

Council Supplementary Agenda



10. Council Tax and Budget Report (Pages 3 - 18)

The Cabinet decision on the Budget will be made at the meeting on Wednesday 22 February. The decision notice will be published as Appendix A to this report following that meeting.

1. The Mayor's Response to the Recommendations of the Scrutiny and Overview Committee
2. Opposition Amendment
3. Budget Book
4. Appendix B update
5. Annex A to the Council Tax and Budget Setting EqIA

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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, flowing style.

Mayor Jason Perry
Executive Mayor of Croydon

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REPORT TO:	COUNCIL 1 MARCH 2023
SUBJECT:	COUNCIL TAX AND BUDGET REPORT – AMENDMENT FROM THE GREEN GROUP
LEAD OFFICER:	Jane West, Section 151 and Corporate Director of Resources
WARDS:	All

SUMMARY OF REPORT:

This is a supplementary paper to agenda item 10, the Council Tax and Budget Report. The paper contains details of a proposed amendment to the budget and capital programme that has been submitted by the Green Group.

1. BACKGROUND

- 1.1 This paper is a supplement to agenda item 10, the Council Tax and Budget Report. It details a proposed amendment to the Council Tax & Budget Report Proposals received from the Green Group.
- 1.2 The amendment is replicated in full below.

2. PROPOSED AMENDMENT

To amend the Council Tax & Budget Proposals, to include:

Use £1 million from CIL to identify and mitigate risk at dangerous junctions in Croydon by developing and starting to implement a prioritised plan of improvements for cycling and walking by 2030. Junctions where there is no priority given to pedestrians should be reviewed. Safety features like dropped curbs and tactile paving should be considered and safety issues for people walking and cycling at junctions should be minimised.

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APPENDIX B - REVENUE BUDGET SUMMARY

DESCRIPTION	ORIGINAL BUDGET 2022/23 (A) £000's	Virements	CURRENT BUDGET 2022/23 (A) £000's	Other (B) £000's	ORIGINAL BUDGET 2023/24 (C) £000's
SERVICE BUDGETS					
CHILDREN, YOUNG PEOPLE AND EDUCATION	79,683	4,624	84,307	8,031	92,338
ADULT SOCIAL CARE AND HEALTH	114,215	8,443	122,658	7,174	129,832
HOUSING	8,028	1,558	9,586	6,068	15,654
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	26,466	7,797	34,263	31,358	65,621
RESOURCES	24,787	7,774	32,561	2,969	35,530
ASSISTANT CHIEF EXECUTIVE	32,478	1,202	33,680	7,117	40,797
NET COST OF SERVICES	285,657	31,398	317,055	62,717	379,772
Contribution to Provision for Doubtful Debts	1,000		1,000		1,000
Core and Social Care Grants Grants	(37,333)		(37,333)	(5,052)	(42,385)
Corporate Held Service Budgets	27,074	(31,398)	(4,324)	64,834	60,510
Contingency	5,000		5,000	-	5,000
Levies from Other Bodies			-		-
Environment Agency	314		314	8	322
Lee Valley Regional Park Authority	322		322	12	334
London Boroughs Grants Committee	297		297	8	305
London Pensions Fund Authority	457		457	11	468
London Local Gold	21		21	3	24
Interest and Investment Income	(8,133)		(8,133)	3,893	(4,240)
Interest Payable	27,525		27,525	6,384	33,909
Sub Total	16,544	(31,398)	(14,854)	70,101	55,247
NET OPERATING EXPENDITURE	302,201	-	302,201	132,818	435,019
APPROPRIATIONS					
Contributions to / (from) Earmarked Reserves	(3,560)		(3,560)	(10,574)	(14,134)
Provision for Repayment of External Loans	21,000		21,000	7,250	28,250
Depreciation	-		-	(21,959)	(21,959)
REFCUS	-		-	(18,085)	(18,085)
Deferred / Intangible Charges Written Off	-		-	(5,180)	(5,180)
Capitalisation	(25,000)		(25,000)	(38,000)	(63,000)
Contribution to / (from) General Balances	-		-		-
Sub Total	(7,559)		(7,559)	(86,548)	(94,108)
BUDGET REQUIREMENT	294,642	-	294,642	46,270	340,911
FINANCED BY					
Revenue Support Grant	14,646		14,646	2,065	16,711
Collection Fund surplus / (deficit)	940		940	(2,926)	(1,986)
Business Rates Top Up Grant	34,192		34,192	1,729	35,921
Business Rates Income	30,752		30,752	11,754	42,506
Council Tax - Band D Equivalent	214,112		214,112	33,647	247,759
TOTAL FINANCING	294,642	-	294,642	46,269	340,911

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RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2023/24

The Cabinet has considered a report in respect of the level of Council Tax for 2023/24 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. In summary the Cabinet recommends for 2023/24 a Band D charge of £1,805.42 for the Croydon element of Council Tax:

	2022/23	2023/24	Increase	Percentage increase
Council Tax	£1,384.36	£1,588.31	£203.95	12.99% of the 2022/23 Band D charge of £1,570.07
Adult Social Care levy	£185.71	£217.11	£31.40	2% of the 2022/23 Band D charge of £1,570.07
Total Croydon Element	£1,570.07	£1,805.42	£235.35	14.99%
Greater London Authority Precept	£395.59	£434.14	£38.55	9.74%
Overall Band D Charge	£1,965.66	£2,239.56	£273.90	13.93%

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

- (1) Approve the 2023/24 net budget requirement of £340.911m.
- (2) Approve the 2023/24 Council Tax Requirement of £247.759m.

Appendix B

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		1,057,364	
(ii)	allowance for contingencies		5,000	
(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,		1,986	
				1,064,350
(B)	<i>Less</i> Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		601,934	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,			
(iii)	Income from Government Capitalisation Directions	63,000		
	Core and unallocated Social Care Grants	42,385		
	Business Rates Top Up Grant	35,921		
	Business Rates Income	42,710		
	Revenue Support Grant	16,711		
(iv)	transfer from Earmarked Reserves	13,930		
			214,657	816,591
(C)	<i>Equals</i> 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)			247,759
Calculation of basic amount of council tax				
(C)	Council Tax Requirement			247,759
(D)	<i>Divided by</i> The Council's Tax base			137,230.9
(E)	<i>Equals</i> 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)			1,805.42

* The exact figure is

£247,759,411.48

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

Council Tax for Croydon for 2023/24	
Band A	6/9 x £1,805.42 = £1,203.61
Band B	7/9 x £1,805.42 = £1,404.21
Band C	8/9 x £1,805.42 = £1,604.82
Band D	9/9 x £1,805.42 = £1,805.42
Band E	11/9 x £1,805.42 = £2,206.63
Band F	13/9 x £1,805.42 = £2,607.83
Band G	15/9 x £1,805.42 = £3,009.03
Band H	18/9 x £1,805.42 = £3,610.84

(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 2023/24	
Band A	289.43
Band B	337.66
Band C	385.90
Band D	434.14
Band E	530.62
Band F	627.09
Band G	723.57
Band H	868.28

(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 2023/24 for each of the categories of dwellings shown below:-

Total Council Tax For 2023/24	
Band A	1,493.04
Band B	1,741.87
Band C	1,990.72
Band D	2,239.56
Band E	2,737.25
Band F	3,234.92
Band G	3,732.60
Band H	4,479.12

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Annex A - Support with Council Tax and Reductions

Council Tax Support (CTS)

As per scheme – income banded, the lower a resident's income the high the support provided. Pensioners and disabled residents may be entitled to receive up to 100% support and working age residents can receive up to 80% support.

Enablement Team – This team administer discretionary funding support, debt advice, and help to support residents into work.

Benefit maximisation – The council has welfare rights officers to help residents maximise their benefits. They will visit residents in their home and help them to complete any required forms/applications.

Reductions, Discounts and Exemptions

Severely mentally impaired (SMI) – persons are disregarded for the purposes of Council Tax. If all occupants are SMI then an exemption can be applied.

If all occupants are disabled but not classified as SMI then a reduction of up to 50% can be awarded.

Care Leavers and Foster Parents – Croydon offers a 100% reduction in council tax for these groups.

Students – full time students are disregarded for the purposes of Council Tax, if all adults in the household are students, then an exemption can be granted, else a maximum disregard discount of 25% would be granted if only 1 adult was to be counted.

Single Person's Discount (Sole Occupier Discount) – this discount is applied to all single occupied, or lone adult households. A 25% reduction is applied.

Exempt from Council Tax – Some homes will be 100% exempt from council tax if they were occupied by someone who is in prison, or has moved into a care home or hospital, or have had their home repossessed, or cannot be lived in by law.

Council Tax Band Reduction - A council tax reduction for disabilities is provided if you're a person with a disability or you live with someone who has a disability, and your home has adaptations to meet the needs of the disability.

Council Tax Recovery and Enforcement

The council has signed up the mantra of: *Those that can pay, will pay, those that can't pay, we will support and those that won't pay we will take a tough stance through enforcement.*

Instalment Plans – once the council has obtained a liability order for unpaid council tax the council is able to offer lower instalments and payment plans over a longer period of time.

Attachments of Benefits – If a resident is in receipt of a deductible benefit then the council will always seek to attach an order to their benefit payment, this is a very low weekly payment.

Attachment of Earning – if the council holds employment records or is able to find them for a resident an attachment of earning can be used for those that have defaulted on an arrangement or are avoiding payment.

Enforcement Agents – Croydon uses both internal and external enforcement agents, where a debt is in borough, we will try to use internal agents and external otherwise. All enforcement agents are trained on ethical debt collection and seek the best outcome for the resident and the council. They identify vulnerable residents and take appropriate action such as referrals, they will also put the case on hold and refer to the council for next actions. External enforcement agents have discretion and funding where if a vulnerable case is identified they may help to reduce their debt and they also carry food parcels.

The enforcement agent service was overhauled and regulated in 2014. An enforcement agent is no longer able to enter a property through any open door/window. All enforcement agents are regulated through civil enforcement association, CIVEA.

There is a new enforcement conduct board, which has a mandate to protect the financially vulnerable, balance the critical financial needs of councils and ensure fairness for all.

We received very few complaints regarding the behavior of our enforcement agents. During this year we have received no complaints about our internal team and 2 in relation to the external teams.

Hardship Scheme

Section 13A schemes – Croydon has a hardship scheme administered under S13A which includes **Care Leavers**.

Council Tax Support Transitional Funding 2022/23 & 2023/24

In 2022 Croydon introduced an income banded CTS scheme which reduced the level of support to some residents. To help residents transition to the new scheme a £2m over 2-year transitional fund was put in place to help residents adjust to the new scheme.

Council Tax Support Fund 2023/24

Government have requested all billing authorities to an award up to £25 to all residents who are in receipt of council tax support as of 01/04/2023.

Any left-over funding from this will be put towards a discretionary hardship scheme.

Council Tax Hardship Scheme 2023/24

As a consequence of the rise in council in Croydon, the council will make available a £2m fund which will be aimed towards helping households and residents on low-income.

Household Support Fund 2022/23

The DWP provides funding to local authorities to administer support to vulnerable households. In 2022 £300k has been allocated to helping residents in receipt of Council Tax Support with their council tax bill, if there is an outstanding balance to pay for the 2022 year. This fund can only be used to support households in year. There may be support next year but the DWP are yet to make that announcement.

Discretionary Housing Payment

You can apply to the discretionary support fund if you live in Croydon and have financial hardship, this fund is called the discretionary housing payment which is a top-up of your benefit, it is used to help residents with the rent, housing costs, housing deposit or rent arrears. This is a one-time offer, to qualify the resident must demonstrate how this payment will help them out of the financial hardship and on to financial sustainability.

Interest Free Budget Loan

You could also be eligible for an interest free budget loan if the resident has received one of these 4 benefits in the last 6 months:

- Income support
- Income based Jobseekers Allowance
- Income bases Employment and Support Allowance
- Pension Credit

Croydon Health Homes

You can get free energy saving advice from Croydon Healthy Homes.

Warm spaces – a list of warm spaces are available on the Croydon website for residents to visit.

Free school meals

If you are a parent who receive an eligible benefit your child may be entitled to free school meals.

Partner Referrals – Vulnerability & Debt Advice

The council has partnered with other organisations that offer consolidated debt advice and support. Some of those organisations include:

- Money Advisors Network
- Citizen's Advice Bureau
- South-west London Law Centre
- Step Change
- Age UK
- MIND
- Croydon Plus Credit Union

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