

Cabinet Supplementary Agenda



8. Revenue Budget and Council Tax Levels 2023/24 (Pages 3 - 6)

Mayor's Response to Budget Scrutiny Report

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22nd February 2023

Dear Cllr Davis

Response to Scrutiny and Overview Committee's Budget Scrutiny Report

I write in response to the Scrutiny and Overview Committee's report on my Administration's Budget proposals for the coming year.

I want to thank the Committee for their careful consideration of the proposals and for your report setting out your conclusions.

As you highlight, the Opening the Books project has set out a detailed understanding of the Council's finances uncovering £49m of ongoing historic accounting errors which need to be put right.

When combined with the £1.3bn General Fund debt and the estimated £57m annual cost of servicing that debt next year, these issues create an unparalleled financial challenge for the Council. Against this context, the Section 114 notice issued in November highlighted that the Council cannot balance its budget without additional support from Government.

Given the scale of uncertainty I welcome the Committee's views that the Budget proposals put forward by the Administration are "based on prudent assumptions" and that it was "reasonable to conclude that it was deliverable."

Whilst no recommendations have been put forward by the Committee there are a number of areas of focus in the conclusions to which I shall respond.

Council tax

I note the Committee's judgement that "*some increase in council tax may well be needed to help the Council balance its budget*" and the view by a number of Members at the Committee meeting that the proposed 14.99% rise was appropriate given the circumstances.

I recognise other Members had differing views on what level this should be set at but as noted by Cllr Fitzsimmons, "I can't see any proposals that would allow a council tax to be at 5%. The idea it is 15% or nothing, or that it can only be 15% I think is something we need further time to explore" and Cllr Ben-Hassell, "I also agree, 5% it's not realistic considering what we've heard this evening." I, therefore, welcome the consensus that a standard 5% increase was not viable. Where alternatives below the 15% increase were discussed, however, no alternative way of funding the reduced income was put forward beyond yet more borrowing. Whilst raising council tax above the national cap is not a step I wanted to take, it is necessary if we are to protect vital services. Not agreeing the 14.99% council tax increase would require £20m in savings to be made in addition to the £36m already proposed. It is the view of Officers and the Improvement and Assurance Panel that such an additional scale of reductions would be unsafe.

The proposal, therefore, is to increase council tax by 14.99%, 12.99% for council tax and a further 2% Adult Social Care precept. We have also been clear that this increase above the cap is a one off. We will not be proposing to exceed the national cap again.

The Committee questioned why Croydon's proposed increase is higher than other boroughs exceeding the cap. This is down to the particular circumstances we face in Croydon.

Key amongst these is our debt level. Whilst others may have high debt levels, Croydon has a far smaller asset base. Therefore, whereas others are able to sell assets to bring in money, Croydon will quickly exhaust our options in this area.

Even if the council tax rise, £36m of savings proposals and £300m of capitalisation was agreed, the Council will still face a shortfall in future years unless the government agrees to write off over £500m of our debt. Ultimately, there are very few options if we are to put the Council on a sustainable footing.

I do, however, recognise that the increase is going to be difficult for many residents in Croydon. That is why we are also proposing to significantly increase the support we provide to protect those who cannot afford to pay their council tax and would otherwise be pushed into hardship by the increase. The additional £2m Hardship Fund will support residents who are struggling as a result of the proposed council tax increase. I would welcome the Scrutiny Committee's views on the proposed scheme before it goes live and will ask officers to ensure this happens. Related to this, I also intend to repropose to Council changes to the Council Tax Support Scheme which would link the rate of increase to the rate of council tax increase.

In response to the concerns raised at the Scrutiny and Overview Committee, and the private session held with members of the public the day before, the Equalities Impact Assessment (EqIA) for the Revenue Budget and Council Tax Levels 2023/24 Cabinet and Council report has been further reviewed. It has been updated to include additional information in relation to the potential financial impacts on residents of the increase in the council tax and the Council's proposed mitigating actions. The EqIA includes an annex which sets out details of the Council's approach to debt collection and its support to residents who are struggling to make ends meet. The EqIA and its annex have been published on the Council's website as part of the Budget Council papers for 1 March 2023.

Finally on council tax, I note the Committee's comments at paragraph 3.9, about the Budget engagement exercise, and as committed by Cllr Cummings at the Committee meeting, we will consider again whether a question about council tax levels should be included in future budget engagement exercises.

Savings proposals

This budget puts forward £36m of savings proposals. Whilst some are relatively technical decisions, others will clearly have an impact. I welcome the Committee's view that the package is prudent and deliverable and particularly the judgement that the Committee were *"reasonably reassured that the budget proposed was safe and that there were sufficient controls within the Adult and Children's services to mitigate, as far as possible, any potential risk to service users."* Whilst I know some of these savings will be difficult, the reality of our financial position means that, as my Mayoral Business Plan sets out, the Council must in future do and spend less.

Transformation

My Business Plan also sets an ambition to be better at the services we continue to provide. For that reason, a new Transformation Programme is included in the Budget this year and has, like the rest of the Budget been open to public scrutiny. Like the Committee, I see this programme as fundamental to the Council's financial and wider service improvement. The Council's transformation capacity has been a key focus this year. As such, I share the Committee's view at paragraph 2.5 of the report, that more work is needed to accelerate some projects and ensure there are clear milestones and delivery plans to drive their work. To build capacity in this area we will soon be advertising for a new Director of Transformation to lead the programme and I have introduced a new Mayoral oversight board (Transformation Mayor's Advisory Board) to ensure the programme progresses at pace.

Risks

I note the key risk identified by the Committee at paragraph 3.4 that “Government had not given any indication on whether it would be granting the Council’s request for capitalisation.” I share this concern and am working to press Government for a swift resolution to the capitalisation request. If the Capitalisation is not agreed or varies significantly from that assumed in the Budget report, we will seek to ensure Scrutiny has an opportunity to review any material changes to the draft Budget.

I would also, however, note an equally concerning risk around the Council’s own decision making. As the first Budget under a Mayoral governance system, and with a politically divided Chamber, this year’s Budget setting will be new ground for the Council. Whilst I accept there may be differing views on the proposals, particularly with regard to council tax, it is paramount that the Council agrees a balanced Budget, however difficult the decisions before us may be. There are measures in this Budget that I would rather not be putting forward, but these are driven by the financial situation of the Council.

As Cllr Cummings and I stated at the Committee, we will consider balanced alternatives which are put forward, but Croydon cannot revert to old habits and refuse to deal with the scale of the challenge we face.

I welcome the even-handedness with which Scrutiny has carried out its work and hope that Members across the Chamber will continue in that spirit to ensure the Council is able to set a balanced Budget and continue the work of returning sustainable local government to our borough.

Yours sincerely

A handwritten signature in black ink that reads "Jason Perry". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

Mayor Jason Perry
Executive Mayor of Croydon

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