may wish, from time to time, to take advantage of financial derivative instruments in order to better manage risks, such as exposure to interest rate movements. Local authorities, including the Council, have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). However, previous legislation was understood to prevent the use of such tools where they were not embedded in other instruments. The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in their annual strategy.
- 3.13.5 The Council will only use financial derivatives (such as swaps, forwards, futures and options) either on a standalone, or embedded basis, where it can be clearly demonstrated that as part of the prudent management of the Council's financial affairs the use of financial derivatives will have the effect of reducing the level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. This will be determined in liaison with the Council's external advisors. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit if applicable.
- 3.13.6 At all times the Council will comply with CIPFA advice and guidance on the use of financial derivatives and have regard to CIPFA publications on risk management.

3.14 Annual Investment Strategy

- 3.14.1 The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B**.
- a. **Specified Investments** - All investments shall consist of investments under one year as follows:
- Debt Management Agency Deposits Facility (DMADF).
 - Term deposits with UK Government or with UK local authorities.
 - Term deposits with credit - rated deposit takers (banks and building societies).
 - Certificate of Deposits.
 - AAA rated Money Market Funds.

- Bonds issued by multinational development banks.
 - Enhanced AAA rated Money Market Funds.
 - UK Government Gilts.
 - UK Government Treasury Bills.
- b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:
- Term deposits with credit - rated deposit takers (banks and building societies).
 - Term deposits with UK local authorities.
 - Certificate of Deposits (CD).
 - Callable deposits with credit rated deposit takers (banks and building societies).
 - Forward deposits with credit rated banks and building societies.
 - Bonds issued by multinational development banks.
 - Enhanced AAA rated Money Market Funds.
 - UK Government Gilts.
 - Property Funds.
 - Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.
 - Investment grade Corporate Bonds issued by Corporate Institutions.
 - AAA rated Covered Bonds.
 - Investment in the equity of any company wholly owned by Croydon Council.

3.14.2 Investment Income Gross - Based on cash flow forecasts for 2016/2017, the Council anticipates its average cash balances for the year to be £180.0m, which includes the £210.1m of new borrowing to be undertaken in 2016/2017. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.750m for 2017/2018.

3.14.3 All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.

3.14.4 The Executive Director of Resources will be responsible for managing all investments within the limits as set out in **Appendix E** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2011 Edition.

3.14.5 Capita Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2015. This is attached at **Appendix E** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Capita Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to

invest with any counterparty. These include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Capita Asset Services summarise these different views in forming an overall picture of the credit-worthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.

- 3.14.6 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counterparties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in **Appendix B**. In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.
- 3.14.7 Of the two part-nationalised UK banks, the UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 72.9% makes it the majority shareholder in that bank. As such, whilst the government announced plans to sell off its stake in that bank, the size of the current equity stake makes it unlikely that the sale process will materially dilute the government's holding in RBS in the near future. The RBS Group will therefore be retained as an approved investment counterparty till such time as the situation changes. Further, as the Council banks with the National Westminster Bank PLC which is part of the RBS PLC Group, the investment limit for this counterparty will remain at £25m. The UK government's stake in the other part-nationalised bank, Lloyds Banking Group PLC, currently stands below 11% with plans to sell this stake within the coming months to bring the bank back into private ownership. For investment purposes, the Council's treasury advisers have recommended that Lloyds Banking Group should now be evaluated on a stand-alone basis and should only be included onto an approved counterparty list if the bank meets the minimum rating criteria set. At present, the bank's ratings exclude it from the Council's approved lending list but like other entities this can change over time.
- 3.14.8 With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.
- 3.14.9 In 2014/2015, the Council had invested £20m in the Real Lettings Property Fund Limited Partnership. The property fund, which has a 7-year life, offers investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum based on the letting of the properties on 5-year lease terms. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. An additional £10m was advanced to

the Fund on 9 September 2015. Returns generated by the investment will serve to boost the Council's overall income in the future.

- 3.14.10 In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moodys and Standard & Poor's.
- 3.14.11 In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government.
- 3.14.12 As at 31st December 2016, short-term investment interest rates (1-3 months) were between 0.20% and 0.40% with longer term rates (up to 1 year) between 0.45% and 0.8%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Capita Asset Services' recommended maximum investment durations for the counterparty concerned.
- 3.14.13 With the introduction of the Markets in Financial Instruments Directive II from June 2017 this local authority will be classified as a retail investor. It will thence be for each counterparty to decide whether to assess the Council as a professional investor. Guidance from the Financial Conduct Authority on this process is awaited. The implications of not being reclassified are profound.

3.15 Treasury Limits

- 3.15.1 Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2017/2018 to 2019/2020 and are termed:
1. The '**Operational Boundary for External Debt**'. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
 2. The '**Authorised Borrowing Limit**'. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Executive Director of Resources.
- 3.15.2 The Executive Director of Resources will be responsible for setting the Council's Affordable Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.
- 3.15.3 The Council's affordable borrowing limit has been estimated to be **£900.442m** for **2016/2017**, **£1,234.442m** in **2017/2018**, **£1,365.442m** in **2018/2019** and **£1,372.442m** in **2019/2020** as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic

Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £40m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

3.16 Prudential Indicators

3.16.1 The Prudential Indicators for 2017/2018 to 2019/2020 are attached in **Appendix C** in accordance with the Prudential Code for Capital Finance in Local Authorities 2011 Edition.

3.16.2 The Executive Director of Resources is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.

3.16.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The updated 2011 Code was adopted on 26 February 2013 by Full Council (Minute A31/13).

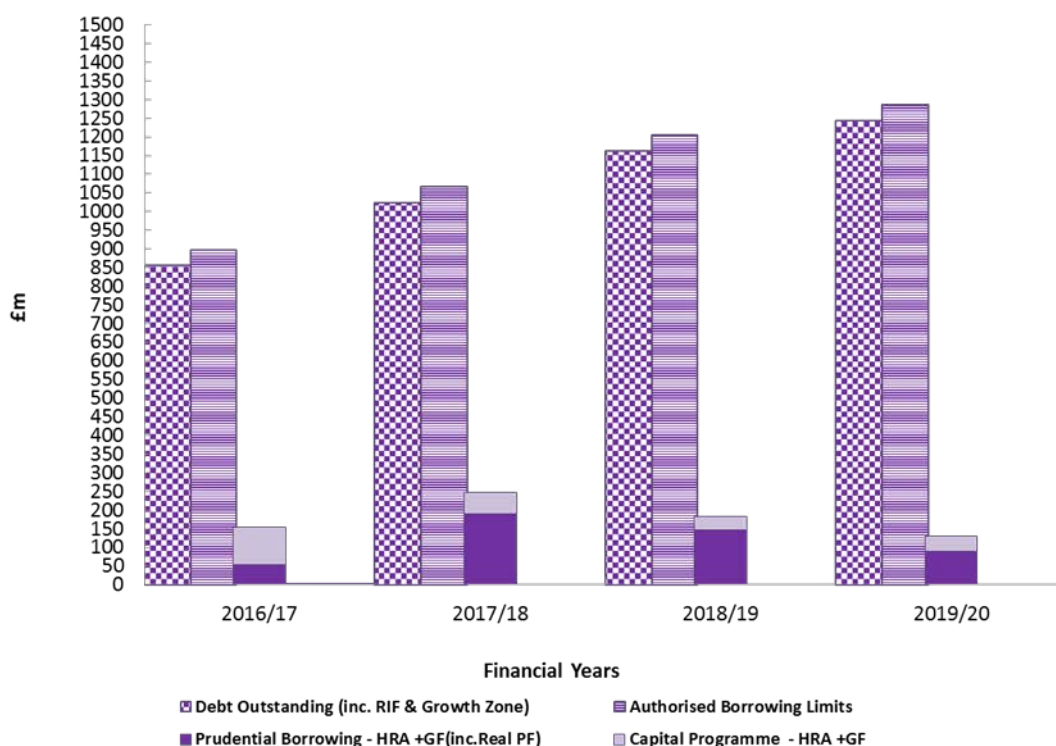
3.16.4 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.

3.16.5 The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:

1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. (**see Appendix C**).
2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £14.32 per Band D council taxpayer in 2017/2018. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.
3. The external debt indicators illustrate the calculation of the affordable borrowing limit.
4. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year, for reasons of limiting exposure to risk and guaranteeing adequate liquidity. The final indicator sets a profile for the maturing of new debt.

3.16.6 These main indicators are featured below as follows:

Chart 1: Comparison of Debt against Prudential Limits 2016 / 2020



3.17 Conclusion

3.17.1 The Council's treasury advisers forecast that the bank rate, currently at 0.25%, will increase only after the UK formally leaves the European Union. The longer term (25 years) PWLB interest rates, which currently are 2.9%, are expected to increase to around 3.00% in the second half of 2017.

3.17.2 Temporary investment rates are currently between 0.40 and 0.60% for short dates and between 0.54% and 1.0% for longer periods. It is anticipated that investment rates will increase gradually next year in line with bank rate expectations.

3.17.3 A glossary of terms associated with this report is attached in **Appendix F**.

4 CONSULTATION

4.1 Full consultation in respect of the contents of this report has taken place with the Council's treasury management advisers Capita Asset Services in preparing this report.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt with within this report.

There are no additional financial considerations other than those identified in this report.

5.2 The effect of the decision

Approval to this report will ensure that the Council meets both its legal and financial management requirements in respect of Treasury Management.

5.3 Risks

There are no further risks issues other than those already detailed in this report.

5.4 Options

These are fully dealt with in this report.

5.5 Future savings/efficiencies

This report sets out the Treasury Strategy and identifies that new loans and debt restructuring will only be undertaken on advice from our treasury management advisers.

Approved by: Richard Simpson, Executive Director of Resources.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Acting Council Solicitor comments that there are no additional legal considerations beyond those detailed in the body of the report.

Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the recommendations of this strategy for Croydon Council staff or workers, other than the formation of a Development Company; HR advice will be given separately in relation to the specific people issues that will arise from that proposal.

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

8. EQUALITIES IMPACT

8.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

8.2 The Council's Capital and Revenue Budget 2017/2018 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

9. ENVIRONMENTAL IMPACT

9.1 There are no Environment and Design impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no Crime and Disorder reduction impacts arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The recommendations proposed are in accordance with the Treasury Management in the Public Services Code of Practice 2011 Edition and the Prudential Code for Capital Finance in Local Authorities 2011.

12. OPTIONS CONSIDERED AND REJECTED

12.1 Consideration and evaluation of alternative options are dealt with within this report.

CONTACT OFFICER: Nigel Cook, Head of Pensions and Treasury Ext 625526

BACKGROUND DOCUMENTS:

CIPFA's Prudential Code for Capital Finance in Local Authorities – Fully Revised Second Edition 2009 and updated 2011 Edition.

CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – Fully Revised Second Edition 2009 and updated 2011 Edition.

DCLG's Guidance on Local Government Investments March 2004.

Appendices

Appendix A: Long-term debt profile

Appendix B: Specified and non-specified investments

Appendix C: Prudential Indicators

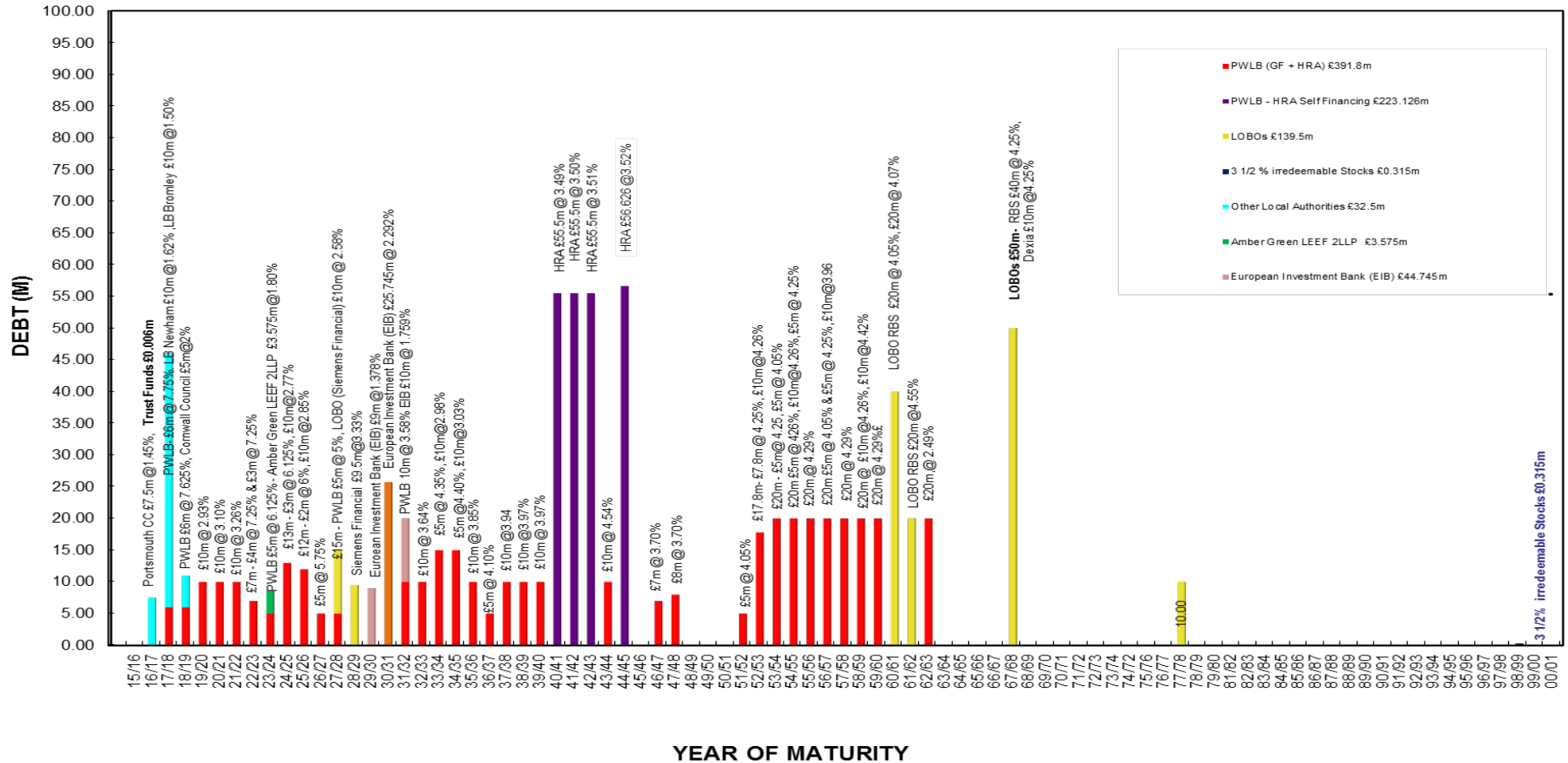
Appendix D: Minimum Revenue Provision Policy

Appendix E: Authorised Lending List

Appendix F: Glossary

Appendix G: Commentary on Interest Rate Forecasts

London Borough of Croydon Long Term Debt Profile as at 31 December 2016 £835.567m



LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
SPECIFIED AND NON-SPECIFIED INVESTMENTS

- a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:
- Debt Management Agency Deposits Facility (DMADF) which is currently available for investments up to six months.
 - Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to one year.
 - Term deposits with credit - rated deposit takers (banks and building societies) including callable deposits, with maturities up to one year.
 - Certificate of Deposits issued by credit - rated deposit takers (banks and building societies) up to one year.
 - AAA rated Money Market Funds (i.e. a collective investment scheme as defined in SI. 2004 No 534).
 - Bonds issued by multinational development banks (as defined in SI 2004 No 534) with maturities under 12 months. The Council currently does not invest in this type of investment. It is recommended, however, that these can now be used and held until maturity, after consulting and taking advice from the treasury management consultants.
 - Enhanced AAA rated Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.
 - UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market.
 - UK Government Treasury Bills which are debt instruments issued by the Government's Debt Management Office through weekly auctions. The bills are issued with maturities of one, three and six months.

- b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:
- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
 - Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.
 - Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.
 - Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.
 - Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
 - Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.

- If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.
- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.
- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment. The Council currently has invested in one property fund; the Real Lettings Property Fund Limited Partnership – see 3.5.13. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.
- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's

authorised lending list, after consulting and taking advice from the treasury management consultants.

- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Investment in equity of any company wholly owned by Croydon Council.

PRUDENTIAL INDICATORS FOR 2016/17 – 2019/2020

PRUDENTIAL INDICATORS	2016/17 Forecast Outturn £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
1. Prudential Indicators for Capital Expenditure				
1.1. Capital Expenditure				
- General Fund	127.746	386.774	148.866	28.007
- HRA	25.724	27.051	27.051	27.051
Total	153.470	413.825	175.917	55.058
1.2. In year Capital Financing Requirement (see Table 2)				
- General Fund - gross of MRP costs	54.722	355.227	138.572	15.348
- HRA	0.000	0.000	0.000	0.000
Total in year Capital Financing Requirement	54.722	355.227	138.572	15.348
1.3. Capital Financing Requirement as at 31 st March – balance sheet figures				
- General Fund (net of MRP costs)	600.653	949.887	1,081.325	1,088.778
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
Total	939.341	1,288.575	1,420.013	1,427.466
2. Prudential Indicators for Affordability				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	10.0%	13.0%	14.00%	14.0%
- HRA	16.00%	16.00%	16.00 ²	16.00%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£4.00	£14.32	£11.00	£3.00
- Cumulative increase (includes MRP costs).		£33.00	£64.00	£82.00
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
3. Prudential Indicators for Long External Debt				
3.1. Debt brought forward 1 st April	808.633	858.242	1,192.242	1,323.242
Debt carried forward 31 st March (includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	858.242	1,192.242	1,323.242	1,330.242
Additional Borrowing	49.609	334	131	7

APPENDIX C

PRUDENTIAL INDICATORS	2016/17 Forecast Outturn £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
3.2. Operational boundary for external debt (excludes revenue borrowing) Borrowing	858.242	1,192.242	1,323.242	1,330.242
Other long term liabilities	2.2	2.2	2.2	2.2
3.3. Total operational debt (excludes revenue borrowing)	858.242	1,192.242	1,323.242	1,330.242
Add margin for cashflow contingency	40.000	40.000	40.000	40.000
Authorised limit for external debt (includes revenue borrowing)	898.242	1,232.242	1,363.242	1,370.242
Other long term liabilities	2.2	2.2	2.2	2.2
Authorised Borrowing Limit	900.442	1,234.442	1,365.442	1,372.442
4. Prudential Indicators for Treasury Management				
4.1. Borrowing limits - upper limit for fixed interest rate exposure expressed as:- Net principal re fixed rate borrowing / investments	900.442	1,234.442	1,365.442	1,372.442
4.2. Borrowing limits - upper limit for variable rate exposure expressed as :- Net principal re variable rate borrowing / investments	20%	20%	20%	20%
4.3. Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	30%	30%	30%
4.4. Maturity structure of new fixed rate borrowing, if taken, during 2016/17	Lower limit		Upper limit	
- Under 12 months		0		20%
- 12 months to 24 months		0		20%
- 24 months to 5 years		0		30%
- 5 years to 10 years		0		30%
- 10 years and above		0		100%

MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2017/2018

The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/09, and will continue to assess their MRP for 2017/18 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.

The Council's MRP Policy Statement for 2017/2018 is to be as follows:

1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adapt **Option 1 - the Regulatory Method** by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.
2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31st March 2016, the MRP policy will be to adopt **Option 3 – Asset Life Method – Annuity method from the Guidance**. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.
3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.
5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.
6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).
7. The Council's cash investment in the Real Lettings Property Fund LP under a 7 year life arrangement is due to be returned in full at maturity with interest paid annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

APPENDIX D

8. Loans borrowed from Amber Green LEEF 2LLP or an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

LONDON BOROUGH OF CROYDON
Authorised Lending List as at 31/12/16 (Ratings as per FITCH)

LIST A

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada (Canada)	20,000,000	AA	F1+	aa	2	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc (Part Nationalised) (UK)	25,000,000	BBB+	F2	bbb+	5	AA+
Debt Management Account (UK Government Body)	No Limits					AA+

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
HSBC Bank PLC (UK)	10,000,000	AA-	F1+	a+	1	AA+
National Australia Bank (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
Svenska Handelsbanken AB (Sweden)	10,000,000	AA-	F1+	aa-	2	AAA
Toronto-Dominion Bank (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation (Australia)	10,000,000	AA-	F1+	aa-	1	AAA

LENDING LIST CRITERIA

LIST A

LIMITS TO INDIVIDUAL ORGANISATIONS

Maximum Investment Limit - £20m apart from the limits on the institutions noted below.

CREDIT RATINGS

FITCH Rating in each of the following categories:

- F1+ on Short Term Rating
- AA or above Long Term Rating
- aa- or above Viability Rating
- 5 or above for Support Rating
- AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS

ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above.
AAA RATED MONEY MARKET FUNDS - £15M LIMIT
DEBT MANAGEMENT OFFICE – NO LIMIT

APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS

PART NATIONALISED UK BANKS – Limits as noted below:
ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

LIST B

LIMITS TO INDIVIDUAL ORGANISATIONS

Maximum Investment Limit - £10m

CREDIT RATINGS

FITCH Rating in each of the following categories:

- F1+ on Short Term Rating
- AA- or above on Long Term Rating
- a+ or above Viability Rating
- 5 or above for Support Rating
- AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS

ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above
ALL UK LOCAL AUTHORITIES

GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2017/2018

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported - Unsupported	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants. Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

APPENDIX F

G7	The Group of Seven (G7) is an informal bloc of seven industrialised democracies – the USA, Canada, France, Germany, Italy, Japan and the UK that meets annually to discuss issues such as global economic governance, international security and energy policy.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan with no penalty.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Net Revenue Stream (NRS)	<p>The NRS for the General Fund is the “Amount to be met from Government Grant and Council Tax contributions”, as shown in the consolidated revenue account. This represents the budget requirement for the Council.</p> <p>The NRS for the Housing Revenue Account is the amount to be met from net rent income as shown in the HRA accounts.</p>
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
Public Works Loan Board (PWLB)	Part of the Government’s Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

COMMENTARY FOR INTEREST RATE FORECASTS AND THE ECONOMY PROVIDED BY OUR TREASURY ADVISOR CAPITA ASSET SERVICES

The Bank of England's Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
- The Italian constitutional referendum in December resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government;
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - There will be a Dutch general election in March;
 - This will be followed by the French presidential election in April/May 2017;
 - Next there is the French National Assembly election in June 2017; and finally in the annual calendar,
 - The German Federal election, in August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats.
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/2018 and beyond.
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.