

Council Supplementary Agenda



6. Council Tax and Budget 2023-24 (Pages 3 - 336)

Katherine Kerswell
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LONDON BOROUGH OF CROYDON

REPORT:	Council	
DATE OF DECISION	8 March 2023	
REPORT TITLE:	The Council's Budget 2023/24	
CORPORATE DIRECTOR / DIRECTOR:	Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Jane West, Corporate Director of Resources	
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance	
CONTAINS EXEMPT INFORMATION?	No	
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 The purpose of this report is to enable the Council to calculate and set the Council Tax for 2023/24.
- 1.2 The Localism Act 2011 made significant changes to the Local Government Finance Act 1992 ("the Act"), and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.
- 1.3 The Council has to formally resolve that it calculates certain figures, which broadly are:
- its gross expenditure, including contingency and levies (but not precepts)
 - its gross income from fees & charges and other sources, specific grants, external finance from the Government, and any surplus/deficit on the collection fund
 - the difference between the two, being the amount which the Council needs for its own services to be paid from the collection fund, defined as the Council Tax requirement
 - the basic amount of Council Tax for the net position of all these figures, including precepts, and
 - the amount of Council Tax for each other category of dwelling.
- 1.4 The Council is also required to formally approve the management of the Council's treasury management functions, including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Statement; the proposed revenue budget for the General Fund; the Capital Strategy & Programme.

- 1.5 On 1 March 2023 the Council rejected the Mayor's Budget. The Mayor has reflected on the debate from the meeting and has concluded that the budget presented on 1 March 2023 should be returned to the Council for reconsideration and approval at this meeting.
- 1.6 Members are asked to refer to the Council papers from 1 March 2023, including the Cabinet reports from 22 February 2023 and the various appendices and any supplementary papers to both sets of papers, as the recommendations before Council make specific reference to these reports.
- 1.7 Attached to this report is:
- Appendix A - Executive Response to 1st March 2023 Decision (Executive Decision Notice, Letter to CE from Mayor and A draft Council Tax Hardship Scheme for information).
 - Appendix B - Letter from Grant Thornton, the Council's External Auditor – Regarding 8th March
 - Appendix C - Legal Advice from Monitoring Officer
 - Appendix D – Covering Report + Council Tax & Budget Appendices from 1st March including addendums.
- 1.8 The Treasury Management Strategy Statement and the Capital Programme & Strategy with all related documents were reported to Cabinet separately.
- 1.9 In light of the above, Cabinet recommends the Council to adopt the following resolutions as set out below. The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £2,239.56

2 RECOMMENDATIONS

For the reasons set out in the report [and its appendices], and as recommended by Cabinet of 22 February 2023, and endorsed by the Executive Decision of the Mayor on 7 March 2023, Council is recommended:

- 2.1 To agree an increase in the Croydon element of the 2023/24 council tax charge by 12.99% (Band D £203.95)
- 2.2 To agree a 2% increase (Band D £31.40) in the 2023/24 Adult Social Care precept levy.
- 2.3 To agree the calculation of the council tax requirement of £247.759m and council tax as set out in Appendix B (to the addendum to the Council Report of 1 March 2023 – Appendix B update) and note that the inclusion of the Greater London Authority precept will result in a total increase of 13.93% (Band D £273.90) in the overall Croydon council tax bill.

- 2.4 To approve the setting of the Council's own total net expenditure budget for 2023/24 at £340.911m (Appendix C – to the Council Report, 1st March 2023).
- 2.5 To agree the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as recommended by Cabinet of 22 February 2023 (Appendix D – to the Council Report, 1st March 2023).
- 2.6 To agree a £10m budget in 2023/24 to support the transformation programme.
- 2.7 To agree that the Corporate Director of Resources be authorised to collect and recover National Non-Domestic Rate and council tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992.
- 2.8 To agree the Council's 2023/24 to 2026/27 General Fund Capital Programme which includes planned expenditure of £305.67m (including capitalisation directions) across the four years as recommended by Cabinet on 22 February.
- 2.9 To agree the Council 2023/24 Housing Revenue Account Capital Programme with a total investment planned of £32.62m with borrowing of nil as recommended by Cabinet on 22 February.
- 2.10 To agree the Council's Capital Strategy, drafted with the support of PwC, as detailed within Appendix A of the Capital Programme and Capital Strategy 2022/23 to 2026/27 Report to Cabinet on 22 February 2023.
- 2.11 To agree The Treasury Management Strategy Statement 2023/24 as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February
- 2.12 The Prudential Indicators as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February.
- 2.13 The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B of the Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

- 3.2 Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m requires Cabinet approval for capital spend under the Council's Scheme of Delegation.
- 3.3 Under the Constitution of the London Borough of Croydon the Full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code).

4 BACKGROUND AND DETAILS

- 4.1 As set out in the reports to Council of 1 March 2023 and Cabinet of 22 February 2023 and the attached Appendices (Appendix D)

5 APPENDICES

- Appendix A - Executive Response to 1st March 2023 Decision (Executive Decision Notice, Letter to CE from Mayor and A draft Council Tax Hardship Scheme for information).
- Appendix B - Letter from Grant Thornton, the Council's External Auditor – Regarding 8th March
- Appendix C - Legal Advice from Monitoring Officer
- Appendix D – Covering Report + Council Tax & Budget Appendices from 1st March including addendums.

LONDON BOROUGH OF CROYDON

To: All Members of Council
Croydon Council website
Access Croydon & Town Hall Reception

STATEMENT OF EXECUTIVE DECISIONS MADE BY EXECUTIVE MAYOR ON 07 MARCH 2023

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. Please note, that as the decisions below are not Key Decisions, they are not subject to call-in.

The following apply to the decision below:

Reasons for these decisions: As set out in Part A report

Other options considered and rejected: As set out in Part A report

Details of conflicts of interest declared by any Cabinet Member: None

Note of dispensation granted by the Head of Paid Service in relation to a declared conflict of interest by that decision maker: None

The Executive Mayor has made the executive decisions noted out below:

Decision No.: 0723EM

Details of Decision: EXECUTIVE RESPONSE TO THE COUNCIL TAX & BUDGET 2023-24 DECISION AT THE 1ST MARCH 2023

Details of decision:

Having carefully read and considered the Part A report, and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Executive Mayor

RESOLVED:

The Mayor has confirmed that he wishes to resubmit his original Budget proposals to Council, as set out in the Council Tax & Budget 2023-24 Report to the Council meeting on 1st March 2023, for reconsideration.

The Mayor's response to the Council objections is set out at Appendix A.

Signed: Monitoring Officer

Notice date: 07 March 2023



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020 8667 8288

7th March 2022

Dear Chief Executive

Response to Council Budget objections

As per the Constitution, I am writing to you to set out my response to the Council's objections to my proposed Budget.

Croydon Council faces one of the most difficult financial challenges in the history of local government. That is going to mean exceptional steps are required.

Whilst I share and understand Members' reluctance to raise Council Tax above the cap, we must be realistic that our options are incredibly limited.

This Budget proposes:

- £36m of savings next year
- £200m of capital receipts over a four year period
- £224.6m of additional Capitalisation Directions from Government
- A major transformation programme to drive down costs
- A prudent but not excessive level of contingency budgets and reserves
- A Council Tax increase of 14.99%

Such is the state of our finances that we need to do **all** of these elements in order to balance our Budget. It is not a case of choices.

I have been clear about this since November when, alongside our initial draft Budget proposals, the Section 151 Officer published a Section 114 notice for the coming year. That notice stated very clearly that without significant Government support we would not be able to balance our Budget for the 23/24 year.

The Leader of the Opposition has suggested that an alternative plan must exist in order to balance the Budget without a Council Tax rise. It does not. This is not a choice we are making because we want to raise Council Tax. It is a necessity resulting from the years of historic mismanagement which have left this authority with hundreds of millions of pounds of budget gap and over £1.6bn of toxic debt.

The only other possible solution would be to borrow another £66m over the coming three years. That would saddle the Council with even more debt, even higher yearly payments to service the debt and repeat the mistakes of the past. This would also require us to exceed the capitalisation direction granted by Government, which we are not lawfully able to do.

The Opposition knew we were asking for an above cap Council Tax increase since it was set out in the Cabinet Report in November. They have had over three months to consider their alternative, and yet no Budget amendment was put forward regarding Council Tax. A named finance officer was assigned to assist the Opposition develop their alternative Budget on 13 January and an extension was even granted for opposition parties' budget amendments to be submitted but still only one amendment was received.

That amendment was submitted by the Green Group but this is solely related to Community Infrastructure Levy (CIL) funding and would not have an impact on the General Fund and will be considered at our

coming meeting. The Leader of the Green Group also set out their reasons to refer the Budget back including a request for additional information on the criteria and operation of the proposed £2m Hardship Fund. As such I enclose an initial outline of the proposal on which we will be seeking Scrutiny feedback, before a final decision on the arrangements for the Hardship Fund is taken.

I have always been open to considering alternatives. Whilst there wasn't an amendment from the Leader of the Opposition, he did put forward three suggestions at the Council meeting which have since been explored. These were:

1. *"The anticipated capital receipt arising from the Resonance Real lettings Fund"*
2. *"The possibility of looking at the profile of capital receipts"*
3. *"Whether the Council has the capacity to fully utilise the Transformation funding as proposed in the Budget"*.

I will address each in turn below.

1. Resonance Real Properties Fund income

"The anticipated capital receipt arising from the Resonance Real lettings Fund"

There will be a one-off income from Resonance Real Properties, however the timing of this is not guaranteed and it would be a one-off capital receipt, not ongoing revenue funding.

This money cannot be used to decrease the Council Tax. The only way of doing this would be to go above the capitalisation direction limit Government has agreed, which would be unlawful.

2. Reprofile capital receipts

"The possibility of looking at the profile of capital receipts"

Like selling a house, disposing of the Council's buildings takes time and is often reliant on the speed of the buyers and the nature of the market. Whilst I welcome the principle that we should ensure asset sales should progress as quickly as possible, often that is not in the Council's control.

The schedule of asset sales set out is what professional Officers have advised is likely to be achievable. Had the previous Administration left a pipeline of major asset disposals in process this would clearly have been a faster process.

We will of course press as hard as we can to get the best value disposals as quickly as possible, but we will not fiddle the figures and pretend assets can be disposed of faster than we know is likely to be the case. This may have been done in the past, but this Administration will not do that.

Where assets are sold, the receipts are assumed in the Budget to pay for the capitalisation direction and reduce the need to borrow. Without doing so the Council would yet again need to borrow more. That is not an answer to our problems.

Even if we were able to bring forward asset disposals, this would bring in capital funding which we are not able to use to fund everyday services. As set out above, the only way of doing this would be to go above the capitalisation direction limit Government has agreed, which would be unlawful.

3. Transformation funding

"Whether the Council has the capacity to fully utilise the Transformation funding as proposed in the Budget".

Yes, the Council does have the capacity to use the funding. Transformation of services, as opposed to salami-slicing, is how we will make long-term, financially sustainable, change. Reducing transformation programme funding, effectively an invest-to-save budget, would reduce our capacity for change and put future transformation savings at risk. It may reduce spending, but it will also reduce savings, leaving the Council worse off overall.

Members will also have noted that the Budget report set out that it was advice from the Improvement and Assurance Panel (IAP) that led to the transformation budget being set at £10m. Given we have had clear advice that this level of capacity is required for the change Croydon needs, I would be strongly against reducing this Budget allocation.

Summary

As has been set out, these one-off proposals are not viable alternatives, they would create new holes in the Council's Budget and perpetuate our problems by saddling the Council with millions more in debt. Had any viable and financially balanced alternatives been put forward, I would have considered them. The lack of any such amendments from the Opposition suggests that they do not have a real alternative.

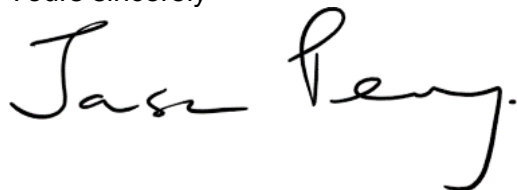
For the avoidance of doubt, I have consulted the S151 Officer on each of the amendments put forward by Cllr King and she has confirmed, for the reasons set out above, that these do not constitute viable options to reduce the proposed Council Tax level.

I recognise Members' unease about some of the measures put forward in this Budget. Whilst we have put forward proposals for a significant increase in support for residents through the enhanced £33m Council Tax Support Scheme and the additional £2m Hardship Fund, this Budget will still be difficult for many residents. There is nothing politically expedient about raising Council Tax, it is not something I want to do, but the scale of the problems I inherited mean it is necessary if we are to set a balanced budget and get our borough back on track.

I would also refer Members to the auditor letter of 3rd March which clearly sets out the duty we have to recognise the financial challenge facing Croydon and to set a balanced and prudent Budget for the coming year.

I therefore re-propose my original Budget, without amendment, to Members for further consideration at our meeting on 8th March.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jason Perry'.

Mayor Jason Perry
Executive Mayor of Croydon

Council Tax Hardship Scheme (CTHS)

Policy

April 2023

DRAFT

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DRAFT

1. Introduction

The London Borough of Croydon has developed a Council Tax Hardship Scheme (CTHS) to support the most vulnerable residents in the borough, and low income-households who are unable to meet the demands of their council tax due to financial hardships.

The CTHS is a discretionary scheme which reduces the council tax liability for residents in hardship, using available powers under Section 13A of the Local Government Finance Act 1992.

Support, in summary, will be provided to any Croydon resident in receipt of a qualifying benefit, or have income under a maximum allowance.

2. Main Eligibility Criteria

Applicants must meet the following criteria to be eligible to receive a reduction in council tax under this scheme:

1. Aged 18 or over.
2. Have a council tax liability.
3. Be in receipt of one of the following benefits:
 - Universal Credit
 - Income-Based Jobseekers' Allowance
 - Income-Based Employment and Support Allowance
 - Incapacity Benefit
 - Pension Credit
 - Income Support
 - Housing Benefit
 - Council Tax Support
 - Severe Disabled Allowance

Or

If the applicant is not in receipt of a welfare benefit, they may still be eligible to apply for CTHS if they are on a low income. Low income is considered to be a maximum of 3 income bands above the maximum threshold for eligibility to the Council Tax Support Scheme (CTSS), depending on the household composition.

3. Other Eligibility Criteria and Considerations

1. Individuals may be excluded from the scheme in the following situation:
 - Any resident found to be in receipt of another exemption which negates their council tax liability in part or in full.
 - Residents in Care Homes or Hospital for extended periods may apply no sooner than 2 weeks before they plan to return to their main residence.
 - Prisoners.
 - Non-residents – where the applicant's main residence is not within Croydon but has a council tax liability in Croydon.
 - Residents who would qualify as no recourse to public funds.
2. The person or household applying for assistance must not have any savings that can be relied on to meet the demand for council tax, this is aligned to the Council Tax Support Scheme for capital limits.
3. Only one application can be made per resident or household. If a resident has more than one council tax liability this scheme can only be provided to their main residence. Application for more than one residence will be declined.
4. If an applicant has received a payment from the Transitional Support Payment scheme the applicant will not be eligible for a discount under this scheme, support will be provided via the Transition Support scheme instead.

4. Application Process

1. Croydon has a digital by default position, which is supported by state benefits (UC) which has a digital only approach. Resident are expected to complete an online application form. The form can be found by following this link:
 - [\[link place holder\]](#)
2. An initial review will take place within 5 working days and an email notification will be sent to the resident to confirm the progress of their application.
3. Should further information be required the resident will be notified and contacted by a council officer to provide guidance within 10 working days of the application submission.

5. Verification of Applications

1. Where an applicant is in receipt of Council Tax Support or Housing Benefit then verification will take place against known information the council already holds.
2. Where an applicant is not in receipt of Council Tax Support or Housing Benefit, the applicant will be required to provide evidence of their income to ensure they meet the requirements of the scheme.

6. Delivery

1. After initial assessment of eligibility and any follow up required should a resident be eligible for this scheme a reduction to their council tax will be applied.
2. The reduction in council tax in relation to the 2023/24 council tax increase will be a percentage value, equal to the value rise in the Council's share of the council tax at Band D in 2023/24, above the national limit of 5% for that year.
3. The application of this reduction will be done as soon as practicably possible following a successful application but no later than 5 working days once a decision has been made.
4. Notification of the decision will be communicated with the resident at the point of the decision being made and in the form of a new council tax demand notice being issued showing the reduction.

7. Review

1. Should a resident wish to request a review of a decision made, they will be provided with contact details to appeal the decision. This will be reviewed within 28 days of receipt.
2. Should a resident falsify, or knowingly provide incorrect information the council may revoke any award made. Should this happen the council tax will be come immediately due and payable, and subject to all standard recovery processes at the council.

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3 March 2023

Dear Katherine and Jane

London Borough of Croydon 2023/24 budget setting – Full Council 8 March 2023

I am writing to you following our recent discussions with Jane regarding the Council's budget considerations for 2023/24. In this letter I set out my concerns around the position the Council currently faces following the Council meeting on 1 March 2023.

Background

As you are aware, as the appointed auditor for the Council Grant Thornton's responsibilities include to:

- give an opinion on the financial statements and
- assess the arrangements for Value for Money (VFM) - securing economy, efficiency and effectiveness in the Council's use of resources.

We also have additional powers and duties under the Local Audit and Accountability Act 2014 ('The Act'). These include powers to issue a public interest report, make statutory recommendations and to apply to the Court for a declaration that an item of account is contrary to law (advisory notice).

In October 2020 we issued a public interest report in respect of the following:

- Overall financial management and financial accounting arrangements
- Significant weaknesses in budgetary control during the year
- Levels of usable reserves
- Financial governance, monitoring and controls relating to Group entities

The Council has changed considerably since this report with a change in both political model (moving to an elected Mayor arrangement in 2022) and political control. All the senior officers overseeing the matters reported in October 2020 have been replaced. The Council now has an independent Improvement and Assurance Panel led by Tony McArdle.

In January 2022, we issued a further public interest report in respect of Fairfield Halls due to significant failings in financial governance and control and a failure to comply with procurement law in the period 2016-2019.

We would also note that during the 2020/21 financial year, the Council's former section 151 officer issued two section 114 notices (S114) in respect of the Council's ability to comply with the law requiring it to set a balanced budget.

2023/24 budget setting to date

In November 2022 we note you issued another s114 report in respect of the 2023/24 budget.

The combination of the ongoing budget requirements of these legacy budget adjustments and fundamental structural issues within the Council's finances such as the toxic debt burden of negative equity from historic uncontrolled borrowing and the national and global issues the local government sector is currently facing has undermined the progress being made on the financial recovery. As a result you concluded that a S114(3) Notice needed to be issued.

Your S114 report (November 2022) highlighted a number of issues which reflect the ongoing legacy of the financial management standards which had previously fallen well below the standard which should be expected of a taxpayer funded body. Your report reflects the following key weaknesses:

- The Council has a legacy of toxic debt which cannot be matched by the value by disposing of related assets.
- The Council has significant financial risks associated with Croydon Affordable Homes which has the potential to impact General Fund Reserves by up to £70 million.
- The Council appears to have overcharged the Housing Revenue Account for support costs for a number of years and this will need to be reversed
- The Council's "Opening the Books "exercise has identified legacy budgeting issues that have worsened the financial landscape
- The Council is having to deal with a landscape with revenue inflation of nearly 10% [capital inflation in the economy as a whole is running close to 20%] when the 2022/23 funding settlement was at circa 3% and unlikely to increase in the medium term.

In your November 2022 S114 report you also noted:

"The more significant problem for the Council is that the work which has been done in preparation for the 2023/24 Council Tax Setting in February or March 2023 has identified that expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 will exceed resources (including sums borrowed) available to the Council to meet that expenditure. The combination of the ongoing budget requirements of these legacy budget adjustments, fundamental structural issues within the Council's finances such as the toxic debt burden of negative equity from historic uncontrolled borrowing and the national and global issues the local government sector is currently facing has undermined the progress being made on the financial recovery. The S151 Officer has concluded that this necessitates a S114(3) Notice to be issued."

In response you applied to the Secretary of State for permission to increase the Council Tax for 2023/24 above 5% and you were given permission to raise Council Tax for 2023/24 by up to 15%.

At the Full Budget Council meeting on 1 March 2023, Members voted to reject the proposed budget and a further Council meeting has been set for 8 March 2023. We understand that the Council will consider one amendment to the proposed budget plan and that no further amendments can be made at this time. Members have to either support the Mayor's budget with or without the one proposed amendment which has been certified as viable by the Section 151 officer.

The choice facing members and the consequences of not passing the budget.

The Council's Monitoring Officer wrote to members on 27 February 2023 setting out their clear duties in respect of the budget and the consequences if Members choose to not to approve the budget at the Full Council meeting on March 8th 2023

As our previous public interest reports have set out, better use of taxpayers money in the past may have obviated the need for such significant Council tax increases at this time . Members must take full account of, and responsibility for, previous poor decisions as a context for future decisions. As set out in the Monitoring Officer's letter- failing to pass the budget , will not only be unlawful, if would make a bad financial position worse and damage the Council's reputation even further.

Meeting on 8 March 2023

Members are meeting on 8 March to re-consider the 2023/24 budget. If Members are unable to reach an agreement at that meeting then the Council will not be in a position to meet its statutory requirement to set a lawful budget. If that situation arises, you as senior statutory officers will need to consider an appropriate response in relation to your specific statutory duties.

As your auditor we will then give consideration to the applicability of our additional powers and duties, set out above. The most likely outcome being the use of an advisory notice – used for example by the auditor of the former Northamptonshire County Council.

Wider statutory powers

Given the very significant matters set out in this letter, I would now ask that this letter is shared with the Mayor and relevant members and would welcome further assurances from yourselves that this letter is given proper consideration by the Council.

Yours sincerely

A rectangular box containing a handwritten signature in blue ink that reads "Paul Dossett".

Paul Dossett

Partner

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BUDGET SETTING ADVICE NOTE

1. This advice note is written further to the legal implication advice contained in the Cabinet Revenue Budget and Council Tax Levels 2023/24 Report on 22nd February 2023. This is contained in Pages 278 to 284 of the Agenda pack for the Full Council meeting on 1st March 2023. The web link to the Agenda pack is available here ([Public Pack](https://www.croydon.gov.uk/Agenda/Agenda%20Document%20for%20Council%2001%2F03%2F2023%2018%3A30))[Agenda Document for Council, 01/03/2023 18:30 \(croydon.gov.uk\)](https://www.croydon.gov.uk/Agenda/Agenda%20Document%20for%20Council%2001%2F03%2F2023%2018%3A30).

Section 114 Context

2. The Council is still subject to the Section 114 (3) Local Government Finance Act 1988 strict financial control regime following the report of the Corporate Director of Resources (Chief Finance Officer) (in November 2022) that the Council's expenditure is likely to exceed the resources available in the financial year 23/24 and beyond. The Council has significant estimated unfunded financial deficits forecast from 2023/24 onwards.

External Assurance

3. The Government appointed Improvement and Assurance Panel continues to support, advise, and challenge the Council on the delivery of the Croydon Renewal Plan. They also provide assurance to the Secretary of State for Levelling Up, Housing and Communities in relation to the on-going permission for the capitalisation of expenditure to balance the council's budget.

Members obligations

4. Full Council is required to decide on the Council's budget for the next financial year. This is one of the most important decisions that Full Council is called upon to make during the year. This is more so this year in view of Paragraphs 2 and 3 above.

5. In the signed acceptance of office declaration, all elected Members agree to fulfil their duties as councillors to the best of their ability and judgement. Members also agree to abide by the Members' Code of Conduct which provides that "... on all occasions: I act lawfully" and "I do not bring my authority into disrepute". These declarations apply to the duty on Members to set a lawful budget.

Executive legal duty

6. The Executive Mayor is required (by law) to prepare the Council's budget proposals which comprises the revenue budget, capital budget, council tax base, council tax levels, borrowing requirements and uncommitted reserves. The Executive has discharged this legal duty by presenting to Full Council for decision a set of proposals which result in a lawful and balanced budget.

Full Council's legal duty

7. Full Council must agree to set the budget and by 11th March 2023. This legal duty arises from the Local Government Act 2000, Local Authorities (Functions & Responsibilities) Regulations 2000 and the Local Government Finance Act 1992. This duty is both individually owned and collectively shared between all elected Members that make up Full Council.
8. In deciding how to exercise its duty to set a lawful budget, Full Council must have regard to the advice of the Chief Finance Officer and the Monitoring Officer. Full Council must act in accordance with the Council's statutory duties, common law duties and administrative law principles (See Paragraphs 14.18 – 14.23 of the Cabinet budget report at pages 282 to 283 of the Full Council Agenda pack).
9. Failure to meet the 11th of March 2023 deadline to set a budget will have significant financial, legal, and reputational impact on the Council and its residents. Full Council will be acting unlawfully.

10. With no agreement on the budget, no budgetary allocations exist and there can be no provision for services, staff, or contractual commitments of the Council. The Council's ability to perform its statutory responsibilities, will be in jeopardy and will in effect 'grind to a halt'. This will have a significant impact on most residents, in particular vulnerable adults, and children. At its basic level, bills and staff wages will not be able to be paid, new contracts cannot be entered into and there will be breach of existing contracts.
11. The Council will not be able to process and send out council tax bills to residents, direct debits will not be set up and payment demands cannot be sent out. The whole council tax payment process will be delayed, and not just for the Council but also for the GLA. Delays in billing and chasing council tax collection reduces the probability of collecting what is due. This would also include what is due to the GLA and the GLA would expect Croydon to compensate it for losses of income given that the delay would be entirely of Croydon's making.
12. This would also mean that the initial council tax payments the Council receives would be delayed and the Council's cash reserves will be undermined by over £20m in April 2023 and thereafter every month that the delay continues. This missing cash would need to be borrowed from the market, typically from other local authorities. The fact that the Council require these loans due to its inability to set a budget would reduce the number of sources prepared to lend to the Council and would significantly impact the rate of interest demanded. This would obviously significantly worsen the Council's financial position and at a time when revenue is most needed. All this and the uncertainty that follows will damage the Council's reputation locally and nationally and with central government, other local authorities, staff, partners, businesses, contractors, residents, and potential investors in the borough. The Council and Members will be at risk of litigation in these circumstances.
12. Member's fiduciary duty (i.e., legal duty as trustee of the public purse)¹ is a material consideration to reflect upon. This includes the duty to council

¹ *Bromley London Borough Council v Greater London Council*² "It is well established ... that a local authority owes a fiduciary duty to the ratepayers from whom it obtains moneys needed to carry out its statutory functions,

taxpayers to avoid unlawful action (i.e., not to set a budget by 11th March) that would result in the loss of significant revenue to the Council or a failure to deliver services with consequential litigation and adverse financial implications to the Council. Personal liability may arise in the form of misfeasance in public office² depending on the nature and extent of conduct at Full Council meeting and its impact.

Dispute Resolution

13. The law recognises that there can be disputes in agreeing the budget and therefore has built in a dispute resolution process. This is clearly set out in the Budget and Policy Framework Procedure Rules in Part 4.C of the Constitution. A briefing note (copy attached) has already been provided to Members on the budget setting process and timetable.
14. At the 1st meeting of Full Council on 1st March 2023, by a simple majority vote, Members can agree the budget proposals or reject the budget and put forward objections for consideration by the Executive.
15. At the 2nd Meeting of Full Council on 8th March 2023, Members can vote to amend the budget proposal by two-thirds majority. The Council has received only one amendment to the budget proposal (link available here [\(Public Pack\)Addendum, Budget and Council Tax report Agenda Supplement for Council, 01/03/2023 18:30 \(croydon.gov.uk\)](#)) and which has been approved by

and that this includes a duty not to expend those moneys thriftlessly but to deploy the full financial resources available to it to the best advantage (Lord Diplock)” *Roberts v Hopwood*³ ”... [a] body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes, in my view, a duty to those latter persons to conduct that administration in a fairly business like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of the property of others. (Lord Atkinson)”

² **Misfeasance in public office** is an action against a holder of **public office**. It provides a remedy for persons who are injured by the actions of a **public** officer who has exercised his powers in bad faith. It is an unusual tort in that the prime focus is on the motivation of the defendant. There are similarities between the tort of **misfeasance in public office** and the criminal offence of misconduct in **public office**. However, the two are not the same and care should be taken before transferring principles between them. The ingredients of the tort a) The defendant must be a **public** officer; b) The defendant must have exercised power as a **public** officer; c) The defendant must have acted with malice or in bad faith, either with the intention of injuring the claimant or, being aware of the risk of such injury, without an honest belief that his conduct was lawful; d) That conduct must have caused the claimant material injury or damage of a sort foreseen by the defendant.

Corporate Director of Resources as capable of delivering a balanced budget. If the amendment fails to secure the two-thirds majority vote and falls, Full Council must then proceed to vote on the Executive budget proposals (which in law is the only default position). To discharge Members individual and collective legal duty and avoid the financial, legal, and reputational consequences alluded to in this advice note, Full Council should vote by a simple majority to approve the budget proposals. Members opposing the budget proposals can abstain from voting to ensure the legal duty to set a budget is discharged.

16. The dispute resolution process provides that in the event of an impasse (i.e., no two thirds majority to amend and no majority to approve), the Chief Finance Officer should identify the minimum decisions and resolutions required at the 2nd Full Council meeting to comply with statutory requirements. Once identified, there will be no time limit on the length of the meeting and the Council shall continue to meet until it has reached a final decision on the matter. The Chief Finance Officer has advised that the minimum decision required to meet the statutory requirements under the Local Government Finance Act 1992 are those in the budget proposal which is before Full Council as these are all integral to setting the budget and the council tax level.
17. In the event of an impasse (as indicated above), Members will be reminded of their legal obligations and duties which collectively requires them through Full Council to set a lawful budget based on the proposals before them. Mindful of the legal duties, the adverse consequences of not setting a budget and potential personal liability arising from any wilful misconduct, Members must work collaboratively (across party divides) to facilitate rather than frustrate the setting of a lawful budget.
18. If any Member's wilful misconduct in (persistently) refusing to set the budget is found to have caused a financial loss to the Council, they may be liable to make good such loss (i.e., misfeasance in public office). There could be a potential breach of the Members' Code of Conduct by bringing the Council into disrepute and failing to act lawfully. Further, under Section 66 of the Local Government Finance Act 1992, the failure to set or delays in setting the budget, could give

rise to a judicial review challenge by any person with sufficient interest (which could include a council taxpayer).

Chief Finance Officer and Monitoring Officers reports

19. The Chief Finance Officer (CFO) is responsible for the financial administration of the Council. The Monitoring Officer (MO) is responsible for ensuring the Council conducts its business in a lawful manner. In the event of a failure by Full Council to set a budget and by 11th March 2023 and which invariably will lead to the worsening of the Council's financial position, the CFO may have to issue another Section 114 (3) report. The MO may also have to issue a report under Section 5 Local Government and Housing Act 1989 as Full Council will be acting unlawfully. Therefore, it is imperative that Full Council discharge its legal duty to set a lawful budget.

Secretary of State's intervention

20. As indicated above, the Council is the subject of non-statutory intervention by the Secretary of State through the appointment of an Improvement and Assurance Panel. The failure to act as required by law to set budget and consequently provide statutory services and secure value for money could lead to further intervention³ by the Secretary of State that the council is failing in its best value duty, by issuing directions and possibly appointing commissioners to take over some or all functions of elected Members.

³ Section 15 of the Local Government Act 1999 provides powers, where the Secretary of State is "satisfied" that an authority is failing to comply with its best value duty, for he or she "to take any action which he considers necessary or expedient to secure its [the authority's] compliance with the requirements" of the best value duty. In particular, the legislation provides powers for the Secretary of State (or his or her nominee) to take over all or some of the functions of the authority. In recent interventions, the practice has been to use the latter powers to nominate Commissioners to take over some or all of the functions of an authority. However, it should be noted that the wording quoted above allows a wider range of actions to be taken by the Secretary of State, such as the issuing of Directions to an authority requiring it to carry out a review of its exercise of specified functions and either carry specific instructions or develop and deliver an improvement plan. In all cases, the Secretary of State can require the authority to "comply with any instructions...in relation to the exercise of that function" and to provide assistance as required for the exercise of a function. (Paragraph 3.2 Statutory intervention and inspection. A guide for local authorities).

Conclusion

13. It is imperative that Full Council acts lawfully and approves a lawful and balanced budget proposals at its meeting on 1st or 8th March 2023.

Stephen Lawrence-Orumwense
Director of Legal Services and Monitoring Officer

27th February 2023

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LONDON BOROUGH OF CROYDON

REPORT:	Council
DATE OF DECISION	1 March 2023
REPORT TITLE:	The Council's Budget 2023/24
CORPORATE DIRECTOR / DIRECTOR:	Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)
LEAD OFFICER:	Jane West, Corporate Director of Resources
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance
CONTAINS EXEMPT INFORMATION?	No
WARDS AFFECTED:	All

1 SUMMARY OF REPORT

- 1.1 The purpose of this report is to enable the Council to calculate and set the Council Tax for 2023/24.
- 1.2 The Localism Act 2011 made significant changes to the Local Government Finance Act 1992 ("the Act"), and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.
- 1.3 The Council has to formally resolve that it calculates certain figures, which broadly are:
- its gross expenditure, including contingency and levies (but not precepts)
 - its gross income from fees & charges and other sources, specific grants, external finance from the Government, and any surplus/deficit on the collection fund
 - the difference between the two, being the amount which the Council needs for its own services to be paid from the collection fund, defined as the Council Tax requirement
 - the basic amount of Council Tax for the net position of all these figures, including precepts, and
 - the amount of Council Tax for each other category of dwelling.
- 1.4 The Council is also required to formally approve the management of the Council's treasury management functions, including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Statement; the proposed revenue budget for the General Fund; the Capital Strategy & Programme.

- 1.5 Members are asked to refer to the Cabinet reports including the appendices and any supplementary paper, as the recommendations before Council make specific reference to these reports.
- 1.6 Attached to this report are:
- Appendix A which is the decision notice of the Cabinet meeting, which will be published as an addendum once the decision has been taken.
 - Appendix B is the calculation of the council tax requirement and council tax.
 - Appendix C sets out the Council's net budget requirement and medium term forecast to 2025/26.
 - Appendix D the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as recommended by Cabinet of 22 February 2023.
- 1.7 The Treasury Management Strategy Statement and the Capital Programme & Strategy with all related documents were reported to Cabinet separately.
- 1.8 In light of the above Cabinet recommends the Council to adopt the following resolutions as set out below. The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £2,239.56

2 RECOMMENDATIONS

For the reasons set out in the report [and its appendices], and as recommended by Cabinet of 22 February 2023, Council is recommended:

- 2.1 To agree an increase in the Croydon element of the 2023/24 council tax charge by 12.99% (Band D £203.95)
- 2.2 To agree a 2% increase (Band D £31.40) in the 2023/24 Adult Social Care precept levy.
- 2.3 To agree the calculation of the council tax requirement of £247.759m and council tax as set out in Appendix B and note that the inclusion of the Greater London Authority precept will result in a total increase of 13.93% (Band D £273.90) in the overall Croydon council tax bill.
- 2.4 To approve the setting of the Council's own total net expenditure budget for 2023/24 at £340.911m (Appendix C).
- 2.5 To agree the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as recommended by Cabinet of 22 February 2023 (Appendix D).
- 2.6 To agree a £10m budget in 2023/24 to support the transformation programme.

- 2.7 To agree that the Corporate Director of Resources be authorised to collect and recover National Non-Domestic Rate and council tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992.
- 2.8 To agree the Council's 2023/24 to 2026/27 General Fund Capital Programme which includes planned expenditure of £305.67m (including capitalisation directions) across the four years as recommended by Cabinet on 22 February.
- 2.9 To agree the Council 2023/24 Housing Revenue Account Capital Programme with a total investment planned of £32.62m with borrowing of nil as recommended by Cabinet on 22 February.
- 2.10 To agree the Council's Capital Strategy, drafted with the support of PwC, as detailed within Appendix A of the Capital Programme and Capital Strategy 2022/23 to 2026/27 Report to Cabinet on 22 February 2023.
- 2.11 To agree The Treasury Management Strategy Statement 2023/24 as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February
- 2.12 The Prudential Indicators as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February.
- 2.13 The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B of the Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 Report to Cabinet on 22 February.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.
- 3.2 Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m requires Cabinet approval for capital spend under the Council's Scheme of Delegation.
- 3.3 Under the Constitution of the London Borough of Croydon the Full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code).

4 BACKGROUND AND DETAILS

4.1 As set out in the reports to Cabinet of 22 February 2023 and the attached Appendices

5 APPENDICES

Appendix A Cabinet Decision Notice (to follow)

Appendix B Calculation of the 2023/24 council tax requirement and council tax

Appendix C Net budget requirement and medium term forecast to 2025/26

Appendix D Revenue savings, income, demand pressures and legacy budget corrections, by directorate

Appendix E Scrutiny response to Cabinet on Budget proposals

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

Appendix G Capital Programme and Capital Strategy 2022/23 to 2023/26 – Cabinet Report 22 February 2023

Appendix H Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24 – Cabinet Report 22 February 2023

Appendix I EqIA Revenue Budget and Council Tax Levels 2023-24

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 = £1,404.22
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 = £2,206.62
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	1,741.88
Band C	1,990.72
Band D	2,239.56
Band E	2,737.24
Band F	3,234.92
Band G	3,732.60
Band H	4,479.12

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London Borough of Croydon - Medium Term Financial Plan

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Base Budget (Departmental)	317.055	317.055	317.055
Base Budget (Corporate Items)	-0.946	-0.946	-0.946
Demand Pressures	11.283	19.161	24.985
Legacy Budget Corrections	49.037	49.537	50.037
Planned Savings	-33.098	-40.400	-41.114
Future Savings target	0.000	-20.000	-40.000
Provision for inflation	32.946	49.946	61.946
net cost of borrowing (interest, MRP & investment income)	57.919	64.432	63.461
Risk/contingency provision	5.000	10.000	15.000
Set aside of new adult social care grants	3.734	6.319	6.319
Economic Demand Pressures	5.500	5.500	5.500
Council Tax - Hardship Support	2.000	2.000	2.000
Transformation Investment	10.000	5.000	5.000
Gross Budget Requirement	460.430	467.604	469.243
Use of earmarked reserve (Council tax income guarantee)	-1.715	0.000	0.000
Core grant funding	-38.651	-42.648	-42.648
Additional Adult Social Care Grants	-3.734	-6.319	-6.319
Use of the capitalisation directive	-63.000	-38.000	-38.000
Business Rates - compensation grant for underindexing the business rates multiplier	-12.419	-12.419	-12.419
Net Budget Requirement (as per the budget book)	340.911	368.218	369.857
Financing			
<i>Government Grants:</i>			
Revenue Support Grant	-16.711	-17.628	-17.628
<i>Croydon Resources</i>			
Business rates top-up grant	-35.921	-37.864	-40.005
Business rates income	-42.506	-45.388	-45.388
Council tax (4.99% increase modelled in 2024/25 and a freeze in 2025/26)	-247.759	-263.061	-266.034
Prior year collection fund deficit	1.986	0.000	0.000
Total Financing	-340.911	-363.941	-369.055
Budget deficit/(surplus)	0.000	4.277	0.802

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Summary of Departmental Budget Proposals

Savings and Change Proposals

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-6,920	-2,022	-142
Adult Social Care & Health	-12,243	0	0
Housing	-2,305	-1,989	-589
Sustainable Communities Regeneration & Economic Recovery	-1,859	-145	17
Assistant Chief Executive	-2,924	0	0
Resources	-6,347	-1,646	0
Corporate / Council wide	-500	-1,500	0
Total	-33,098	-7,302	-714

Demand Pressures

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	0	0	0
Adult Social Care & Health	7,621	740	0
Housing	0	0	0
Sustainable Communities Regeneration & Economic Recovery	1,180	1,000	2,500
Assistant Chief Executive	1,230	4,932	3,324
Resources	1,195	1,150	0
Corporate / Council wide	57	56	0
Total	11,283	7,878	5,824

Legacy Budget Corrections

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	5,188	0	0
Adult Social Care & Health	1,648	0	0
Housing	5,286	0	0
Sustainable Communities Regeneration & Economic Recovery	14,759	0	0
Assistant Chief Executive	2,001	0	0
Resources	11,271	500	500
Corporate / Council wide	8,884	0	0
Total	49,037	500	500

Net Budget Movement

Figures are incremental

Savings, demand pressures & legacy budget corrections	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-1,732	-2,022	-142
Adult Social Care & Health	-2,974	740	0
Housing	2,981	-1,989	-589
Sustainable Communities Regeneration & Economic Recovery	14,080	855	2,517
Assistant Chief Executive	307	4,932	3,324
Resources	6,119	4	500
Corporate / Council wide	8,441	-1,444	0
Total budget change	27,222	1,076	5,610

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Children, Young People & Education

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Children's Social Care Division	Improve practice system efficiency	-385		
2	Social Work with Children Looked After and Care Leavers	Reduce spend on Children Looked After placements	-1,715	-330	
3	Social Work with Children Looked After and Care Leavers	Review support for young people whose appeal rights are exhausted	-142		
4	Commissioning and Services to Schools	Increase the Education Traded Offer	-65		
5	Children's Social Care Division	Service efficiencies through hybrid and flexible working	-972		
6	Early Years Team	Refocusing public health funding - parenting programmes	-465		
7	Early Years Team	Develop family support centres and introduce external funding		-1,300	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
8	Social Work with Children Looked After and Care Leavers	Growth reduction	-1,200		
9	Social Work with Children Looked After and Care Leavers	Reduce demand for legal services	-570		
10	Access, Support and Intervention	Restructure of the Youth Engagement Team	-202		
11	Quality, Commissioning and Performance Improvement Division	Staff vacancy factor of 5% across Quality, Commissioning and Performance Improvement	-253		
12	Quality, Commissioning and Performance Improvement Division	Non-staffing spend across Quality, Commissioning and Performance Improvement	-36		
13	CYPE Integrated Commissioning and Procurement	Increase Health contribution to the Integrated Commissioning Team	-57		
14	Education Division	Service redesign across education to fully utilise grant funding	-44		
15	Systemic Clinical Services and Workforce Development	Income generation in Systemic and Clinical Practice	-45		
16	Social Work with Families and 0-17 Children with Disabilities	Reduce spend on Children with Disabilities care packages	-324		
17	Quality Assurance and Safeguarding	Local authority contribution to the safeguarding partnership	-20		
<i>Transformation Projects</i>					
18	Access, Support and Intervention	Sustaining demand management at the front door	-200		
19	Directorate wide	Review all joint funding arrangements across education, health and care		-250	
20	Social Work with Children Looked After and Care Leavers	Fostering transformation	-225		

21	Social Work with Families and 0-17 Children with Disabilities	Calleydown – increasing capacity and reducing respite costs		-142	-142
	Total of Planned Savings		-6,920	-2,022	-142

Legacy Budget Corrections

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
22	Performance and Business Improvement	Adjustment re prior year capitalisation of children and families systems team costs	216		
23	Early Years Team	Refocusing public health funding - parenting programmes savings correction	309		
24	Children's Social Care Division	Capitalisation income budget correction	784		
25	Social Work with Children Looked After and Care Leavers	Rebasing the income budget for Unaccompanied Asylum Seekers Children	3,879		
Total of legacy budget corrections			5,188	0	0

Net Budget Movement

Figures are incremental

Children, Young People & Education		2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-6,920	-2,022	-142
	Legacy budget corrections	5,188	0	0
Net Budget Movement		-1,732	-2,022	-142

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Adult Social Care & Health

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Disabilities	Disabilities operational budget	-5,277		
2	Mental Health	Mental health operational budget	-834		
3	OBC Commissioning	Contracts review	-275		
4	Localities and LIFE	Older People operational budget	-3,019		
5	Transitions	Transitions operational budget	-260		
6	All	Contracts review	-75		
7	Integrated Contracts & Performance	Review of staffing portfolio across C&P Services (Procurement, Hwa, Place, Cfe And P&B)	-100		
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
9	Provider Services	Active Lives staffing efficiency	-60		
10	All ASC Operations	Fees and Charges increase in line with DWP	-150		
11	Provider Services	Closure of the Cherry Orchard Garden Centre	-180		
12	Provider Services	Close Whitehorse Day Centre (facilities management cost only)	-38		
13	Integrated Contracts & Performance	PPE growth hand-back and swap with COMF money.	-325		
14	All ASC Operations	The managing demand programme will deliver a revised operating model for Adult Social Care & Health.	-150		
15	All	Staff vacancy factor of 5%	-1,000		
16	All ASC Operations	Absorption of inflation within existing budgets	-500		
Total of proposed savings			-12,243	-	-

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
17	All ASC Operations	Care packages/placements - inflation above corporate allowance	1,479		
18	All ASC Operations	Demographic & cost pressures re care packages/placements	5,065		
19	OBC Commissioning	Cost inflation on Care UK contract	275		
20	OBC Commissioning	Demographic & inflation pressures to the pooled equipment budget.	61		
21	ASC Improvement	Transformation funding ends for project management costs		740	
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>					
22	Transitions	Transitions Service cost of care growth	278		

23	Transitions	Transitions Service Demographic growth	463		
	Total Demand Pressures		7,621	740	-

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
24	Cross departmental	Refocusing of public health funding - budget correction	1,380		
25	Commissioning/business support	Realignment of budgets between the Housing Revenue Account and General Fund	268		
	Total Legacy budget corrections		1,648	-	-

Net Budget Movement

Figures are incremental

	Adult Social Care & Health	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-12,243	0	0
	Demand pressures	7,621	740	0
	Legacy budget corrections	1,648	0	0
	Net Budget Movement	-2,974	740	0

Housing

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
1	Emergency and Temporary Accommodation	Housing Needs restructure including Dynamic Purchasing System implementation	-625	-625	
2	Emergency and Temporary Accommodation	Temporary Accommodation occupancy checks	-400	-300	
3	Emergency and Temporary Accommodation	Temporary Accommodation case review (discretionary cases)	-600	-450	
4	Emergency and Temporary Accommodation	Data cleanse & rent accounts (income collection)	-300	-200	
5	Emergency and Temporary Accommodation	Repurpose general needs voids for emergency accommodation		-175	-175
6	Department wide	Vacancy factor	-302		
7	Emergency and Temporary Accommodation	Demand Management		-239	-414
Transformation Projects					
8	Homelessness & Assessments	Housing association liaison, recharges and nominations	-78		
Total proposed savings			-2,305	-1,989	-589

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
9	Department wide	Housing legacy structural budget deficit, first identified in the Medium Term Financial Strategy report in November and subsequently managed down from £5.2m	3,286		
10	Department wide	HRA recharges staffing corrections	1,500		
11	Temporary Accommodation	Inclusion of the leased properties for Concord Sycamore & Windsor within the General Fund (part of the HRA/GF realignment)	500		
Total legacy budget corrections			5,286	0	0

Net Budget Movement

Figures are incremental

	Housing	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-2,305	-1,989	-589
	Legacy budget corrections	5,286	0	0

	Net Budget Movement	2,981	-1,989	-589
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Sustainable Communities Regeneration & Economic Recovery

Savings and Change Proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Highways and Parking	Parking charges increase	-200		
2	Independent Travel	Review and reduction of the Neighbourhood Operations Team (NSO)	-150		
3	Independent Travel	Adult travel assistance - joint review	-50		
4	Independent Travel	Bus re-tender contract savings	-80		
5	Skills & Economic Development	Economic development team streamlined service	-46		
6	Community safety	Anti Social behaviour charging	-6		
7	Community safety	CCTV merger	-4		
8	Community safety	CCTV footage charge for insurance claims	-2		
9	Community safety	Review CCTV control room and functions following council telephony upgrade	-152		
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
10	Arts, Entertainment & Culture	Reduced museum activity	-71		
11	Independent Travel	Muster points	-8		
12	Independent Travel	Coach income (from bus hires)	-20		
13	Leisure	Redesign leisure sports development service	-45	-45	
14	Directorate	Fund the General Fund element of the Croydon Museum through the Growth Zone fund for a period of 2 years whilst transforming the service delivery model	-200		
15	Planning and sustainable regeneration	The charging of a percentage of salaries in Planning and Regeneration to income sources other than General Fund eg Growth Zone, Community Infrastructure Levy and external grants	-115		17
16	Planning and sustainable regeneration	Further use of Community Infrastructure Levy instead of General Fund funding where appropriate	-250		
17	Highways and Parking	Removal of a school crossing patrol budget that is no longer required	-60		

18	Departmental wide	One-off investment of public health grant in libraries (£0.200m) and physical activities (£0.200m)	-400	400	
<i>Transformation Projects</i>					
19	Building Control	Building control		-300	
20	Highways and Parking	Parking Policy		-200	
Total of proposed savings			-1,859	-145	17

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>					
21	Independent Travel	Increase in Special Education Need pupil numbers requiring transport	680		
22	Waste & Recycling	Refuse contract	500		2,500
23	Highways and Parking	Highways maintenance growth - previous planned growth delayed by 1 year to 2024/25.		1,000	
Total of demand pressures			1,180	1,000	2,500

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New growth identified in the 2022/23 Medium Term Financial Plan</i>					
24	Arts, Entertainment & Culture	Fairfield Halls management fee	-119		
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>					
25	Building Control	Building control stabilisation	900		
26	Development Management	Correction to legacy income budget in Development Management that is unachievable	1,000		
27	Environmental Health	Loss of Public Health Grant contribution to Food Safety Team budget	293		
28	Environmental Health	Reversal of unachievable income budget in relation to the previously proposed Selective Licensing Scheme, if this scheme goes ahead in the future the income will be required to fund the operation of the scheme	1,586		
29	Community safety	Correction of legacy shortfall in budget	215		
30	Public Realm	Correction of legacy shortfall in budget	299		
31	Highways and Parking	Parking and traffic - unachievable savings from prior years.	10,585		
Total legacy budget corrections			14,759	0	0

Net Budget Movement

Figures are incremental

		2023/24 £000	2024/25 £000	2025/26 £000
Sustainable Communities Regeneration & Economic Recovery				
	Proposed savings	-1,859	-145	17
	Demand pressures	1,180	1,000	2,500
	Legacy budget corrections	14,759	0	0
	Net Budget Movement	14,080	855	2,517

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Draft Officer Papers for Discussion - Strictly Private and Confidential

Assistant Chief Executive

Savings and Change proposals

All figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Croydon Digital Service	Extensions of procurements for CORE IT contracts	-250		
2	Human Resources	Reduction in previously agreed growth	-51		
3	Croydon Digital Service	Workforce restructure	-1,000		
4	Croydon Digital Service	Deletion of legacy oracle financials	-60		
5	Human Resources	Human Resources management team reorganisation	-210		
6	Policy, Programme and Performance	Contract Review	-800		
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
7	Assistant Chief Exec	Delete Director of Service Quality, Improvement & Inclusion Post	-122		
8	Croydon Digital Service	New graves site at Mitcham Road and Queens Road	-91		
9	Croydon Digital Service	Visual Tribute system at Croydon Crematorium	-31		
10	Mayor's Office	Reduced support	-40		
11	Human Resources	Corporate Learning and Development budget	-100		
12	Human Resources - but Council wide	Reduce non-contractual overtime and non-essential overtime.	-97		
13	Bereavement and Registrars	Additional income from fees and charges	-72		
Total of proposed savings			-2,924	0	0

Demand Pressures

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>					
14	Croydon Digital Service	Increase in the Croydon contribution to the TfL freedom pass scheme	1,230	4,932	3,324
Total demand pressures			1,230	4,932	3,324

Legacy Budget Corrections

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>					
15	Policy, Programme and Performance	Reinstatement of an elections canvass budget	65		
16	Croydon Digital Service	Decapitalise employee costs	1,130		
17	Coroners	Rebase the Croydon contribution in line with actual costs	558		
18	Department wide	Budget correction regarding the charge made to Public Health for the provision of support services	248		
Total legacy budget corrections			2,001	0	0

Net Budget Movement

Assistant Chief Executives		2023/24 £000	2024/25 £000	2025/26 £000
	Proposed Savings	-2,924	0	0
	Budget Pressures	1,230	4,932	3,324
	Legacy budget corections	2,001	0	0
Net Budget Movement		307	4,932	3,324

Resources - Budget Proposals

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Finance	ICT operational savings	-47		
2	Commercial Investment	Savings on building closures/disposals	-12		
3	Commercial Investment	Review and release of additional space in Bernard Weatherill House or disposal with part sale and leaseback option	-315		
4	Finance	Restructure technical support & development teams	-30	-30	
5	Finance	Finance staffing review	-125	-125	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
6	Finance	Premier supplier commission	-200	-100	
7	Finance	Improvement costs met from reserves	-250		
8	Commercial Investment	Saving from duplicated interest budget	-2,445		
9	Commercial Investment	Base budget adjustment regarding fees & charges, landlord income, and HRA mast income (partially offsets the saving in the duplicated interest budget)	809		
10	Finance	Recovery of housing benefit overpayments	-663		
11	Commercial Investment	PMI Contract Manager - Invest to Save proposal	79	-79	
12	Finance	Reduction in running costs in Finance including Revenues, Benefits, Business Rates and the Debt Team	-100		
13	Finance	Additional Court Cost income	-500		
14	Insurance, Risk & Anti Fraud	Additional HRA recharge for insurance	-500		
15	Commercial Investment	Additional commercial rental income	-150		
16	Pensions	Reduction in banking contract budget	-22		
17	Pensions	Contribution from pensioners budget being underspent	-40		
18	Finance	Vacancy factor to be deducted from the General Fund salary budget	-308		
19	Finance	Forecast increase in street naming income	-45		
<i>Transformation Projects</i>					
20	Finance	Housing benefit review	-1,483	-1,312	
Total of proposed savings			-6,347	-1,646	0

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
21	Commercial Investment	Increase in business rates payable by Croydon in line with the 2022 Rates Revaluation	1,000	750	
22	Finance	Forecast shortfall in land charges income	195		
23	Insurance, Risk & Anti Fraud	Insurance Fund growth		400	
Total of Demand Pressures			1,195	1,150	0

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
24	Finance	Housing Benefit Subsidy - Loss on HB Payments with Care Package Element	9,000	500	500
25	Procurement / Commissioning	Decapitalisation of employee costs	150		
26	Investment & Assets	Rebasing of prior year income budgets	90		
27	Legal	Budget correction regarding legal recharges	1,600		
30	Commercial Investment	Reversal of legacy unachievable income	431		
Total legacy budget corrections			11,271	500	500

Net Budget Movement

	Resources	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed Savings	-6,347	0	0
	Demand Pressures	1,195	1,150	0
	Legacy Budget Corrections	11,271	500	500
	Net Budget Movement	6,119	1,650	500

Corporate / Council wide - Budget Proposals

Savings and Change proposals

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
1	Council wide	Customer access (council wide)		-1,500	
2	Council wide	Consider new structures through layers and spans review	-250		
<i>Transformation Projects</i>					
3	Council wide	Business Intelligence	-250		
Total of proposed savings			-500	-1,500	-

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New growth identified in the 2022/23 Medium Term Financial Plan</i>					
4	Corporate Items	Increase in external levies	42	43	
5	Corporate Items	Apprenticeship levy	15	13	
Total demand pressures			57	56	-

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
6	Council wide	Realignment of Housing Revenue Account and General Fund Budgets. Total budget £9.544m of which £2.268m is so far shown within departmental growth. £8.237m of the growth represents a saving to the Housing Revenue Account	7,276		
7	Council wide	Realignment of employee overhead budgets (national insurance and superannuation/pension contributions)	1,608		
Total legacy budget corrections			8,884	-	-

Net Budget Movement

Figures are incremental

	Corporate / Council Wide	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed Savings	-500	-1,500	0
	Demand Pressures	57	56	0
	Legacy Budget Corrections	8,884	0	0
	Net Budget Movement	8,441	-1,444	0

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet
DATE	22 February 2023
REPORT TITLE:	Report of the Scrutiny and Overview Committee: Budget Scrutiny 2023-24
LEAD OFFICER:	Stephen Lawrence-Orumwense Director of Legal Services & Monitoring Officer Adrian May Interim Head of Democratic Services
LEAD MEMBER:	Councillor Rowenna Davis Chair of Overview and Scrutiny
ORIGIN OF ITEM:	<p>As part of the consideration of the Council Tax and Budget Report, the Cabinet is required to consider feedback from the Scrutiny & Overview Committee.</p> <p>In accordance with the Council's Constitution, the Scrutiny & Overview Committee scrutinises the entirety of the budget proposals and reports its findings to Cabinet as part of the budget setting process. The findings of the Committee, together with the response of the Administration will be presented at the Budget Council meeting.</p>
KEY DECISION?	No
PUBLIC/EXEMPT:	Public
WARDS AFFECTED:	All

1. THE BUDGET SCRUTINY REPORT

- 1.1. The Scrutiny & Overview Committee is required in the procedure rules set out in the Council's Constitution to report to the Cabinet the findings from its scrutiny of the budget setting process. This report is being provided to Cabinet alongside the Budget

papers to respond to the conclusions and recommendations of the Committee. Both this report and the response of the Cabinet will be included in the budget papers to be considered by Council on 1 March 2023.

- 1.2. The level of scrutiny given to the process for setting 2023-24 budget has been in line with the expanded scope conducted for the 2022-23 budget, as it was found that this approach allowed the members of the Scrutiny & Overview Committee to have a greater understanding of the potential risks to the delivery of the budget. A summary of the budget process is set out in section 2 of this report.
- 1.3. The Scrutiny & Overview Committee had a final opportunity to review the budget proposals at its meeting on 16 February 2023. It was at this meeting that the Committee, taking account of its work over the preceding months, reached its conclusions on the budget. These conclusions are set out for the consideration of the Cabinet in section 3 of this report. It should be noted that the Committee did not make any specific recommendation on the proposed budget.

2. BUDGET SCRUTINY PROCESS 2023-24

- 2.1. Although the Scrutiny & Overview Committee first considered a report on the setting of the 2023-24 budget at its meeting on 6 December 2023, the Committee had prioritised monitoring the delivery of 2022-23 budget earlier in the year. The Financial Monitoring Reports prepared for Cabinet have also been considered at meetings of the Scrutiny & Overview Committee, in addition to a report on the 'Opening the Books' process commissioned by Mayor Perry. This has allowed the Committee to identify key areas of risk it wanted to scrutinise in greater detail and provided reassurance that the Council was effectively managing its in-year budget.
- 2.2. In advance of the first budget scrutiny meeting on 6 December 2022, members of the Committee received two training sessions on best practice for budget scrutiny, delivered by the Centre for Governance and Scrutiny and the Local Government Association respectively. The Committee also received a briefing from the Council's Section 151 Officer on the key budget principles and the approach to setting the budget prior to the meeting on 29 November 2022.
- 2.3. At the Scrutiny & Overview Committee on 6 December 2022, consideration was given to the 2023-24 Budget and the Three Year Medium Term Financial Strategy report. From its discussion of the information provided, the Committee identified a number of areas for further investigation, including reviewing the support provided by the Council to the voluntary & community sector and a deep dive on transformation projects to provide reassurance that a robust framework was in place for these projects and that they were properly resourced.
- 2.4. The Scrutiny & Overview Committee met again on 30 January 2023, to receive these reports on Transformation Project Deep Dives, and Voluntary Community & Faith Sector Support. The Committee welcomed confirmation from both the Council and Croydon Voluntary Action of their commitment to building a deeper relationship

between the Council and the voluntary, community, and faith sector in the borough. However, serious concern was raised about whether new ways of working would be in place in time to support organisations with the transition away from the Community Fund when it ended in March 2023. In conclusion, the Committee stressed that tangible support plans needed to be a priority and treated with urgency to prevent the risk to services and activities being lost.

- 2.5. On the Transformation item, the Committee concluded it would like to see further evidence of the transformation programmes being mapped out with key milestones and timelines, once available. For example, the two projects reviewed by the Committee were still in their infancy and in the process of being mapped out. This meant that any assurance on these projects would need to be reserved until further information was available. Given the urgent and important role transformation needs to play in helping turn the Council around, more work needs to be done to create concrete delivery plans behind the aspirations.
- 2.6. The Committee welcomed confirmation that the Programme Management Office was leading a project to introduce a new project management system, as it was agreed that improved reporting was essential to ensuring there was a robust system in place to monitor the various transformation projects. Members were also supportive of the decision not to include savings targets, attributed to the transformation projects in the 30 November 2022 Cabinet report, in the 2023-24 budget unless it was clear how they would be delivered in the next year.
- 2.7. The four scrutiny Sub-Committees (Children & Young People, Health & Social Care, Streets & Environment, and Homes) each met with the respective Cabinet Members and Corporate Directors for their relevant remits to identify key areas of risk to review at their meetings in January/February 2023. The areas scrutinised were:-

Meeting	Budget Challenge Items
Scrutiny & Overview Committee Link to Committee papers: Tuesday, 6th December, 2022	2023-24 Budget Update, Medium Term Financial Strategy and Savings Proposals
Children & Young People Sub-Committee Link to Sub-Committee papers: Tuesday, 17th January, 2023	<ul style="list-style-type: none"> • The review of care packages for children with disabilities aged 0-17 • The impact of the reduction in spend on the adolescent service • Impact of the review of the Front Door and practices
Health & Social Care Sub-Committee	<ul style="list-style-type: none"> • 2022/23 Period 7 (October 2022) budget and savings position.

Meeting	Budget Challenge Items
Link to Sub-Committee papers: Tuesday, 24th January, 2023	<ul style="list-style-type: none"> • 2023/24 indicative savings (as of 10 January 2023). • The Council's position in relation to the benchmarked key performance indicators.
Scrutiny & Overview Committee Link to Committee papers: Monday, 30th January, 2023	Voluntary, Community & Faith Sector Support Transformation Project Deep Dives
Streets & Environment Sub-Committee Link to Sub-Committee papers: Tuesday, 31st January, 2023	<ul style="list-style-type: none"> • Parking Services (including information on the Parking Policy review) • Planning Service (including information on the Planning Transformation programme) • Building Control (including a short update on the Building Control transformation programme)
Homes Sub-Committee Link to Sub-Committee papers: Monday, 6th February, 2023	<ul style="list-style-type: none"> • Housing Revenue Account P7 outturn position. • Housing Revenue Account Business Plan key headlines. • Housing General Fund budget. • Housing General Fund P7 outturn position.

2.7. The Chairs of the Sub-Committees reported the findings from their respective budget challenge items to the main Committee at the meeting on 16 February 2023. From the feedback provided there was a reasonable level of assurance given the respective Cabinet Members and officers had a good understanding of their budgets and the potential risks to delivery. There was a reoccurring concern across the Sub-Committees about the capacity of the organisation to deliver the level of transformation planned in services, which was exacerbated by the challenges with recruiting and retaining staff. Reassurance was that this had been acknowledged and assurance was given that capacity restraints had been calculated into the process.

2.8. The Chairs of Children & Young People Sub-Committee and the Health & Social Care Sub-Committee advised that they had been reasonably reassured following their budget sessions, that that the services had a firm handle on their budgets and

would be able to deliver the proposed savings without significantly increasing the potential risk to the safety of service users.

- 2.9. The Chair of the Health & Social Care Sub-Committee provided further reassurance, highlighting that the Council has benefitted from a good working relationship with Croydon Health Service NHS Trust, which meant that many of the challenges facing other councils and local NHS hospital trusts such as bed blocking or long waits for operations were not such a threat locally. That said, threats to Croydon remain, especially workforce issues within the health and care system, with a sustainable workforce plan needed.
- 2.10. A full summary of the conclusions reached by the Scrutiny Sub-Committees, along with those from earlier budget scrutiny items considered by the Scrutiny & Overview Committee can be found attached at Appendix A.
- 2.11. As it was known that the report on the Administration's budget would not be available until 14 February 2023 (two days before the Committee meeting) a briefing was arranged for the Committee members with the Section 151 Officer on 15 February to provide an overview of the budget and answer questions arising from the Committee. The Committee appreciates the difficulty of circulating a budget before hearing from third parties about settlements, but it was emphasised that in future the chance to at least look at drafts would help the Scrutiny process do a better job.
- 2.12. On 15 February 2023 the Committee held an online Question and Answer session for members of the public, which gave residents the opportunity to question the budget proposals. The purpose of this session was to allow the Committee to learn about the main concerns of the public on the proposed budget, which could then be used to inform the questions of the Committee at its Budget Scrutiny meeting on 16 February 2023. From the session with the public the following common themes were noted: -
- Why was a 15% Council Tax increase being proposed and how had the Council been allowed to make the increase without the normal requirement for a referendum on increases above 5%?
 - Why should the residents of Croydon have to pay to rectify the mistakes of others?
 - What was being done to hold those responsible to account?
 - What support would be available for those unable to afford the increased payments, with concern about the use of enforcement.
- 2.13. The Committee would like to give its thanks to the Cabinet Member for Finance, Councillor Jason Cummings and the Corporate Director of Resources and Section 151 Officer, Jane West, for giving up their time to attend this meeting and answer the public's questions.

- 2.14. The final meeting in the budget scrutiny cycle was held on 16 February 2023. At this meeting, the Committee considered the budget report presented before Cabinet to finalise its conclusions on what was proposed. The conclusions of the Committee are set out in the next section of this report.

3. CONCLUSIONS OF THE SCRUTINY & OVERVIEW COMMITTEE ON THE BUDGET 2023-24 PROPOSALS

- 3.1. At the meeting on 16 February 2023, the Committee had the opportunity to question Croydon's Mayor, Jason Perry, the Cabinet Member for Finance, Councillor Jason Cummings, the Chief Executive, the Corporate Director for Resources and other Members of the Corporate Management Team on the Mayor's budget proposals. The questioning of the Committee focused on five key themes, which were the Council Tax increase, Debt, Risks, Savings & Safety and Transformation. From its questioning, the Committee was looking to reach a conclusion on the following areas:
1. Are the savings deliverable, sustainable and an acceptable level of risk?
 2. Is the impact on service users and the wider community understood?
 3. Have all reasonable alternative options been explored and do no better options exist?
- 3.2. From its consideration of the budget there was a consensus that in the short term, the proposed budget for next year had been based on prudent assumptions, that it was conservative with a small "c" and from the information provided, it was reasonable to conclude that it was deliverable. It was agreed that it could be taken as a positive example of the changing culture of the Council, that its development had been based upon a worst case scenario approach, rather than being planned with an optimism bias of delivery. The Committee noted that there are still outstanding issues that might present a significant risk to the delivery of the budget for next year, particularly the three years of outstanding accounts.
- 3.3. The Committee was 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. It was accepted that there would always be a certain level of risk within these services that required active monitoring and management on an ongoing basis.
- 3.4. The biggest risk to 2023-24 budget at the time of the meeting was that the Government had not given any indication on whether it would be granting the Council's request for capitalisation. Given the Council has a statutory deadline of 11 March 2023 by which it must have agreed its budget, it was far from ideal that there had not been any indication received from Government on the outcome, particularly as this would determine the Council's ability to set a balanced budget for 2023-24. It was appreciated that further assurance on this could not be provided by those present and this was the reason why the Committee had extended an invite for a representative from the Department of Levelling-up, Homes and Communities to attend the meeting, which had disappointingly not been taken up.

- 3.5. Although it was concluded that the proposed budget was built on coherent and sensible assumptions that built in contingencies for risks over the next year, concerns were acknowledged about the Council's long term debt problem and its sustainability as a local authority, which could not be solved by this budget or by the Council alone. Key to this was the Government's response to the request to write-off part of the Council's debt, as without this being agreed the cost of servicing the debt placed an unsustainable burden on the general fund revenue budget. The reassurance given by the Mayor that both the political and officer leadership of the Council were actively engaging with Government on this issue was welcomed. However, given it was acknowledged that there was currently no legal framework for writing off local authority debt and no indication had been given that it would be permitted, the debt would remain a serious risk to the long-term health of the Council and its ability to become financially sustainable.
- 3.6. One of the main areas of discussion for the Committee was the proposed 15% Council Tax increase. Half the members of the Committee, including the Chair, had outstanding concerns about whether increasing Council tax by the full 15% was the only option, especially when other local authorities given permission to exceed the Council Tax cap would not be setting rates this high. It was accepted that some increase in Council Tax may well be needed to help the Council balance its budget, but some members of the Committee did not feel that the report presented sufficient justification as to why it had to be 15%.
- 3.7. The other half of the members of the Committee felt that they had been presented with reasonable justification for the proposed increase and that given the circumstances facing the Council there were no other viable alternatives.
- 3.8. Given the Council had only received confirmation from the Government that it would be allowed to make a 15% increase to Council Tax on 6 February 2023, it was accepted that there had been little time to engage with residents on the increase. However, it needed to be acknowledged that the proposed increase would have significant financial consequences for Croydon residents already struggling in a cost of living crisis and that they may feel unfairly punished for past mistakes that were not theirs.
- 3.9. As there had only been a short period of time to analyse the impact from the proposed 15% Council Tax increase, the Committee concluded that further analysis was urgently needed to understand the potential scale of this impact. It was also suggested that some mention of an increase in Council Tax could have been mentioned in the Council's formal survey given it was one of the options being considered. Residents from Scrutiny's public Q&A repeatedly stressed that they felt their views had not been taken into account.
- 3.10. As the criteria for the £2m Hardship Fund, that was being introduced to mitigate against the potential impact of the Council Tax rise, was in development, the Committee welcomed confirmation that there would be an opportunity for it to review the proposed scheme before it is launched to gain reassurance that it would be able to reach the residents who needed it the most. Confirmation from the Cabinet

Member for Finance that the scheme would continue to be closely monitored and reviewed to ensure it was targeted correctly was welcomed.

- 3.11. It was highlighted that some of the residents who would most need to access the Hardship Fund could also be the hardest to reach. As such careful consideration needed to be given as to how the availability of the fund was communicated to residents and the routes to access the fund needed to be made as straightforward as possible, with a preference towards automatic entitlement rather than the need to go through applications.
- 3.12. In reaching the above conclusions on the proposed budget, the Committee would like to highlight that their views have been based upon the assumptions set out in the Cabinet report, including that there would be a positive outcome to the Council's request for capitalisation from the Government. The Committee would ask for the opportunity to revisit its recommendations should the Government's response significantly vary from the assumptions made in the budget report.

4 APPENDICES

- 4.1. Appendix A: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

5 BACKGROUND DOCUMENTS

- 5.1. None

Appendix A

Scrutiny & Overview Committee

16th February 2023

Budget Scrutiny 2023-24: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

Scrutiny & Overview Committee – 6 December 2022

2023-24 Budget Update, Medium Term Financial Strategy and Savings Proposals

1. The Committee was highly concerned that the Council had the potential to become stuck in a 'debt trap' and agreed that it endorsed the efforts of the political and administrative leadership in focussing on reducing the Council's debt with support from national government, as without support in this area it was difficult to envision how the Council could become a sustainable authority in the long term.
2. The Committee was concerned that this year's budget was being drafted on a series of Microsoft Word and Excel documents, and strongly welcomed the Council's intention to move towards a more professional system of budget recording next year, which it believes is imperative.
3. The Committee noted that work continued towards the integration of the full range of functionality within the Fusion finance system, to ensure it was delivering the maximum benefit for the Council.
4. The Committee wanted to see more detail about the transformation projects proposed, as the projects listed often felt more like 'salami slicing' rather than true transformation. The Committee also wanted more reassurance that the Council would be able to meet the scale of transformation needed to achieve financial sustainability with the capacity constraints that it currently has.
5. The Committee agreed that it would look in further detail at one or two of transformation projects proposed in the Cabinet report, at its January meeting to provide reassurance that a robust framework was in place for these projects including ensure they were properly resourced and at their conclusion could provide a definitive evaluation of their success.
6. Although the Committee accepted the rationale for and the explanation of the timeline leading up to the Section 151 Officer issuing the Section 114 notice for 2023-24 budget year, some Members of the Committee felt there could have been additional emphasis placed on highlighting the potential risk of the Council needing to issue another Section 114 earlier in the year as contributory risks materialised.
7. The Committee welcomed confirmation that the Council would be engaging with the Audit Reporting and Governance Authority to provide reassurance that the Council was taking a best practice approach to its financial processes.

8. The Committee also welcomed confirmation that the Council had started to engage with London Councils on using London-wide data to inform modelling of future parking income.

Scrutiny & Overview Committee – 30 January 2023

Voluntary, Community & Faith Sector Support

1. The Committee welcomed confirmation from both the Council and Croydon Voluntary Action of their commitment to building a deeper relationship between the Council and the important voluntary, community and faith sector in our borough.
2. There were serious concerns flagged about the risk that the new ways of working with the voluntary, community and faith sector would be in place in time to support some of the organisations with the transition away from the funding provided by the Community Fund when it ended in March 2023. Given the risk that some community groups may not be able to adapt to the new arrangements in time, the need to implement tangible support plans needed to be a priority and treated with urgency to prevent the risk to services and activities being lost.
3. The Committee welcomed the commitment to looking at creative ways of providing support to the sector, particularly reviewing the use of social value in contract arrangements.

Transformation Project Deep Dives

1. It was accepted that the two projects reviewed by the Committee were still in their infancy and in the process of being mapped out. This meant that any assurance on these projects would need to be reserved until further information was available.
2. The Committee would like to see further evidence of the transformation programmes being mapped out with key milestones and time lines, once available. This will provide reassurance that processes are being followed and enable the Committee to hold people to account through timetabling further scrutiny at the appropriate time.
3. The Committee welcomed confirmation that work was underway to map out the Council's contracts, as this was an area of work that had previously been flagged as a concern by Scrutiny.
4. Confirmation that that the Programme Management Office was leading a project to introduce a new project management system was welcomed, as improved reporting was essential to ensuring there was a robust monitoring system in place.
5. Confirmation was welcomed that the savings targets attributed to the transformation projects in the 7 December 2022 Cabinet report had not been included the 2023-24 budget unless it was clear how it would be delivered.
6. It was agreed that a range of intended outcomes for the transformation projects, beyond purely financial savings, needed to be set out during the mapping phase of each project to ensure clarity of purpose.

Children & Young People Sub-Committee – 17th January 2023

Budget Scrutiny Challenge

1. The Sub-Committee were reassured by the answers provided by officers during the meeting.
2. The Sub-Committee welcomed the possibility of a transformation project looking at expanding the offer at Calleydown Residential Home.
3. The Sub-Committee acknowledged the demand led nature of the services provided by the Children, Young People and Education Directorate and were reassured that officers were managing this well with the information that was available.
4. The Sub-Committee were encouraged by the work being done in the three areas that had been presented but acknowledged that services were in new territory as recovery from COVID continued.
5. The Sub-Committee were hopeful that the departments succeeded in delivering the budget and intended savings for 2022/23 and 2023/24 and were encouraged that this was on track from the discussion in the meeting.

Health & Social Care Sub-Committee – 24 January 2023

Adult Social Care & Health Directorate - Budget & Performance

1. The Sub-Committee were of the view that the Adult Social Care and Health directorate were in a reasonably strong position in managing its budget.
2. The Sub-Committee were of the view that the Corporate Director for Adult Social Care and Health had a good understanding of the risks involved in delivering the 2022/23 and 2023/24 budgets.
3. The Sub-Committee were confident that the Adult Social Care department were on track to deliver the 2022/23 budget.
4. The Sub-Committee were of the view that, as discussions on other options were ongoing, they could not reach a view on whether better options for savings existed.
5. The Sub-Committee were of the view that the Cabinet Member and department understood the impact of savings proposals on service users and the wider community.
6. The Sub-Committee were of the view that proposed budget for 2023/24 appeared to be deliverable, sustainable and did not present an unacceptable risk.

Streets & Environment Sub-Committee – 30th January 2023

Budget Scrutiny Challenge

1. The Sub-Committee thanked officers for the detailed report and responses to Members questions in the meeting.
2. The Sub-Committee acknowledged that adequate staffing and resourcing in all three department areas covered in the report was vital to ensure that there was sufficient capacity to deliver transformation plans alongside statutory duties.
3. The Sub-Committee were of the view that officers and Cabinet Members had a good understanding the risks in delivering the 2023/24 budget and that sufficient mitigations and risk management was in place.
4. The Sub-Committee acknowledged that difficulty in recruiting to posts across all three service areas impacted on service delivery.
5. The Sub-Committee were of the view that they would like to scrutinise how fee income targets were calculated at a future meeting.

Homes Sub-Committee – 6 February 2023

Update on the Housing Revenue Account and Housing General Fund Budget

The conclusions of the Homes Sub-Committee were reported to the Scrutiny & Overview Committee during the meeting on 16 February 2023.

Homes Sub-Committee meeting on 6 February 2023

1. The Sub-Committee concluded that there was insufficient budgetary detail provided in the report to enable it to reach a decision on whether it was reassured on the deliverability of the budget.
2. As such, it was agreed that a briefing would be arranged for the Sub-Committee to seek further assurance on the budget. The outcome from this session would be reported to the Scrutiny & Overview Committee on 16 February 2023, to inform its consideration of the wider Council budget.

Briefing – 14 February 2023

3. Although it was noted that there was a current overspend of £4.6m the Housing Revenue Account (HRA) revenue budget, the Sub-Committee agreed that the Service had a good understanding of the reasons for this, which included rising utility costs, increased in legal disrepair costs and void rents.
4. Due to the work on the HRA recharging issue the revenue budget was likely to be balanced at the year end. However, without the recharge correction, it was reasonable to assume that reserves would have been used to cover the overspend. As the current level of reserves held for the HRA are healthy, this could have been managed as a one-off.
5. The Sub-Committee was reassured that most of the above causes of the overspend had been incorporated within the HRA revenue budget over the three year period of the Medium Term Financial Strategy, but there was a concern about the possibly optimistic assumption made for inflation on expenditure from April 2023 being set at 8% and at 3% from April 2024, given current levels of inflation exceeded 10%.
6. The Sub-Committee recognised that a significant amount of work had been invested in understanding the full scale of the issues related to the historic recharging to the HRA and the Sub-Committee understood the reasons for the readjustment included rightsizing corporate costs. However, further work was required to ensure that costs had been properly recharged from individual services' service level agreements, with a further update requested by the Sub-Committee on this work.
7. The Sub-Committee accepted that the future budgets presented to them adequately accounted for the future needs of the service, including the planned transformation work. However, there remained a concern about whether there was sufficient capacity within the Service to deliver the scale of transformation planned.

8. The Sub-Committee accepted that while not ideal, the current HRA Business Plan including its capital programme was based on a 5% sample of housing stock as an initial starting point and focussed on clear priorities such as buildings at the end of life, large panel systems and large scale disrepair. Confirmation was welcomed that going forward the Business Plan would be informed by an ongoing programme of stock condition surveys.
9. The Sub-Committee welcomed the approach not to pursue further borrowing over the next couple of years, considering the healthy reserve balance. It was also reassured that the future capital programme included a healthy budget to manage the upcoming legislative building safety changes.
10. The Sub-Committee questioned whether, considering the rising cost of utilities, further resources could have been allocated to the Net Zero workstream beyond the £1m allocated in the capital budget.
11. The Sub-Committee recognised that Housing General Fund activities, mainly homelessness and temporary accommodation services faced significant challenges with demand outweighing supply.
12. The Sub-Committee noted that the Council had been facing a significant reduction in its Homelessness Prevention Grant, but following lobbying from London Councils, this decision had been reversed and an additional winter pressures grant provided, which had helped to minimise the overspend for these services.
13. The Homelessness Prevention Grant was below the needs of the Council and as the Winter Pressures Grant was a one-off, it was agreed that the Council should continue to lobby Government for additional support to manage the homelessness pressures in the borough.
14. The Sub-Committee recognised the placement by other boroughs of people in to temporary accommodation in Croydon created a significant cost pressure for the Council and welcomed confirmation that the Council was actively engaging with these authorities to manage this issue.
15. The Sub-Committee welcomed the strand of the Transformation Programme which aimed to refocus the Service towards homelessness prevention, as this would help to reduce expenditure on temporary accommodation. However, due to the wider issue of poor quality data in the service, which was being addressed, it was recognised that some of the assumptions could not be more robust.
16. The Sub-Committee welcomed confirmation of one-off Public Health funding to allow the service to take a more holistic approach to alcohol and substance abuse issues. Confirmation of a Government grant to support the Council to meet its statutory duties towards domestic abuse victims was also welcomed, particularly as Croydon had one of the highest levels of domestic abuse in London.

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet
DATE OF DECISION	22 February 2023
REPORT TITLE:	Revenue Budget and Council Tax Levels 2023/24
CORPORATE DIRECTOR / DIRECTOR:	Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)
LEAD OFFICER:	Jane West, Corporate Director of Resources
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance
KEY DECISION?	NO. The recommendations set out below are not executive decisions and therefore are not key decisions. The final decisions are to be recommended to Full Council for consideration at the meeting scheduled for 1 March 2023.
CONTAINS EXEMPT INFORMATION?	No
WARDS AFFECTED:	All

1. SUMMARY OF REPORT:

- 1.1 On 22 November 2022 the Council's Section 151 Officer issued a Section 114 notice to make it clear to all Members of the Council that it faced a financial situation of an extremely serious nature with significant estimated unfunded financial deficits forecast from 2023/24 onwards. Alongside the S114 Notice, the Council's Medium Term Financial Strategy was published and subsequently presented to Cabinet on 30 November 2022 which set out in detail the financial projections for the Council through to 2025/26. It also identified that there were still legacy gaps in the Council's open financial accounts going back to 2019/20 estimated at £74.6m for which government support needed to be sought.
- 1.2 The MTFs Update report demonstrated significant gaps in the Council's budget each year for 2023/24, 2024/25 and 2025/26. Previously the government had assisted the Council by granting Capitalisation Directions of £150m over the period from 2019/20 to 2023/24 of £70m, £50m, £25m and £5m which allowed the Council to finance ongoing annual revenue spend from capital resources including borrowing, an action which goes against normally accepted good financial practice. The MTFs Update report identified that the impact of the Capitalisation Direction approach is to continue to push up the Council's debt into the future. Continuing to use the Capitalisation Direction approach was one of the major reasons that the Council's fundamental financial unsustainability was continuing to grow. The report noted that the Council was facing an existential question. With the existing government model of extraordinary financial support for local councils, can the Council ever reach financial sustainability given its borrowing commitments and levels of negative equity now and in the future?
- 1.3 The report proposed that consideration be given to approaching the government for a new model of extraordinary financial support. It set out a number of alternative solutions which

were, in order of priority:-

- The write off of Croydon's debt – the MTFs Update report said that the preference was for the government to write off all the Council's debt as it had done for the NHS debt at the start of the Covid pandemic. The report suggested that if this was not possible, then the request was for a write off of the Council's debt by the amount that will reduce Croydon's debt management costs to a 'proportion of net budget' more usual across local government. The reasoning behind this was that, due to poor governance and decision making in the past, the Council holds a lot of toxic debt which is not asset backed and is in effect 'negative equity'. As such it can never escape from this.
- Spreading any MRP (principal repayments) for the Capitalisation Directions over a longer period than the 20 years currently specified by government.
- Reducing the interest rate charged by the Public Works Loan Board on the capitalisation directions by at least the 1% surcharge but preferably further.
- Reallocation nationally of asylum seekers currently housed in Croydon by government departments which are creating a disproportionate and unfunded strain to the Council's budgets.
- Reduction in the number of ex-offenders currently housed in Croydon by government departments, a practice which is creating a disproportionate and unfunded strain to the Council's budgets
- Permission to increase Council Tax beyond the national cap.
- Permission to use the Growth Zone business rates more flexibly within the designated area eg to cover clearing graffiti, all street cleaning and bin collection, all community safety work.
- Capitalisation Directions to deal with legacy issues.
- Capitalisation Directions to smooth the transition to financial and operational sustainability.
- Reform of local government funding to fully reflect demographic demand in Croydon.

1.4 The subsequent work on budget setting from November 2022 onwards identified a fixed annual budget gap of £60m which was impossible to resolve without a level of savings that would hollow out Council services to residents and put vulnerable people at risk. Following discussions with government over the following months, the ask of government was refined to:

- Consideration to be made by government of a council tax increase of up to 10% beyond the Referendum Cap of 5% in 2023/24, so 15% in total providing £22m per annum additional income
- Agreement to a write off of £540m of the Council's debt during 2023/24 to restore financial sustainability by reducing the annual cost of the Council's debt by £38m thus reducing the council's debt levels to be in line with other councils, (albeit still at the upper end of that comparison) .
- As it was very unlikely a debt write off could be achieved by mid February 2023 in time for the Council to set the Council Tax, the request was for a bridging Capitalisation Direction in 2023/24 of £63m to allow the Council to set a balanced budget (the base model £85m gap reduced by the 15% Council Tax proposed above)

- 1.5 The request noted that should the Council Tax increase of 15% and the 2023/24 debt write off be agreed, no further Capitalisation Directions would be required for future years as the Council would be able to become financially sustainable.
- 1.6 A request has also been made of government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the Opening the Books programme. The Council needs to correct a range of misstatements in its legacy accounts from 2019/20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFs Update report in November 2022. The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a decision was made to include the potential £70m gap in the accounts caused by wrongful accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed. With three years of accounts still open, there remains a risk that further legacy issues will be uncovered.
- 1.7 The government has announced that the Council can increase its Council Tax by 10% above the Referendum Limit of 5% **and the Council is expecting confirmation by the end of February that the government are minded to issue a Capitalisation Direction of £63m to deal with the remaining budget gap in 2023/24, plus a Capitalisation Direction of up to £161.6m in relation to the outstanding legacy issues facing the Council.** Discussions are ongoing between government and the Council in relation to all the other options that could be deployed as set out in 1.3 above.
- 1.8 The Council's financial position is completely unsustainable without new action being taken. There has to be a shared solution between government, the Council and residents as council tax payers and as service recipients and this is being worked through, initially with the limited tools available such as significant savings proposals, increased council tax levels and capitalisation directions. The Council will continue to speak with government about alternative forms of government support that reduce the huge and ongoing financial cost of the Council's debt burden such as the write off or the award of an annual exceptional grant equivalent to the ongoing debt charges generated by the toxic negative equity. The Council is also committed to reducing its operating costs at more than twice the rate of other London Boroughs. It recognises the financial pressures that council tax payers are facing in this period of economic challenge and therefore the impossibility of the full solution being from increases in Council Tax.
- 1.9 The Government appointed Improvement and Assurance Panel (IAP) have been briefed throughout the process on the Council's financial assumptions and ask of Government, The IAP have been supportive of the Council's direction of travel and the need to request additional financial support from Government given the scale of the challenge facing Croydon.
- 1.10 There has been well documented poor judgement and flawed decision making that has created the financially unsustainable position the Council is currently in. The Council is anticipating it will be able to publish new reports in the near future that explain in greater detail than previously possible, what went wrong and the actions it intends to take to hold individuals to account.
- 1.11 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. The 2023/24 revenue budget proposals are set out regarding:
 - A council tax increase of 12.99% and a 2% increase in the adult social care precept levy.
 - Proposed savings, demand pressure and inflation.

- Legacy financial issues and budget corrections
- Fees and charges
- Budget risks, reserves and balances
- An update on discussions with government.

2. RECOMMENDATIONS

The Executive Mayor in Cabinet is asked to:

- 2.1 Consider the responses to the budget engagement with residents and businesses as set out in Section 10 and Appendix I.
- 2.2 Consider and have due regard to the equalities impact assessment undertaken on the budget proposals as set out in Section 15.
- 2.3 Approve the responses to the Scrutiny and Overview Committee recommendations (to follow) on the budget proposals as set out in Section 20.
- 2.4 Approve that Directors be authorised to implement their service plans for 2023/24 in accordance with the recommendations within this report, the Council's Constitution, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required regarding the Equalities Impact Assessment
- 2.5 Propose to Full Council for approval an increase in the Croydon element of the 2023/24 council tax charge by 12.99% (Band D £203.95).
- 2.6 Propose to Full Council for approval a 2% increase (Band D £31.40) in the 2023/24 Adult Social Care precept levy.
- 2.7 Note, based on the Mayor of London's draft consolidated budget, a 9.7% (Band D £38.55) increase regarding the Greater London Authority precept.
- 2.8 Propose to Full Council for approval the calculation of budget requirement and council tax as set out in Appendix G and note that the inclusion of the GLA precept will result in a total increase of 13.93% (Band D £273.91) in the overall Croydon council tax bill.
- 2.9 Propose to Full Council for approval the setting of the Council's own total net expenditure budget for 2023/24 at £340.911m.
- 2.10 Propose to Full Council for approval the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as set out in Appendix C.
- 2.11 Propose to Full Council the proposed £10m budget in 2023/24 to support delivery of the transformation programme.
- 2.12 Propose to Full Council for approval that the Corporate Director of Resources be authorised to collect and recover National Non-Domestic Rate and council tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992.

- 2.13 Note the revenue budget assumptions detailed in the report and budget projections to 2025/26 made by the Corporate Director of Resources in agreement with the Chief Executive and with the Corporate Management Team.
- 2.14 Note the Council's request for a capitalisation direction from the Department of Levelling Up, Housing and Communities [DLUHC] of up to £300.6m (£161.6m in 2022/23 regarding legacy finance issues and £139m regarding 2023/24 to 2025/26, annually £63m, £38m and £38m respectively).
- 2.15 Note that all Directors will be required to report on their projected financial position compared to their revenue estimates in accordance with the 2023/24 monthly financial performance reporting timetable.
- 2.16 Note the statement (section 11 of the Report) of the Corporate Director of Resources, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates.
- 2.17 Note that the provisional Dedicated Schools Grant allocation for 2023/24 will increase by £26.310m to £427.688m (section 12 of the Report).

3. BACKGROUND

- 3.1 Croydon's finances, and those of the wider local government sector, are under strain from the sharp upturn in inflation, the impact of cost-of-living pressures on local communities and an increase in demand for essential social care and welfare services. The financial challenge for Croydon is compounded by significant, and independently well documented, local legacy (governance, financial, service delivery and structural) issues.

National Background

- 3.2 The Chancellor of the Exchequer gave an update on the state of the public finances and the performance of the economy in the Autumn Statement¹ 2022. The economic and fiscal outlook set out in the Statement included:
- A forecast increase in interest rates to levels not seen since the 2008 financial crisis.
 - A forecast increase in Consumer Price Index (CPI) inflation to a 40-year high of 11% in Quarter 4 2022 before dropping sharply in 2024.
 - A forecast rise in national unemployment of 505,000 from 3.5% to a peak of 4.9% in Quarter 3 2024.
 - A material worsening in the medium-term fiscal outlook over the past year due to the weaker economy, higher interest rates and higher inflation

- 3.3 The uncertain national financial environment makes local authority financial planning (including detailed forecasting and modelling) and good financial management more difficult. The rise in the cost of living will increase demand for needs based local services, such as homelessness prevention, impact on income collection rates and increase pay and supplier costs. These impacts are embedded within the 2023/24 Croydon budget proposals with £32.9m set aside as an inflation provision – an increase of £4m from the 2022/23 provision - and a provision of £5.5m for additional economic demand pressures. A range of departmental demand pressures are also met and incorporated within the proposed budget.
- 3.4 The Government’s Autumn Statement recognized some of these issues by raising the referendum cap for council tax increases to 3% (from 2%) and letting social care authorities levy an additional 2% (from 1%) adult social care precept. The government have also delayed their expected Adult Social Care reforms to 2025 and this has enabled some additional funding to be made available. This has also prevented further additional costs needing to be funded at present. In total government grant funding has increased by £7.1m from 2022/23 to 2023/24.
- 3.5 On publication of the Final Local Government Finance Settlement (LGFS)² the Government acknowledged the specific financial pressures faced by Croydon by announcing that the referendum cap for this authority is for a council tax increase of 12.99% and 2% for the adult social care precept. The Croydon budget provides for the maximum available tax increase of 14.99% which will generate £32.3m of additional income - an extra £21m compared to the 4.99% increase set out in the Autumn Statement. The Croydon budget proposals include an increase in support of £2m to protect those low income households that cannot afford to pay their council tax.
- 3.6 More broadly the Local Government Association, in response to the Autumn Statement, have emphasised that essential local services such as social care, planning, waste and recycling collection and leisure centres, continue to face an uncertain future. Demographic growth and an increased complexity of need are adding to social care and other service pressures. These issues are impacting locally and this budget provides an additional £7.6m for adult social care and health demand pressures and as well as recognizing pressures on other council services.

Local Legacy and Structural Issues

- 3.7 The Council’s Executive Mayor has made clear that his number one priority is to “balance the books” and make Croydon a financially and operationally sustainable council which listens to residents and provides good quality services. One of Mayor Perry’s first acts was to launch an ‘Opening the Books’ review to assess the Council’s balance sheet and all financial assumptions and deal with any outstanding legacy accounting issues.
- 3.8 The ‘Opening the Books’ review identified substantial legacy accounting corrections that have one off and ongoing implications for the Council’s budget and revealed how fragile the Council’s level of resilience is to withstand any

changes to its forecast budget assumptions over the Medium-Term Financial Strategy period. It also highlighted how structural issues in the Council's finances, such as its level of non-asset backed debt (or negative equity), and disproportionately high level of debt, are preventing the Council's recovery.

- 3.9 The seriousness of the Council's financial position resulted in the Corporate Director of Resources and S151 Officer deciding that Croydon Council's budget is not financially sustainable for the next financial year and issuing a Section 114 Notice from 2023/24 onwards. The section 114 Notice was issued on 22 November 2022. A report was presented to Cabinet on 30 November 2022 and a further report was presented to Council on 12 December 2022, both of which set out the reasons why the S151 Officer has reached this conclusion.
- 3.10 The 30th November 2022 Cabinet report detailed the immediate measures required under the S114 Notice. It also concluded that the Council cannot solve its financial issues on its own and set out a range of requests of government for extraordinary financial and other support.
- 3.11 Subsequent to the issuing of the Section 114 notice the Council has continued to hold discussions with the Department of Levelling Up, Housing and Communities (DLUHC).
- 3.12 To date the specific financial pressures faced by Croydon have been recognized by DLUHC through the announcement that the referendum cap for this authority is for a council tax increase of 12.99% and 2% for the adult social care precept.
- 3.13 The discussions with DLUHC include a request for capitalisation directions of £300.6m. ***This is under consideration and the current budget proposals assume that this will be agreed.*** £161.6m of the requested capitalisation directives relates to legacy financial issues that predate 2023/24 whilst £139m is concerned with the financial years 2023/24 to 2025/26 (£63m, £38m, and £38m respectively).
- 3.14 A budget is now proposed for 2023/24 that includes:
- Savings and change proposals of £33.1m
 - Budget increases of £11.3m to meet demand pressures
 - Budget corrections of £49m to correct structural and legacy issues.
 - Additional income of £28m from a 12.99% council tax increase
 - Additional income of £4.3m from the application of a 2% adult social care precept levy increase.
 - A provision of £32.9m for inflationary pressures (pay and contract).
 - A request for the government to issue capitalisation requests of £316.6m (including £161.6m regarding legacy issues) over the next 3 years.
 - Setting aside £3.7m of new Adult Social Care grant funding pending clarity from government on how it can be used.
- 3.15 The budget proposals also include measures to strengthen the Council's future financial resilience:

- Investment of £10m is proposed in 2023/24 and £5m per annum from 2024/25 onwards in transformation work to change the way the Council operates
- A provision of £5.5m regarding economic demand pressures
- Creating a new Hardship Fund of £2m to provide additional support for low income households that cannot afford to pay their council tax.
- The set aside of £5m per annum as a contingency budget to manage financial pressures.

4. THE 2023/24 BUDGET AND COUNCIL TAX REQUIREMENT

4.1 The determination of Croydon's 2023/24 net budget requirement of £340.911m and council tax requirement of £247.759m is set out in Table 1. The medium-term forecast, to 2025/26, is set out in Appendix A with a departmental and subjective budget summary for 2023/24 provided in Appendix B (to follow for Budget Council). Beyond 2023/24 the medium term forecast highlights a potential budget deficit of £4.277m for 2024/25 and £0.802m in 2025/26. This will inform the financial strategy developed for setting the 2024/25 budget.

Table 1 – 2023/24 Budget and Council Tax Requirement

	£'m
Expenditure base budget rolled forward from 2022/23	316.109
Inflation	32.946
Economic demand pressures	5.500
Council tax – hardship support	2.000
Demand pressures	11.283
Budget correction of legacy issues	49.037
Savings and change proposals	-33.098
Transformation programme	10.000
Contingency funding	5.000
Net cost of borrowing (including new capitalisation directions)	57.919
Reserve set aside of new adult social care grants (pending clarity on their use)	3.734
Gross Budget Requirement	460.430
Core Grants	-38.651
Increase in Adult Social Care Grants	-3.734
Section 31 grant for under indexing the business rates multiplier	-12.419
Government capitalisation directive (£5m existing & £58m new)	-63.000
Use of earmarked reserves (council tax income guarantee)	-1.715
Net Budget Requirement (as per the budget book)	340.911
Prior year collection fund deficit	1.986
Revenue Support Grant	-16.711
Business rates (local income and top-up Grant)	-78.427
Council Tax Requirement (including the adult social care precept)	247.759

5 BUDGET ASSUMPTIONS

5.1 Budget estimates are exactly that, estimates of spending and income at a point in time. The key assumptions that underpin the 2023/24 budget estimate are set out below.

Inflation and Economic Demand Pressures.

5.2 Inflationary pressures have increased markedly over the past year with the December 2022 Consumer Price Index (CPI), the measure targeted by the Bank of England, standing at 10.5%. Whilst this has eased since the October 2022 peak of 11.1% inflation has not been at this level since 1981.

5.3 The drivers behind the sharp upturn in inflation are varied but include the upsurge in energy prices following the Russian invasion of Ukraine, disruption as the world and UK economy recovers from the Covid-19 pandemic and labour shortages.

5.4 In the medium-term the government's central economic forecast, contained in the 2022 Autumn Statement, predicts that 2023 CPI will remain significantly above trend at 7.4% before dropping in 2024. The forecast reduction is due to the anticipated impact of national monetary policy and an easing of the current drivers.

5.5 For Croydon an inflation provision of £32.9m is proposed for 2023/24. This is considered prudent given the current, and forecast, rate of inflation and uncertain national economic background. The provision consists of:

- Catch-up inflation of £1.3m to fully fund 2022/23 pay and contract pressures.
- An allowance of £11.2m for the 2023 pay award. This is consistent with the 2022 pay award and assumes a flat rate increase of £2,226 per full-time equivalent employee plus an increase in relevant national insurance and employer contributions. This equates to an approximate increase of 6.5% in current employee budgets.
- An allowance of £20.4m for contract inflation. This is unchanged from 2022/23 given the government forecast that 2023 CPI inflation will remain significantly above trend.

5.6 The use of the 2023/24 inflation provision will be controlled corporately and drawn down in accordance with the national pay award and agreement of specific departmental pressures. The latest report³ of the Bank of England Monetary Policy Committee highlighted downside and upside risks to their latest inflation forecast, for example the downside impact if geopolitical tensions and supply disruption ease more quickly, or upside risk if there is a sharper-than-expected tightening in global financial conditions. For Croydon the risk that actual inflationary pressures will be significantly more, or less, than budgeted will be closely monitored with updates provided within the monthly Cabinet financial performance reports

5.7 For 2024/25 the forecast budget allows for a lower inflation provision of £17m with a provision of £12m per annum thereafter. This assumes that inflationary pressures ease in line with government forecasting.

- 5.8 An increase in inflation does not only affect council costs. For example, the rising cost of living may have a broader impact on:
- A greater demand for council services, such as social care, homelessness prevention.
 - Reduced income streams, e.g from council tax, parking or leisure.
 - Contract negotiations with key suppliers and requests for additional funding.
 - The need to provide additional short-term support to residents.
- 5.9 A £5.5m provision is set aside within the 2023/24 budget proposals in recognition of the potential impact of economic demand pressures on Croydon. The funding will be held corporately and any use reported through the monthly Cabinet financial performance reports in line with the Council's Scheme of Delegation. A budget of £2m is also set aside as a new Council Tax Hardship Fund to protect low income households that find themselves in financial difficulty due to the increase in the Council Tax.

Demand Pressures and Legacy Budget Corrections

- 5.10 Budget increases are necessary to meet demand pressures, such as those arising from demographic growth, and to correct legacy issues. The 'Opening the Books' review identified substantial legacy accounting corrections that have one off and ongoing implications for the Council's budget. A summary of the proposed budget changes, by department, is set out in Table 2 with the individual proposals set out in Appendix C.

Table 2 – 2023/24 Demand Pressures and Budget Corrections

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

- 5.11 The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. Extensive work has been done on the Council's budgets and accounts to establish its true financial position.
- 5.12 The latest estimate is that legacy financial failures will cost £161.6m to the end of 2022/23. The adjustments required are:

- £70m for the correction to Croydon Affordable Homes/Croydon Affordable Tenures (this issue is not yet concluded with the Council's external auditors but the maximum adjustment is being assumed for the purpose of setting the 2023/24 budget)
- £40m (£10m per annum) for corrections from 2019/20 to 2022/23 regarding the realignment of the HRA, General Fund and Capital programme recharges
- £5.6m for the historic minimum revenue provision debt repayment correction
- £46m regarding the historic bad debt provision shortfall.

5.13 The council is seeking extraordinary financial support from government, also known as a capitalisation directive, of £161.6m to finance all the legacy adjustments prior to 2023/24.

5.14 There is an on-going impact of these legacy adjustments in 2023/24 and beyond. Namely:

- £9.6m per annum regarding the realignment of HRA and General fund recharges
- £2m regarding salaries wrongly capitalised
- £2.6m regarding the increase in MRP. This is shown as an increase in the net cost of borrowing.

There are also debt financing costs regarding the capitalisation directive of £161.6m. Overall debt financing costs⁴ are budgeted to increase by £13.6m from 2022/23 to 2023/24.

5.15 The monthly 2022/23 budget monitoring and the Opening the Books work have identified further examples of inaccurate budgeting across the Council. These are now corrected. Most notably pressures of £19m (6.8% of the net budget requirement) arose in the setting of three specific budgets for 2022/23:

- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
- New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
- A deficit in the Housing Benefit budget for 2021/22 was only picked up at the very end of the 2021/22 financial year and therefore was not built into the 2022/23 budget.

5.16 The proposed budget corrections for legacy issues are detailed in Appendix C. In total they amount to £49m, 14% of the net budget requirement, for 2023/24.

- 5.17 As well as correcting legacy and 2022/23 budget issues the 2023/24 budget proposals respond to local and national pressures. These amount to £11.3m and include:
- £7.6m for demographic and cost pressures in Adult Social Care.
 - £1.1m regarding Croydon’s contribution towards the cost of TfL’s freedom pass. This is due to higher costs charged by the transport operators and higher usage as part of Covid recovery.
 - £1.0m regarding the impact of the 2022 rates revaluation on properties held by Croydon.

Savings and Transformation

- 5.18 Given Croydon’s financial challenges, the Council must reduce its expenditure significantly over the medium-term. That will mean difficult decisions on the services the council provides and ultimately, as set out in the Mayor’s Business Plan, the council will need to do less and spend less in the future.
- 5.19 Although unable to identify sufficient savings to meet the projected budget gap for 2023/24, £36.2m of savings are proposed for 2023/24. The proposed savings were developed through a series of Star Chambers over the summer. They also incorporate confirmed future year savings that were put forward in the March 2022 General Fund Budget Report. The proposed savings are detailed in Appendix C and summarised by department in Table 3.

Table 3 – Proposed 2023/24 Budget Savings and Change proposals by Department

Department	£000s
Children, Young People and Education	6,920
Adult Social Care and Health	12,243
Housing	2,305
Sustainable Communities Regeneration and Economic Recovery	1,859

Assistant Chief Executive	2,924
Resources	6,347
Corporate	500
Total (Appendix C)	33,098
Debt financing saving from asset disposals ⁵	3,000
Overall	36,098

5.20 Rather than leave services hollowed-out, the future savings programme will consider stopping some areas of discretionary spend entirely whilst focusing on the Mayor's priorities.

1. The Council balances its books, listens to residents and delivers good, sustainable services.
2. Croydon is a place of opportunity for business, earning and learning.
3. Every child and young person in Croydon has the chance to thrive, learn and fulfil their potential.
4. Croydon is a cleaner, safer and healthier place, a borough to be proud of.
5. People can lead healthier and independent lives for longer.

5.21 Examples of early savings being delivered through Transformation in 2023/24 include:

- A programme of asset disposals to generate capital receipts that will partially mitigate the Council's increasing reliance on external borrowing. The current modelling allows for annual receipts of £50m per annum from 2022/23 to 2025/26 and incremental estimated revenue savings of £3m per annum. Despite this saving the overall net cost of borrowing is budgeted to increase by £24m by 2025/26. This increase is mainly driven by the need to use new capitalisation directions.
- A saving of £1.483m from a review of the housing benefits service

5.22 The Mayor asked officers to draw up a programme of cross-directorate transformation savings to drive the Council's financial recovery. The initial programme, and current estimated cost, is set out in Appendix D and already consists of over 30 projects. Expenditure of £5.934m is currently forecast of which £4.622m is due to be charged against the 2022/23 Capital Programme under the government's Flexible Use of Capital Receipts programme. The balance of £1.312m, and other 2023/24 costs, will be charged against the newly established £10m revenue budget for delivering transformation. Providing capacity to deliver the transformation plans safely and sustainably is a key priority. Work is underway to resource this.

5.23 The Government appointed an Improvement and Assurance Panel (IAP) to provide external advice, challenge and expertise to the Council, along with providing assurance to the Secretary of State that the Council was delivering against the previously agreed Croydon Renewal Plan.

5.24 Discussions have continued with the IAP regarding the pace of change that can be sustainably delivered. It was advice from the IAP that led to the £10m transformation revenue budget being established for 2023/24. This is included in the MTFs, although it is reduced to an ongoing budget of £5m from 2024/25 onwards. The IAP also advise the Council that the target level of savings deliverable each year beyond 2024/25 should not exceed £20m as continuing to deliver £40m in savings each year, in line with the last two years and plans for £36m next year, is not sustainable. This £20m target is modelled within the MTFs for 2024/25 and beyond.

Net Cost of Borrowing

5.25 Historic decisions regarding the capital programme mean that the Council's outstanding General Fund debt is disproportionately high compared to most councils. The revenue cost of financing that debt represented 14% of the Council's original 2022/23 net budget when most councils are in the range of 5-10%.

5.26 As well as having a high level of debt Croydon's future borrowing costs are impacted by:

- The need for the Council to ensure a prudent sum is set aside each year, within the revenue budget, for the long-term repayment of debt. This sum is known as the 'minimum revenue provision (MRP)' and it is recognised as prudent practice for a Council's MRP to be at least 2% of its underlying need to borrow (known as the Capital Financing Requirement). The proposed agreement of a new MRP strategy that will meet the minimum 2% threshold is recommended in the Treasury Management Strategy Report (due to be considered as part of the suite of Finance Reports going to Budget Council). On an on-going basis the new MRP strategy will add £2.6m per annum to the original 2023/24 budget estimate.
- The Council's General Fund external debt was £1.3 billion at April 2022. Of this sum £346m (33% of the brought forward total) is redeemable in year. The average interest at which the £346m was originally borrowed was 0.7% compared to current long-term borrowing costs in excess of 4%. The interest payable on external debt is budgeted to cost £7m more per annum in 2023/24.

5.27 Overall an increase of £17.5m is made in the 2023/24 budget for the net cost of borrowing. This takes account of the increase in MRP, additional loan refinancing costs and impact of the additional capitalisation directions, movement in the 2023/24 capital programme and adjustments to the investment income earned by the Council. This takes the proportion of the Council's net budget spent on borrowing costs to 17%.

Government Grant and Business Rates Funding

5.28 The Final Local Government Finance Settlement (LGFS) was announced by a written Ministerial statement on **Page 88** 1 February 2023. The core grant and

revenue support grant funding receivable by Croydon in 2023/24 is set out in Appendix E. There is a net increase of £3.383m from 2022/23 in general grants and an extra £3.734m regarding adult social care.

5.29 The provisional local government finance settlement confirmed that the government are pushing back their planned reforms regarding the 'fair cost' of adult social care to 2025. The government funding that was set aside for this reform is now released, alongside other resources, for the following adult social care grants:

- £1.399m regarding a new adult social care discharge fund
- An increase of £2.335m in the market sustainability and improvement fund (this replaces the previous market sustainability and fair cost of care funding).

5.30 The terms and conditions regarding the additional adult social care grants are not yet confirmed but are expected to be for improvements to adult social care and to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

5.31 For budget purposes it is assumed that the additional social care grants will be set aside as a reserve prior to 'passporting them' to adult social care. Clarity is required from government on the use of the additional funding and what sum, if any, can be used to meet existing adult social care growth and inflationary pressures.

5.32 The Council received a New Homes Bonus Grant allocation of £1.646m in 2023/24. This grant has reduced significantly in recent years and the 2023/24 payment is the last 'legacy' payment due in respect of prior government commitments. The future of the grant is uncertain in 2024/25 and is not included within the future Croydon grant forecast. No other major reforms are expected to the grant distribution methodology in 2024/25 with a government review expected in time for 2025/26.

5.33 The business rates forecast is summarised in Appendix F. It is based on the annual government return (NNDR1) submitted by Croydon by the 31 January 2023 deadline. The 2023/24 forecast includes a drawdown from the business rate relief reserve (which was funded from government grant) of £12.1m that offsets a prior year adjustment made for rate reliefs granted during the covid-19 pandemic.

5.34 A complication regarding business rates is that a revaluation, the first since 2017, is effective from 1 April 2023 that will change the rates payable for all businesses in Croydon. The impact of the revaluation on the income receivable by Croydon is expected to be neutral as compensating adjustments should be made through the business rates system.

5.35 Table 4 sets out, using draft data⁶, a high-level analysis of the underlying impact of the revaluation on different types of business within Croydon. Whist

the average increase is 7.5% there are marked differences between property types. Transitional arrangements will apply to 'smooth' the impact of those values that increase. The Croydon increase of 7.5% is above the England average of 7.3% and below the Outer London average increase of 11.3%.

Table 4 – Increase in Rateable Values Since 2017

Category	Percentage change in rateable value since 2017
Treasury Retail	-13%
Industry	+42%
Office	+23%
Other	+5%
Average	+7.5%

5.36 The increase in rateable values will impact on Croydon as a business ratepayer. A provision of £1.0m is included within the 2023/24 growth proposals for this purpose and a further £0.75m in 2024/25

6. REQUEST FOR GOVERNMENT SUPPORT

6.1 The scale of the financial challenge facing Croydon Council means that it cannot become financially and operationally sustainable without significant, new and different central government assistance.

6.2 The Council is in dialogue with central government over the type, and level, of such support. Previous government support involved the award of Capitalisation Directions which allowed the Council to charge revenue costs to capital. This meant in-year running costs in 2020/21, 2021/22, 2022/23 and 2023/24 of £70m, £50m, £25m and £5m respectively could be funded from either selling assets or through borrowing with the costs spread over 20 years.

6.3 The current MTFs modelling sets out the full scope of what government support may be required to bridge the estimated annual shortfalls of £63m for 2023/24 and £38m for 2024/25 and 2025/26. This report has also set out in 5.12 above that there is a need for a £161.6m legacy adjustment for which a Capitalisation Direction is also being requested. This is higher than estimated in November 2022 as, for the purposes of budget setting, the assumption has been made that a charge of £70m will need to be made to reserves in respect of Croydon Affordable Homes/Tenures in 2019/20 even though this issue is not yet concluded with the Council's external auditors.

Table 5 – Request for Government Support

	£'m
Legacy issues to 2022/23	161.6
2023/24 - Existing	5.0
2023/24 - New	58.0
2024/25	38.0
2025/26	38.0
Total government support	300.6

- 6.4 Allowance has been made within the budget forecast for the additional flexibility granted within the LGFS for Croydon to increase Council Tax by 12.99% and the Adult Social Care precept by 2%. For financial planning purposes it is assumed that the remaining government assistance will again be provided through capitalisation directives. This requires this debt to be repaid over 20 years and interest charged on the debt at a 1% surcharge over normal local government borrowing costs. This cost is included in the 2023/24 budget and future MTFs. By 2025/26 it is estimated that the external interest payable on the Council's debt and sum set aside for revenue debt repayment (MRP) will be £65.2m which is an estimated 19% of the net budget requirement. Most other local authorities have debt revenue financing costs in the range of 5-10%.
- 6.5 The Council is making the case to central government that the Extraordinary Financial Support model they have in place with its sole reliance on Capitalisation Directions has hindered Croydon's return to financial sustainability. The debt repayment burden this generates requires the Council to deliver a disproportionately high and unsustainable level of savings in order to fund the annual cost of repayment. As an example, had the previous £150m in Capitalisation Directions had not been required, it is estimated that the current debt financing costs would be £9m per annum lower.
- 6.6 As well as the greater flexibility regarding council tax levels, requests from the Council include spreading the debt repayment over a longer period (say 100 years), reducing the 1% surcharge on local government borrowing and most importantly the write-off of historic council debt of £540m. Such a write-off would re-establish debt on a par with other councils and deliver an estimated saving of £38m per annum in debt financing costs and would mean the Council becomes financially sustainable.
- 6.7 The budget forecast will be updated in accordance with the on-going discussions with central government.

7. COUNCIL TAX BASE AND CHARGE

- 7.1 The determination of the tax base is delegated to the Corporate Director of Resources (S151) Officer and is 137,230.9 Band D equivalents for 2023/24. This is an increase of 860 Band D equivalent households from 2022/23 to 2023/24. The report agreed by the Corporate Director of Resources (S151) Officer is attached as Appendix G with the main changes summarised below:
- An uplift of 1.13% in the assumed number of properties in accordance with the average Croydon growth over the past 5 years.
 - A reduction, due to current year trend data and concern over the the impact of increasing cost-of-living pressures, in the assumed collection rate from 98.5% to 97.5%.

- 7.2 The Band D council tax charge for Croydon is calculated by dividing the council tax requirement by the council tax base. The figures for 2023/24 are:

A	Croydon Council Tax Requirement	£247,759,412
B	Tax Base (Band D equivalent)	137,230.9
A / B	Band D Charge	£1,805.42

- 7.3 This represents an increase in the Croydon element of the council tax charge of 12.99% and a 2% levy for the adult social care precept. The weekly increase in the Band D charge for the Croydon element of council tax is £4.51 (annual £235.35 and daily £0.64)

- 7.4 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and council tax increases with compulsory referenda on council tax increases above limits it sets. For 2023/24 the relevant basic amount of council tax of Croydon London Borough Council has been determined by government as being excessive only 'if the authority's relevant basic amount of council tax for 2023-24 is 15% (comprising 2% for expenditure on adult social care, and 13% for other expenditure), or more than 15%, greater than its relevant basic amount of council tax for 2022-23'.

8. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 8.1 The Greater London Authority's (GLA) precept is also funded from council tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D council tax level.

A	GLA Council Tax Requirement	£59,577,423
B	Tax Base (Band D equivalent)	137,230.9
A / B	Band D Charge	£434.14

8.2 The Mayor for London has proposed a Band D charge of £434.14. This is subject to formal approval by the Mayor for London following the London Assembly meeting of 23 February 2023. The proposed charge represents an increase of £38.55, or 9.7%, compared to 2022/23.

9 TOTAL 2023/24 COUNCIL TAX REQUIREMENT

9.1 The overall amount to be met from the council tax, subject to confirmation of the GLA precept, is £285.792m.

A	Croydon Council Tax Requirement	£247,759,412
B	GLA Council Tax Requirement	£59,577,423
C	Total Council Tax Requirement	£307,336,835

9.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a council tax requirement for its own budgetary purposes (section 9) and then add the separate council tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix H.

9.3 The Council must then set the overall council tax for the Borough. These calculations must be carried out for each of the valuation bands, A to H. The amount per Band D equivalent property is calculated as follows:

A	Total Council Tax Requirement	£307,336,835
B	Tax Base (Band D equivalent)	137,230.9
A/B	Band D Charge	£2,239.56

Prior year Collection Fund adjustments

9.4 The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. Adjustments are made to future years for the difference between the actual, and budgeted income collected.

9.5 For Croydon a net council tax collection fund deficit of £2.428m is estimated for 2022/23 (after allowance for the government regulation that allowed the 2020/21 estimated deficit due to the impact of Covid-19 to be spread over three years). The Croydon share is estimated at £1.986m. Croydon currently

holds an earmarked reserve established during Covid, that was established to offset future council tax or business rate income adjustments. The 2023/24 Budget provides for £1.715m of this reserve to be used regarding the Croydon share of the prior year deficit.

10. BUDGET ENGAGEMENT

10.1 An update on the Medium-Term Financial Strategy 2023/24 to 2025/26 was considered by Cabinet on 30 November 2022. It was agreed that there should be a period of public engagement on the proposals for returning the Council to financial and operational sustainability that included:

- The savings options
- The transformation programme
- The list of assets for disposal.
- The closure of Whitehorse Day Centre.
- The closure of Cherry Orchard Garden Centre

10.2 The Council recognizes that it is very important that there is an opportunity for Croydon's residents, businesses, partners, voluntary and community sector and other interested parties to ask questions on these matters and to feedback their views and concerns.

10.3 A public engagement programme was launched with residents, businesses, partners, the voluntary and community sector and other interested parties on the revenue budget and capital programme proposals set out in the 30 November 2022 Cabinet Report.

10.4 Change of this degree is also unsettling for the Council's staff on whom we rely on to deliver the Council's services. Staff have been communicated with about the Council's financial situation and staff and trade unions will be formally consulted as required.

10.5 The Budget Engagement programme ran from 1 December 2022 to 8 January 2023 on the Council's online platform. The results on the consultation are set out in Appendix I.

11 VIEWS OF THE DIRECTOR OF FINANCE

The robustness of the budget estimates

11.1 Under Section 25 of the Local Government Act 2003, the Corporate Director of Resources (Section 151 Chief Finance Officer) is required to include, in the budget report, her view of the robustness of the 2023/24 estimates.

11.2 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below, the Corporate Director of Resources is satisfied with the accuracy and robustness of the estimates included in this report:

- The budget proposals have been developed following guidance from the Corporate Director of Resources and have been through a robust process of development and challenge with the Executive Mayor, Scrutiny and Cabinet Members, the Chief Executive and the Corporate Management Team, service directors and managers.
- The 'Opening the Books' review has identified substantial accounting corrections that have one-off and on-going implications for the Council's budget. These are recognized in the proposed 2023/24 Budget and Medium-Term Financial Strategy to 2025/26.
- Constructive dialogue has been undertaken with central government and the Improvement and Assurance Panel with Croydon gaining additional flexibility to increase 2023/24 council tax by upto 14.99% (including 2% for adult social care expenditure)
- An increased provision of £32.9m is set aside for inflation and takes reasonable account of potential future pay awards and the government forecast⁷ for continued inflationary pressures.
- A £5.5m provision has been set aside regarding economic demand pressures.
- The revenue budget proposals provide for the Council to hold an unallocated contingency of £5m to meet unforeseen budget pressures.
- Service managers have made reasonable assumptions about growth pressures which, following corporate challenge were not manageable within current budgets, and have resulted in additional essential investment
- Rigorous mechanisms are in place to monitor sensitive areas of expenditure with regular assurance meetings held to ensure that all proposals within the medium-term financial strategy are managed well and that budgets remained on track during the year.
- The use of budget monitoring in 2022/23 to re-align budgets where required with mitigating actions identified to meet budget pressures and growth provided when needed. As a result of the stringent approach to monitoring, the latest Month 8 Financial Performance Report predicts that the Council is likely to be able to balance its in-year budget pressures.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals comply with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital

programme are reflected in the budget with an increase of £17.5m in the revenue net cost of borrowing.

- Allowance is made for the debt financing costs that will arise from the requested additional capitalisation directions.
- Fees and charges have been reviewed and the recommendations made are incorporated within the budget
- Corporate and Directorate Management Teams have been involved in the detailed development of the proposed savings and have confirmed their deliverability.
- Cabinet Members have reviewed and challenged all budget proposals. In addition, the relevant Scrutiny Committees have considered the budget proposals they wished to.
- A prudent approach has been adopted on the local share of business rates income and council tax income receivable with detailed financial modelling used to support the forecast.
- A new Hardship Fund of £2m has been set aside to protect those low income households that find themselves in financial difficulty due to the increase in Council Tax.
- Regular benchmarking is undertaken against 'statistical neighbour councils' to ensure budgets are not unreasonable.

Risk, revenue balances and earmarked reserves

11.3 Under Section 25 of the Local Government Act 2003, the Corporate Director of Resources (Section 151 Officer) is required to include in budget reports, her view of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.

11.4 Reserves play a crucial role in good public financial management. They enable investment in service transformation and provide resilience against unexpected events or emergent needs. As one-off resources they can only be spent once. The Council has a well documented history of the imprudent use of reserves to balance its budget. It is the view of the Corporate Director of Resources that next year's budget proposals only include prudent and appropriate use of reserves to meet one off costs.

11.5 Croydon faces a range of substantial financial risks that may require the use of reserves. These include:

- Key departmental financial risks as set out in Appendix J
- The outcome of discussions with central government on the Council's request for additional capitalisation direction / assistance of £300.6m.
- A further upturn in inflation and impact of the rising cost of living. Against this risk the Council has set aside an inflation provision of £32.9m and a £5.5m provision regarding economic demand pressures on services.
- Addressing pent-up demand as part of the Covid-19 recovery.

- Hospital discharge delays and pressures in the adult social care sector regarding social care waiting times, fee rates and workforce capacity.
- There is a risk that the number of children in care or the number of homeless families in the borough increases beyond what can be accommodated within existing budgets
- The risk of recession and impact on demand for council services and income streams, such as business rates, council tax or parking charges.
- Additional financial issues coming to light as part of the Opening the Books project and the continued external audit of the past 3 years of the Council's annual accounts.
- It has been concluded that monies received by the Council in relation to Croydon Affordable Homes were incorrectly treated and needs to be reversed in the 2019/20 accounts. This report assumes that the impact is a £70m charge to the Council's reserves but discussions are not yet concluded with the External Auditor, Grant Thornton, and therefore the charge may be larger, or smaller. This is a prudent assumption.
- The impact of the wider economy on major Council development projects and future capital receipts.
- The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates).
- A significant upturn in interest rates. This would impact on both the core borrowing undertaken to finance the historic capital programme and future borrowing regarding the use of capitalisation directives.
- The impact of, and costs of tackling, climate change.
- The challenge of identifying further significant future savings that balance the budget over the longer-term. The current MTFS modelling identifies a target for new savings of £20m per annum beyond 2023/24. However, there is an annual £38m shortfall driven by the cost of that debt in the Council's ongoing annual budget which is currently assumed to be funded from annual Capitalisation Directions from government, which in turn will generate more cost pressures from their annual MRP payments. This is not a sustainable financial position and needs to be resolved.

11.6 Over the past 3 years Croydon has taken robust action to restore reserves from a negative base. The legacy Capitalisation Direction request will also maintain existing reserves at an adequate level as a cushion against further unpredicted events or emergencies.

Table 7 – Reserves Carried Forward to 2022/23

	Balance 1st April 2022 £'m
Earmarked Reserves	65.6
Restricted Reserves	46.7

Sums set aside regarding business rate rebates	19.6
Balances held by Schools	8.1
General Fund Balances	27.5
Total	167.5

11.7 Croydon holds reserves for the following main purposes.

- As a contingency to cushion the impact of unexpected events or emergencies – this forms part of general balances. The Council's general fund balance was £27.5m at the start of 2022/23 and is not anticipated to change prior to the start of 2023/24. The Corporate Director of Resources is of the view that this should be the minimum level of general fund balance that the Council holds given its scale, complexity as a unitary council and historically high risk profile.
- To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves. The balance at the start of 2022/23 was £65.6m.
- Restricted reserves are also earmarked but there are more constraints, such as grant terms and conditions, on how the council can use such funding. The largest restricted reserve is £23.1m relating to business rates income ringfenced for use in the Croydon growth zone.
- Specific reserves relating to school balances and the funding of business rate rebates as part of the government's Covid measures. As set out in Appendix F the 2023/24 business rates income forecast includes a drawdown from the business rate relief reserve (which was funded from government grant) of £12.1m that offsets a prior year adjustment made for rate reliefs granted during the covid-19 pandemic.

12. DEDICATED SCHOOLS GRANT

12.1 Dedicated Schools Grant (DSG) is paid to the Council by the Secretary of State under Section 14 of the Education Act 2003. DSG is provided outside of the local government finance settlement and must be allocated, in line with the associated conditions of the School and Early Years Finance Regulations, to the schools' budget in the year in which it is paid.

12.2 As shown in Table 8 Croydon's provisional DSG allocation for 2023/24 will increase by £26.310m to £427.688m. The key growth areas are the High Needs, Early Years and Schools Block.

Table 8 – Croydon DSG Allocations

Financial Year	Schools Block	Central Services Block	High Needs Block	Early Years Block	Total DSG
	(£'m)	(£'m)	(£'m)	(£m)	(£m)
2022/23	285.662	5.302	82.205	28.208	401.378
2023/24	302.879	4.728	89.704	30.377	427.688
Change	17.217	-574	7.499	2.169	26.310

12.3 **Schools Block** - The Schools Block of £302.9m funds mainstream schools from reception class to Year 11 (nursery and sixth-form funding are excluded). Croydon has 109 schools with 50,476 pupils according to the most recent Department for Education (DfE) data.

12.4 Whilst local authorities allocate the school's block budget the DfE is moving towards implementing a National Funding Formula. For 2023/24 local authorities must move their local formula factor values at least 10% closer to the NFF, except where their local factor is already mirroring the NFF.

12.5 Croydon local factors have largely mirrored the NFF in recent years and the current changes are not expected to have any significant impact. There may be a small benefit for secondary schools.

12.6 Table 9 sets out the funding breakdown of the Schools Block across primary and secondary schools and the percentage grant change from 2022/23.

Table 9 – Schools Block

	2022/23 (A)	2023/24 (B)	Total Change (C) = (B) - (A)	Value change	Percentage Change
	(A)	(B)	(C)		
Primary School Rate of Funding (£'s)	4,944.68	5,199.40	254.72	£8,000,755	5.15%
Primary School Pupil Numbers (no)	31,410.00	31,280.50	-129.50	-£673,322	-0.41%
Primary Block Funding (£'s)	155,312,398	162,639,831	7,327,432	7,327,432	4.74%
Secondary school Rate of Funding (£'s)	6,628.19	7,029.36	401.17	£7,583,717	6.05%
Secondary school Pupil Numbers (No)	18,904.00	19,195.50	291.50	£2,049,058	1.54%
Secondary Block Funding	125,299,303	134,932,079	9,632,776	9,632,776	7.59%

Premises (£; s)	3,092,041	3,243,546	151,505	151,505	4.90%
Growth (£'s)	1,958,648	2,063,504	104,856	104,856	5.35%
Overall Total	285,662,391	302,878,961	17,216,570	17,216,570	

- 12.7 Primary school numbers have fallen by 129 pupils (31,410 - 31,281), whilst secondary school numbers have increased by 291 (18,904 - 19,195). Several primary schools are facing financial challenges due to a reduction in their pupil numbers over recent years. Schools Forum have indicated that they will consider the fall in roll issue at a future date when much information is available on the numbers of school affected.
- 12.8 The funding formula factors used to determine each individual school budget allocation are set by the DfE and this was shared with Croydon on the 8th of August 2022. The funding rates and local factors were reviewed and thereafter recommended by Croydon Schools Forum on 7th November 2022 and received subsequent Cabinet approval on 25th January 2023..
- 12.9 **High Needs Block (HNB)** – This grant supports all special education needs (SEN) provision including, maintained special schools, independent special schools and SEN support in mainstream schools. The HNB national funding factors are largely based upon historical factors.
- 12.10As set out in Table 10 there is a 9.12% increase in 2023/24 HNB funding. This is in line with the DfE approach to increase the grant to reflect the growing demands and cost of meeting the needs of the pupils. This includes the minimum funding requirements for special schools highlighted in the 2023/24 DfE operational guide.

Table 10 – High Needs Block

Financial Year	Basic Allocation	Other elements	Import / Export	Hospital education, AP, Teachers pay/pension and supplementary funding factor	Additional high needs allocation (£s)	Total
	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)
2022/23	73,484,936	7,055,654	-2,775,000	1,408,945	3,030,941	82,205,476
2023/24	80,165,501	7,199,777	-2,775,000	1,433,437	3,680,676	89,704,391
Change	6,680,565	144,123	0	24,492	649,735	7,498,915

- 12.11The £7.498m funding increase partially recognises that, over the past 10 years, HNB funding has not kept pace with the rise in pupil numbers, inflationary pressure or greater demand for SEN support. The funding pressures have become more acute since the introduction of the Children and Families Act 2014 and the need to meet the needs of 18- to 25-year-old students. For Croydon there was a budget gap of £3.2m last year.

12.12 Many local authorities have a HNB deficit due to the demands referred to above. If an authority has an overall DSG deficit of one per cent or more at the end of the previous financial year it is required to submit a deficit recovery plan. Croydon has a deficit of £27.6m and has submitted a recovery plan. The Council continues to liaise with the DfE on the plan progress and is engaged with the DfE 'safety valve' (SV) programme. This initiative is designed to assist local authorities with the very highest percentage of cumulative DSG deficits on their balance sheet to reduce the deficit and bring it into a balanced position within 5 years. The government recently confirmed that extension the of Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26. This recent decision by the government means that the DSG deficit is not an immediate financial risks to the local authority.

12.13 **Early Years Block** – This block covers funding for pupil’s free entitlement across all early year’s settings. There is a universal free entitlement of 15 hours per week, but some pupils are eligible for 30 hours. The funding allocations for 2023/24, compared to 2022/23 are shown in Table 11.

Table 11 – Early Years Block

	2022/23	2023/24	Total Change
3&4 Year Old Funding Rate (£'s)	5.44	5.78	0.34
3&4 Year Old (Hours)	7,919.62	7,919.62	0.00
15 hrs * 38weeks	570.00	570.00	0.00
3&4 Year Old Funding (£'s)	24,557,157	26,091,980	1,534,822
2 Year Old Funding Rate (£'s)	6.03	6.63	0.60
2 Year Old Funding Rate (Hours)	849.16	849.16	0.00
15 hrs * 38weeks	570.00	570.00	0.00
2 Year Old Funding (£'s)	2,918,647	3,209,060	290,412
Early years pupil premium	163,408	168,855	5,447
Disability access fund	125,600	134,136	8,536
Initial supplementary funding allocation	443,609	773,262	329,653
Total Funding	28,208,422	30,377,293	2,168,871

12.14 An Early Years National Funding Formula was introduced in April 2017. It aims to ensure that all early years settings are funded at the same rates within each local authority. The main risk with this block is the challenges faced by the two Maintained primary schools in deficit due to fall in rolls. The service is working with these schools on their three years deficit recovery plan.

12.15 **Central Services Schools Block** - The Central Services Schools Block (CSSB) consists of two parts – on-going functions and historic commitments.

12.16 For 2023/24 the DfE have reduced funding for historic commitments by 20%. This is in addition to last year’s 20% reduction. The DfE have indicated that will protect any local authority should their total historic commitments funding fall below their 2023/24 expenditure on capital and prudential borrowing costs

and termination of employment costs. The 2023/24 CSSB allocations are set out in Table 12.

Table 12 – Central Services Schools Block

	CSSB Unit of Funding	CSSB Pupil Count	On-going Commitments	Funding for Historic Commitments	Total Central School Services Block
	(£'s)		(£'s)	(£'s)	(£'s)
Year 2022/23	54.29	50,314	2,731,547	2,570,400	5,301,947
Year 2023/24	52.93	50,476.	2,671,694	2,056,320	4,728,014
Change	-1.36	162	-59,852	-514,080	-573,932

12.17 On-Going Commitments.

The main expenditure type under on-going responsibilities includes:

- a) licences negotiated centrally by the Secretary of State for all publicly funded schools (sch 2, 8)
- b) Schools Admissions Remission of boarding fees at maintained schools and academies and Servicing of school's forums.
- c) Finance, Internal Audit cost and management salaries related to education functions

The reduction in grant by £0.059m will be met by savings within the service

12.18 Historic Commitments. The 20% funding reduction is £0.514m. This grant reduction places an extra budget pressure on the General Fund and is taken account of within the grant forecast reported in Appendix E. The gradual reduction of the historical Teachers Pension cost may help offset the grant reduction. Review is on-going to clarify if Croydon may receive some protection regarding historic prudential borrowing costs.

13 FINANCIAL IMPLICATIONS

13.1 As set out throughout this report

14 LEGAL IMPLICATIONS

Setting the Council Tax

14.1 The Local Government Finance Act 1992 (“The Act”) sets out the statutory framework for the setting of Council Tax. Section 1 (‘Council tax in respect of dwellings’) provides for the Council, as a billing authority, each financial year, to levy and collect Council Tax in respect of dwellings within its areas.

14.2 Section 30 (‘Amounts for different categories of dwelling’) sets out how the Council should calculate the amount of Council Tax by taking the aggregate of-

- a) the amount which, in relation to the year and the category of dwellings, has been calculated (or last calculated) by the authority in accordance with sections 31A, 31B and 34 to 36
- (b) any amounts which, in relation to the year and the category of dwellings have been calculated in accordance with sections 42A, 42B and 45 to 47 below and have been stated (or last stated) in accordance with section 40 in precepts issued to the authority by major precepting authorities.

14.3 Section 31A (‘Calculation of council tax requirements by authorities in England’) provides that the Council must calculate in the year the aggregate of—

- “a) the expenditure which the authority estimates it will incur ... in performing its functions and will charge to a revenue account...,
- b) such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account ..,
- c) the financial reserves which the authority estimates it will be appropriate to raise ..for meeting its estimated future expenditure,
- d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for,
- da) any amounts which it estimates will be transferred ...from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act,
- e) any amounts which it estimates will be transferred ...from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and
- f) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a precept under section

98(5) of the 1988 Act and charged to a revenue account ...” (Section 31A(2))

14.4 In addition, the Council must calculate in the year the aggregate of—

“a) the income which it estimates will accrue to it... and which it will credit to a revenue account.....,

aa) any amounts which it estimates will be transferred .. from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act,

b) any amounts which it estimates will be transferred.... from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act,

c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account....., and

d) the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.” (Section 31A(3))

14.5 Section 31A(4) provides that if the aggregate calculated under subsection (2) above exceeds that calculated under Section 31A(3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year. This is in effect the duty to set a balanced budget.

14.6 When estimating under Section 31A(2)(a) referenced above, the authority must take into account—

a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and

b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year. (section 31A(6))

However, except as provided by regulations under section 41 below or regulations under section 74 or 75 of the 1988 Act, the authority must not anticipate a precept, levy or special levy not issued. (Section 31A(7)) The relevant council tax setting calculations for Croydon are set out in Appendix H.

14.7 Section 30(7) provides that no amount may be set before the earlier of the following-

- a) 1st March in the financial year preceding that for which the amount is set;
 - b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set.
- 14.8 Furthermore, no amount may be set unless the Council has made in relation to the year the calculations required by the Act (Section 30(8)). Any purported setting of an amount, if done in contravention of subsection (7) or (8) above, shall be treated as not having occurred (Section 30(9)). Therefore, the statutory budget calculation set out in the 1992 Act must be adhered to. If not, the Council Tax resolution may be invalid and void.
- 14.9 Any amount to be set as Council Tax must be set before 11th March in the financial year preceding that for which it is set (i.e., before 11th March 2023), but is not invalid merely because it is set on or after that date (Section 30(6) and Section 31A (11)). The rider in Sections 30(6) and 31A(11) (“but they are not invalid merely because they are made on or after that date”) should not be seen as permission to make the calculations later, but merely as a means of limiting the scope of legal challenges to the budget if an authority breaches the duty to set the Council Tax before 11th March 2023. A delay to agreeing the budget may also have significant financial, administrative, and legal implications.
- 14.10 Section 66 of the 1992 Act provides that the setting of the budget (and this includes the failure to set or delay in setting the budget) can be challenged by an application for judicial review, with either the Secretary of State or any other person with sufficient interest (which could include a council taxpayer) able to apply.
- 14.11 Section 52ZB (‘Duty to determine whether council tax excessive’) requires the Council 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. Section 52ZC (‘Determination of whether increase is excessive’) provides that 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 Referendums Relating to Council Tax Increases (Principles)(England) Report 2023-24 sets out the principles for the financial year beginning on 1st April 2023, and for Croydon it provides that *“For 2023-24, the relevant basic amount of council tax of Croydon London Borough Council is excessive if the authority’s relevant basic amount of council tax for 2023-24 is 15% (comprising 2% for expenditure on adult social care, and 13% for other expenditure), or more than 15%, greater than its relevant basic amount of council tax for 2022-23.”*

- 14.12 Section 65 ('Duty to consult ratepayers') provides for the Council to consult with representatives of non-domestic ratepayers about the proposed revenue and capital expenditure before the budget requirement is calculated. An update on the consultation response for Croydon is provided in Appendix I.
- 14.13 Section 67 ('Functions to be discharged only by authority') provides that the functions described above to set the Council Tax budget shall be discharged only by Full Council.
- 14.14** Section 25 of the Local Government Act 2003 ("LGA 2003") ('Budget calculations: report on robustness of estimates etc) provides that the Council's Chief Finance Officer must report to it on the following matters-(a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. The Council shall have regard to the report when making decisions about the budget calculations. The views of the Director of Finance are set out in section 11 of this report.
- 14.15 Section 26 LGA 2003 ('Minimum reserves') requires that when setting the budget requirement, the reserves include a minimum level for controlled reserves - this minimum level is determined by the Chief Finance Officer.
- 14.16 Section 27 LGA 2003 ('Budget calculations: report on adequacy of controlled reserve') requires that the Chief Finance Officer to report on the inadequacy of controlled reserves - i.e., when it appears that the level of a controlled reserve is inadequate or likely to become inadequate and action required to prevent such a situation arising in the financial year under consideration. The views of the Director of Finance on risk, revenue balances and earmarked reserves are set out in section 11 of this report.
- 14.17 Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010 as detailed more fully in the Equalities Considerations, at Section 15 below.

Members' Common Law Duties

- 14.18 When considering the budget proposals, the Council (and its Members), as well as having a duty to ensure that the Council acts in accordance with its statutory duties, must act reasonably and must not act in breach of its fiduciary duty to its ratepayers and Council Tax payers.
- 14.19 In reaching decisions on these matters, Members are bound by the general principles of administrative law. Local authority decisions need to be rational, prudent, and made in accordance with recognised procedures. A local authority's discretion must not be abused or fettered, and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a

reasonable authority, properly directing itself, could have reached. The resources available to the Council must be deployed to their best advantage.

- 14.20 There is an overriding legal duty on Members to act prudently, responsibly, in a business-like manner and in the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers. Fiduciary duty is also likely to include acting in good faith with a view to complying with statutory duties and financial prudence in the short and long term.
- 14.21 The obligation to set a lawful balanced budget each year is shared equally by each individual Member. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred, and any ulterior motives risk a finding of illegality.
- 14.22 In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.
- 14.23 In approving the respective budget envelope, Full Council is not making decisions as to the implementation, form, or detail of service delivery. These are by law matters for the Executive. In making subsequent decision on service provision changes to achieve savings or budget reduction, the Executive must comply with statutory requirements including consultation obligation and equalities duties.

Constitution (Budget and Policy Framework Procedure Rules)

- 14.24 Under Regulations 4 (Paragraphs 9 to 11) of The Local Authority (Functions and Responsibilities) (England) Regulations 2000 the Executive is responsible for preparing and submitting to Full Council estimates of the amounts to be aggregated for the purposes of Council Tax calculations, and to undertake any reconsideration of those estimates that Full Council require. As a consequence of Section 67 Local Government Finance Act 1992, the function of making or approving the required calculations – and, in that sense, approving the budget – remains one for the Full Council itself. That function is non-delegable.

- 14.25 The Budget and Policy Framework Procedure Rules in Part 4.C of the Constitution sets out the process to be followed in developing the budget proposals. The Procedure provides for the following: a) the responsibility of the Executive for the preparation of budget proposals; b) consideration of the responses from Scrutiny and Overview Committee by the Executive in drawing up budget proposals for submission to Full Council; c) the option available to political groups to prepare an alternative or amended budget proposals and the notice and Chief Finance Officer certification requirements on any motions to amend the Executive proposals; and d) the dispute resolution process in the event that Full Council objects to the Executive budget proposals.
- 14.26 The Procedure defines the budget as: The identification and allocation of financial resources for the following financial year(s) by the Full Council including:
- Revenue Budgets;
 - Capital Budgets;
 - The Council Tax base;
 - The Council Tax level;
 - Borrowing requirements;
 - Prudential indicators;
 - The Medium-Term Financial Strategy; and
 - The level of Uncommitted Reserves.

Arrears of Council Tax and Voting

- 14.27 In accordance with section 106 of the 1992 Act ('Council tax and community charges: restrictions on voting'), where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting: (a) Any decision relating to the administration or enforcement of Council Tax. (b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax. (c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation. The requirement applies to all committee meeting including the meeting of Full Council and the Executive. A breach is a criminal offence.

Approved by: Director of Legal Services and Monitoring Officer.

15 EQUALITIES IMPACT

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

services, and also how they commission and procure services from others.

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

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

15.3 Protected characteristics defined by law are race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief and marriage and Civil Partnership.

15.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. Report authors have been guided towards ensuring that there is sufficient mitigation when a service has been changed to ensure that there is no detrimental impact on service users as a result of the change.

15.5 The budget proposals have been assessed in line with the Council's equality impact analysis processes (EIA), as part of a risk-based approach to analyse potential equalities impact of budget proposals. Budget holders have identified where proposals are likely to have an impact on those with protected characteristics (i.e. race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, age, gender identity and marriage and civil partnership). Where necessary, the potential for mitigating measures are explored. The EIA process continues alongside the development of policy and operational changes and during their implementation.

15.6 The recent pressures caused by higher inflation has been identified in a number of the equality assessments. Nationally it is recognised that households have struggled with rising bills and more are reliant on support. Fuel inflation has had a particularly challenging impact over the last 12 months.

15.7 As at July 2022, there were 7,028 low income families in Croydon where their monthly income is below their estimated costs. This figure represents households that claim benefits through Croydon Council. If costs were increased by £19.62 a month (this is the 14.99% increase on a Croydon Band D house) then there would be 7,290 households with a monthly income below their estimated costs.

15.8 As a result, particular consideration has been given in the equality analysis to proposals which include increases in fees/charges, and the proposed increase in Council Tax. The evidence from both internal and external sources was gathered to consider the impact, as well as considering the responses from the budget engagement

- 15.9 Intelligence from our Council Tax Support Scheme EQIA gives us the following data which highlights the equality characteristics most affected by the increase:
- 31% of council tax claimants are disabled and will be more affected
 - 28% of council tax claimants are disabled and not in work so would be more affected.
 - 85% of claimants are single
 - 16,260 of the claims made by single people are females, and 6,263 are from males
 - 38 active claims where the claimant or partner are in receipt of maternity pay.
- 15.10 The impact of any council tax changes will of course be mitigated either entirely or in part should a resident be eligible for an exemption from council tax or for a reduction in their council tax eg from the Council's Council Tax Support Scheme. In addition, the Council has prepared mitigation to support residents affected by the proposed increase in council tax by providing a Hardship Fund for residents who experience financial difficulties due to the council tax increase. The fund will be set at £2 million and will be available on an annual basis.
- 15.11 Eligibility for this fund will be determined against criteria set by the council. It will be administered in a manner that will leave flexibility for residents impacted by the council tax increase who are in extenuating circumstances including: job losses, increases debts from utilities along with debts in other areas such as housing costs. The eligibility for this fund will be significantly different from the existing council tax support scheme and will not use the same income based criteria. This should provide support for residents affected by in work poverty.
- 15.12 Existing mitigation for residents as will also remain in place (such as discounted rates for residents with disabilities, carers, as well as existing hardship schemes, such as in Housing).
- 15.13 The Council will continue to commission external independent information, advice & guidance service for residents, with a particular focus on debt management, increasing income and avoiding homelessness. Residents can also contact Croydon Council Money Advice Service for advice on paying your bills and debt worries. All advice is independent and confidential.
- 15.14 In delivering against the Mayor's Business Plan, the Council will also seek to identify opportunities to improve services and work with partners and communities to minimise any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. In doing so the Council will focus on another core priority to focus on providing the best quality core service we can afford, in particular social care for the most vulnerable people and providing opportunities children and young people, along with opportunities to learn.
- 15.15 In respect of specific proposals, it is likely that some proposals may result in new policies or policy or service changes. In this instance each proposal will be accompanied by a further equality analysis which will inform the final

proposal and its implementation, on a case by case basis. In addition, any decisions which need to be taken in furtherance of the budget proposals will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate further Equality Assessments will be undertaken and form part of the decision-making process.

Approved by Gavin Handford – Director of Policy, Programmes and Performance

16 ENVIRONMENTAL IMPACT

16.1 None direct from the budget report specifically, but will be considered as part of the implementation of any of the proposals contained in this report.

17 CRIME AND DISORDER REDUCTION IMPACT

17.1 As set out in the body of the report and appendices.

18 DATA PROTECTION

18.1 None direct from the budget report specifically, but will be considered as part of implementation of any of the proposals contained in this report

19 HUMAN RESOURCES IMPACT

19.1 The implementation of the savings proposals will, in a number of instances, have a staffing impact. The Council has a legal and policy obligation to seek to avoid compulsory redundancy, where possible. Where organisational change is proposed which impacts on structure, such as through restructures or transfers, this will be managed in accordance with the Council's policies and procedures, including consultation with those staff potentially impacted upon and their trade union representatives, and application of the Council's redeployment scheme, where appropriate.

Approved by: Dean Shoesmith, Chief People Officer.

20. OVERVIEW AND SCRUTINY COMMITTEE

20.1 The budget proposals are due to be considered by Overview and Scrutiny Committee on the 16th of February. An update on any recommendations made by the Committee will be provided to Cabinet and the Cabinet response noted.

LIST OF APPENDICES

- A Summary of the 2023 Medium-Term Financial Strategy forecast
- B General Fund Departmental and Subjective Budget summary (to follow)
- C General Fund growth and savings proposals
- D Draft Transformation programme and funding
- E Government Grant
- F Business Rates Forecast
- G 2023/24 Croydon Tax Base (to follow)
- H Recommendations for Council Tax Requirement 2023/24 and Council Tax charge by Band. (to follow)
- I Budget Proposals for 2023/24 – Feedback from Survey
- J Financial Risks

BACKGROUND DOCUMENTS

Mayor's Business Plan Council 14th December 2022
Cabinet report 30th November 2022

London Borough of Croydon - Medium Term Financial Plan

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Base Budget (Departmental)	317.055	317.055	317.055
Base Budget (Corporate Items)	-0.946	-0.946	-0.946
Demand Pressures	11.283	19.161	24.985
Legacy Budget Corrections	49.037	49.537	50.037
Planned Savings	-33.098	-40.400	-41.114
Future Savings target	0.000	-20.000	-40.000
Provision for inflation	32.946	49.946	61.946
net cost of borrowing (interest, MRP & investment income)	57.919	64.432	63.461
Risk/contingency provision	5.000	10.000	15.000
Set aside of new adult social care grants	3.734	6.319	6.319
Economic Demand Pressures	5.500	5.500	5.500
Council Tax - Hardship Support	2.000	2.000	2.000
Transformation Investment	10.000	5.000	5.000
Gross Budget Requirement	460.430	467.604	469.243
Use of earmarked reserve (Council tax income guarantee)	-1.715	0.000	0.000
Core grant funding	-38.651	-42.648	-42.648
Additional Adult Social Care Grants	-3.734	-6.319	-6.319
Use of the capitalisation directive	-63.000	-38.000	-38.000
Business Rates - compensation grant for underindexing the business rates multiplier	-12.419	-12.419	-12.419
Net Budget Requirement (as per the budget book)	340.911	368.218	369.857
Financing			
<i>Government Grants:</i>			
Revenue Support Grant	-16.711	-17.628	-17.628
<i>Croydon Resources</i>			
Business rates top-up grant	-35.921	-37.864	-40.005
Business rates income	-42.506	-45.388	-45.388
Council tax (4.99% increase modelled in 2024/25 and a freeze in 2025/26)	-247.759	-263.061	-266.034
Prior year collection fund deficit	1.986	0.000	0.000
Total Financing	-340.911	-363.941	-369.055
Budget deficit/(surplus)	0.000	4.277	0.802

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Summary of Departmental Budget Proposals

Savings and Change Proposals

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-6,920	-2,022	-142
Adult Social Care & Health	-12,243	0	0
Housing	-2,305	-1,989	-589
Sustainable Communities Regeneration & Economic Recovery	-1,859	-145	17
Assistant Chief Executive	-2,924	0	0
Resources	-6,347	-1,646	0
Corporate / Council wide	-500	-1,500	0
Total	-33,098	-7,302	-714

Demand Pressures

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	0	0	0
Adult Social Care & Health	7,621	740	0
Housing	0	0	0
Sustainable Communities Regeneration & Economic Recovery	1,180	1,000	2,500
Assistant Chief Executive	1,230	4,932	3,324
Resources	1,195	1,150	0
Corporate / Council wide	57	56	0
Total	11,283	7,878	5,824

Legacy Budget Corrections

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	5,188	0	0
Adult Social Care & Health	1,648	0	0
Housing	5,286	0	0
Sustainable Communities Regeneration & Economic Recovery	14,759	0	0
Assistant Chief Executive	2,001	0	0
Resources	11,271	500	500
Corporate / Council wide	8,884	0	0
Total	49,037	500	500

Net Budget Movement

Figures are incremental

Savings, demand pressures & legacy budget corrections	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-1,732	-2,022	-142
Adult Social Care & Health	-2,974	740	0
Housing	2,981	-1,989	-589

Children, Young People & Education

Savings and Change proposals

Reference	Service	Description
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>		
1	Children's Social Care Division	Improve practice system efficiency
2	Social Work with Children Looked After and Care Leavers	Reduce spend on Children Looked After placements
3	Social Work with Children Looked After and Care Leavers	Review support for young people whose appeal rights are exhausted
4	Commissioning and Services to Schools	Increase the Education Traded Offer
5	Children's Social Care Division	Service efficiencies through hybrid and flexible working
6	Early Years Team	Refocusing public health funding - parenting programmes
7	Early Years Team	Develop family support centres and introduce external funding
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>		
8	Social Work with Children Looked After and Care Leavers	Growth reduction
9	Social Work with Children Looked After and Care Leavers	Reduce demand for legal services
10	Access, Support and Intervention	Restructure of the Youth Engagement Team
11	Quality, Commissioning and Performance Improvement Division	Staff vacancy factor of 5% across Quality, Commissioning and Performance Improvement
12	Quality, Commissioning and Performance Improvement Division	Non-staffing spend across Quality, Commissioning and Performance Improvement
13	CYPE Integrated Commissioning and Procurement	Increase Health contribution to the Integrated Commissioning Team
14	Education Division	Service redesign across education to fully utilise grant funding
15	Systemic Clinical Services and Workforce Development	Income generation in Systemic and Clinical Practice
16	Social Work with Families and 0-17 Children with Disabilities	Reduce spend on Children with Disabilities care packages
17	Quality Assurance and Safeguarding	Local authority contribution to the safeguarding partnership
<i>Transformation Projects</i>		
18	Access, Support and Intervention	Sustaining demand management at the front door
19	Directorate wide	Review all joint funding arrangements across education, health and care
20	Social Work with Children Looked After	Fostering transformation

Legacy Budget Corrections

Reference	Service	Description
22	Performance and Business Improvement	Adjustment re prior year capitalisation of children and families systems team costs
23	Early Years Team	Refocusing public health funding - parenting programmes savings correction
24	Children's Social Care Division	Capitalisation income budget correction
25	Social Work with Children Looked After and Care Leavers	Rebasing the income budget for Unaccompanied Asylum Seekers Children
Total of legacy budget corrections		

Net Budget Movement

	Children, Young People & Education
	Proposed savings
	Legacy budget corrections
	Net Budget Movement

Adult Social Care & Health

Savings and Change proposals

Fig

Reference	Service	Description	20
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>			
1	Disabilities	Disabilities operational budget	
2	Mental Health	Mental health operational budget	
3	OBC Commissioning	Contracts review	
4	Localities and LIFE	Older People operational budget	
5	Transitions	Transitions operational budget	
6	All	Contracts review	
7	Integrated Contracts & Performance	Review of staffing portfolio across C&P Services (Procurement, Hwa, Place, Cfe And P&B)	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
9	Provider Services	Active Lives staffing efficiency	
10	All ASC Operations	Fees and Charges increase in line with DWP	
11	Provider Services	Closure of the Cherry Orchard Garden Centre	
12	Provider Services	Close Whitehorse Day Centre (facilities management cost only)	
13	Integrated Contracts & Performance	PPE growth hand-back and swap with COMF money.	
14	All ASC Operations	The managing demand programme will deliver a revised operating model for Adult Social Care & Health.	
15	All	Staff vacancy factor of 5%	
16	All ASC Operations	Absorption of inflation within existing budgets	
Total of proposed savings			

Demand Pressures

Fig

Reference	Division	Description	20
17	All ASC Operations	Care packages/placements - inflation above corporate allowance	
18	All ASC Operations	Demographic & cost pressures re care packages/placements	
19	OBC Commissioning	Cost inflation on Care UK contract	
20	OBC Commissioning	Demographic & inflation pressures to the pooled equipment budget.	
21	ASC Improvement	Transformation funding ends for project management costs	
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>			
22	Transitions	Transitions Service cost of care growth	
23	Transitions	Transitions Service Demographic growth	

Housing

Savings and Change proposals

Reference	Service	Description	2
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
1	Emergency and Temporary Accommodation	Housing Needs restructure including Dynamic Purchasing System implementation	
2	Emergency and Temporary Accommodation	Temporary Accommodation occupancy checks	
3	Emergency and Temporary Accommodation	Temporary Accommodation case review (discretionary cases)	
4	Emergency and Temporary Accommodation	Data cleanse & rent accounts (income collection)	
5	Emergency and Temporary Accommodation	Repurpose general needs voids for emergency accommodation	
6	Department wide	Vacancy factor	
7	Emergency and Temporary Accommodation	Demand Management	
<i>Transformation Projects</i>			
8	Homelessness & Assessments	Housing association liaison, recharges and nominations	
Total proposed savings			

Legacy Budget Corrections

Reference	Division	Description	2
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>			
9	Department wide	Housing legacy structural budget deficit, first identified in the Medium Term Financial Strategy report in November and subsequently managed down from £5.2m	
10	Department wide	HRA recharges staffing corrections	
11	Temporary Accommodation	Inclusion of the leased properties for Concord Sycamore & Windsor within the General Fund (part of the HRA/GF realignment)	
Total legacy budget corrections			

Net Budget Movement

	Housing		2
	Proposed savings		
	Legacy budget corrections		
	Net Budget Movement		

Sustainable Communities Regeneration & Economic Recovery

Savings and Change Proposals

Reference	Service	Description	2023/24 £
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>			
1	Highways and Parking	Parking charges increase	
2	Independent Travel	Review and reduction of the Neighbourhood Operations Team (NSO)	
3	Independent Travel	Adult travel assistance - joint review	
4	Independent Travel	Bus re-tender contract savings	
5	Skills & Economic Development	Economic development team streamlined service	
6	Community safety	Anti Social behaviour charging	
7	Community safety	CCTV merger	
8	Community safety	CCTV footage charge for insurance claims	
9	Community safety	Review CCTV control room and functions following council telephony upgrade	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
10	Arts, Entertainment & Culture	Reduced museum activity	
11	Independent Travel	Muster points	
12	Independent Travel	Coach income (from bus hires)	
13	Leisure	Redesign leisure sports development service	
14	Directorate	Fund the General Fund element of the Croydon Museum through the Growth Zone fund for a period of 2 years whilst transforming the service delivery model	
15	Planning and sustainable regeneration	The charging of a percentage of salaries in Planning and Regeneration to income sources other than General Fund eg Growth Zone, Community Infrastructure Levy and external grants	
16	Planning and sustainable regeneration	Further use of Community Infrastructure Levy instead of General Fund funding where appropriate	
17	Highways and Parking	Removal of a school crossing patrol budget that is no longer required	
18	Department wide	One-off investment of public health grant in libraries	

Demand Pressures

Reference	Division	Description	2023/24 £
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan			
21	Independent Travel	Increase in Special Education Need pupil numbers requiring transport	
22	Waste & Recycling	Refuse contract	
23	Highways and Parking	Highways maintenance growth - previous planned growth delayed by 1 year to 2024/25.	
Total of demand pressures			

Legacy Budget Corrections

Reference	Division	Description	2023/24 £
Incremental/New growth identified in the 2022/23 Medium Term Financial Plan			
24	Arts, Entertainment & Culture	Fairfield Halls management fee	
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan			
25	Building Control	Building control stabilisation	
26	Development Management	Correction to legacy income budget in Development Management that is unachievable	
27	Environmental Health	Loss of Public Health Grant contribution to Food Safety Team budget	
28	Environmental Health	Reversal of unachievable income budget in relation to the previously proposed Selective Licensing Scheme, if this scheme goes ahead in the future the income will be required to fund the operation of the scheme	
29	Community safety	Correction of legacy shortfall in budget	
30	Public Realm	Correction of legacy shortfall in budget	
31	Highways and Parking	Parking and traffic - unachievable savings from prior years.	10
Total legacy budget corrections			14

Net Budget Movement

Sustainable Communities Regeneration & Economic Recovery			2023/24 £
	Proposed savings		-
	Demand pressures		
	Legacy budget corrections		14
	Net Budget Movement		14

Assistant Chief Executive

Savings and Change proposals

All figures

Reference	Service	Description	2023/24 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>			
1	Croydon Digital Service	Extensions of procurements for CORE IT contracts	-250
2	Human Resources	Reduction in previously agreed growth	-51
3	Croydon Digital Service	Workforce restructure	-1,000
4	Croydon Digital Service	Deletion of legacy oracle financials	-60
5	Human Resources	Human Resources management team reorganisation	-210
6	Policy, Programme and Performance	Contract Review	-800
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
7	Assistant Chief Exec	Delete Director of Service Quality, Improvement & Inclusion Post	-122
8	Croydon Digital Service	New graves site at Mitcham Road and Queens Road	-91
9	Croydon Digital Service	Visual Tribute system at Croydon Crematorium	-31
10	Mayor's Office	Reduced support	-40
11	Human Resources	Corporate Learning and Development budget	-100
12	Human Resources - but Council wide	Reduce non-contractual overtime and non-essential overtime.	-97
13	Bereavement and Registrars	Additional income from fees and charges	-72
Total of proposed savings			-2,924

Demand Pressures

Reference	Division	Description	2023/24 £000
<i>Incremental/New growth identified in the 2023/24 Medium Term Financial Plan</i>			
14	Croydon Digital Service	Increase in the Croydon contribution to the TfL freedom pass scheme	1,230
Total demand pressures			1,230

Legacy Budget Corrections

Reference	Division	Description	2023/24 £000

Resources - Budget Proposals

Savings and Change proposals

Fig

Reference	Service	Description	202
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>			
1	Finance	ICT operational savings	
2	Commercial Investment	Savings on building closures/disposals	
3	Commercial Investment	Review and release of additional space in Bernard Weatherill House or disposal with part sale and leaseback option	
4	Finance	Restructure technical support & development teams	
5	Finance	Finance staffing review	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
6	Finance	Premier supplier commission	
7	Finance	Improvement costs met from reserves	
8	Commercial Investment	Saving from duplicated interest budget	-
9	Commercial Investment	Base budget adjustment regarding fees & charges, landlord income, and HRA mast income (partially offsets the saving in the duplicated interest budget)	
10	Finance	Recovery of housing benefit overpayments	
11	Commercial Investment	PMI Contract Manager - Invest to Save proposal	
12	Finance	Reduction in running costs in Finance including Revenues, Benefits, Business Rates and the Debt Team	
13	Finance	Additional Court Cost income	
14	Insurance, Risk & Anti Fraud	Additional HRA recharge for insurance	
15	Commercial Investment	Additional commercial rental income	
16	Pensions	Reduction in banking contract budget	
17	Pensions	Contribution from pensioners budget being underspent	
18	Finance	Vacancy factor to be deducted from the General Fund salary budget	
19	Finance	Forecast increase in street naming income	
<i>Transformation Projects</i>			
20	Finance	Housing benefit review	-
Total of proposed savings			-

Demand Pressures

Fig

Reference	Division	Description	20 £
21	Commercial Investment	Increase in business rates payable by Croydon in line with the 2022 Rates Revaluation	
22	Finance	Forecast shortfall in land charges income	
23	Insurance, Risk & Anti Fraud	Insurance Fund growth	
Total of Demand Pressures			

Legacy Budget Corrections

Fig

Reference	Division	Description	20 £
24	Finance	Housing Benefit Subsidy - Loss on HB Payments with Care Package Element	
25	Procurement / Commissioning	Decapitalisation of employee costs	
26	Investment & Assets	Rebasing of prior year income budgets	
27	Legal	Budget correction regarding legal recharges	
30	Commercial Investment	Reversal of legacy unachievable income	
Total legacy budget corrections			1

Net Budget Movement

	Resources	20 £
	Proposed Savings	-
	Demand Pressures	
	Legacy Budget Corrections	1
	Net Budget Movement	

Corporate / Council wide - Budget Proposals

Savings and Change proposals

Figures are

Reference	Division	Description	2023/24 £000
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>			
1	Council wide	Customer access (council wide)	
2	Council wide	Consider new structures through layers and spans review	-250
<i>Transformation Projects</i>			
3	Council wide	Business Intelligence	-250
Total of proposed savings			-500

Demand Pressures

Figures are

Reference	Division	Description	2023/24 £000
<i>Incremental/New growth identified in the 2022/23 Medium Term Financial Plan</i>			
4	Corporate Items	Increase in external levies	42
5	Corporate Items	Apprenticeship levy	15
Total demand pressures			57

Legacy Budget Corrections

Figures are

Reference	Division	Description	2023/24 £000
6	Council wide	Realignment of Housing Revenue Account and General Fund Budgets. Total budget £9.544m of which £2.268m is so far shown within departmental growth. £8.237m of the growth represents a saving to the Housing Revenue Account	7,276
7	Council wide	Realignment of employee overhead budgets (national insurance and superannuation/pension contributions)	1,60
Total legacy budget corrections			8,884

Net Budget Movement

Figures are

	Corporate / Council Wide		2023/24
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Appendix D

Transformation Plan

1. Background

In late 2020, the Council approved the Croydon Renewal Plan. This comprehensive plan drew together a wide range of improvement actions and projects which had been identified through external and internal reviews, with a particular focus on improving the Council's governance systems, structures and processes and a savings programme to address the serious financial challenges.

The plan was developed at a time when the Council was subject to a S114 notice, where expenditure far exceeded the available budget. The External Auditors had also issued a Report in the Public Interest, identifying a range of failings in the Council's governance and financial structures.

The Croydon Renewal Plan enabled the Council to secure Government support in the form of a capitalisation direction. This allowed the Council to utilise up to £120m of capital funding to support revenue costs over a period of three years. The Government appointed an Improvement and Assurance Panel to provide external advice, challenge and expertise to the council, along with assurance to the Secretary of State that the council was delivering against the renewal plan.

The new Executive Mayor has made clear that his number one priority is to balance the books and make Croydon a financially sustainable Council which listens to residents and provides good quality services. One of Mayor Perry's first acts was to launch an 'Opening the Books' review to assess the Council's financial assumptions and outstanding historic accounting issues. Despite progress being made across the renewal plan, the scale of the financial challenge facing Croydon should not be underestimated. The 'Opening the Books' review has identified substantial accounting corrections that have one off and ongoing implications for the Council's budget.

It is crucial that the Council begins to take a transformational approach rather than continuing to salami slice budgets; this Transformation Plan, with a programme of cross-directorate transformation projects, sets out this new approach to a more modern way of working, that is cost effective and responds to different needs from different residents. Ultimately Croydon Council will become smaller, doing less but – crucially – doing it well.

The programme is being developed but already consists of over 30 projects, many of which require careful reform of the large budget services providing vital adult and children's social care support

2. Progress on transformation to date

Over the past two years the Council has delivered numerous improvements in its governance and financial management. This has included making over £90m in savings in 2021/22 and 2022/23 and generating £50m in asset sales.



Implementation of a new telephony system, providing improved reliability, adaptability and data



The Housing Improvement Board has launched, which is overseeing the improvement programme for our tenants



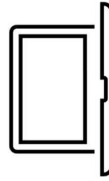
Launched improved financial reports alongside internal training



Implementing an Adults Improvement Plan



Establishing a Children's Improvement Board



Rationalising our ICT infrastructure, whilst improving use of digital opportunities in services



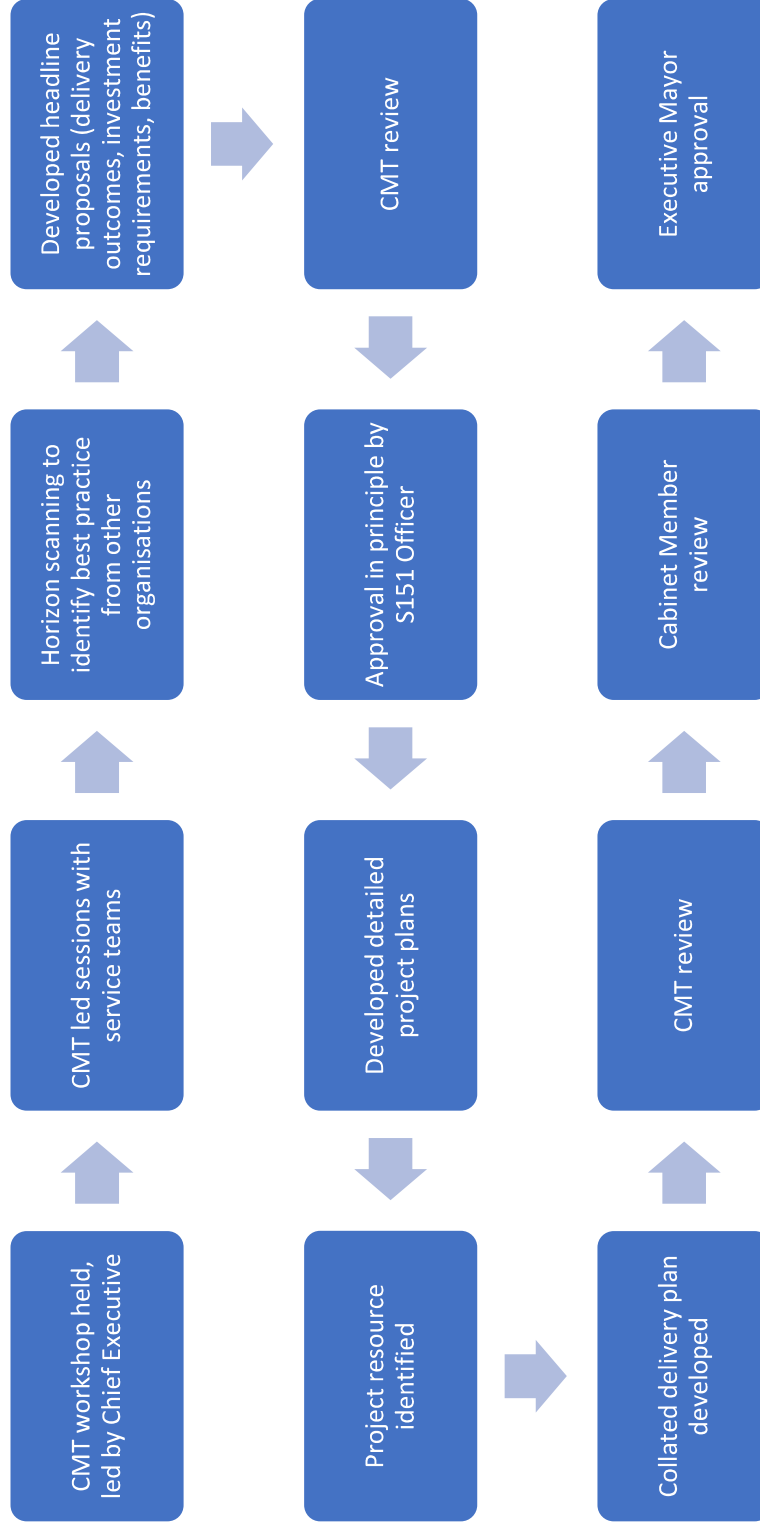
Implemented improved governance structures



£90m savings delivered over two years

3. The process for developing the transformation plan

This Transformation Plan is about taking a new approach to change in Croydon Council. Change needs to happen across service silos, looking at redesigning services, processes and structures to be more cost effective and to better respond to our residents different needs. Transforming Croydon Council will result in a smaller organisation that does less – but does it well for the benefits of our residents. This approach has to be owned across the organisation, delivered collectively and the plan has been developed in the same way.



5. Governance

As set out in the appendix, each programme has the following in place to ensure successful delivery:

- Senior accountable officer
- Senior responsible officer
- Project manager

The **Senior Accountable Officer (SAO)**, is ultimately accountable and has a Yes/No say or, the right to veto

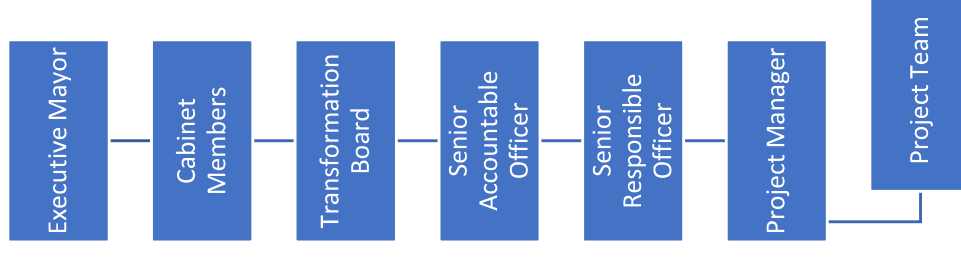
The **Senior Responsible Officer** is the individual responsible for ensuring that a programme or project meets its objectives and delivers the projected benefits. The **(SRO)**: is the visible owner of the overall business change and should be recognised throughout the organisation

Project managers plays the lead role in planning, executing, monitoring, controlling, and closing out the project. They are responsible for the entire project, the project team and resources, the project budget, and the success or failure of the project – in some instances the SRO and PM are one and the same.

In addition to the project roles, an organisation wide portfolio management resource is in place within the Assistant Chief Executive's directorate.

A new Transformation Board will be established to receive highlight reports for all projects and programmes. This will ensure that:

- Progress against key milestones are monitored
- Progress against agreed outcomes are monitored, with project teams accountable for delivery
- Resources requirements are understood and prioritised to the most important areas and to ensure that there is capacity to deliver transformation in additional to BAU activities
- Project risks are escalated where additional action is required



Annex: Transformation Projects

Name of project	Description	Invest	Efficiency Target
Cross Cutting			
Community Equipment Services – Financial Viability and Options Review	Review Community Equipment Services to establish management model	Nil	TBC
Business Intelligence Review	Better use of in-house data to improve income	Nil	£1m
Family Justice Service review	To explore alternative funding models for domestic violence services	£100k	£350k per annum from 2024/25
TC Croydon Campus	To reconfigure Croydon Campus including Town Hall, BWH and Davis House introducing a Community Hub to improve customer experience	£250k (only £125k required in 2022/23)	TBC
Commercial & Income Opportunities	To maximise income from a range of commercial and trading services. Look at income performance and opportunities for growth	TBC	TBC
Resilient Communities and Community Hubs	Use library buildings as multi-use community hubs to provide an improved service offer in one location and free up assets	£250k (only £100k required in 2022/23)	£430k (deliverable from 24/25) capital of receipt target of £2m

Name of project	Description	Invest	Efficiency Target
Strategic Planning & Commissioning	Manage demand for statutory services by planning and commissioning new models of delivery	£290k over 2 years (only £90k required in 2022/23)	Add detail here
Customer Access Review	Develop a customer service model that uses digital, voice and face to face in the most efficient way.	£200k	Delivers previous savings of £2.5m already built into the Medium Term Financial Strategy in March 2022. £2m
Voluntary Sector review	Reshape the voluntary sector expenditure to commission locally where possible, provide support and reset relationships	Nil	
Income and Debt Review - Fees, Charges & Debt Management Review	To correctly price fees and charges and improve management of demand	£50k	£500k
Workforce Transformation – HR Transformation	Review target operating model and support organisational change, reduce requirement on agency staff	£78k	TBC
Passenger/SEN Transport transformation	To review the approach to providing passenger transport to SEN children and adults - that includes consideration of personal travel plans and new commissioning approach	£100k	£600k per annum from 24/25 Cost avoidance only
Assistant Chief Executive's			
		£80k	£1m

Name of project	Description	Invest	Efficiency Target
Digital Workforce Review	To establish future workforce model that reflects a smaller council delivering statutory services in the most cost-effective way & satisfies the need to deliver services to the council		
Adult Social Care and Health			
Transitions Commissioning	Develop pathway across Children's & Adults to commission enabling services	£82k	TBC
Domiciliary Care Re-model	Remodel end to end process for provision of Domiciliary Care	£110k	TBC
Reablement & Hospital Discharge	Establish community reablement service	£60k	TBC
Review Social Care Placements	Review all care packages	£605k (only £300k required in 2022/23)	TBC
Mental Health S117 project	Improved processes and procedures for meeting the Section 117 after-care needs, reviewing cases, with an expectation there will be saving opportunities linked to the disproportionate share of funding between the council and health.	178k	TBC
Adult Social Care Transformation	The final year of the ongoing Adult Social Care transformation programme.	£1,100k	Savings of £9,665k in 2023/24 per the March 2022 MTFS
	TBC	TBC	TBC

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135

Name of project	Description	Invest	Efficiency Target
Strategic Operating Model Design Partner			
Children, Young People and Education			
CSC managing demand at the front door	Maintain reduction in demand for statutory services	£110k	£200k
Review joint funding arrangements across education, health and care	Review all joint funding arrangements across education, health and care	£110k	£250k from 2024/25
Fostering service transformation	Develop a new approach to in-house Foster Care	£92k	£225K
Transformation of Colleydown respite centre	TBC	TBC	TBC
Extend locality SEND support	More children with SEND attend local schools	£240k	TBC
Housing			
Temporary Accommodation Case Review	To review circumstances of households placed in temporary accommodation on a discretionary basis and to formulate an exit plan for those to whom the Council does not owe a main housing duty.	£291k	£1.05m

Name of project	Description	Invest	Efficiency Target
Housing Occupancy Checks	Approximately 2000 statutory homeless households are in emergency and temporary accommodation. Currently, no regular checks are carried out in relation to occupancy or welfare. Conducting occupancy checks will enable LBC to end the homelessness duty to approximately 100 households.	£291k	£700k
Housing Needs Restructure	The Housing Needs service must be restructured to improve the Council's early intervention and demand management. To deliver the savings, a transformation lead must be recruited.	£60k	£300k
Rent Accounts & Data Cleanse	Recruitment of a data cleanse officer will ensure the Housing directorate has accurate information on the reasons for accommodating households in temporary accommodation. The officer will enable accurate reporting of temporary accommodation numbers to the government which will positively impact the Homelessness Prevention Grant (HPG).	£26k	£0k (N.B. GF data cleanse will facilitate the delivery of the Housing Occupancy Checks efficiencies below)
		£92k	£250k

Name of project	Description	Invest	Efficiency Target
Dynamic Purchasing System - Emergency Accommodation (Requires further work, was re-submitted 13/09/22)	An emergency accommodation DPS with a framework of providers will formalise arrangements, ensure best value and compliance, and make the Council more effective.		
Housing Association Recharges (Approved)	Transformation request for a Housing Liaison officer who will be focused on the governance of all relevant contracts and nomination agreements to maximise properties the Council can use to move households out of emergency and temporary accommodation.	£59k	£78k
Supported Housing Review (Requires further work and has not been re-submitted)	A senior commissioning lead should be recruited to carry out the review of the Council's housing related contracts across the Housing and ASC&H directorates to formalise arrangements, ensure best value and compliance, and address areas of overlap in provision.	£80k	TBC
	Review SEA and establish occupation and charging principles	TBC	TBC

Name of project	Description	Invest	Efficiency Target
Supported Exempt Accommodation Review			
Resources			
Asset Review	Reprofile asset portfolio	TBC	TBC
MTFS – PFMI Contract Manager	Introducing & improving PFI Contract management	TBC	TBC
Housing Benefit Review	Reduction in Benefit payments	TBC	£1m
Sustainable Communities			
Building Control Transformation	Develop a new operating model to meet current and new statutory obligations	£350k in year one + (£100k capital investment for IT investment) (only £100k is required in 2022/23)	£300k per annum once transformation programme delivered
Croydon Museum Transformation	To determine the best future and funding model for Croydon Museum to ensure its long-term stability and funding	TBC	TBC
Parking Policy 2022	Develop a new Parking & Enforcement Strategy	£200k	400k per annum
			£250k per annum from 2024/25

Name of project	Description	Invest	Efficiency Target
Planning & CIL Transformation	Transformation of Planning Service e.g. CIL & S106 Strategy, including digital/ICT automation	£200k £100k investment in ICT (only £100k is required in 2022/23)	
Total		£5.934m (only £4.604m of funding is required in 2022/23)	

Croydon - Grants Forecast based on the 2023/24 Final Local Government Finance Settlement

	Budget	Final LGFS	Future Forecast		Comments
	2022/23	2023/24	2024/25	2025/26	
	£'m	£'m	£'m	£'m	
Lower Tier Service Grant	0.681		-	-	Grant ended in 23/24.
Improved Better Care Fund	9.978	9.978	9.978	9.978	
Services Grant	5.104	2.994	0		
New Homes Bonus	4.115	1.646	0	-	
EFA Education Services Grant	1.967	1.967	1.967	1.967	Not yet confirmed
Local C/Tax Support Admin Grant	0.448				Grant rolled into RSG.
DWP Hsg Benefit Admin Grant	1.350	1.350	1.350	1.350	Not yet confirmed
Social Care Grant	11.120	18.999	28.257	28.257	
Independent Living Fund*		-0.960	-0.960	-0.960	Grant rolled into Social Care Grant
Centrally Retained DSG**	2.570	2.056	2.056	2.056	Subject to review against actual commitments
One-off Business Rates levy surplus distribution 2022 to 2023		0.621			New allocation announced in the Final 2023/24 LGFS. Payable in 2022/23 but assumed for use in 2023/24
Core Grant Funding	37.333	38.651	42.648	42.648	Budgeted for Corporately
New Adult Social Care discharge fund	-	1.399	2.331	2.331	Budgeted for within Adult Social Care
Market sustainability and Improvement fund	0.946	3.281	4.934	4.934	Budgeted for within Adult Social Care
Adult Social Care Grants	0.946	4.680	7.265	7.265	
Revenue Support Grant	14.646	16.711	17.628	17.628	
Total All Grants	52.925	60.042	67.541	67.541	
Net movement against the prior year					
Core Grants		1.318	3.997	0.000	
Revenue Support Grant		2.065	0.917	0.000	
General Grants		3.383	4.914	0.000	
Adult Social Care		3.734	2.585	0.000	
		7.117	7.499	0.000	

* The Independent Living Fund grant is budgeted for within Adult Social Care. The grant forms part of the social care grant allocation for 2023/34. To equalise the base 2023/24 position it is shown as a deduction from core grants as this funding will need to offset the ASC pressure.

** Local authorities can apply for protection if their historical prudential borrowing costs exceed the 2023/24 grant allocation. Review is in progress to establish if Croydon may receive such protection. The current forecast assumes it does not.

*** The 2024/25 forecast is based on analysis by London Council's (22 December 2022). A grant freeze is assumed for 2025/26 pending any update on fair funding and other reforms.

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Business Rates - Forecast

	2023/24	2024/25	2025/26	
	£'m	£'m	£'m	
Section 31 grant for underindexing the business rates multiplier	12.419	12.419	12.419	In line with the NNDR1 Return for 2023/24
Business Rates-top-up grant	35.921	37.864	40.005	2023/24 as per the LGFS. 2024/25 updated in line with London Councils modelling
In-Year Business Rates Income	32.168	33.909	33.909	Croydon 30% share of business rates income collected. Estimate based on the 2023/24 NNDR1.
Other section 31 grants (for business rate reliefs)	10.338	11.479	11.479	Based on NNDR1 for 2023/24. Future years updated
Prior Year Adjustments	-12.215	0	0	Arising from prior year rebates
Draw down from business rates reserve	12.215	0	0	Reserve c/fwd to 23/24 of £19.633m funded from section 31 grants received for covid business rate reliefs. This is matched against the prior year adjustments.
Total - All Business Rates	90.846	95.671	97.812	

Croydon Budget Presentation

Section 31 grant for underindexing the business rates multiplier	12.419	12.419	12.419
Business Rates Income	78.427	83.252	85.393
Total	90.846	95.671	97.812

Notes:

- A business rates revaluation is effective from 1 April 2023. The impact should be neutral but the split between income and the top-up grant may change. Transitional reliefs may also apply and change the level of section 31 grants.
- This forecast is based on the NNDR1 submitted in January 2023.
- The business rates system is due to be rebased from 2025/26. For the purpose of this forecast the impact is assumed to be neutral.
- Croydon will carry forward a business rate relief reserve of £19.633m to 2023/24. This was funded from government section 31 grant received in respect of business rate reliefs provided during Covid. The reserve is now matched against the prior year business rate adjustments arising from the impact of Covid.

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REPORT TO:	Corporate Director of Resources – Jane West
SUBJECT:	Calculation of the Council Tax Base 2023/24, and Determination of the 2022/23 Collection Fund Deficit for Council Tax
LEAD OFFICER:	Andrew Lord – Interim Finance Consultant

1. Recommendations

- 1.1 Note that the Local Council Tax Reduction (Support) Scheme (CTS) is revised following review and due regard to the statutory consultation feedback from 1st April 2023.
- 1.2 The Executive Mayor in Cabinet will recommend to full Council to agree to remove the minimum income floor for disabled working claimants, change the amount the income bands are to be increased to match the increase in Council Tax and to introduce non-dependant deductions for disabled not working claimants, excluding cases where the non-dependant is in receipt of carers allowance for the claimant.

Delegated Approval

- 1.3 By the delegation granted to the appointed S151 Officer by the Corporate Services Committee on 7th January 2004, I determine that the 2023/24 Council Tax Base for the London Borough of Croydon be **137,230.9 Band D equivalent properties**.
- 1.4 That the forecast Council Tax Collection Fund deficit for the financial year 2022/23 is estimated to be **£2,427,987 – of which the Council's share would be £1,985,867, and the GLA's share would be £442,120**.

----- Dated: January 31 2023
Jane West
Corporate Director of Resources (section 151 officer)

2. Purpose of Report and Executive Summary

- 2.1 Section 33 of the Local Government Finance Act (2012) and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 require the Council as the Billing Authority to calculate a Council Tax Base for

its area after 30th November and before 31st January in the previous financial year and duly notify precepting authorities (the GLA) within the same timescales.

- 2.2 In calculating the tax base regard is given to the number of hereditaments (properties) existing on the taxbase at the time of determination; anticipated future changes over the course of the remaining current financial year and throughout the future financial year; impact of discounts and exemptions (either nationally determined or locally set); premia (as relating to long-term empty hereditaments); anticipated collection rates; and prescribed proportions of property for each Council Tax Band in relation to a standard Band D charge.
- 2.3 The annual determination of the taxbase is by necessity an “*estimate*” for the forthcoming financial year and will differ from that experienced over the next year. Regulations require that as well as calculating the future year taxbase, a forecast surplus or deficit against the in-year Collection Fund position is calculated and reported to precepting bodies.
- 2.4 The calculations set out in the body of this report estimate a council tax base of **137,230.9 Band D equivalent** properties for 2023/24. This is an increase of 860 Band D equivalents over that approved for 2022/23 and, at the £1,570.07 Band D charge approved by Croydon Council, for 2022/23, represents a positive **movement against base budget of £1.350m** (this being prior to a Council decision on setting the 2023/24 Band D charge).
- 2.5 The detailed tax base calculation is shown by component and individual banding in Appendix 1. The calculation is based on data provided by Croydon to the Department for Housing Levelling-Up and Communities in the October 2022 CTB1 return with an allowance made for an increase of 2,108 in the number of new dwellings. The underlying increase in the 2023/24 tax base is 1.13% which is in line with the historic 5-year average increase.
- 2.6 The latest data is used to model the estimated discounts provided through the CTS with allowance made for a trend increase of 10 Band D equivalents per month. When the Council set the 2022/23 budget an incremental saving of £1.2m was modelled for 2023/24 regarding previously approved changes to the CTS. The updated CTS is now in operation and reflected within the CTS discount figures set out in Appendix 1. The CTS discounts now modelled for 2023/24 are 16,393 compared to 16,955 in 2022/23 – a benefit of 562 properties equivalent to saving of approximately £0.9m.
- 2.7 The forecast collection rate for 2023/24 is modelled at 97.5% compared to 98.5% for 2022/23. The increase in the cost-of-living is impacting on the current in-year collection rate and this trend is likely to continue in 2023/24. The 1% reduction in the collection rate is equivalent to a reduction of 1,387 Band D equivalents.

2.8 A summary of the movement in the forecast 2023/24 taxbase is set out below:

	Band D Equivalents
2022/23 Council Tax Base	136,370.8
Allowance for new dwellings	2,108
Reduction in forecast collection rate from 98.5% to 97.5%	-1,387
Other movements including discounts and exemptions	139.1
2023/24 Council Tax Base	137,230.9

Prior Year Collection Fund Deficit

2.9 Due to the Covid-19 pandemic national council tax collection rates were less than expected in 2020/21. In a measure designed to help local authorities the government announced that local authorities could spread their estimated 2020/21 collection fund deficit over 3 years rather than, as normal, just the following year. 2023/24 will be the last year that this historic deficit will need to be written out and the Croydon share is £2.504m with the GLA share £0.572m.

2.10 At the end of 2021/22 the actual deficit on the collection fund was £1.239m compared to a forecast deficit of £1.887m. This net improvement of £0.648m will partially offset the deficit relating to the final year of the Covid deficit. For 2022/23 in-year collection is on target and no additional surplus or deficit is estimated.

2.11 The net position regarding the prior year collection fund deficit is set out below:

	Croydon	GLA	Total
Third Year of the spreading adjustment re the forecast Covid deficit	£2,503,201	£572,466	£3,075,667
Surplus regarding the 2021/22 collection fund outturn (deficit less than previously forecast)	(£517,334)	(£130,346)	(£647,680)
In-Year forecast 2022/23 collection fund deficit	£0	£0	£0

Total Prior Year Collection Fund Deficit chargeable to 2023/24	£1,985,867	£442,120	£2,427,987
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Appendix 1 – Council Tax Base for 2023/24

2023/24 Council Tax Base

	Disabled (no.)	Band A (no.)	Band B (no.)	Band C (no.)	Band D (no.)	Band E (no.)	Band F (no.)	Band G (no.)	Band H (no.)	Total (no.)
Dwellings as per CTB1	-	4,150	23,611	51,438	41,268	23,689	11,768	7,494	654	164,072
Allowance for new dwellings	-	53	303	661	530	304	151	96	8	2,108
Less Exemptions	-	(64)	(376)	(697)	(463)	(312)	(100)	(56)	(7)	(2,075)
Chargeable Dwellings	-	4,140	23,538	51,402	41,335	23,681	11,819	7,535	655	164,105
Disabled Adjustments (Net)	1	16	124	87	13	(88)	(31)	(94)	(27)	0
Single-Person Discounts (25%)	-	(563)	(3,250)	(4,903)	(2,644)	(1,214)	(502)	(257)	(14)	(13,347)
Other Discounts (50%)	-	(1)	(4)	(13)	(13)	(9)	(14)	(21)	(11)	(84)
Family Annexe Discount	-	(4)	(0)	-	-	-	-	-	-	(4)
Empty Dwellings Premium	-	33	110	146	125	33	19	21	4	493
Local C/Tax Reduction Scheme	-	(882)	(4,526)	(6,021)	(3,527)	(1,074)	(261)	(99)	(3)	(16,393)
Net Chargeable Dwellings	1	2,739	15,993	40,698	35,289	21,330	11,029	7,086	604	134,769
Prescribed Band D Proportion	5/9ths	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths	9.40/9ths
Total Relevant Amount	1	1,826	12,439	36,176	35,289	26,070	15,931	11,810	1,208	140,750
Assumed Collection Rate	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%
Council Tax Base 2023/24	0.5	1,780.7	12,127.7	35,271.6	34,407.2	25,418.1	15,532.8	11,514.3	1,178.0	137,230.9

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Budget 2023/24: we want to hear from you

Feedback from public survey

26 January 2023

Executive Summary

This report summarises the responses received to the budget 2023/24 proposals survey. The survey was launched following the approval of the 2023-24 budget update, Medium Term Financial Strategy and savings proposals at Cabinet on 30 November 2022.

1,467 responses were received to the survey which ran between 1 December 2022 and 8 January 2023. This is a very positive response rate when compared to similar engagement exercises.

The survey suggested that respondents gave greatest priority to support for elderly and vulnerable residents, services for children young people, families and education, and rubbish and recycling collections. The lowest ranked service areas, according to respondents, were libraries and culture and leisure and sports facilities.

However, when we look at the comments made in later questions, when respondents talked about specific services, it tended to be those that were ranked lower in terms of priority. This inconsistency is not unusual in surveys of this type. It is also worth noting that the comments about individual services are consistently from a small proportion of the overall survey sample.

In answering how the budget proposals will affect them, the key themes of concern were (number of responses is shown in brackets):

- Increase in council tax (250)
- Cuts and reductions in services (135)
- Vulnerable groups i.e. disabled and elderly residents (82)
- Cost of living (79)

When asked if respondents had any further comments on the proposals, the largest group of responses highlighted the importance of governance and transparency (121) from the council, as well as reference to staff and councillors.

821 respondents provided comments on where the Council should spend more/less, and areas that we could do differently. The majority of comments (155) were around the importance of keeping streets clean and safe.

The theme of clean and safe streets is replicated in the responses to where the council should be looking to bid for external funding with safer communities (89.58%) and cleaner streets (84.32%) coming out top.

Engagement methodology

Following the Cabinet meeting on 30 November 2022, the council launched a five-week budget engagement to seek feedback on the proposals.

A survey was available on the council's resident engagement platform, Get Involved, and widely promoted across council channels and accessible from the front page of the council's website.

The survey design was similar to previous budget engagement surveys used in recent years. Questions utilised different responses structures, with some seeking to understand agreement / disagreement and others having free text responses for people to provide any comments or feedback. The survey was designed to be relatively short in order to maximise the response and completion rate.

Councillors, partners and community groups were encouraged to spread the word and share the survey with their communities. We advised that paper copies/easy read and alternate language versions were available if required, and this was also communicated to key partners and councillors to support any residents unable to access digital channels.

The survey was promoted through all council channels throughout the engagement. This included:

- Press release
- Your Croydon weekly e-bulletin
- Business e-bulletin
- Mayors weekly message and Chief Executive's staff message
- Social media posts (Twitter, Facebook and Instagram)
- Intranet article, plus update asking staff to share with their networks
- Our Croydon e-newsletter
- Communications in libraries and children's centres – library staff briefed to support residents and print out copies of the budget engagement if required
- Email to 561 community and voluntary contacts via the council's VCS team
- All councillor emails
- Shared with youth council and via the youth engagement teams
- Shared with community safety networks
- Facebook post shared with local groups
- Contact centre available to take residents views over the phone if required.

In the week before the survey closed, a further round of communications was undertaken to encourage responses. These included:

- Press release
- Social media posts
- Intranet article
- Reminder to all community groups and councillors
- Message to schools
- Mayor's weekly message and Chief Executive's staff message

Analysis of responses

1,467 responses were received to the survey which ran between 1 December 2022 and 8 January 2023. This is a very positive response rate when compared to similar engagement exercises.

In addition to the specific engagement questions, respondents were asked to provide responses to equality and diversity questions to provide a breakdown of the responses compared to the borough profile.

The communications activities included messages to children's centre and schools. However, the response rate for people aged 0-19 was lower than other age groups. This is, however, similar to other engagement surveys both in Croydon and other areas. Other age groups were well represented.

Respondents came from a wide range of ethnic groups, although no weighting has been applied to the results. The largest response group identified as White English/Welsh/Scottish/Northern Irish/British (61%). This is higher than the borough profile from the 2021 Census, where 48.4% of the population identified as White. Black, Asian and Mixed ethnic groups were underrepresented in the response rate compared to the Census 2021 profile for Croydon.

11.6% of respondents identified as having a disability. This is slightly below the boroughwide level identified in the 2021 Census of 14%.

In relation to faith, the largest groups of respondents were those that identify as Christian (45%) which is very similar to the Census 2021 level. The next highest response group was those with no religion and this was also similar to the borough profile according to the 2021 Census data. However, the response rate for those identifying as Muslim was lower than the borough profile.

In relation to sex, the proportion of respondents identifying as female was very similar to the borough profile. Male respondents were slightly underrepresented compared to the borough profile.

In relation to partnership status, 53.1% of respondents were married. This is an over representation compared to the 2021 Census profile, where 32.8% were married. There was also a higher response rate from those in a registered civil partnership compared to the borough profile.

Full details of the response rates by demographics are provided in the appendix.

The remainder of this report provides a summary of the results and analysis of the feedback. Analysis is provided against each question of the survey.

Analysis

Question 1: The council spends £300m a year providing hundreds of local services to 390,800 people. Please rank these services in order of importance to you, with 1 being the most important and 9 being the least important:

All 1,467 respondents completed this question.

The table and chart below show how the services were prioritised according to the average ranking given by respondents.

The two largest services, by budget, were ranked first and second in the order of priority: support for elderly and vulnerable adults (Adult Social Care) and services for children, young people, families and education (Children, Young People & Families).

The next group of services, ranked 3rd and 4th on average, were universal services: rubbish and recycling collection, and keeping streets safe and clean.

The average ranking then shows a clear gap, from 3.99 to 5.09. Housing, parks and open spaces and economic growth scored between 5.09 and 5.71 on average.

Libraries and culture and leisure and sport facilities received the lowest average rank.

The Mode ranking is also provided – showing the most common ranking provided. This can be useful where averages sometimes mask variation in scoring.

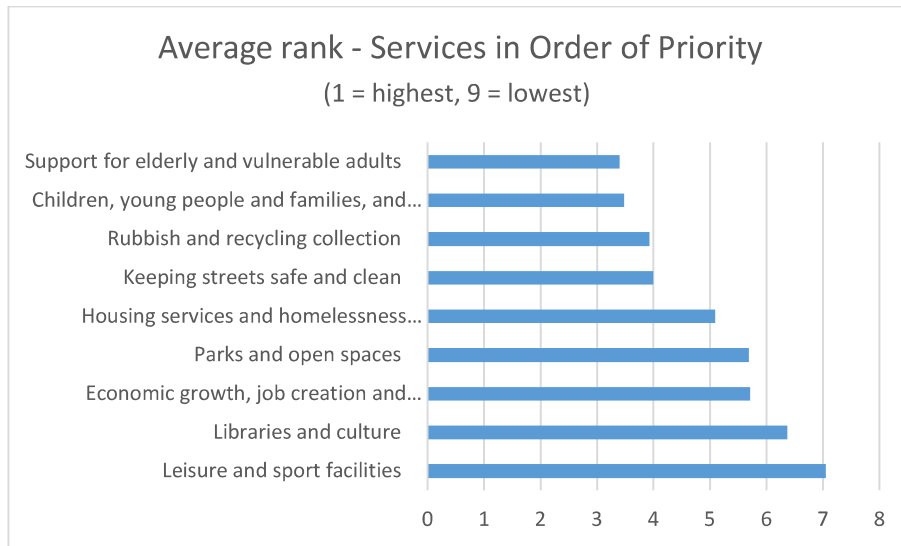
For example, although housing services and homelessness prevention had an average rank of 5.09, the most common ranking was actually 3. Meaning a large number of respondents ranked housing services higher than the average suggests.

The reverse is true for economic growth. Whilst the average score was 5.71, placing it above libraries in the priority order, the most common rank was 9. The most common score for Libraries, however, was 7.

Table 1:

Order of priority	Service	Average rank	Mode (most common rank)
1 (most important)	Support for elderly and vulnerable adults	3.40	1
2	Children, young people and families, and education	3.48	1
3	Rubbish and recycling collection	3.92	3
4	Keeping streets safe and clean	3.99	4
5	Housing services and homelessness prevention	5.09	3
6	Parks and open spaces	5.69	7
7	Economic growth, job creation and regeneration	5.71	9
8	Libraries and culture	6.37	7
9 (least important)	Leisure and sport facilities	7.05	9

Chart 1:



Question 2: Do you think our budget proposals will impact you and if so, how?

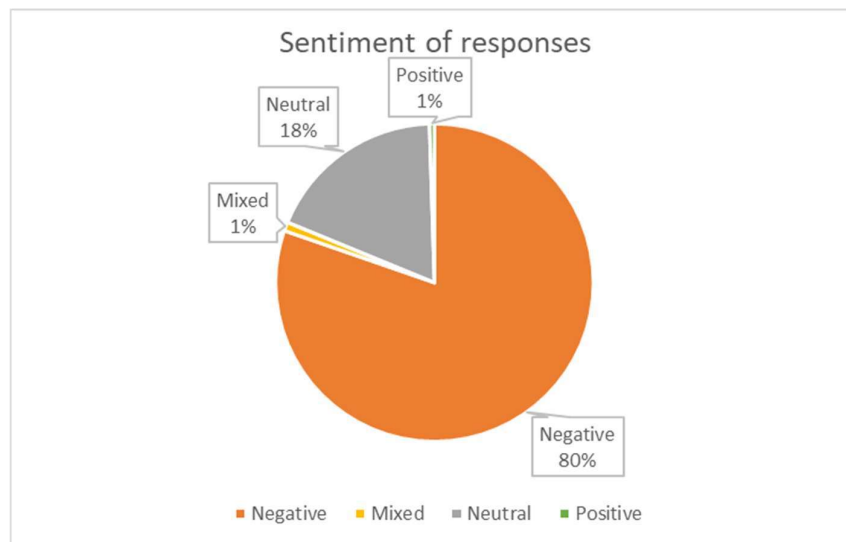
As part of the budget engagement, we wanted to understand if residents felt that the budget proposals would impact on them. We also asked residents to indicate how, and within the analysis have categorised these responses as having a positive, neutral or negative impact. For example, some respondents suggested that the increase in Council Tax would have a negative impact on them because of the financial impact this would have on them.

941 people responded to this question:

- 730 (77.6%) indicated that the budget proposals **will** have an impact
- 54 (5.7%) indicated that the budget is **not likely** to have an impact
- 157 (16.7%) did **not clearly state** whether the proposal will have an impact on them.

The chart below demonstrates how residents indicated the budget proposals would impact on them.

Chart 2:



Further analysis of the responses to this question was undertaken to identify which budget proposals people identified as impacting on them.

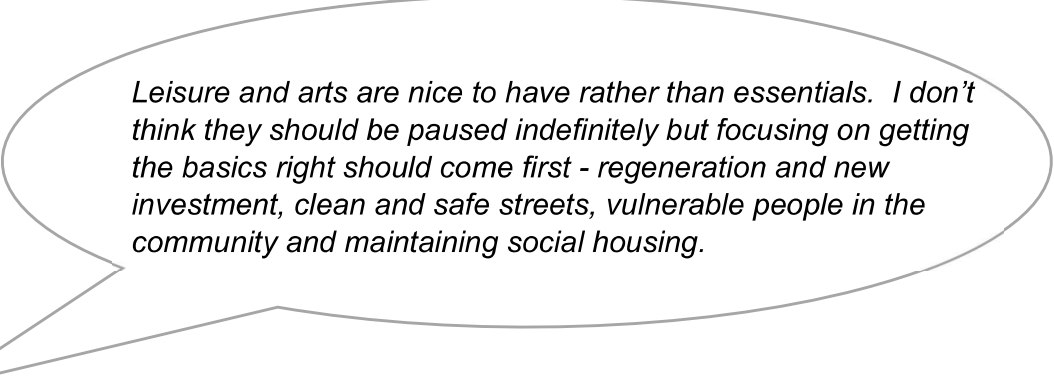
The table below provides a breakdown of the key proposals that were identified by respondents as having an impact. The table highlights those where 5%+ of respondents (47) commented.

Table 2:

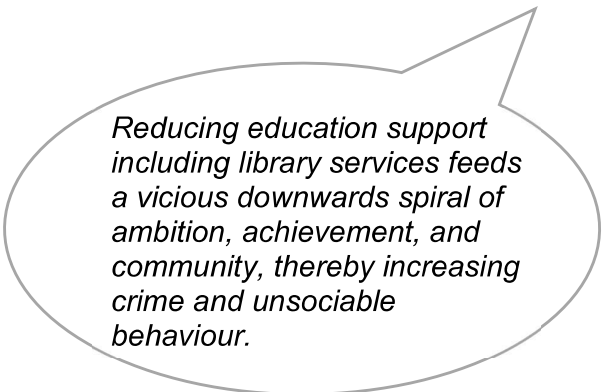
Area (number of responses)	Description
Council tax (240)	The respondents expressed their worries about any council tax increase and its impact. In particular there were comments that Council Tax was increasing when services were poorly performing or reducing.
Service cuts and reduction (135)	The respondents were worried that any cuts to, or reduction in services might affect them. These covered multiple budget proposals and/or included general statements about service reductions.
Libraries (103)	Libraries was identified as a specific service area where respondents indicated that they or the community would be affected. The responses were concerned about reductions in the service.
Vulnerable groups (82)	The respondents were worried that vulnerable groups (pensioners, disabled, elderly etc.) may be particularly affected by the cuts and additional costs. Comments in this area included concerns about the impact on the voluntary and community sector, which supports vulnerable residents as well as the direct services provided by the Council.
Cleanliness and maintenance (79)	The respondents indicated that further cuts may affect the cleanliness and maintenance of the streets and community spaces.
Cost of living (79)	The respondents indicated that their standard of living might decrease due to the proposed changes, with the budget proposals coming alongside the wider cost of living changes and inflationary pressures facing households.
Safety (47)	The respondents indicated that safety (both crime and environmental risk e.g. flood) might be affected by the budget proposals.

In addition to the numerical analysis, a sampling of the responses is provided for context.

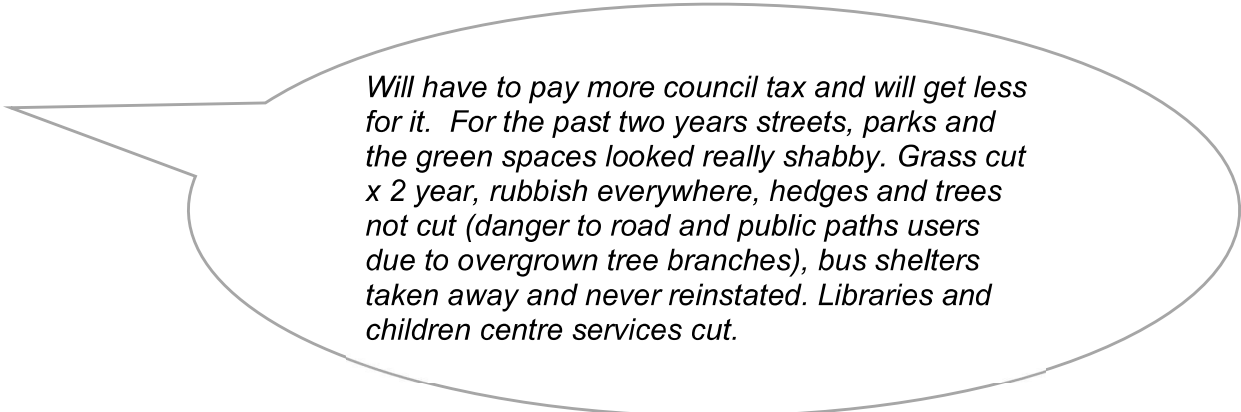
Examples of responses:



Leisure and arts are nice to have rather than essentials. I don't think they should be paused indefinitely but focusing on getting the basics right should come first - regeneration and new investment, clean and safe streets, vulnerable people in the community and maintaining social housing.



Reducing education support including library services feeds a vicious downwards spiral of ambition, achievement, and community, thereby increasing crime and unsociable behaviour.



Will have to pay more council tax and will get less for it. For the past two years streets, parks and the green spaces looked really shabby. Grass cut x 2 year, rubbish everywhere, hedges and trees not cut (danger to road and public paths users due to overgrown tree branches), bus shelters taken away and never reinstated. Libraries and children centre services cut.

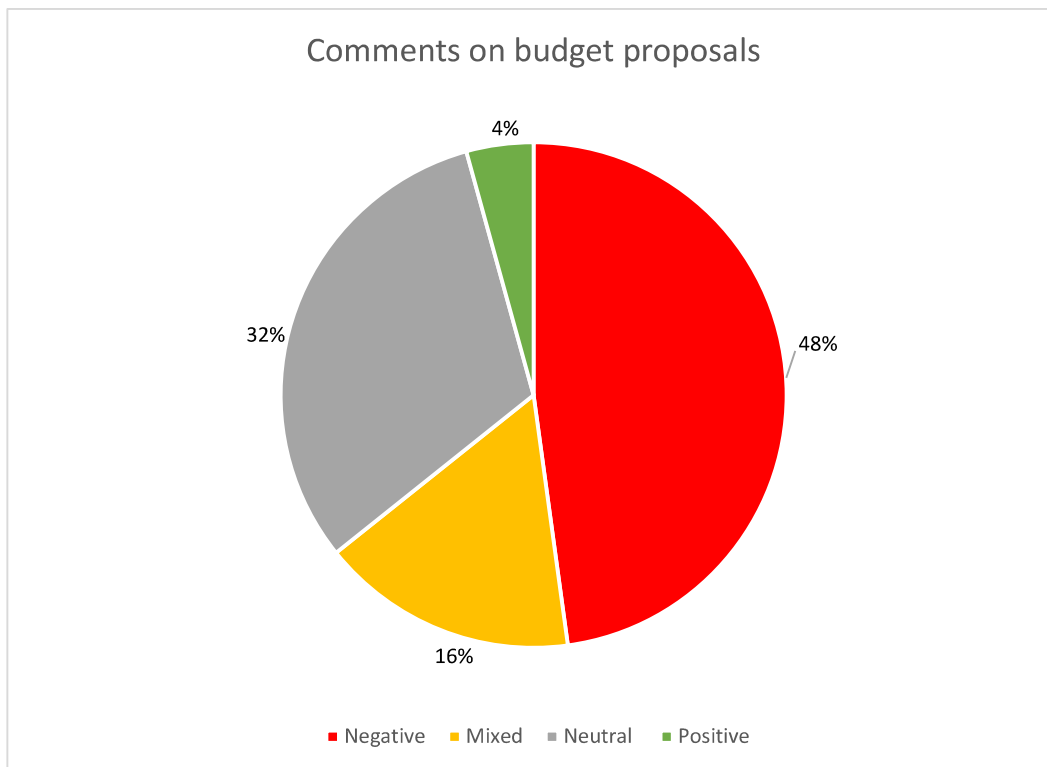
Question 3: Do you have any further comments on our proposals?

Within the engagement survey we wanted to give respondents every opportunity to give their feedback, and not be limited to only closed choice questions. Respondents were therefore invited to provide any further comments through a free text format.

690 respondents provided comments. In analysing these comments, we have coded the comments in two ways. Firstly, each response was identified as positive, negative or neutral. Some comments gave both positive and negative comments – these were coded as mixed responses

As shown in the chart below, 48% of the respondents expressed negative opinions about the budget proposals. 32% of the respondents expressed neutral feelings towards the proposals. Only 4% of the comments to this question were positive about the budget proposals.

Chart 3:



The second stage of analysis was to code the comments according to the issues or themes raised by the respondent. As this was a free text response, there was significant variety in the comments.

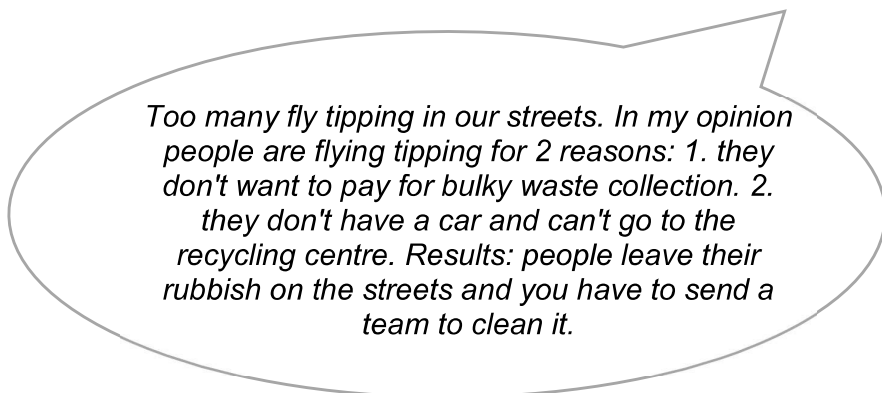
The table below provides a breakdown of the key themes raised by respondents. The table highlights those where 5%+ of respondents (35) commented.

Table 3:

Theme (number of responses)	Summary
Council / staff / governance (121)	The respondents indicated themes around senior pay, councillor allowances, us of consultants/agency staff and being more transparent in relation to expenditure and decision making. References were also made to historic matters, such as commercial investments and projects
Local Businesses and Economic Regeneration (56)	The respondents indicated the importance of innovation and investing in local businesses, town centres and open spaces
Libraries (47)	The respondents indicated that they or the community would be affected by the library cuts
Clean streets / safety (49)	The respondents indicated that safety in Croydon should be considered when discussing budget proposals. The respondent indicated concerns about street/town centre/neighbourhood cleanliness

In addition to the numerical analysis, a sampling of the responses is provided for context.

Examples of responses:



We should prioritise people, health and wellbeing, and make sure the poor and vulnerable are looked after. In the current situation, it's less important to spend money on removing graffiti, cutting the grass, sweeping the streets every day or improving district centres. We should also prioritise working with communities to improve their own situation locally, and promote volunteering and group activities to get things done where there is no money to pay for services.

I was struck during the pandemic at just how many people wanted to volunteer or for example, take Ukrainians into their homes. It was a massive response. Could we harness that goodwill and potential in Croydon more? If we had a safe, credible way of linking volunteers with targeted projects to help schools, libraries, assisting seekers etc. People want Croydon to be successful. Also develop a pool of ambassadors who have Croydon roots to inspire people that Croydon really is a great place to live, work, raise a family and enjoy your older years. Good luck and thanks for the survey- nice to be given the chance to have our view on such important subjects.

Question 4: If the council has opportunities to bid for external funding to invest in any of the following areas, to what extent would you support or not support each of the following?

The Mayor’s Business Plan has emphasised the importance of working in partnership, and supporting these partnerships to secure external funding and investment into Croydon.

The budget engagement survey therefore sought to understand where respondents would prioritise external funding against different service areas. Against each area, respondents were asked to state how much they would support, or not support, investment.

1,467 responses were provided to this question.

A 5-point scale was used for the responses, with respondents indicating how strongly they agreed or disagreed.

The table below summarises the responses. All areas received support for external funding being invested.

Table 4:

Investment areas	Strongly support and somewhat support	Strongly do not support and somewhat do not support
Safer Communities	89.58%	1.43%
Cleaner Streets	84.32%	3.07%
Improving our town and district centres	83.30%	3.61%
Protecting young people and helping them to reach their full potential	83.30%	3.89%
Supporting older people to live longer healthier live	82.48%	4.09%
Investing in our parks and open spaces	79.13%	4.64%
Raising standards in council homes	65.37%	7.57%
Public sports and leisure facilities	65.03%	9.95%
Community projects or services that support communities	64.82%	10.64%

Question 5: Is there anything that we currently spend money on that you think we should not, or anything that you think we could do differently?

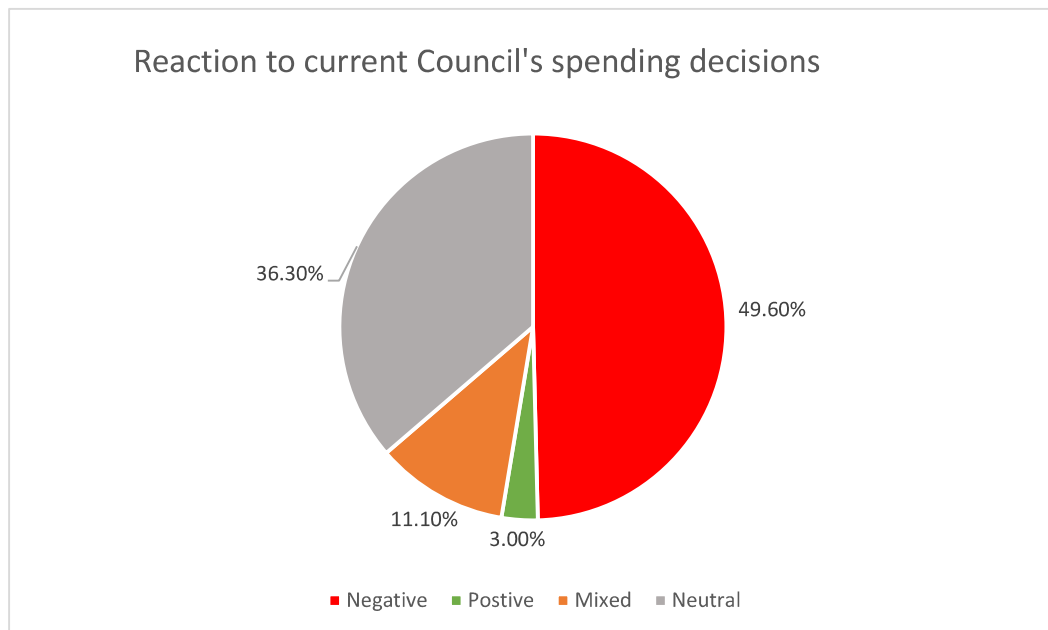
As part of the engagement survey, it was important that respondents were not limited to only comment on the budget proposals that had been identified in the Cabinet report. This question sought general feedback on any areas that the Council should change its expenditure on. The response format was a free text answer.

There were 821 comments responses and a wide range of reactions to the spending decisions of the council.

Similar to other free text answers, the first stage of analysis was to code the comment as to whether it was positive, negative, mixed or neutral.

Most of the respondents (49.6%) felt negative about the spending decisions, but a considerable proportion (36.3%) of responses were neutral towards these decisions. The chart below provides a summary.

Chart 4:



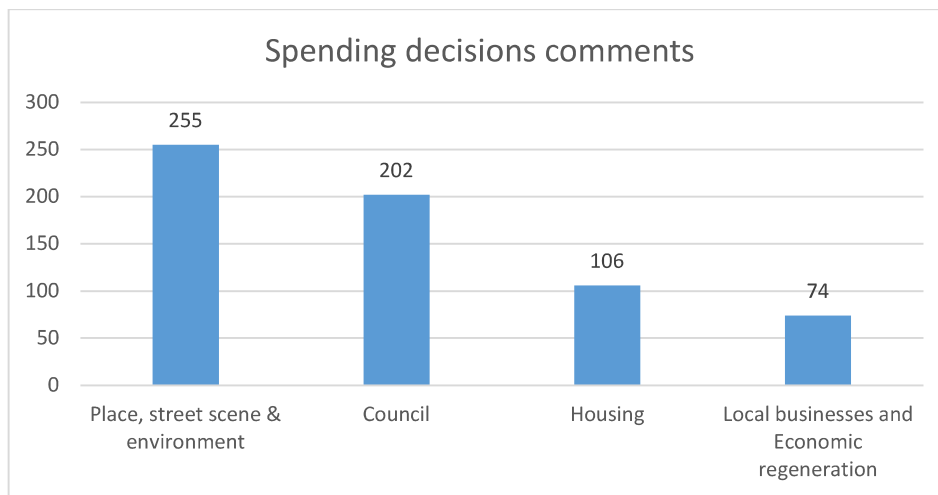
The next stage of analysis was to code the response according to the theme(s) of the comments. These included grouping according to a service area, or to a corporate wide matter such as transparency of spend, councillors or staff generally. Similar to previous questions, this report summarises the key themes raised where 5%+ of respondents (42) commented.

The analysis also identified some misconceptions, such as “stop all the bonuses for top management”, when the Council’s pay policy does not include provision for bonuses.

As can also happen in these types of surveys, there were opposing views in the responses. For example, some comments were arguing for the removal of low traffic neighbourhoods and enforcement cameras; other comments were seeking for enforcement to be strengthened and expanded.

The main themes identified in the responses is summarised in the chart below, with further details then provided on each theme.

Chart 5:



Place, street scene and environment (255 responses)

The main themes that were identified in this category were in relation to street scene and cleanliness, and roads. The respondents emphasise the importance of increasing general appeal of the borough.

Table 5:

Tag	Description
Appearance and Clean Streets (110)	The respondents indicated the importance of cleaner streets, graffiti removal and protecting green spaces. There were suggestions to utilise more volunteers and to invest more funding in these services to improve the appearance of towns and spaces across the borough.
Roads (67)	The respondents indicated the importance of keeping the roads clean and streets made more accessible for pedestrians. There were a range of views in relation to things like cycle lanes and

Tag	Description
	traffic enforcement. Some wanted increases in these areas, others wanted these to reduce or be removed.

Council (202 responses)

Within this theme the categories were broader, covering a range of different aspects. Themes included:

- Staff salary and performance, particularly in relation to senior salaries and the use of consultants, with the general theme being that these should be reduced
- Mayor/Councillors, with comments about the role of Mayor and Civic Mayor, and costs involved, as well as the salary and allowances for Councillors, with the general theme being these should be lower
- Staff retention / concern about the impact of the Council's financial situation on staff

Across the Council based comments there were also comments to previous activities and the need for increase transparency with stronger audits and more information sharing.

Housing (106 responses)

Whilst there was a significant proportion of comments about housing, the themes were extremely varied. Comments highlighted the need for investment in housing stock, with reference to ensuring the empty or underused buildings were a priority. There were also competing views in many areas (more housing vs less housing). There was concern about the wider economic position and the impact this would have on housing and homelessness.

Local business and Economic Regeneration (74 responses)

Within this area a key theme was in relation to previous activities or schemes. The largest theme, and only one with more than 5% of responses, was made in relation to town centre/regeneration, with reference to Westfield not proceeding and the need for a clear vision to improve the town centre.

Community Engagement (43 responses)

Comments in this theme focused on creating a sense of community, getting the public involved in community matters, including community projects. References were made to supporting the voluntary and community sector, as well as opportunities for greater volunteering.

Examples of responses:

Sell the leisure facilities off, they'd be better run by private gyms.

Spend it on streets cleans off graffiti and litter

Why has Croydon council got such an enormous and palatial new office building? Presumably you can get people working at home more and downsize. That place must cost a fortune. Maybe some of the answers to the financial problems lie close to home? Will tough decisions be made about that building or will it be libraries and arts facilities that get thrown on the bonfire instead?

There's no point in saving pennies by, for example, turning the lights off, or cutting teams size down by a few members. Big projects need to be created that will bring significant wealth to Croydon, but that's so easy to say and I have no idea what such projects might consist of...

Stop wasting money on traffic calming measures like the 20mph zones

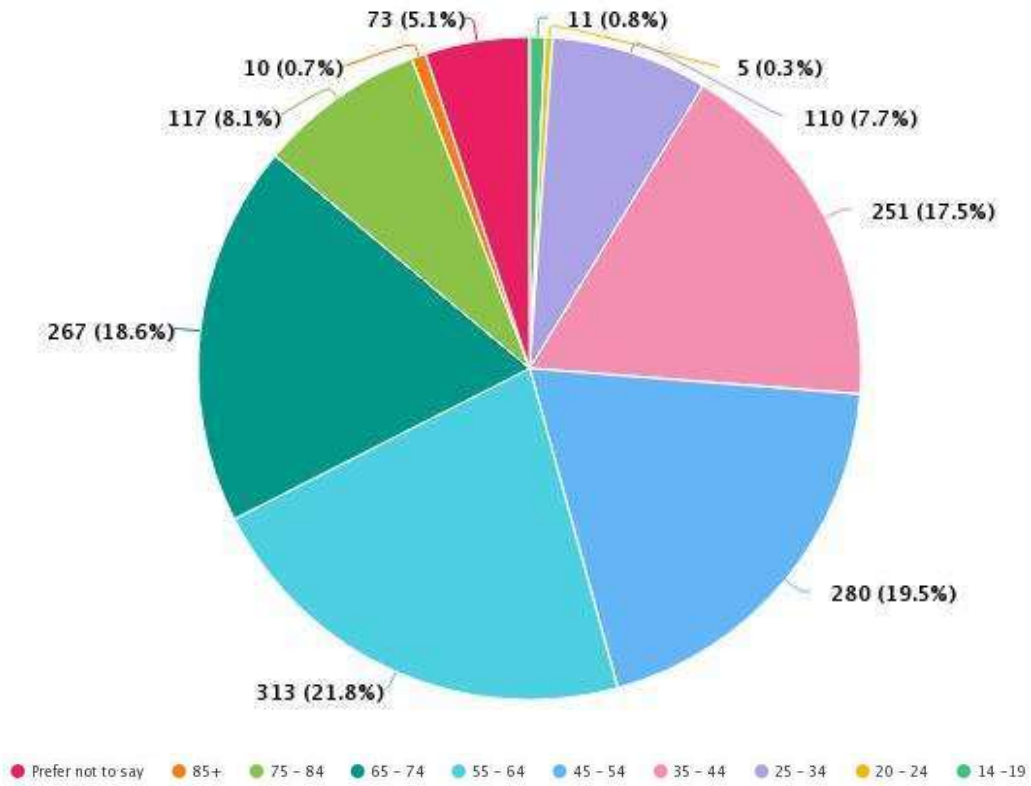
Spend the reserves paying of more debt will decrease the amount of interest payable if there is no money left so be it. That's how normal people have to operate.

Financially supporting community schemes should be something only to be considered during "years of plenty". While the council is cash-strapped, local communities will need to rely much more on their own resources and ingenuity

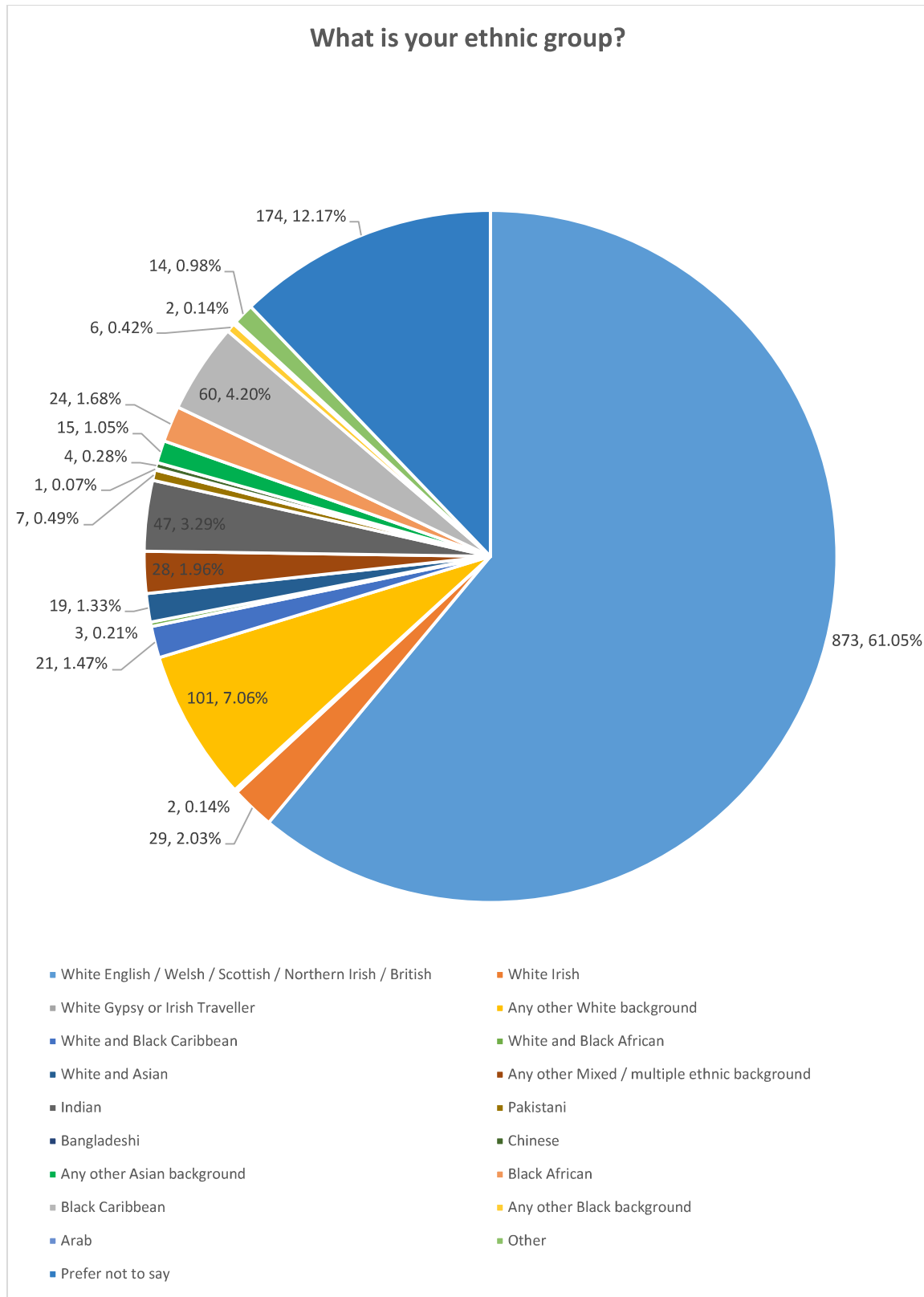
More money should be spent in improving current housing conditions and helping the vulnerable with living conditions

Appendix – Demographic analysis

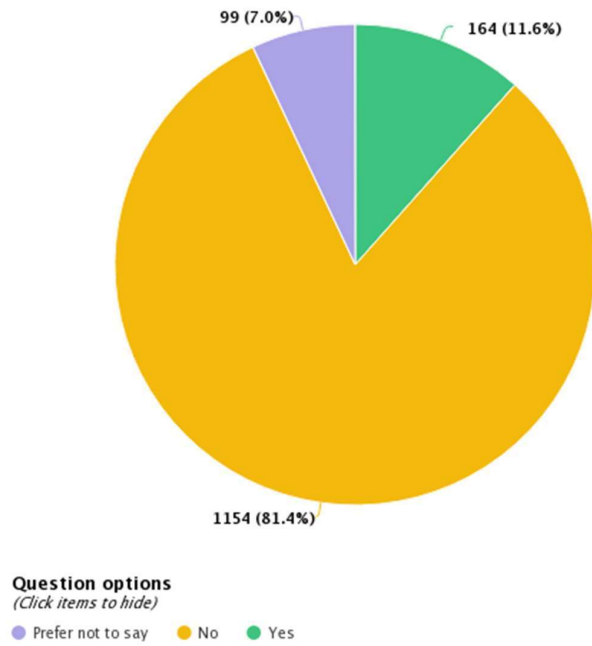
Age – Which age group applies to you?



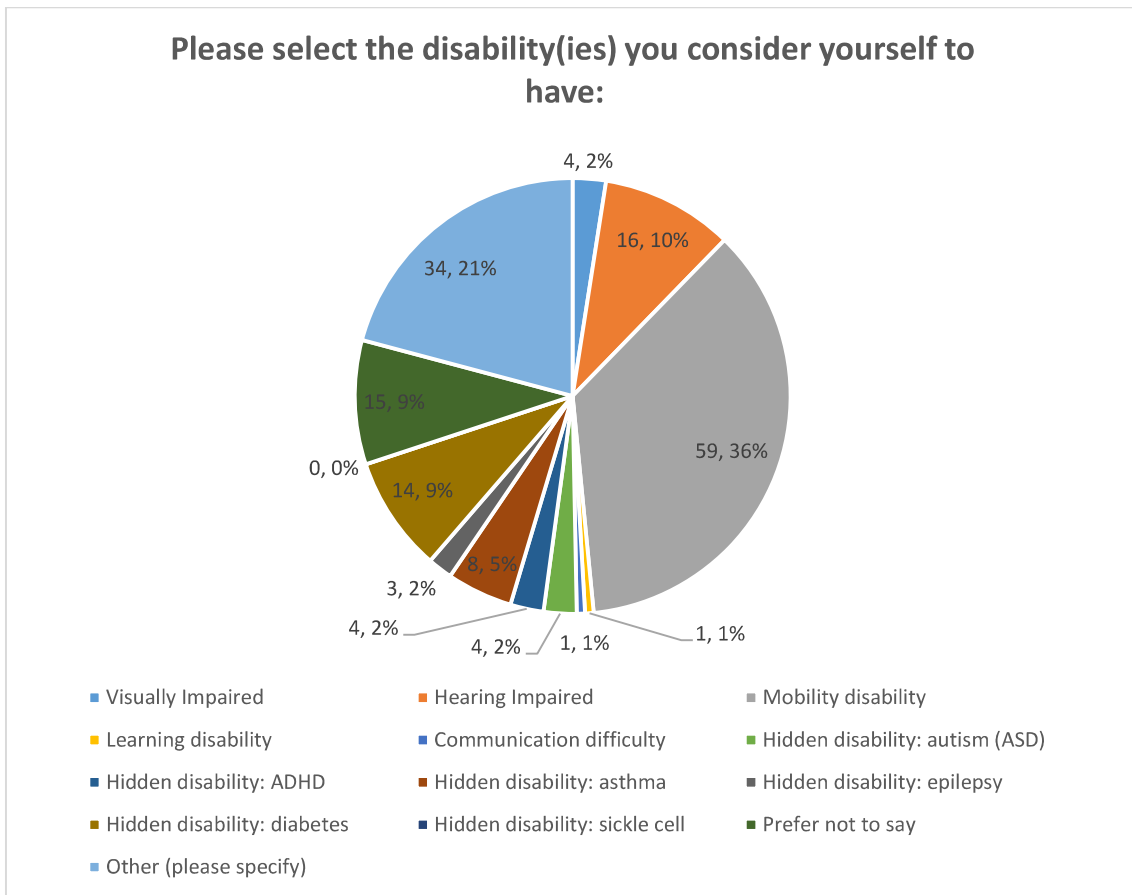
Ethnic group – What is your ethnic group?



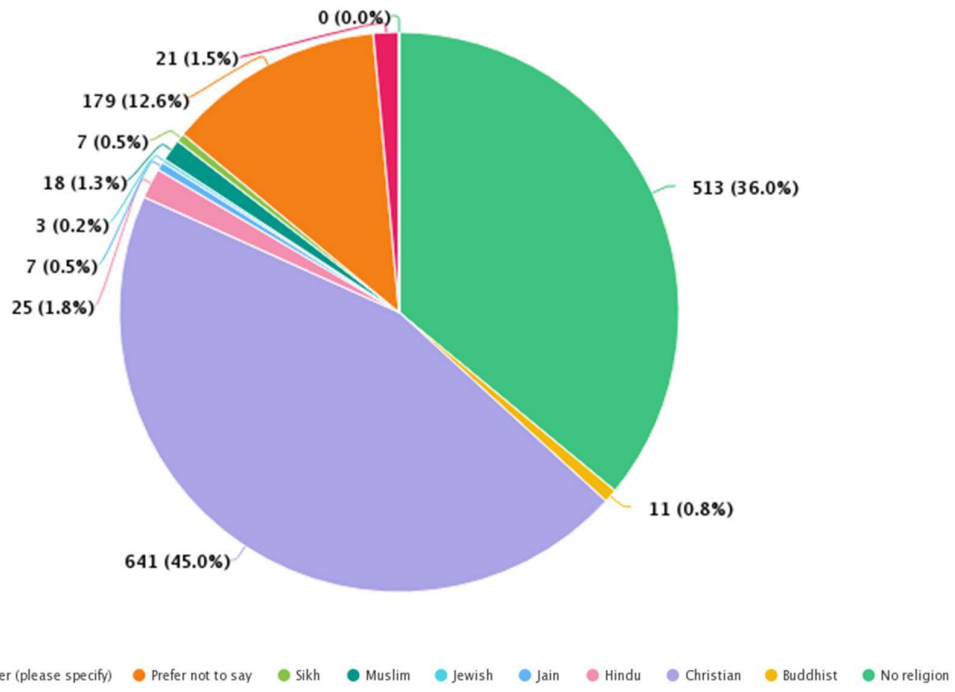
Disability – Do you consider yourself to have a disability?



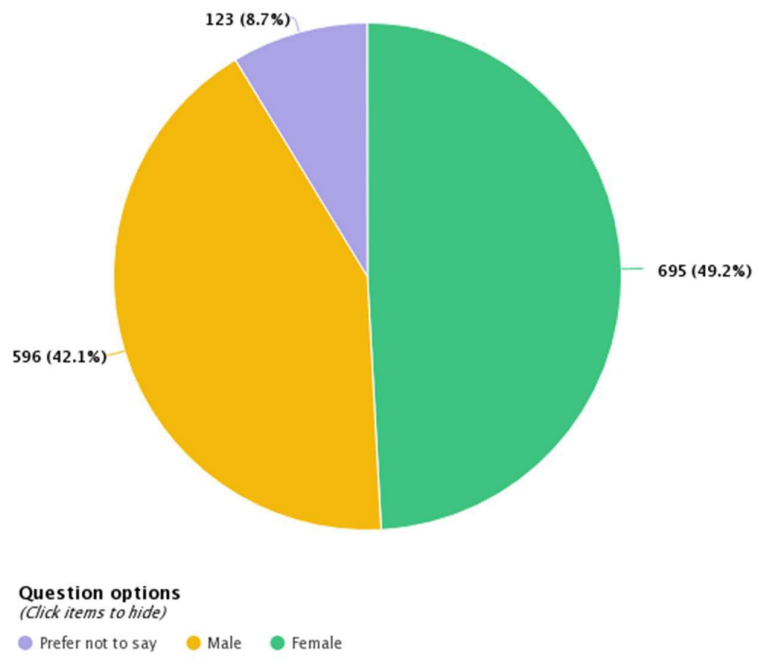
Disability – Please select the disability(ies) you consider yourself to have:



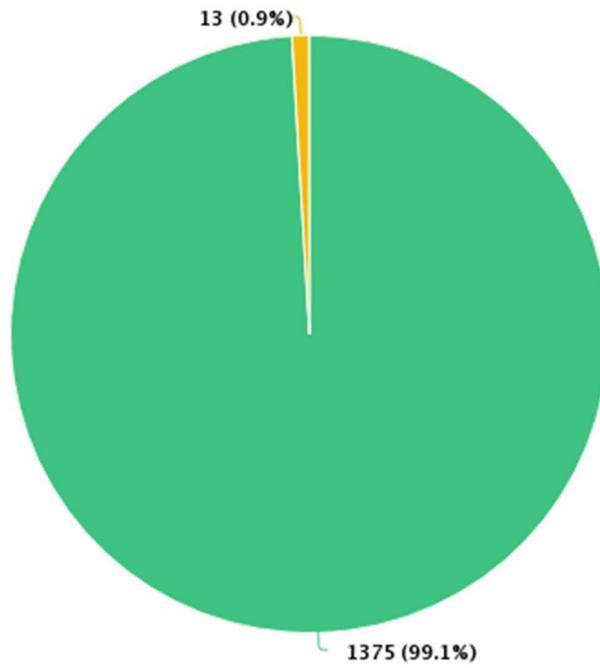
Religion – What is your religion?



Sex – What is your sex?



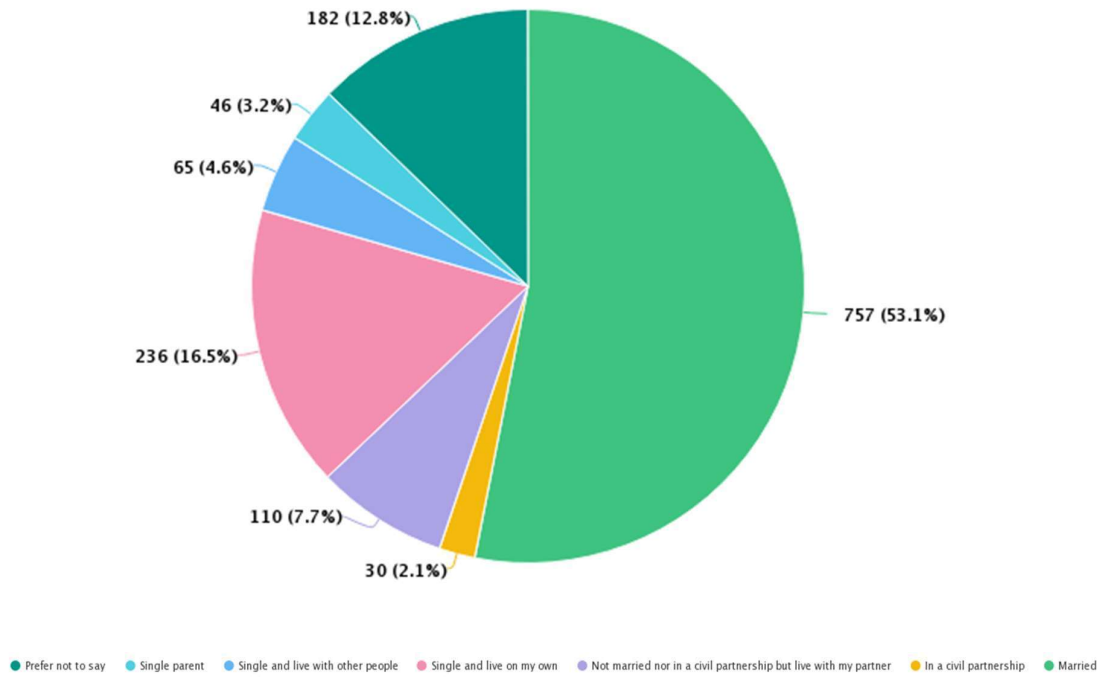
Gender – Is the gender you identified with the same as your sex registered at birth?



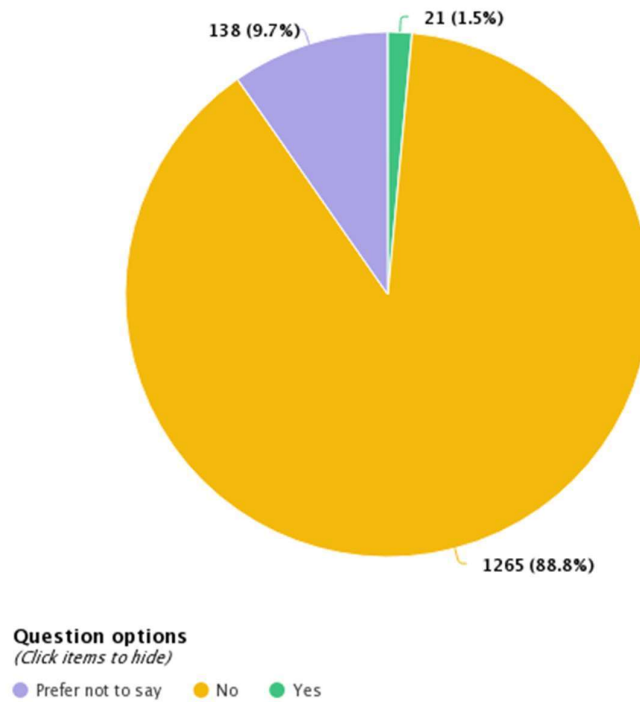
Question options
(Click items to hide)

- No - please tell us your gender identity
- Yes

Legal status – What is your legal marital or registered partnership status?



Pregnancy – Are you or your partner pregnant?



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Financial Risks

Adult Social Care & Health

Service Area	Short description of risk	Risk			Potential Mitigation
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
All Care	<p>Market sustainability and Fair Cost of Care (FCoC).</p> <p>The government has recognised that the state of the care market is due, in part, to the rates paid by local authorities (LA). They have introduced reforms which are designed to bring current LA rates paid to a fair cost over a 3 year period. This is also in line with the authorities duties under the Care Act 2014. A nationwide exercise started in 2022 with the results being made public 01/02/23. This is likely to cause significant noise. Risk shown is the current best guess of the impact spread equally across 3 years, however its likely that this will increase in subsequent as the FCoC is based on 22/23 rates so is likely outdated before its fully met.</p> <p>If the grant funding is not available to the department either the likely grant conditions will not be met of the department will overspend.</p>	3,500	3,500	3,500	Use of Market Sustainability grant
All Care	<p>Hospital Discharge 1</p> <p>In late 2022 the ASC Discharge Grant was introduced to relieve pressures in the healthcare system. The grant was awarded to LAs and ICBs and was managed via the Better Care Fund S75 agreement. The grant has strict conditions and requires fortnightly activity reporting.</p> <p>This grant has been extended to 23/24, no further guidelines have been issued but it is highly likely to have the same or similar conditions.</p> <p>In addition the introduction of the FCoC will increase the costs of care for discharges.</p>	3,000-5,000	TBA	TBA	Use of the 2023/24 ASC Discharge grant and manage volume of patients being discharged.
All Care	<p>Hospital Discharge 2</p> <p>It was announced 9 January 23 that the Department of Health & Social Care (DHSC) are to spend £250m buying residential care beds. This has a number of potentially unfortunate consequences for LAs.</p> <p>This will likely increase the cost of residential care further, one providers have publicly stated that they consider this to be a high cost service.</p> <p>Part of the issue with discharge is the lack of therapy services available. Using these care home beds is not going change this situation and is highly likely to lead to care dependency for which the LA is liable to fund.</p> <p>There is no clarity around how these patients care will actively be managed. The worse case is that there are essentially "warehoused" which is inappropriate for the patient and potentially costly for the LA.</p> <p>As these plans have only just been announced and no guidance has been issued, the above is a best guess until we have further information</p>	TBA	TBA	TBA	https://www.gov.uk/government/news/up-to-250-million-to-speed-up-hospital-discharge
All Care	<p>Inflation</p> <p>Inflation has been budgeted for at up to 9%, however providers are currently approaching commissioners for increases of between 12 and 25%. These requests are outside the Fair Cost of Care exercise. In some instances the department may need to pay inflationary increases to ensure provider stability.</p>	0 - 1000			

Childrens and Young People

		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
Service Area	Short description of risk	£000s	£000s	£000s	
Children's Social Care Division	Underfunding of employee pension budget	1,198	1,198	1,198	Covered from in-year vacancies
Social Work with Children Looked After and Care Leavers	Increased children looked after numbers and/or clients existing/new young people in high-cost placements	1,200	1,200	1,200	Early intervention to mitigate the number of children becoming children looked after

Housing

		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
Service Area	Short description of risk	£000s	£000s	£000s	
Homelessness	Availability of private rental properties is low leading to high inflation and increased use of nightly paid accommodation	3,000	2,000		Budget for inflationary pressures Implement savings measures as planned including restructure; use of HRA stock; occupancy review etc. Use financial data to target most cost effective property as homelessness accommodation
Temporary and Emergency Accommodation	External pressures from other public bodies such as the increased need to provide services to asylum seekers housed in Croydon by the Home Office, large numbers of people being housed in Croydon by other London Boroughs and people housed in Croydon by the Probation service.	TBA			
Homelessness	Service disruption due to restructure of housing resource	1,000			Considered use of agency staff to cover gaps

Sustainable Communities Regeneration & Economic Recovery

		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
Service Area	Short description of risk	£000s	£000s	£000s	
Highways and Parking	Income Risk for Penalty Charge Notices (PCN) due to delays in Conduent Contract for Automatic Number Plate Recognition	TBA			
Highways and Parking and Strategic Transport	There is a risk given the current financial situation at TFL that anticipated funding for infrastructure projects may be delayed or rescinded which may result in additional capital borrowing needed by the council be that to cover loss of income or to complete projects.	TBA			
Development Control	Continued down turn in the number of planning applications impacting ability to achieve income budgets.	TBA			
Highways and Parking	Although there has been a rightsizing of the Parking Budget the current cost of living crisis, continued changes in the number of people working from home since the pandemic and other economic factors may affect the number of people using Parking in Croydon. This will affect both Pay & Display and PCN Income.	TBA			

All Areas	Given the current rate of inflation there is a risk that continuation of this economic factor may affect further contractual prices and create additional budgetary pressures. This is most likely in connection with fuel, energy and services with a large sub contracted workforce	TBA			
All Areas	Given the current cost of living crisis and inflationary pressures on both residents and businesses within the borough there is likely to be a knock affect on various income streams with the Services, as people and businesses tighten the purse strings or regrettably in some cases cease trading.	TBA			
All Areas	Given the current financial situation of the council and a highly competitive external market (cost wise) in direct competition with some of our services recruitment and retention issues are risk that needs to be taken into account which may affect some of the services we deliver	TBA			
Development Management Building Control and Licensing	There is currently consideration being given or already in place regarding statutory requirements and statutory legislation in these areas which are likely to be realised in the next financial year. There is a risk that changes may affect income or costs for these services.	TBA			
Public Realm	A new statutory duty on public bodies and large organisations to physically protect public spaces ("Martyn's law) is due to be published in Spring 2023. This is expected to place several statutory duties on the council, which will not be funded from central government. Measures could range from Hostile Vehicle Mitigation to organisational policy, CCTV, recruitment and other changes. Where existing sites are owned by the council the cost of retrofitting measures are potentially significant.	TBA			Work will be undertaken with counter-terrorism police to identify potential sites although until the draft bill is released it is not possible to fully determine the criteria for vulnerable locations (which will directly affect the quanta of financial risk). A Protect Board will oversee this work across departments and the partnership, and co-ordinate activity. This will also ensure that any changes to planning policy and regulatory policy can be embedded in practice to mitigate future costs

Assistant Chief Executives and Resources

Service Area	Short description of risk	Risk			Potential Mitigation
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
Resources- Investment & Assets	Disposal programme of assets will lead to reduction of income in revenue	TBA			Take account of any income loss within any decision to dispose of assets. Adjust the MTFS accordingly.
Elections	National changes occurring	TBA			Offset against any additional government funding for new burdens
Elections - Local	Reserve for local election	TBA			Review the future contributions to the reserve to spread any forecast cost increase.

CORPORATE

Service Area	Short description of risk	2023/24	2024/25	2025/26	Potential Mitigation
		£000s	£000s	£000s	
Council Wide	Upturn in inflation - pay award and contract inflation 1% higher than currently modelled	6,000			Review and management of contracts. Potential offset against the cost of living contingency.
Council Wide	1% increase in borrowing costs (due to interest rate rises)	1,880			Review in-year Treasury Management Strategy
Business Rates	Reduction in income due to business closure/lower economic activity	0	8,600	0	The impact will be in future years. The risk shown would reduce rates income to the minimum level (safety net threshold) guaranteed by the government.

Total Risks Quantified (mid-point taken when a range identified)	22,278	16,498	5,898
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Financial Risks

Adult Social Care & Health

Service Area	Short description of risk	Risk			Use volu
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
All Care	<p>Market sustainability and Fair Cost of Care (FCoC).</p> <p>The government has recognised that the state of the care market is due, in part, to the rates paid by local authorities (LA). They have introduced reforms which are designed to bring current LA rates paid to a fair cost over a 3 year period. This is also in line with the authorities duties under the Care Act 2014. A nationwide exercise started in 2022 with the results being made public 01/02/23. This is likely to cause significant noise. Risk shown is the current best guess of the impact spread equally across 3 years, however its likely that this will increase in subsequent as the FCoC is based on 22/23 rates so is likely outdated before its fully met.</p> <p>If the grant funding is not available to the department either the likely grant conditions will not be met of the department will overspend.</p>	3,500	3,500	3,500	Use
All Care	<p>Hospital Discharge 1</p> <p>In late 2022 the ASC Discharge Grant was introduced to relieve pressures in the healthcare system. The grant was awarded to LAs and ICBs and was managed via the Better Care Fund S75 agreement. The grant has strict conditions and requires fortnightly activity reporting.</p> <p>This grant has been extended to 23/24, no further guidelines have been issued but it is highly likely to have the same or similar conditions.</p> <p>In addition the introduction of the FCoC will increase the costs of care for discharges.</p>	3,000-5,000	TBA	TBA	Use
All Care	<p>Hospital Discharge 2</p> <p>It was announced 9 January 23 that the Department of Health & Social Care (DHSC) are to spend £250m buying residential care beds. This has a number of potentially unfortunate consequences for LAs.</p> <p>This will likely increase the cost of residential care further, one providers have publicly stated that they consider this to be a high cost service.</p> <p>Part of the issue with discharge is the lack of therapy services available. Using these care home beds is not going change this situation and is highly likely to lead to care dependency for which the LA is liable to fund.</p>	TBA	TBA	TBA	Use

Childrens and Young People			
Service Area	Short description of risk	Risk	
		2023/24 £000s	2024/25 £000s
Children's Social Care Division	Underfunding of employee pension budget	1,198	1,198
Social Work with Children Looked After and Care Leavers	Increased children looked after numbers and/or clients existing/new young people in high-cost placements	1,200	1,200
Housing			
Service Area	Short description of risk	Risk	
		2023/24 £000s	2024/25 £000s
Homelessness	Availability of private rental properties is low leading to high inflation and increased use of nightly paid accommodation	3,000	2,000
Temporary and Emergency Accommodation	External pressures from other public bodies such as the increased need to provide services to asylum seekers housed in Croydon by the Home Office, large numbers of people being housed in Croydon by other London Boroughs and people housed in Croydon by the Probation service.	TBA	
Homelessness	Service disruption due to restructure of housing resource	1,000	
Sustainable Communities Regeneration & Economic Recovery			
Service Area	Short description of risk	Risk	
		2023/24 £000s	2024/25 £000s
Highways and Parking	Income Risk for Penalty Charge Notices (PCN) due to delays in Conduent Contract for Automatic Number Plate Recognition There is a risk given the current financial situation at TFL that anticipated funding for infrastructure projects may be delayed or rescinded which may result	TBA	

Service Area	Short description of risk	Risk	
		2023/24 £000s	2024/25 £000s
Highways and Parking	Income Risk for Penalty Charge Notices (PCN) due to delays in Conduent Contract for Automatic Number Plate Recognition There is a risk given the current financial situation at TFL that anticipated funding for infrastructure projects may be delayed or rescinded which may result	TBA	

All Areas	Given the current rate of inflation there is a risk that continuation of this economic factor may affect further contractual prices and create additional budgetary pressures. This is most likely in connection with fuel, energy and services with a large sub contracted workforce	TBA			
All Areas	Given the current cost of living crisis and inflationary pressures on both residents and businesses within the borough there is likely to be a knock affect on various income streams with the Services, as people and businesses tighten the purse strings or regrettably in some cases cease trading.	TBA			
All Areas	Given the current financial situation of the council and a highly competitive external market (cost wise) in direct competition with some of our services recruitment and retention issues are risk that needs to be taken into account which may affect some of the services we deliver	TBA			
Development Management Building Control and Licensing	There is currently consideration being given or already in place regarding statutory requirements and statutory legislation in these areas which are likely to be realised in the next financial year. There is a risk that changes may affect income or costs for these services.	TBA			
Public Realm	A new statutory duty on public bodies and large organisations to physically protect public spaces ("Martyn's law) is due to be published in Spring 2023. This is expected to place several statutory duties on the council, which will not be funded from central government. Measures could range from Hostile Vehicle Mitigation to organisational policy, CCTV, recruitment and other changes. Where existing sites are owned by the council the cost of retrofitting measures are potentially significant.	TBA			Work to identify relevant areas for quality assurance of this co-ordinated chat emb
Assistant Chief Executives and Resources					
Service Area	Short description of risk	2023/24 £000s	2024/25 £000s	2025/26 £000s	
Resources- Investment & Assets	Disposal programme of assets will lead to reduction of income in revenue	TBA			Taken into disposal
Elections	National changes occurring	TBA			Offices new
Elections - Local	Reserve for local election	TBA			Revenue spend
CORPORATE					
Service Area	Short description of risk	2023/24 £000s	2024/25 £000s	2025/26 £000s	

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LONDON BOROUGH OF CROYDON

REPORT:	Cabinet	
DATE OF DECISION	22 February 2023	
REPORT TITLE:	Capital Programme and Capital Strategy 2022/23 to 2026/27	
CORPORATE DIRECTOR	Corporate Director of Resources and Section 151 Officer	
LEAD OFFICER:	Jane West Corporate Director of Resources and Section 151 Officer	
LEAD MEMBER:	Cllr Jason Cummings – Lead Member for Finance	
DECISION TAKER:	Executive Mayor in Cabinet	
AUTHORITY TO TAKE DECISION:	Cabinet Report	
KEY DECISION? [Insert Ref. Number if a Key Decision]	Yes	REASON: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates and Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards
CONTAINS EXEMPT INFORMATION?	NO	Public
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** This report sets out the updated capital programme for 2023/24-2026/27 for the Council’s General Fund with a forecast of resources available over that period. A specific update of the 2022/23 programme including the forecast and variance as at Period 8 is also provided.
- 1.2** This report is a step-change from previous reporting on capital budgets as this now is a stand-alone Report as part of the Budget suite of papers taken to Full Council. Capital Budgeting setting has improved considerably to previous years and this stand-alone report allows for increased transparency and

clearly showcases key projects the Council aims to deliver to support Croydon residents.

- 1.3 The Capital Programme sets out the strategic direction for Croydon's capital management and investment plans, as detailed in Appendix A, and is an integral part of the medium to long term financial and service planning and budget setting process. It sets out the principles for prioritising the capital investment under the prudential system. Prudential indicators which are required under the 2020 Prudential Code are included within the Treasury Management Strategy provides as a separate Agenda Item to the Cabinet meeting.
- 1.4 The Council continues to deliver significant capital investment across the Borough which will provide improved facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.
- 1.5 Croydon's drivers for the Capital Programme are:



2 RECOMMENDATIONS

For the reasons set out in the report and its appendices, The Executive Mayor in Cabinet, recommended to approve and to recommend the following to Full Council:

- 1.6 Agree the Council's 2023/24 to 2026/27 General Fund Capital Programme which includes planned expenditure of £305.67m (including capitalisation directions) across the four years.
- 1.7 Note that the Council will incur borrowing of £169.53m (including £162m of Capitalisation Direction) in 2022/23, with further borrowing projected of

£45.82m in 2023/24 and £28.36m over the three years after 2023/24. The cost of this borrowing is factored into the Council's Medium Term Financial plan resulting in 2023-24 total interest charge and Minimum Revenue Provision of £61.3m

- 1.8 Approve the Council 2023/24 Housing Revenue Account Capital Programme with a total investment planned of £32.62m with borrowing of nil.
- 1.9 Approve the Council's Capital Strategy, drafted with the support of PwC, as detailed within Appendix A of this report.

3 REASONS FOR RECOMMENDATIONS

- 1.10 The Cabinet and Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m requires Cabinet approval for capital spend under the Council's Scheme of Delegation.

4 Background

- 1.11 The Capital Programme has spent over £610m (including £115.8m for Capitalisation Direction in 20/21 and 21/22) over the last three years of which over £450m in borrowing has been incurred to finance the spend.
- 1.12 The Council's key objectives which are set out in the Mayor's Business Plan which can be found on the Council's website under the following link:

<https://democracy.croydon.gov.uk/documents/s41649/6a%20Appendix%20-%20Executive%20Mayors%20Business%20Plan%20FINAL.pdf>

These key objectives comprise:

- 1. The council balances its books, listens to residents, and delivers good, sustainable services.
 - 2. Croydon is a place of opportunity for business, earning and learning.
 - 3. Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.
 - 4. Croydon is a cleaner, safer, and healthier place, a borough we're proud to call home.
 - 5. People can lead healthier and independent lives for longer.
- 1.13 Capital investment should evidence how it will support the priorities and principles set out in Business Plan along with individual Directorate strategies. New bids to the Capital Programme have been assessed against the Council's

objectives and the other Capital Strategy drivers outlined within Appendix A as part of the Capital budget setting process.

5 Capital Governance Arrangements

- 1.14** The Council has an established governance arrangement embedded within its current Constitution - Part 4C - Budget and Policy Framework Procedure Rules of the Constitution. The Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework.
- 1.15** Just in the same manner as for the Revenue Budget, the Capital Budgets under Part 4C require a Full Council approval. Part 4H – Financial Regulations provide the governance framework for managing the Council’s financial affairs. They apply to all Members, officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.
- 1.16** The Regulations apply to capital budgets and the Chief Financial Officer is responsible for ensuring that a capital programme is set annually along with financial management process to enable capital budgets to be monitored effectively. The Council has produced for the 2022/23 monthly updates to Cabinet on progress of its capital programme to the budget that was set at Full Council in March 2022.
- 1.17** To strengthen the scrutiny and review of Capital delivery and progress against budget, the Council has established a Capital Internal Control Board which meets monthly and consists of key Officers from across the expert areas and services. Whilst the Capital Board is not a formal arrangement within the Constitution, it forms a key part of the improvements being made to capital management within the Council.
- 1.18** The Capital Board provides the added review and scrutiny role on delivery of the capital programme along with submission of new bids. The Board acts as a key gateway to support the Corporate Management Team and the Mayor in making informed decisions whilst ensuring risks are identified and managed.

6 Capital Expenditure

Capital Spend Key Principles

- 1.19** Consideration should be given to the following key principles before submitting a capital bid:

- 1.19.1.** Spend included in business cases must conform to the definition of capital expenditure i.e., “the purchase or enhancement of assets where the benefits last longer than the year of expenditure”. Croydon applies a de-minimis level of £10k meaning that anything below this value individually is classed and treated as revenue.
- 1.19.2.** Given the Council’s challenging financial position, projects coming forward that require Croydon to borrow funding should be kept to a bare minimum.
- 1.19.3.** Feasibility/planning costs must be met from a revenue budget until approval to spend has been agreed through the relevant route, these should therefore be built into the revenue budget and be considered as part of the budget build process.
- 1.19.4.** Ongoing revenue implications must be included within business cases and identified as pressures in the revenue budget.
- 1.19.5.** Realistic profiling of budgets must be provided from the outset. Without this, the limited funding available could be assigned to a project which is delayed, preventing an alternative but more viable project from proceeding. In many cases grants and external funding are time limited and delays in the project could lead to losing precious external funds.
- 1.19.6.** Where the Council is required to provide match funding in order to receive external funding, consideration must be given to Council’s objectives. Is the project sufficiently aligned to meeting the Council’s strategic outcomes to warrant the match funding? The council has identified sufficient resources to match fund these projects. Consideration must also be given to grant or external funding conditions and officer time and cost it will take to comply.
- 1.19.7.** Maximise use of existing assets where it is cost effective to do so. Look for full occupancy of the asset in terms of space and length of time the asset is in use. This could mean looking for synergies with other organisations (for example, the One Public Estate programme with key partners).
- 1.19.8.** Longevity/flexibility of asset – consider how the asset will conform with longer term service delivery plans? Has flexibility of the use of the asset been considered?

1.19.9. Officers and Members must not commit funds until projects have been through the correct governance procedure.

1.19.10. A robust financial, legal, HR equalities and other related impact assessments are needed for the Council's investment decisions.

1.19.11. All schemes must pass through the Capital Board for necessary scrutiny and approval to the next stage. This ensures each project receives a review to assess wider Council implications and to test all relevant matters are discussed and best practice is shared.

Capital Expenditure

1.20 The Council will ensure that appropriate capital budget is allocated on a risk assessed approach, to meet statutory requirements, such as basic need, health and safety, disability discrimination act (DDA) and other legal requirements as directed by Government. Nonetheless, just because there is a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. This will need to include proactively seeking external funding, such as grants or alternative contributions to finance capital spend.

1.21 During 2022/23 the year the Council has carried out a detailed review of its Capital budgets which included halting the carrying forward of slippage of programme from 2021/22 until the exercise had been completed. The slippage from 2021/22 has now been approved at the January 2023 Cabinet and the aim of the review exercise was to ensure the Council only carried out schemes that were value for money and met the key criteria for spend under the existing Mayor's Business Plan. Appendix D provides table breaking down the movement of capital budgets across the Directorates since the start of the year and adjustments that were applied to ensure only agreed schemes are delivered.

1.22 The detailed review resulted in £27.03m of budgets being removed from the programme, £5.16m of unapproved slippage and £17.28m of improved re-profiling of budgets to reflect the delivery timeframe of projects. Further review opportunities will be considered next financial year to continue to generate better value of money from deployment of Council resources.

1.23 The Council is projecting to spend £254.54m in 2022/23 and is expecting to spend £125.37m in 2023/24, £88.70m in 2024/25 and further £92.61m in future years after 2024/25. The table below provides a summary level breakdown of spend per Council Directorate with scheme detail provided in Appendix B of this report.

Directorate	2022/23 Budget	Forecast	Variance	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing	4,392	3,038	(1,354)	3,393	2,993		
Assistant Chief Executive	6,965	7,495	530	7,087	2,154	-	-
Children, Young People & Education	7,930	5,325	(2,605)	12,013	11,480	4,200	-
Sustainable Communities, Regen & Economic Development	36,345	26,809	(9,536)	32,906	29,808	24,774	18,632
Resources	8,255	6,330	(1,925)	5,970	4,263	3,500	3,500
Corporate	190,649	190,649	0	63,000	38,000	38,000	
Total General Fund Capital Programme	254,536	239,646	(14,890)	124,369	88,698	70,474	22,132

- 1.24** Capitalisation directions contribute significantly to the Capital Programme, and this spend is necessary to meet the challenges in revenue account, the provision of the direction for years after 2023/24 is a projection and will be re-considered during the year. Table above includes a total of previously approved projects along with new BIDs requested by Directorate for current and future years. Specific schemes where new BIDs have submitted in 2022/23 for future years are provided in Appendix C.
- 1.25** The inclusion of new BIDs has been tested at Capital Internal Control Board to ensure the expenditure plans meet the Council's objectives and provide value for money for Croydon's residents.
- 1.26** The Capital Programme focuses on repairs and maintenance spend to ensure the Council's assets are maintained to decent standards and so they continue to perform in the delivery of the Council services to residents.
- 1.27** Within the Capital Programme the Council is also committing significant monies towards investing in various information technology and property assets so that it leads to an improved service provision whilst ensuring a more cost-effective delivery of services. These investments include upgrading the financial system, procuring enhanced software and hardware to support housing and social care services and providing staff with upgraded equipment to improve productivity.
- 1.28** The Council's ambition to protect educational infrastructure and improve pupil attainment to support the local economy form a large proportion of the capital programme. A total of £35.29m over 4 years is provided for upgrading and expanding schools' infrastructure. This includes the vital investment in Special

Education Need schools to ensure children and their parents have Council support, a key pledge by the Mayor as part of his Business Plan.

- 1.29** A total of £99.68m over 4 years is earmarked to be spent on the Borough's infrastructure ranging from highway maintenance to tree works and working with TfL to deliver the Local Implementation Plan. This investment is important to support the ambition of Croydon becoming a cleaner, safer and healthier place.

Capitalisation Direction

- 1.30** The Council's Medium Term Financial Strategy includes the provision of a capitalisation direction from Government to support the budget gap within the General Fund Revenue Account. Capitalisation Direction allows local authorities to charge its revenue expenditure to capital monies and hence pay for revenue costs using capital funds. Capital funds that can be applied include capital receipts and borrowing and it will be up to the Council to identify the best source at year end.

- 1.31** The capitalisation direction is a relaxation of the accounting convention that ensures that revenue costs should be met from revenue resources only and that councils should not "borrow" or used capital funds to fund revenue expenditure. This does mean that if the Council chooses to borrow to fund its direction, relevant interest costs will be charged to the Council's revenue account along with additional minimum revenue provision charges which will need to be set aside from revenue to pay back the principal repayments for the borrowing.

- 1.32** Croydon has been supported by capitalisation directions of £70m, £50m and £25m for 2020/21, 2021/22 and 2022/23 respectively. These directions have come with specific request from Government which includes:

1.32.1. Any further borrowing from the date of the capitalisation up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to and;

1.32.2. The Council shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years

- 1.33** The Council's 2023/24 Financial Plan indicates a £63m gap to its budget requirement and this is being supported by a further capitalisation direction request from Government.

Transformation

- 1.34** The Council's financial challenges have required a review into how services are delivered, and investment opportunities have been identified to deliver the services in a more cost-effective manner. The transformation programme is a key driver for this change and is aimed at improving the Council's systems, processes and structures to ensure it delivers services to its residents with improved value for money outcomes.
- 1.35** Section 16 of the 2022/23 Budget report detailed the Transformation Plan, and the capital programme supports that ambition through the allocation of £4m in 2022/23 to deliver the transformation outcomes. This will be funded using capital receipts as required under Local Government Act 2003 Sections 16 and 20. The Council's asset disposal plan will generate sufficient capital receipts to pay for these transformation costs.
- 1.36** The Council has a further ambitious Transformation plan which is included in Appendix D of the budget report for Medium-Term Financial Strategy report with funding of £10m earmarked within the Revenue budget to support the delivery.

7 Capital Financing

- 1.37** Table below provides a summary of the key funding sources the Council expects to use to pay for the capital spend as indicated in section 6 above.

Funding Source	2022/23 Budget	Forecast	Variance	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CIL	(2,856)	(1,552)	(1,304)	(1,778)	(807)	-	-
s106	(550)	(444)	(106)	(1,605)	(1,159)	(691)	(711)
HRA Contribution	(1,742)	(1,742)	-	(1,147)	-	-	-
Reserves - Growth Zone	(6,888)	(2,971)	(3,917)	(4,900)	(4,900)	(4,900)	(4,900)
Grant	(18,297)	(13,127)	(5,170)	(24,116)	(23,662)	(8,745)	(2,468)
Cap Receipt	(55,049)	(55,049)	-	(45,000)	(50,000)	(50,000)	
Borrowing	(169,153)	(164,761)	(4,393)	(45,823)	(8,170)	(6,138)	(14,053)
Total GF Capital Funding	(253,535)	(239,646)	(14,890)	(124,369)	(88,698)	(70,474)	(22,132)

- 1.38** The capital programme is required to have its own funding sources and whilst revenue resources can be used to fund capital spend, capital funds cannot be used to fund revenue spend.

- 1.39** It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.
- 1.40** The current capital programme relies significantly on debt financing and the implications of this are further explained below. Between 2022/23 to 2026/27 of the capital programme the Council is expected to borrow £247.74m, which represents 43.9% of the total financing sources. Grant funding, at £77.29m, is the next main source of financing the capital programme and this supports education and highway infrastructure spend.
- 1.41** The Council is exploring options to generate further capital receipts and an Asset Management Plan was presented to Cabinet on 30th November 2022 which detailed the delivery plan along with a range of assets the Council is willing to dispose.

Debt Financing

- 1.42** Croydon currently has external borrowing of £1.3bn in the General Fund and a further £0.300bn in the Housing Revenue Account. This means that the Council is already considerably highly leveraged and the MTFS indicates that c£47m is set aside to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the debt pile and further increase costs to the revenue account. The projected borrowing of £243.34m represents approximately 19% of additional debt on top of the existing debt balance. This poses considerable future risks particularly to the revenue account because of servicing the debt. Serious consideration on sustainability will need to be assessed and the Treasury Management Strategy further highlights the risk.
- 1.43** When delivering the capital programme, the Council is required to have due regard for the Prudential Code and ensure that the Council's debt levels and borrowing levels do not exceed its own prudential limits. The Code requires councils to formulate plans that are affordable, prudent and sustainable. The MTFS report has made it clear that current debt levels are not sustainable, and the Council has sought extraordinary financial support from Government to ensure the Council's finances are put on a sustainable footing for the future.

8 Housing Revenue Account Capital Programme

1.44 The Housing Revenue Account (HRA) continues to make improvements to with stock management and Council appointed Savills to carry out a detailed review of the capital programme to continue the necessary investment within the Housing Stock.

1.45 The Housing team are developing a full asset management strategy which forms part of the housing transformation plan and will detail the long-term plan for the management of the investment of Council housing assets over a 10 year horizon. The 2023/24 capital programme is provided in table below which supports the development of the asset management strategy aims of meeting the manifesto promise to turn around and provide a housing service which we can be proud of.

HRA Capital Expenditure	Revised Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£'000	£'000	£'000	£'000	£'000
Asset management ICT database	155				
Major Repairs and Improvements Programme	22,083	31,476	32,462	32,967	31,689
Trellis Mews	3,377				
NEC Housing System	1,742	1,147			
Regina Road - if it's a rebuild			14,105	14,105	
Extensive refurbishment on buildings over 60 years old			20,000	20,000	
Fire safety, Damp & Mould			10,000	10,000	
Improving Housing capacity			5,000	5,000	
LPS Blocks additional programme			-	15,300	
HRA Contingency			1,000	600	
Total HRA Capital Expenditure	27,357	32,623	82,567	97,972	31,689

1.46 The scale of social housing is extensive as the plan indicates a total investment of £244.8m between 2023/24 and 2026/27. The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works planned on older buildings along with a whole new re-build of Regina Road Estate is planned to commence next year as key engagement has already taken place with the residents.

1.47 The HRA has capacity within its account to take on more debt and through work done with Savills a sustainable financing solution has been developed by the Housing team to meet the capital expenditure plans. Table below details the key funding sources the HRA has earmarked to apply to the delivery programme which includes a projection of £115.11m of new borrowing which will be fully financed from the revenue account.

HRA Capital Financing	Revised Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve	(12,336)	(15,457)	(14,879)	(15,191)	(15,434)
Revenue	-	(13,900)	(15,443)	(15,615)	(14,072)
Reserves	(13,821)	(1,148)	-	-	-
RTB receipts	-	(2,118)	(2,140)	(2,161)	(2,183)
Grant	(1,200)	-	-	-	-
Borrowing	-	-	(50,105)	(65,005)	-
Total HRA Capital Financing	(27,357)	(32,623)	(82,567)	(97,972)	(31,689)

9 Next Steps and Ongoing Improvements

- 7.1 Over the course of 2022/23 significant issues with regards to capital were addressed. Oversight of the Capital Programme was brought into the corporate finance team where a holistic and council wide approach was provided and which enabled an improved approach to the way capital monitoring and budget setting was consolidated. This has allowed the Council to better profile its budgets over the life of the projects and to present a 4 year capital programme rather than a single year position, which has been the case in the past.
- 7.2 The introduction of the post of Director of Commercial Investment and Capital to act as the Chair of the Capital Internal Control Board provided much needed structure and focus to managing delivery of the capital programme.
- 7.3 However, there is much more to be done and whilst key foundations have been set within the Council to manage the Capital Programme, there are a number of improvements still to implement. As indicated within the Capital Strategy (Appendix A) the Council has a number of key areas of improvement that will need to be addressed. The focus of the capital programme operational arrangements will be to ensure that whilst meeting the requirements as detailed within this report, the further recommendations advised by PwC are also delivered.
- 7.4 Further work will be carried out into improving the Governance arrangements and the preparation of business cases so that they meet key industry standards.

10 IMPLICATIONS

7.5 FINANCIAL IMPLICATIONS

- 7.5.1** Financial implications have been provided through out this report. The Capital Programme has been provided for within the Council's Medium Term Financial Plan.
- 7.5.2** The Council has high costs of borrowing and therefore careful and prudent management of the Capital Budgets is required to avoid unnecessary costs to the Revenue account.
- 7.5.3** The capital program budget reduction over the three financial years is £22.79m and are made up of 2022-23 reduction of £13.16m, a further reduction for 2023-24 is £2.79m and the final year reduction for 2024-25 is 6.84m
- 7.5.4** The approved capital program for 2021-22 was 131.90m of which the total capital slippage request was £25.27m. Due to capital programs not proceeding there was a reduction in the slippage request of £5.16m and a final slippage request of £20.26m.

Comments approved by Alan Layton Interim Head of Service, Finance on behalf of the Corporate Director of Resource. (Date 9/02/2023)

7.6 LEGAL IMPLICATIONS

10.2 LEGAL IMPLICATIONS

- 10.2.1** Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".
- 10.2.2** Under Section 3(1) and (8) of the LGA ("Duty to determine affordable borrowing limit") the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a Council, rather than an executive function.
- 10.2.3** Sections 15 and 21 (1A) of the LGA requires the Council to have regard to any guidance issued by the Secretary of State and guidance about account practices to be followed in particular with respect to the charging of expenditure to a revenue account. Consequently, the Council is required to have regard to the "Statutory guidance on Local Government Investments 3rd Edition" and the "Statutory guidance on minimum revenue provision" issued under this provision.

10.2.4 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) make provisions for the capital finance and accounts under the LGA 2003. Regulation 2 requires the Council to have regard to the “Prudential Code for Capital Finance in Local Authorities” issued by CIPFA when determining, under section 3 of the LGA, how much money they can afford to borrow. Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, the Council must have regard to the code of practice in “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” issued by CIPFA.

10.2.5 Regulations 25 and 26 provide for expenditure which is, and which is not, to be treated as capital expenditure for the purposes of LGA 2003. Regulation 27 provides that local authorities must charge to a revenue account a minimum amount (“minimum revenue provision”) and may charge to a revenue account an additional amount, in respect of the financing of capital expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.

10.2.6 Under the Council’s Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the Council’s borrowing or capital requirement. The proposals in this report will therefore form part of proposals for submission to full Council.

10.2.7 Under the Council’s Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget, are prepared on an annual basis.

Comments approved by the Director of Legal Services and Monitoring Officer.

7.7 HUMAN RESOURCES IMPLICATIONS

7.7.1 There are no immediate Human Resources implications arising from this report

Comments approved: by Gillian Bevan, Head of HR Resources and Assistant Chief Executives Directorates 13/1/23

7.8 EQUALITIES IMPLICATIONS

7.8.1 As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being

exposed to costly, time consuming and reputation-damaging legal challenges.

- 7.8.2** The Council must, therefore, ensure that we have considered any equality implications in respect of the Capital programme and Strategy. the Council has an established Equality Impact Assessment process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.
- 7.8.3** The objectives of the Mayor's Business plan are focused on delivering good sustainable services and creating opportunities for all residents of Croydon including children and young people. The proposals in the Capital programme are likely to impact on residents, the extent of which and the characteristics most affected can only be identified following further analysis once the proposals have been developed.
- 7.8.4** During the MTFs process, proposals which impact on people are subjected to equality analysis using a data driven approach and offer mitigation to people most affected.
- 7.8.5** We commit to ensuring that we meet our legal requirements under the Equality Act 2010 to our residents including Disabled residents and the parents of Disabled residents in respect of children and young people.
- 7.8.6** We have identified areas of improvement in relation to the collection of data across directorates and are committed to improving this to enable our decisions to be more evidence based and robust.

Approved By: Denise McCausland Equality Programme Manager

7.9 OTHER IMPLICATIONS

None

8. APPENDICES

Appendix A - Capital Strategy 2023/24
Appendix B - 2023/24 to 2026/27 CAPITAL PROGRAMME
Appendix C - New BIDS 2022-27 CAPITAL PROGRAMME
Appendix D - Movement in Capital Budget in 2022/23

9. BACKGROUND DOCUMENTS

None

Appendix A – Capital Strategy 2023/24

Appendix B – 2023/24-26/27
CAPITAL PROGRAMME

REVISED CAPITAL PROGRAMME

CAP BID No.	PROJECT NAME	SPEND and Funding TYPE	2022/23	2023/24	2024/25	2025/26	2026/27
			(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
GF CAP 04	Disabled Facilities Grant	Spend	3,992	2,993	2,993	-	-
GF CAP 04	Disabled Facilities Grant	Grant	-3,992	-2,993	-2,993	-	-
GF CAP 05	Empty Homes Grants	Spend	400	400	-	-	-
HOUSING			400	400			
GF CAP 03	Bereavement Services	Spend	1,775	-	-	-	-
GF CAP 92	Bereavement Service Vehicles	Spend	39	-	-	-	-
GF CAP 85	My Resources Interface Enhancement)	Spend	75	185	-	-	-
GF CAP 86	Network Refresh	Spend	141	335	626	-	-
GF CAP 87	Tech Refresh	Spend	610	300	160	-	-
GF CAP 88	Geographical Information Systems	Spend	65	260	-	-	-
GF CAP 90	Laptop Refresh	Spend	222	3,349	1,264	-	-
GF CAP 91	Cloud and DR	Spend	198	221	104	-	-
GF CAP 89	Synergy Education System	Spend	1,030	673	-	-	-
GF CAP 66	Uniform ICT Upgrade System	Spend	130	-	-	-	-
GF CAP 93	NEC Housing System	Spend	2,680	1,764	-	-	-
GF CAP 93	NEC Housing System	HRA	-1,742	-1,147			
ASSISTANT CHIEF EXECUTIVE			5,223	5,941	2,154	-	-
GF CAP 08	Education – Fire Safety Works	Spend	776	152			
GF CAP 08	Education – Fire Safety Works	Grant	-776	-152			
GF CAP 09	Education - Fixed Term Expansions	Spend	747	2,540	2,993		
GF CAP 09	Education - Fixed Term Expansions	Grant	-747	-2,540	-2,993		

GF CAP 10	Education - Major Maintenance	Spend		4,062	4,200	4,200	4200	
GF CAP 10	Education - Major Maintenance	Grant		-4,062	-4,200	-4,200	-4200	
GF CAP 11	Education - Miscellaneous	Spend		134				
GF CAP 11	Education - Miscellaneous	CIL		-134				
GF CAP 12	Education - Permanent Expansion	Spend		319				
GF CAP 12	Education - Permanent Expansion	Grant		-319				
GF CAP 13	Education – Secondary Estate	Spend		39				
GF CAP 14	Education – Secondary Estate	Grant		-39				
GF CAP 14	Education - SEN	Spend		1,853	4,792	4,287		
GF CAP 14	Education - SEN	Grant		-947	-4,521	-4,287		
GF CAP 14	Education - SEN	CIL		-906	-271			
GF CAP 79	Angel Lodge Children Home	Spend			329			
GF CAP 79	Angel Lodge Children Home	Grant			-329			
CHILDREN'S, YOUNG PEOPLE & EDUCATION				0	0	0	0	0

GF CAP 15	Allotments	Spend		200				
GF CAP 73	Fairfield Halls-Council Fixtures & Fittings FFH	Spend		574				
GF CAP 25	Growth Zone	Spend		5,988	4,000	4,000	4,000	4,000
GF CAP 25	Growth Zone	Growth Zone		-5,988	-4,000	-4,000	-4,000	-4,000

GF CAP 26	Grounds Maintenance Insourced Equipment	Spend		1,000	200			
GF CAP 27	Highways	Spend		8,618	8,618	8,618	8,618	8,618
GF CAP 29	Highways - flood water management	Spend		895	435	435	435	435
GF CAP 30	Highways - bridges and highways structures	Spend		2,611	1,663	2,663	5,513	
GF CAP 30	Highways - bridges and highways structures	Grant		-1,008	-1,163	-1,463	-2,013	
GF CAP 30	Highways - bridges and highways structures	CIL		-1200				
GF CAP 31	Highways - Tree works	Spend		56				
GF CAP 31	Highways - Tree works	Spend		-56				
GF CAP 81	Local Authority Tree Fund	Spend		96	67	67	67	
GF CAP 81	Local Authority Tree Fund	Grant		-96	-67	-67	-67	
GF CAP 82	Trees Sponsorship	Spend		46				
GF CAP 82	Trees Sponsorship	Grant		-46				
GF CAP 84	Leisure centres equipment Contractual Agreement	Spend		430	146	337	585	0
GF CAP 83	Leisure Centre - Tennis Court	Spend		75				
GF CAP 33	Leisure Equipment Monks Hill Gym	Spend		306	165			
GF CAP 34	Libraries Investment - General	Spend		224	807	807		
GF CAP 34	Libraries Investment - General	CIL			-807	-807		
GF CAP 80	Central Library Digital Discovery Zone	Spend			175			
GF CAP 80	Central Library Digital Discovery Zone	Grant			-150			
GF CAP 76	Library Self-Service Kiosks	Spend		200				
GF CAP 76	Library Self-Service Kiosks	CIL		-200				
GF CAP 77	New Investment to South Norwood Library	Spend			520			
GF CAP 39	Parking	Spend		2,731	1,336	1,662		
GF CAP 39	Parking	Grant		-180	-166			

GF CAP 99	Park Asset Management	Spend			700	1,000	1,000	1,000
GF CAP 95	Removal of Pay & Display	Spend		366	1,097			
GF CAP 41	Play Equipment	Spend		150	300			
GF CAP 43	Safety - digital upgrade of CCTV	Spend		1,551				
GF CAP 46	Signage	Spend		274	137	0	0	0
GF CAP 47	South Norwood Good Growth	Spend		1,121	139			
GF CAP 47	South Norwood Good Growth	s106		-4	-41			
GF CAP 47	South Norwood Good Growth	Grant		-36				
GF CAP 47	South Norwood Good Growth	Grant		-1,081	-98			
GF CAP 48	Kenley Good Growth	Spend		583	265			
GF CAP 48	Kenley Good Growth	s106			-138			
GF CAP 48	Kenley Good Growth	Grant		-583	-127			
GF CAP 49	Sustainability Programme	Spend		550	550			
GF CAP 49	Sustainability Programme	CIL		-550	-550			
GF CAP 50	TFL - LIP	Spend		4,835	10,112	9,709	4,050	4,050
GF CAP 50	TFL - LIP	s106		-444	-1,007	-762	-300	-300
GF CAP 50	TFL - LIP	Grant		-2,185	-3,434	-4,415	-2,350	-2,350
GF CAP 50	TFL - LIP	Growth Zone		-900	-900	-900	-900	-900
GF CAP 50	TFL - LIP	Grant		-160				
GF CAP 50	TFL - LIP	Grant		-645	-4,272	-3,131		
GF CAP 53	Waste and Recycling Investment	Spend		1558	1,000			
GF CAP 96	Cycle Parking	Spend		226	106	118	124	133
GF CAP 96	Cycle Parking	s106		-62	-70	-75	-79	-85
GF CAP 96	Cycle Parking	Grant		-164	-36	-43	-45	-48
GF CAP 97	EVCP – Electric Vehicle Charging Point	Spend		1,081	368	392	382	396
GF CAP 97	EVCP– Electric Vehicle Charging Point	Grant		-441				
GF CAP 97	EVCP– Electric Vehicle Charging Point	s106		-40	-350	-322	-312	-326

GF CAP 97	EVCP– Electric Vehicle Charging Point	Grant		-126	-18	-70	-70	-70
GF CAP 97	EVCP– Electric Vehicle Charging Point	Grant		-474				
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DEVELOPMENT				19,676	15,512	13,753	14,638	10,553

GF CAP 56	Asset Strategy - Stubbs Mead	Spend		50	500	150		
GF CAP 57	Asset Strategy Programme	Spend		25	240	113		
GF CAP 17	Brick by Brick programme	Spend		4,150	-	-		
GF CAP 78	Former New Addington Leisure Centre	Spend			600	-		
GF CAP 59	Clocktower Chillers	Spend		30	382	-		
GF CAP 60	Corporate Property Maintenance Programme	Spend		2,500	2,500	2,500	2500	2500
GF CAP 18	Fairfield Halls - Council	Spend		1,500	500	500		
GF CAP 24	Fieldway Cluster (Timebridge Community Centre)	Spend			248			
GF CAP 100	Contingency	Spend			1,000	1,000	1,000	1,000
RESOURCES				8,255	5970	4,263	3,500	3,500

GF CAP 68	Capitalisation Direction	Spend		25,000		-		
GF CAP 68	Capitalisation Direction	Cap Rcp		-21,000				
GF CAP	Capitalisation Direction - New	Spend		161,600	63,000	38,000	38,000	
GF CAP	Capitalisation Direction - New	Cap Rcp		-30,000	-45,000	-50,000	-50,000	
GF CAP 69	Transformation Spend (Flexible Capital Receipts)	Spend		4,049				
GF CAP 69	Transformation Spend (Flexible Capital Receipts)	Cap Rcp		(4,049)				
CORPORATE				135,600	18,000	-12,000	-12,000	

TOTAL – NET GENERAL FUND CAPITAL Borrowing				169,153	45,823	8,170	6,138	14,053
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Appendix C - New BIDS 2022-27 CAPITAL PROGRAMME

REVISED CAPITAL PROGRAMME

CAP BID No.	PROJECT NAME	2022/23	2023/24	2024/25	2025/26	2026/27
		£,000	£,000	£,000	£,000	£,000
CAP 79	Angel Lodge Children Home		329			
	CHILDREN'S, YOUNG PEOPLE & EDUCATION	-	329	-	-	-
GF CAP 80	Central Library Digital Discovery Zone		175			
GF CAP 77	New Investment to South Norwood Library		520			
GF CAP 98	Car Club		166	174	174	174
GF CAP 33	Leisure Equipment Monks Hill Gym		165			
GF CAP 95	Removal of Pay & Display	366	1,097			
GF CAP 81	Local Authority Tree Fund	96	67	67	67	
GF CAP 82	Trees Sponsorship	46				
GF CAP 84	Leisure centres equipment Contractual Agreement	430	146	337	585	0
GF CAP 83	Leisure Centre - Tennis Court	75				
GF CAP 76	Library Self-Service Kiosks	200				
GF CAP 96	Cycle Parking	226	106	118	124	133
GF CAP 97	Electric Vehicle Charging Point	1,081	368	392	382	396
GF CAP 78	Former New Addington Leisure Centre		600	-		
GF CAP 99	Park Asset Management		700	1,000	1,000	1,000
	SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DEVELOPMENT	2,520	4,110	2,088	2,332	1,703

GF CAP 92	Bereavement Service Dumper Trucks	39	-	-	-	-
GF CAP 85	My Resources Interface Enhancement	75	185	-	-	-
GF CAP 86	Network Refresh	141	335	626	-	-
GF CAP 87	Tech Refresh	610	300	160	-	-
GF CAP 88	Geographical Information Systems	65	260	-	-	-
GF CAP 90	Laptop Refresh	222	3,349	1,264	-	-
GF CAP 91	Cloud and DR	198	221	104	-	-
GF CAP 93	NEC Housing System	2,680	1,764	-	-	-
GF CAP 89	Synergy Education System	1,030	673	-	-	-
	ASSISTANT CHIEF EXECUTIVE	5,060	7,087	2,154	-	-
GF CAP 101	New Capitalisation Direction	161,600	63,000	38,000	38,000	
GF CAP 100	Contingency		1,000	1,000	1,000	1,000
	RESOURCES	161,600	64,000	39,000	39,000	1,000

Appendix D – Movement in Capital Budget in 2022/23

General Fund Capital Programme	Approved Budget March 2022	Proposed Slippage from 2021/22	Unapproved slippage from 2021-22	Capital Budget Review Adjustment	New Budget Request 2022/23	Budgets no longer Required	Reprofile Budgets to Future Years	Revised 2022-23 Budget Subject to Cabinet Approval
	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000	2022/23 £'000
ADULTS	1,707	-		(269)		(1,438)		-
HOUSING	3,493	1,399	(400)	-	-	(100)		4,392
ASSISTANT CHIEF EXECUTIVE	14,028	2,659		(573)	5,060	(14,209)		6,965
CHILDREN'S, FAMILIES & EDUCATION	15,964	4,730					(12,764)	7,930
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	37,861	14,341	(4,765)	(2,867)	2,520	(7,466)	(3,279)	36,345
RESOURCES	11,834	2,142		(404)		(3,814)	(1,803)	8,255
CORPORATE	2,500	-		1,549				4,049
SUB TOTAL	87,387	25,271	(5,165)	(2,564)	7,880	(27,027)	(17,283)	67,936
Capitalisation Direction	25,000				161,600			186,600
Total	112,387	25,271	(5,165)	(2,564)	169,480	(27,027)	(17,283)	254,536

LONDON BOROUGH OF CROYDON

CAPITAL STRATEGY

February 2023

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1 FOREWORD

- 1.1.1. The Capital Strategy presented is a significant improvement on past documents and the significant investment in its production reflects the Council's commitment to the improvement journey the Council is on. It is a key strategic document providing a high-level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of services, together with an overview of how associated risk is managed.
- 1.1.2. The Capital Strategy recognises the complex and challenging financial and operational circumstances in which the Council continues to find itself. The Mayoral Business Plan Objective 1 is that the Council '*balances its book, listens to residents and delivers good, sustainable services*'. This Capital Strategy shows a 2023/24 Capital Programme that is reduced in scale and cost compared to previous years. With around £1.3bn of General Fund debt and an environment of rising interest rates the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, will be essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.
- 1.1.3. The Capital Strategy presented here and associated capital framework will continue to be improved over coming months and years.

2 INTRODUCTION

- 2.1.1 Local Authorities are required by regulation to have regard for the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code 2021 which sets out a framework to ensure that the capital expenditure plans of Local Authorities are affordable, prudent and sustainable. The 2018 revision of the Prudential Code introduced the requirement for local authorities to produce a Capital Strategy representing their approach to financial planning. The 2021 revision of the Prudential Code further amended the requirements for a Capital Strategy including the need to address environmental sustainability consistent with the Council's corporate policies and setting and revising prudential indicators with regards to decision making on capital investment.
- 2.1.2 Capital expenditure referred to in the strategy is consistent with the definition within CIPFA Accounting Code of Practice as:

"...Expenditure that results in the acquisition, construction, or the enhancement of non-current assets (tangible or intangible) in accordance with proper practices... All other expenditure must be accounted for as revenue expenditure unless specifically directed by the Secretary of State."
- 2.1.3 A Capital Strategy is defined as a key strategic document that provides a high level overview of how capital expenditure, capital financing, investments, liabilities and treasury management activity contribute to the provision of

services, together with an overview of how associated risk is managed and the implications for future financial sustainability.

- 2.1.4 A Capital Programme is defined as an internal working document for elected councillors and officers that identifies agreed capital projects, showing the total cost of capital projects and the projected phasing of those capital projects over current and future financial years.
- 2.1.5 This document sets out how the London Borough of Croydon (hereafter 'the Council') takes capital expenditure and investment decisions in line with service objectives and overall organisational strategy. Its aim is to ensure decisions are being made with sufficient regard to the long-term financing implications and potential risks to the authority.
- 2.1.6 This Capital Strategy provides the foundation for the Council's long-term management and delivery of its Capital Programme. It sets the policy framework for the Capital Programme and shows how capital expenditure, capital financing and treasury management activities will be undertaken to drive the Council's ambition to achieve long-term financial sustainability.
- 2.1.7 The Capital Strategy is one of a number of documents¹ that forms a fundamental part of the ongoing strategic planning of the Council. Subject to Cabinet approval, it will be updated periodically and at least once a year to reflect new priorities, schemes and methods of finance introduced.
- 2.1.8 This document is an improvement on previous versions of the Capital Strategy with the Council recognising it is at the starting point of its journey towards developing a robust and effective Capital Framework in the future. The document reflects the progress made to date by the Council to improve the governance and financial management of the Capital Programme following recommendations from the two Reports in the Public Interest (RIPI). The Council understands that the initial improvements put in place are the foundations of good practice and is focused on building upon these over the coming months and years.

3 CONTEXT

- 3.1.1 The Capital Strategy recognises the complex and challenging financial and operational circumstances in which the Council continues to find itself following two Reports in the Public Interest (RIPI) published by its external auditor² in October 2020³ and January 2022⁴ and subsequent reviews into its financial

¹ Budget Report (Medium Term Financial Strategy), Fees and Charges Paper, Treasury Management Strategy, P8 Financial Performance Report, Housing Revenue Account Budget and 30 Year Business Plan.

² Grant Thornton UK LLP

³ Report in the Public Interest (RIPI 1) concerning the Council's financial position and related governance arrangements

⁴ Report in the Public Interest (RIPI 2) concerning the refurbishment of Fairfield Halls and related governance arrangements.

management arrangements. The reports highlighted grave governance, operational and financial failures within the Council and made a series of recommendations in relation to capital that are considered throughout this document.

- 3.1.2 Two Section 114 notices issued in November and December 2020 declared the Council's inability to balance its books and compelled it to seek exceptional financial support. The Council developed the Croydon Renewal Plan to support its application to secure financial support of £150m from the Government in the form of a capital direction, alongside which the Government appointed the Improvement and Assurance Panel (IAP) to provide external advice, challenge and expertise to the Council.
- 3.1.3 The Council's priority, as articulated in the Mayoral Business Plan of July 2022 (MBP) is to be financially and operationally sustainable, and one of the first acts by the Mayor was to launch the 'Opening the Books' initiative. Housing Revenue Account and General Fund recharges, non-deliverability of savings, Minimum Revenue and Bad Debt Provision charges are requiring changes to be made to the Council's accounts from 2019/20.
- 3.1.4 The review also highlighted concerns regarding value for money and Investment decisions as the Council has incurred £300m of debt in investing in assets which have not retained their value and therefore the level of debt exceeds the value of the investment assets. In the three years between 2017/18-2019/20 the Council borrowed £545m⁵ with no focused debt management plan in place. The majority of this debt comprises short-term borrowings which has left the council exposed to current higher interest rates. The debt is anticipated to be refinanced from 2023 onwards and therefore likely to drive significant increases in annual repayments levels.
- 3.1.5 The Council's current debt burden is £1.6bn⁶ and includes £330m Housing Revenue Account debt. At present, an estimated £47m is required to service this debt from the General Fund which represents 16% of the Council's net budget. The Council's borrowing and debt burden has therefore become critical to the sustainability of the Council's revenue budget.
- 3.1.6 The Council has concluded that the expenditure it is anticipated to incur in each year of the period of 2023/24 - 2026/27 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. On 23rd November 2022 the Council issued a third Section 114 notice in relation to balancing its budget from 2023/24 onwards.
- 3.1.7 In response to its financial situation the Council is considering a range of actions including increasing Council Tax and flexible use of Growth Zone business rates, asset disposals and a range of transformation proposals. Dialogue with the

⁵ Medium Term Financial Strategy 2023/24 to 2025/26 Update 30 November 2022

⁶ Medium Term Financial Strategy 2023/24 to 2025/26 Update 30 November 2022

Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regards to its level of indebtedness and balancing the budget to ensure it can deliver sustainable local government services.

- 3.1.8 Against this financial backdrop the Council's Capital Programme will be significantly impacted. The Council's high level of short-term borrowing and cost pressures from increased interest rate rises means the programme has been reduced to comprise only core programmes and schemes that i) the Council are committed to commercially, ii) deliver savings in management and maintenance costs, and iii) avoid future cost increases.
- 3.1.9 The Council's property and other assets are also being reviewed to inform the approach to raise finance through sales in order to minimise borrowing costs, although the Council anticipates that the capital receipts will not reduce debt levels sufficiently to make the Council financially sustainable.
- 3.1.10 Several external macroeconomic factors may impact the delivery of the Capital Programme and its financing decisions. Recent high inflation has caused the Bank of England to increase interest rates, hence potentially putting additional cost pressures on the Council for loan repayments. Current levels of inflation as well as some challenges in the supply chain may also impact the delivery of the Capital Programme both from a cost and skill perspective. Furthermore, high debt levels incurred by the government during the Covid-19 pandemic may put additional pressure on local government funding.

4 MAYORAL BUSINESS PLAN 2022-2026

4.1 OVERVIEW

- 4.1.1 The Mayoral Business Plan (MBP) 2022-26 provides the framework within which the Capital Strategy has been developed and sets out the Council's objectives and priorities to strengthen governance and management systems, achieve financial and operational sustainability and complete the transformation of the Council over the next four years.
- 4.1.2 The MBP sets out a vision for Croydon consisting of five outcomes to be achieved and priority aims and high-level actions required to deliver these outcomes as summarised below.

4.2 THE FIVE OUTCOMES

- The Council balances its book, listens to residents and delivers good, sustainable services
- Croydon is a place of opportunity for business, earning and learning
- Children and young people in Croydon have the chance to thrive, learn and fulfil their potential

- Croydon is a cleaner, safer and healthier place, a borough we're proud to call home
- People can lead healthier and independent lives for longer

4.2.2 The supporting priorities for each outcome are:

- ***Outcome 1: The Council balances its book, listens to residents and delivers good, sustainable services***
 - Get a grip on the finances and make the Council financially sustainable
 - Become a Council which listens to, respects and works in partnership with Croydon's diverse communities and businesses
 - Strengthen collaboration and joint working with partner organisations and the voluntary, community and faith sectors (VCFS)
 - Ensure good governance is embedded and adopt best practice
 - Develop our workforce to deliver in a manner that respects the diversity of our communities
- ***Outcome 2: Croydon is a place of opportunity for business, earning and learning***
 - Support the regeneration of Croydon's town and district centres, seeking inward investment and grants
 - Deliver a vibrant London Borough of Culture which showcases local talent and supports Croydon's recovery
 - Support the local economy and enable residents to upskill and access job opportunities
- ***Outcome 3: Children and young people in Croydon have the chance to thrive, learn and fulfil their potential***
 - Ensure children and young people have opportunities to learn, develop and fulfil their potential
 - Make Croydon safer for young people
 - Work closely with health services, Police and the VCFS to keep vulnerable children and young people safe from harm
- ***Outcome 4: Croydon is a cleaner, safer and healthier place, a borough we're proud to call home***
 - Make our streets and open spaces cleaner so that Croydon is a place that residents and businesses can feel proud to call home

- Tackle anti-social behaviour, knife crime and violence against women and girls so that Croydon feels safer
- Invest in council homes to drive up standards and develop a more responsive and effective housing service
- Ensure new homes are safe, well-designed and in keeping with the local area
- Lead action to reduce carbon emissions in Croydon
- ***Outcome 5: People can lead healthier and independent lives for longer***
 - Work with partners and the VCFS to promote independence, health and wellbeing and keep vulnerable adults safe
 - Work closely with health services and the VCFS to improve resident health and reduce health inequalities
 - Foster a sense of community and civic life

4.2.3 Capital programme expenditure is a key tool in achieving the MBP outcomes and priorities. Targeted investment can provide the Council with the assets it needs to deliver high quality, value for money services, however, the Council's limited financial resources and capacity constraints place significant emphasis on the need to prioritise capital investment decisions to meet outcomes and priorities. In the near term this will mean the continuation of reduced spending, a wholesale transformation of working practices and embedding a strong governance structure across the authority to ensure value for money from the Capital Programme expenditure.

4.2.4 Delivering the outcomes and priorities of the MBP will have direct implications on the development of the Capital Strategy and the Capital Programme. The capital framework articulated within this document will therefore prioritise the following:

- Capital investment being targeted towards supporting the Council's corporate objectives.
- Capital investment being prudent, sustainable, affordable and providing value for money.
- Capital projects being delivered on time and within budget.
- Council staff having a common understanding of the long-term context in which capital investment decisions are made and all the financial risks to which the Council is exposed.
- Improved transparency at Capital Programme level along with a clear process for Council staff engagement.
- Improvement in approving and amending the Capital Programme and for scrutinising decisions relating to capital expenditure.

- Commitment to ensure Council staff has the skills, and expertise needed to effectively manage and deliver the Capital Programme.
- Strengthening the Capital Programme management function by streamlining governance, monitoring and reporting processes.
- Ensuring a sound financial position is maintained through sustainable deployment of resources.
- The Council is appropriately responding to the recommendations raised in the Reports in the Public Interest and Croydon Financial Review.

5 CAPITAL PROGRAMME

5.1 OVERVIEW

- 5.1.1 The Capital Programme will support the Council to achieve long term financial sustainability whilst enabling the Mayoral Business Plan over future years. It is expected that as the Council moves towards a position of financial sustainability it will become better placed to deliver on the ambition of the Business Plan. All capital projects will need to demonstrate how they will meet the Business Plan's priorities and outcomes before inclusion in the Capital Programme. The Capital Strategy and Capital Programme will therefore need to develop accordingly.
- 5.1.2 The 2023/24 Capital Programme sets out planned capital expenditure over the Medium Term Financial Plan period of 4 years. The adoption of a four year timeframe is to ensure capital expenditure is profiled to mirror the delivery of the capital projects. It shows how each project is linked to the Council's priorities and summarises planned expenditure and funding.
- 5.1.3 The 2023/24 Capital Programme reflects a reduction in scale and cost compared to previous years and includes only core programmes and schemes, which have been assessed on the basis of:
- Requirement to meet health and safety
 - Supports invest to save
 - Mandatory or statutory requirement
 - Significant contribution to Council Plan and Mayor's objectives
 - Projects that have secured external funding
 - Any overspends for projects already in the Capital Programme
 - Minimum level of repairs and maintenance to retain existing asset values

- 5.1.4 During the year of 2022/23 the Council carried out a detailed review of its Capital budgets which included halting the carrying forward of slippage of programme from 2021/22 until the exercise had been completed. The slippage from 2021/22 has now been approved at the January 2023 Cabinet and the aim of the review exercise was to ensure the Council only carried out schemes that were value for money and met the key criteria for spending under the existing Mayor's Business Plan.
- 5.1.5 The detailed review resulted in £27.03m of budgets being removed from the programme, £5.16m of unapproved slippage and £17.28m of improved re-profiling of budgets to reflect the delivery timeframe of projects. Further review opportunities will be considered next financial year to continue to generate better value of money from deployment of Council resources.

5.2 CAPITAL PROGRAMME EXPENDITURE

- 5.2.1 Capital Programme expenditure is provided for within the General Fund and Housing Revenue Account budgets. The annual budget is the formal resource allocation process that enables the delivery of the Council's policies and priorities. Under statutory responsibility, the Council is required to reinvest in maintaining housing stock at decent standards which is a fundamental aim of the Housing Revenue Account.
- 5.2.2 The General Fund is the core account which summarises the cost of all services (except those related to Social Housing) provided by the Council's directorates including Housing, Assistant Chief Executive, Children, Young People and Education, Sustainable Communities, Regeneration and Economic Development, Resources and Corporate.
- 5.2.3 The Housing Revenue Account is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets, which includes shops and garages on Council housing estates. It comprises 20,292 housing and related asset types with 13,424 General Rent dwelling stock⁷. The HRA is funded primarily from tenants' rents and service charges.

5.3 GENERAL FUND CAPITAL PROGRAMME

- 5.3.1 **Table 1** provides a summary of Capital Programme expenditure from the General Fund by future years including the current Capital Programme year of 2022/23 per Council Directorate.

⁷ Housing Revenue Account (HRA) 30 Year Business Plan 2021- 2051 and HRA Capital Programme 22/23, Appendix 2 Details of HRA Tenant Type

Table 1 - General Fund Capital Programme Expenditure (£'000)

Directorate	2022/23 Budget	2023/24	2024/25	2025/26	2026/27
Housing	4,392	3,393	2993		
Assistant Chief Executive	6,965	7,087	2,154	-	-
Children, Young People & Education	7,930	12,013	11,480	4,200	-
Sustainable Communities, Regen & Economic Development	36,345	32,906	29,808	24,774	18,632
Resources	8,255	5,970	4,263	3,500	3,500
Corporate	190,649	63,000	38,000	38,000	
Total General Fund Capital Programme	254,536	124,369	88,698	70,474	22,132

5.3.2 The Council is projecting to spend **£254.54m** in 2022/23 and planned expenditure of **£305.67m** (including capitalisation directions) from 2023/24 across the four remaining years of the Capital Programme.

5.3.3 The Capitalisation directions contribute significantly to the Capital Programme and is required to support the budget gap within the General Fund Revenue Account. The year of 2023/24 indicates a £63m gap to its budget requirement and is being supported by a further capitalisation direction request from the Government. The provision of the direction for years after 2023/24 is a projection and will be re-considered due course.

5.3.4 The current 2022/23 Capital Programme expenditure of £254.54m has been revised up from the budget approved in March 2022 which comprised £112.1m from the General Fund Capital Programme from a total of £134.2m with the additional £22.1m attributable to the HRA.⁸

5.3.5 Table 2 provides a summary breakdown of the 2022/23 budgets moving from the beginning of the year and to the present-day amount.

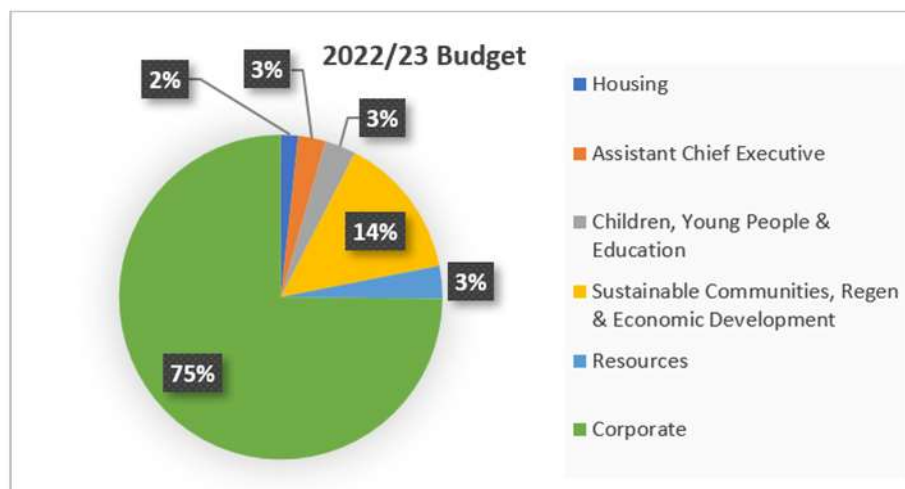
⁸ Financial Performance Report – Month 6 (September 2022) & Period 6 Capital Monitoring Final Submission Excel Spreadsheet

Table 2 - Movement in Capital Budget in 2022/23

General Fund Capital Programme	Approved Budget March 2022	Proposed Slippage from 2021/22	Unapproved slippage from 2021-22	Capital Budget Review Adjustment	New Budget Request 2022/23 £'000	Budgets no longer Required	Reprofile Budgets to Future Years	Revised 2022-23 Budget Subject to Cabinet Approval
	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
ADULTS	1,707	-		(269)		(1,438)		-
HOUSING	3,493	1,399	(400)	-	-	(100)		4,392
ASSISTANT CHIEF EXECUTIVE	14,028	2,659		(573)	5,060	(14,209)		6,965
CHILDREN'S, FAMILIES & EDUCATION	15,964	4,730					(12,764)	7,930
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	37,861	14,341	(4,765)	(2,867)	2,520	(7,466)	(3,279)	36,345
RESOURCES	11,834	2,142		(404)		(3,814)	(1,803)	8,255
CORPORATE	2,500	-		1,549				4,049
SUB TOTAL	87,387	25,271	(5,165)	(2,564)	7,880	(27,027)	(17,283)	67,936
Capitalisation Direction	25,000				161,600			186,600
Total	112,387	25,271	(5,165)	(2,564)	169,480	(27,027)	(17,283)	254,536

5.3.6 **Chart 1** demonstrates the current 2022/23 Capital Programme expenditure by Directorate. The Corporate expenditure elements comprise 75% of the total budget for the year. The use of a £161.6m agreed Capitalisation Direction approved by the Department of Levelling Up, Housing and Communities (DLUHC) to provide support for the financial year makes up 85% of the £190.6m under the Corporate expenditure category.

Chart 1 - General Fund Capital Programme Expenditure 2022/23



5.3.7 The 2023/24 Capital Programme is future looking and comprises key projects and assets continuing to incur expenditure from previous Capital Programme years and includes additional, new projects that have obtained approval.

5.3.8 **Table 2** summarises the key project areas within each of the Council's Directorates and includes corporate items which comprise the Capitalisation Direction from DLUHC and transformation projects.

Table 2 - General Fund Capital Programme Composition

Directorates	Key Project Areas
Housing	<ul style="list-style-type: none"> • Disabled Facilities Grant • Empty Homes Grants
Adult Social Care and Health	<ul style="list-style-type: none"> • Adult Social Care Provision • Sheltered Housing
Assistant Chief Executive	<ul style="list-style-type: none"> • Bereavement Services • Systems Upgrade • Network, Software and Technological Equipment refresh
Children's, Young People & Education	<ul style="list-style-type: none"> • Fire Safety Works • Fixed Term Expansions • Major Maintenance • Permanent Expansion • Secondary Estate • Angel Lodge Children Home
Sustainable Communities, Regeneration and Economic Recovery	<ul style="list-style-type: none"> • Allotments • Growth Zone • Highways • Local Authority Tree Fund

	<ul style="list-style-type: none"> ● Trees Sponsorship ● Central Library Digital Discovery Zone ● Parking ● Play Equipment ● South Norwood Good Growth ● Kenley Good Growth
Resources	<ul style="list-style-type: none"> ● Asset Strategy ● Former New Addington Leisure Centre ● Clocktower Chillers
Corporate	<ul style="list-style-type: none"> ● Capitalisation Direction ● Transformation Spend

5.3.9 The 2023/24 Capital Programme includes the regeneration of the Regina Road housing estate in Norwood. The Council have undertaken an in-depth review and set out options including refurbishment or redevelopment of the estate. The future of the estate is a key part of the Council's housing improvement plan and the exact details on the options will be developed in due course. Further details of individual schemes are provided in **Appendix 1**.

5.3.10 As part of its journey towards financial recovery and sustainability, the Council has devised a programme of cross-directorate transformation projects. Whilst still in development, the Transformation Programme comprises over 30 projects which aim to improve the Council's governance systems, structures and processes whilst driving significant revenue savings.

5.3.11 Alongside funding provision within revenue budget projections for 2023/24, funding of £4.05m has been made available within the 2022/23 Capital Programme under the government's Flexible Use of Capital Receipts policy directive and will ensure the Council continues to focus on aligning sufficient resources to deliver savings, improvements and transformation projects. To date, savings of £3.04m have been identified for 2023/24 from proposed capital expenditure under the Transformation Programme.

5.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

5.4.1 **Table 3** provides a summary of Capital Programme expenditure from the Housing Revenue Account by future years including the current Capital Programme year of 2022/23.

Table 3 - Housing Revenue Account (HRA) Capital Programme Expenditure (£'000)

HRA Capital Expenditure	Revised Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
Asset management ICT database	155				
Major Repairs and Improvements Programme	22,083	31,476	32,462	32,967	31,689
Trellis Mews	3,377				
NEC Housing System	1,742	1,147			
Regina Road - if it's a rebuild			14,105	14,105	
Extensive refurbishment on buildings over 60 years old			20,000	20,000	
Fire safety, Damp & Mould			10,000	10,000	
Improving Housing capacity			5,000	5,000	
LPS Blocks additional programme			-	15,300	
HRA Contingency			1,000	600	
Total HRA Capital Expenditure	27,357	32,623	82,567	97,972	31,689

5.4.2 The Capital Programme Expenditure from the Housing Revenue Account is £27.4m for the year of 2022/23 and a total expenditure of £244.8m between 2023/24 and 2026/27.

5.4.3 The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works planned on older buildings along with a whole new rebuild of Regina Road Estate is planned to commence next year as key engagement has already taken place with the residents.

5.4.4 The 2022/23 plan for capital investment in major repairs and improvements to stock is included in **Table 4** below and was agreed by the Council in March 2022.⁹

⁹ The £21.3m for Major Repairs and Improvements Programme within Table 2 - Capital Programme Expenditure from HRA reflects expenditure from the revised Capital Programme and highlights a variance of -£690k from the approved budget figure of £22.0m.

Table 4 - 2022/23 Capital Programme Repairs of Existing Stock

Work Type	Budget (£'000)
General Building Works	8,368
Electrical Works	3,390
Mechanical Works	1,600
Lift Works	465
Window	3,000
Compliance & Fire Safety	2,310
Staffing	1,800
Other	1,150
Total	22,083

Housing Revenue Account 30 Year Business Plan

- 5.4.5 The Council has appointed Savills to support the development of the HRA 30 year business plan from 2022/23 for 30 years onwards with their report expected to go to Cabinet in February and March 2023 respectively. The 30-year Business Plan 2021-2051 provides consideration to both capital and revenue investments required for the management and maintenance of the Council's housing stock. The key focus of the Housing Revenue Account Business Plan is on the medium-term (first five years) as there is more certainty on costs, demands, resources and pressures, to enable the prioritisation of housing investment. The Plan will be used as a tool to assess the impact of decision making around stock acquisition and maintenance and will align with the HRA Asset Management Plan.
- 5.4.6 The Housing Revenue Account 30-year Business Plan addresses the outcomes and priorities within the Mayoral Business Plan by investing in housing stock to ensure all residents' homes are safe, warm, and dry, and aims to improve the Council's housing stock and invest in significantly reducing its carbon footprint over the life of the Plan. This will help the Council to live within its means, balance the books and provide value for money for residents, along with tackling ingrained inequality and poverty within the borough and providing the best quality core services.

6 ASSET MANAGEMENT PLAN 2022-2027

6.1 OVERVIEW

- 6.1.1 To ensure that capital assets continue to provide maximum value for the Council and contribute to its long-term vision, a new Corporate Asset Management Plan (AMP) and outline Property strategy was approved in November 2022.

- 6.1.2 The AMP provides clear guidance on the way that the Council will manage its assets¹⁰ effectively and strategically to reflect both corporate priorities and community demands within the Borough as articulated within the Mayor's Business Plan and the Croydon Renewal Improvement Plan. The AMP is also aligned to the Council's priorities for 2022-25 as set out in the Medium-Term Financial Strategy (MTFS).
- 6.1.3 Assets are a corporate resource and the Council, through its Resources Directorate, has responsibility for obtaining the approval and subsequent monitoring of the AMP, its constituent priorities and any related decision-making and resource allocation regarding Council assets.
- 6.1.4 The Corporate Management Team (CMT) provides oversight and direction to the Asset Management Plan to ensure management of the Council's assets is considered corporately, including decisions in relation to the Council deciding to sell, buy, rent or hold assets.

6.2 VISION AND PRIORITIES

- 6.2.1 The Council's property assets should support service delivery, enable regeneration and development, or generate income. Property assets will be reviewed over the next four years in line with the corporate priorities of the AMP, which are listed below:
- **Maximise the use of council assets** - this will include:
 - **Asset Review and Challenge Programme** to assess how operational buildings are used and the performance of the investment estate
 - **Property Management Governance Framework** to support asset review, challenge and decision making
 - **Disposal Strategy** to focus on the release of surplus assets
 - **Review of Operational Asset Management** that focuses on a new programme of condition surveys to inform the maintenance programme, health & safety and risk
 - **Housing and regeneration** focusing on delivering new housing, workplaces, and job opportunities through the identification, release and development of surplus sites
 - **Future property approach** to reflect the evolving societal impacts of the Covid-19 pandemic such as flexible working practices

¹⁰ The AMP does not consider the Housing Revenue Account (Housing Revenue Account) assets or community schools in any detail as these are the subject of separate strategies

- **Sustainable estate** to develop a carbon re-fit, plant replacement and maintenance program to support carbon neutral targets and improve energy efficiency

6.2.2 These priorities aim to contribute to the overall ambitions of the Capital Strategy by ensuring asset decisions are being made with sufficient regard to the long-term financial position of the Council and the requirement to become financially sustainable.

6.3 SUPPORTING FINANCIAL SUSTAINABILITY

6.3.1 With around £1.3bn of debt for the General Fund brought forward at the start of 2022/23 and interest rates rising when that debt is scheduled for refinancing, the development and implementation of a robust Asset Management Plan, Corporate Property Strategy and Asset Disposal Strategy is essential to mitigate rising cost pressures and reduce the overall debt burden to the Council.

6.3.2 With the continued requirement to deliver both revenue savings and capital receipts, the number of buildings that are used by the Council to deliver services will need to be reduced. This can be achieved through the better utilisation of space, the adoption of hybrid working and adoption of different methods of delivery to residents. In some cases, changes may lead to the cessation of some non-statutory services altogether. The Asset Review and Challenge Programme will be used to review and challenge the use of property assets whilst the principles established within the Asset Disposal Strategy 2022-2027 will be used to identify and bring forward future proposals (see below).

6.3.3 The Housing team is developing a full asset management strategy which forms part of the housing transformation plan and will detail the long-term plan for the management of the investment of Council housing assets over a 10year horizon.

6.4 ASSET REVIEW AND CHALLENGE

6.4.1 The Asset Review and Challenge Programme is a process to continually review the Council's portfolio on a rolling basis to ensure that only assets that are performing to acceptable levels are retained or invested in. The c.120 buildings the Council occupies and delivers core services from are included in this Programme.

6.4.2 The Programme will initially consider a review of all corporate assets and consider them against current service delivery needs. The resultant proposal will include timelines to reflect known or anticipated service delivery changes and future opportunities. It will also consider the complexity around the relocation of services where this is necessary as well as opportunities that may arise through contract expiries and the release of assets currently used to deliver these functions.

6.4.3 As part of the ongoing governance process an officer group will be set up to monitor the performance of assets looking at current occupation levels, running costs and opportunities for revenue/capital generation. This will then enable

asset use and performance to be reviewed against the performance of other boroughs and available benchmark data.

- 6.4.4 The Asset Review and Challenge Programme will inform the Asset Disposal Strategy by establishing which assets are most fundamental to the Council's service delivery and should be retained, and which assets are low-priority or surplus. The implementation of the programme and subsequent rationalisation and/or disposal of current assets will help to deliver further capital receipts to reduce the Council's capital financing costs, debt burden and overall running costs.
- 6.4.5 Purley Pool will be a part of the Asset Review and Challenge process. The Mayor is committed to reopening Purley Pool and Leisure Centre and the Council is currently considering different options available to bring the closed pool and leisure centre back into use. Due to the challenging financial situation facing the Council any reuse options will have to be considered with regard to potential costs being incurred in refurbishing and modernising the pool and leisure centre for future use. Discussions are presently on-going regarding the most appropriate option and the Council will report the outcome in due course.

6.5 ASSET CONDITION

- 6.5.1 An important element of the overall AMP is the delivery of a new condition survey programme for the main corporate assets over the next 18-24 months. This was one of the key issues highlighted by the Improvement and Assurance Panel as a formal programme for undertaking condition surveys was stopped in 2016. The previous 5 year rolling programme of surveys could mean that some buildings have not been surveyed in detail for 11 years.
- 6.5.2 The new programme of surveys is an integral part of the new AMP and is being separately procured. This will provide a more detailed understanding as to the current condition of the main corporate assets. The work will also provide recommended budgets for necessary repairs and expenditure over the next 5-10 years to allow a more accurate basis for budgeting for both capital and revenue spend. It will also help to highlight those assets that need major investment and may no longer be cost effective to retain.

6.6 SUSTAINABLE ESTATE

- 6.6.1 The Council declared a climate change and ecological emergency in July 2019 and Cabinet agreed that the Council would become carbon neutral by 2030. A wide range of actions have already been undertaken in Croydon to combat climate change.
- 6.6.2 Achieving carbon neutrality by 2030 will require significant financial investment. The financial investment will need to be funded from a variety of sources, including Council driven expenditure as well as external allocations from the business sector and available grant-funding streams. The Council will primarily look at introducing sustainable interventions through replacing old assets that need replacement with sustainable alternatives.

- 6.6.3 One of the key elements from an asset perspective in addressing the Climate Emergency will be through better building performance. This will become more focused over the next few years with the changes to the Energy Performance requirements for buildings that are being let or disposed of. The energy performance of Council properties will be a key consideration of the Asset Review and Challenge Programme.

6.7 REGENERATION

- 6.7.1 The Council has wider ambitions for regeneration within the borough including the Growth Zone which is a partnership between the Central Government, the Council and the Greater London Authority. The Growth Zone will finance and deliver a 12-year, £525 million redevelopment programme, which is essential to facilitate growth in Croydon town centre. The Mayoral Business Plan intends to support the regeneration of the town centre and district centres by seeking inward investment and grants. The Council continues to work with private sector partners to develop its town centre and is enhancing its planning policies to facilitate greater regeneration investment. Investors previously involved in proposals to develop Croydon's Westfield shopping centre which have subsequently been discontinued have retained their interest which the Council may seek to explore in the future.

6.8 INVESTMENT ASSETS

- 6.8.1 With the uncertainties caused as a result of the pandemic and a change to the Public Works Loan Board (PWLB) guidance in August 2020, the purchase of investment assets has been placed on hold.
- 6.8.2 The Council's investment portfolio generates income to support service delivery on an annual basis. Assets are retained within the investment portfolio whilst they continue to deliver positive financial returns. These assets also require capital investment in the form of maintenance and careful asset management in order to maintain the required income stream. As a result this portfolio places a demand on the Council's annual capital programme. It is important that these assets are continually reviewed and regular reporting on their performance is provided on a six-month basis to the Corporate Management Team (CMT) and annual report to Cabinet.

6.9 DISPOSAL APPROACH AND GOVERNANCE

- 6.9.1 The Corporate Property and Asset Disposal Strategy 2022-2027 has a central role within the AMP. In order to reduce the debt burden on the Council, raising money through the disposal of assets will be essential. The Asset Disposal Strategy provides a formal approach to the management of assets and in particular their disposal where they have been identified as either surplus or no longer key to the delivery of services. This will be done in a structured and controlled manner to ensure that any disposal does not cause longer-term operational difficulties or fail to achieve the best return for the Council.
- 6.9.2 The Disposal Strategy adopts a flexible approach so that it can support future corporate requirements. It will aim to identify properties for disposal in the short

to medium (3 years) term but will be reviewed annually to reflect changes in the delivery of services.

6.9.3 All decisions to dispose of an asset must be subject to a full business case report that will include a minimum set of requirements. The full process for disposal of property is set out in the Disposal Strategy and in summary is based on:

- If operational, the asset must be declared surplus to requirements by the relevant directors. Any proposed alternative uses will be considered against the benefits of disposing of the asset
- Obtaining supporting valuation and agency advice to inform the business case and disposal approach
- Final version of the business case approved by CMT, and then Mayoral/Cabinet approval where required

6.9.4 The Council has currently identified approximately £100m of potential disposal receipts based on existing sites previously identified, a review of investment assets and other potential opportunities driven by anticipated service changes, although the latter are dependent on confirmation by service directorates and clarity on the impact on individual operational assets.

6.9.5 Any ability to achieve receipts in excess of £100m in future years will be dependent on difficult decisions in relation to the future of service delivery, with the overall value of receipts likely limited by previous programmes to rationalise the Council's property portfolio and the market value of potentially surplus assets at any point in time.

6.9.6 **Appendix 2** contains a list of potential asset disposals and emerging opportunities that the Council is currently considering.

7. CAPITAL PROGRAMME FUNDING & FINANCING

7.1 OVERVIEW

7.1.1 All Capital Programme expenditure must be financed from external sources (government grants and external contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The Council is seeking to fund the Capital Programme expenditure from a combination of external contributions, capital receipts from disposal of Council owned assets and funding schemes through borrowing.

7.2 FUNDING SOURCES

7.2.1 There are a number of distinct sources of funding that can be utilised to finance capital expenditure. The Capital Strategy demonstrates that due consideration of funding will be made when capital projects are at the planning stage and no project will be put forward without funding having been identified to complete the delivery of the project.

7.2.2 The current Capital Programme comprises current and prospective means of funding and financing projects and the range of choices available are detailed below:

- **Community Infrastructure Levy (CIL)** - CIL is a standard charge on developments used to fund a wide range of infrastructure that is needed because of the development.
- **S106 Contributions** – some projects within the Capital Programme are funded by contributions from private sector developers.
- **Housing Revenue Account** - An account used to manage Income and costs associated with managing the Council's owned housing stock and related assets which is funded primarily from tenants' rents and service charges. Revenue contributions can be made from this account to fund HRA capital schemes.
- **Growth Zone** - The use of Growth Zone business rates from the town centre designated area.
- **External Grants for Specific Purposes** – these include grant allocations categorised for specific purposes to deliver specific schemes or outcomes.
- **External Grants for Non-Specific Purposes** – grant allocations for the delivery of the Council's capital plans (most often from government departments), that are categorised as non-specific.
- **Capital Receipts** – The Council can generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. This funding source will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost.
- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allows the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. This has revenue implications for the Council in the form of financing costs, including Minimum Revenue Provision.
- **General Fund** – Revenue from the General Fund can potentially be utilised to provide contributions to the financing of the capital programme's current and prospective projects. At the current time the Council is not intending to make contributions to the programme from the General Fund due to a lack of available funding from this revenue source.

7.2.3 **Table 5** summarises how the current approved Capital Programme will be funded and provides a breakdown of the different funding sources for the General Fund.

Table 5: Funding Sources for General Fund – (£'000)

Funding Source	2022/23 Budget	2023/24	2024/25	2025/26	2026/27
CIL	(2,856)	(1,778)	(807)	-	-
s106	(550)	(1,605)	(1,159)	(691)	(711)
HRA Contribution	(1,742)	(1,147)	-	-	-
Reserves - Growth Zone	(6,888)	(4,900)	(4,900)	(4,900)	(4,900)
Grant	(18,297)	(24,116)	(23,662)	(8,745)	(2,468)
Cap Receipt	(55,049)	(45,000)	(50,000)	(50,000)	
Borrowing	(169,153)	(45,823)	(8,170)	(6,138)	(14,053)
Total GF Capital Funding	(254,536)	(124,369)	(88,698)	(70,474)	(22,132)

7.2.4 **Table 6** summarises the funding sources for the HRA that have been earmarked to apply to the delivery programme which includes a projection of £115.11m of new borrowing which will be fully financed from the revenue account.

Table 6: Funding Sources for Housing Revenue Account – (£'000)

HRA Capital Financing	Revised Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
Major Repairs Reserve	(12,336)	(15,457)	(14,879)	(15,191)	(15,434)
Revenue	-	(13,900)	(15,443)	(15,615)	(14,072)
Reserves	(13,821)	(1,148)	-	-	-
RTB receipts	-	(2,118)	(2,140)	(2,161)	(2,183)
Grant	(1,200)	-	-	-	-
Borrowing	-		(50,105)	(65,005)	-
Total HRA Capital Financing	(27,357)	(32,623)	(82,567)	(97,972)	(31,689)

7.3 FINANCING

7.3.1 The Council's capital expenditure plans are the key driver of treasury management activity. The primary function of the treasury management operation is to ensure the cash flow is adequately planned, with cash being available when needed to fund the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

Affordability Prudential Indicators

7.3.2 The Treasury Management Strategy covers the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

7.3.3 This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs, net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

Table 7: Ratio of financing costs to net revenue stream

	2021/22 Actuals %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
Non-HRA	9.9	12.6	18.4	18.9	18.0
HRA	13.8	13.7	13.1	12.6	14.2

7.3.4 The Council estimates that the financing costs will be between 11.4%-16.4% of net revenue over the next three years with 16.4% estimated for the year of 2022/23.

7.3.5 The Council is highly leveraged and has set aside considerable money to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the debt pile and further increase costs to the revenue account. This poses considerable future risks particularly to the revenue account because of servicing the debt.

7.3.6 It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.

7.3.7 Housing Revenue Account ratios

Table 8- Housing Revenue Account ratios

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt (£'000)	334.3	334.3	334.3	384.3	444.3
HRA debt cap (£'000)	363.5	363.5	363.5	413.6	478.6
HRA revenues (£'000)	87.6	88.1	92.7	96.1	98.3
Ratio of debt to revenues	3.8	3.8	3.9	4.3	4.9

7.3.8 The Council estimates the Housing Revenue Account debt to revenue ratios to be between 3.8 – 4.5% over the next three years and 4.1% for the year 2022/23.

8. CAPITAL PROGRAMME GOVERNANCE

8.1 OVERVIEW

8.1.1 The Capital Internal Control Board (CICB) was established in 2022 in response to the recommendations within the RIPI 2 report. The CICB oversees the Capital Programme and acts as a programme board for the delivery of the overall capital programme, providing assurance on all the Council plans and strategies which impact the capital programme. The creation of the CICB is relatively new and therefore in its infancy but provides the basis for more strategic oversight of the Capital Programme than previously existed.

8.1.2 The CICB comprises cross-discipline members and representation at Head of Service level from each department. It is chaired by the Director of Commercial Investment and Capital. It can challenge and review capital bids before they are submitted to the Corporate Management Team (CMT), the Mayor and Cabinet for approval but does not itself currently have delegated authority as a governing entity to make decisions.

8.1.3 Oversight of the Capital Programme and the Asset Management Plan resides with the CMT to ensure alignment of projects with strategic objectives and their contribution to financial sustainability prior to referral to the Mayor, Cabinet and Full Council for final approval. The CMT comprises the Chief Executive and the Corporate Directors from the different directorates.

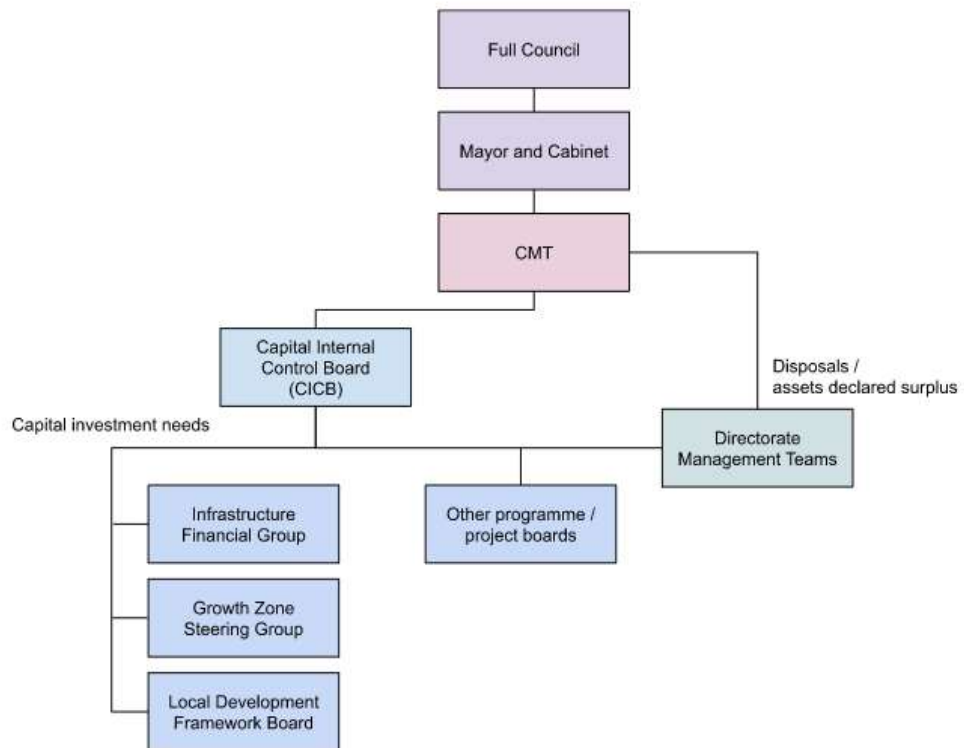
8.1.4 The Council has an established governance arrangement embedded within its current Constitution. Part 4H – Financial Regulations provide the governance framework for managing the Council's financial affairs. They apply to all Members, officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.

8.1.5 Under the Council's Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget are prepared on an annual basis.

8.2 GOVERNANCE SUMMARY

8.2.1 The governance arrangements in relation to the Capital Programme are summarised in the diagram in **Figure 1**.

Figure 1 - Capital Programme Governance Arrangements



8.3 ROLES AND RESPONSIBILITIES

8.3.1 The Capital Internal Control Board (CICB) role will be to act as the programme board for the delivery of the overall capital programme. It will challenge and review capital bids before they are submitted for Mayor, Cabinet and Council

approval. It will provide oversight and assurance of all Council Plans and Strategies which impact on the capital programme.

8.3.2 The main responsibilities of the CICB are to:

- Ensure that appropriate governance and assurance is in place for the management of all capital projects and programmes including processes for project initiation, benefits identification, resource and risk management, and programme planning;
- It will undertake 'deep dives' into aspects of the Capital Programme that are of particular interest/significance, due to the amount of expenditure involved or emerging risks to delivery;
- Provide strategic direction for matters escalated to it;
- Review and ensure appropriate mitigation for significant risks to delivery of the capital programme;
- Review and monitor delivery of the Capital Programme plan, including additions to the programme and consideration of interdependencies and pressures;
- Agree allocation of resources for feasibility studies and development of new projects (subject to formal Cabinet and Council processes as required).
- Recommend allocation of capital resources (subject to formal Cabinet and Council processes as required);
- Have oversight of the Council's Asset Management Plan and associated significant disposals and acquisitions;
- Drive and monitor the delivery of schemes and projects to ensure that capital is deployed on time and in a controlled manner;
- CICB will identify opportunities to pause or remove capital expenditure from the capital programme, and will highlight these opportunities to CMT.

8.4 DECISION-MAKING PROCESS

8.4.1 CICB will evaluate the compliance of the proposed capital projects in the Capital Programme including the capital resources available to the Council, the revenue implications of the proposed expenditure and other relevant information. It will focus on the expected costs and financial sources identified and consider any risk to either the delivery or costs forecasts which will be recorded in the Council's corporate risk system following the review.

8.4.2 CICB will report and escalate to the CMT if tolerances are breached or likely to be breached in the following areas:

- Overspend on project budgets;
- Timescale – where a project is going to exceed its agreed deadline;
- Where funding (external) is at risk;
- Scope, where significant change of scope or quality is proposed or agreed benefits are at risk of non-delivery; and
- Risks or issues that pose significant risk to delivery.

8.4.3 A business impact analysis of the breaches of tolerance or proposed changes and clear recommendations will be prepared by the relevant Director when escalating to the CMT. The outcome of the approval with the decision required will be noted at the next available meeting. If a decision is urgent and required outside the timing of a Capital Board meeting, the Corporate Director of Resources in consultation with the Director of Commercial Investment & Capital, as Chair, may take that decision outside of the meeting.

8.4.4 The CICB is able to draw upon external expertise when necessary and set up sub-groups and involve other officers as required to consider specific questions and/or undertake specific tasks and activities. Members of the CICB will be trained to provide the necessary knowledge and understanding to provide effective and constructive input to the meetings. In addition, the Strategic Risks Report, S106 Tracker and Housing Revenue Account Capital Programme reports will be produced on a quarterly basis.

8.5 RISK REGISTER

8.5.1 Following review by CICB the risks associated with each capital project will be entered or updated into the corporate risk register. The risk register comprises different risk scenarios and their potential impact. A RAG (Red, Amber and Green) rating system is used to measure the level of risk which is also assigned to relevant members of the CICB to review and manage. Each risk is identified with a scenario of its likelihood and impact and comprising details of the existing and future controls to manage risks which are regularly reviewed and updated to ensure management of the risk and the capital project progresses.

9. CAPITAL PROGRAMME MANAGEMENT AND MONITORING

9.1 OVERVIEW

9.1.1 The Capital Programme Management and Monitoring Framework supports the delivery of programmes by ensuring capital projects are delivered within budget and timescales. The Council has improved and developed the management and monitoring of the programme in response to recommendations from the RIPI reports and the current financial situation.

9.2 CURRENT ARRANGEMENTS

- 9.2.1 The present system comprises the submission of a capital bid outlining the business case and providing details of the project overview and justification, route on delivering the project, evaluation of the financial benefits, meeting key prioritisation criteria and potential risks identified. It also comprises a detailed financial breakdown of gross expenditure, itemised funding requirements and profiling of repayment over the course of the capital project.
- 9.2.2 There is a capital monitoring sheet for the final submission of capital bids that comprises a financial breakdown detailing the financial performance of the Capital Programme in the areas including approved budgets, capital savings, forecasts, borrowings, proposed and unapproved project slippage and variance. There is also a delivery plan setting out the capital projects proposed pricing and specification, procurement strategy, tender process, approvals, implementation and timescales.
- 9.2.3 The capital bids are sent to CICB for challenge and review of capital bids before they are submitted for CMT, Mayor's, Cabinet and Council approval. The S151 Officer is responsible for ensuring that there is an effective system for capital monitoring. This will ensure that capital investment is delivered on time and within allocated resources, whilst meeting the objectives and outcomes.
- 9.2.4 The Council have made incremental improvements to management and monitoring of the programme in response to the recommendations within the RIPI 2 report. The quality and assurance of the management and monitoring processes has improved and comprises project managers providing increased details within business cases to support capital project proposals, increased scrutiny within the capital bid process with increased qualitative questions being asked to provide frequent checks and control on projects.
- 9.2.5 The Council's longer term aspiration is to move towards providing a more standardised, consistent and automated programme and project monitoring framework based on EPPMS (Electronic Project Proposal Management System). The Council has identified Verto as its preferred EPPMS which is currently being procured. The implementation of the Verto will be undertaken in 2023 with accompanying communication and training for project managers and key decision-makers across the Council, a priority activity as the Council seeks to strengthen and improve its capital framework.
- 9.2.6 The system will support the management, planning and execution of capital projects. It will be able to manage a portfolio of capital projects across a range of teams and departments. The solution is intended to help to coordinate and enhance workflow capabilities during the project initiation stage and project life cycle. The solution will also help to streamline areas including project expenditure and budgeting, information management, risk analysis, escalation and project delivery and drive a consistent and more automated reporting to CICB on the capital programme's status to inform strategic decision-making.
- 9.2.7 In the interim, the Council will continue to develop its programme management and project monitoring framework by implementing a more mature approach to business case development based on clear governance gateways for both new projects and those already in the Capital Programme and reporting up through governance forums as projects progress.

10. APPENDICES

10.1 APPENDIX 1 - CAPITAL PROGRAMME

Source: Period 8 Financial Performance Report

	2022-23 BUDGET
SCHEME NAME	£'000
Disabled Facilities Grant	3,992
Empty Homes Grants	400
HOUSING	4,392
Bereavement Services	1,775
Bereavement Service Vehicles	39
My Resources Interface Enhancement	75
Network Refresh	141
Tech Refresh	610
Geographical Information Systems	65
Laptop Refresh	222
Cloud and Disaster Recovery	198
Synergy Education System	1,030
NEC Housing System	2,680
Uniform ICT Upgrade	130
ASSISTANT CHIEF EXECUTIVE	6,965
Education – Fire Safety Works	776
Education - Fixed Term Expansions	747
Education - Major Maintenance	4,062
Education - Miscellaneous	134
Education - Permanent Expansion	319
Education - Secondary Estate	39
Education - SEN	1,853
CHILDREN, YOUNG PEOPLE AND EDUCATION	7,930
Allotments	200
Fairfield Halls - Council Fixtures & Fittings	574
Growth Zone	5,988
Grounds Maintenance Insourced Equipment	1,000
Highways	8,618
Highways - Flood water management	895
Highways - Bridges and highways structures	2,611
Highways - Tree works	56
Local Authority Tree Fund	96
Trees Sponsorship	46
Leisure centres equipment Contractual Agreement	430
Leisure Centre - Tennis Court	75

2022-23 BUDGET	
SCHEME NAME	£'000
Leisure Equipment Upgrade	306
Libraries Investment - General	224
Library Self-Service Kiosks	200
Parking	2,731
Cashless Pay & Display	366
Play Equipment	150
Safety - digital upgrade of CCTV	1,551
Signage	274
South Norwood Good Growth	1,121
Kenley Good Growth	583
Sustainability Programme	550
TFL - LIP	4,835
Cycle Parking	226
Electric Vehicle Charging Point	1,081
Waste and Recycling Investment	1,558
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DEVELOPMENT	36,345
Asset Strategy - Stubbs Mead	50
Asset Strategy Programme	25
Clocktower Chillers	30
Corporate Property Maintenance Programme	2,500
Brick by Brick programme	4,150
Fairfield Halls - Council	1,500
RESOURCES	8,255
Capitalisation Direction	25,000
Capitalisation Direction - New	161,600
Transformation Spend (Flexible Capital Receipts)	4,049
CORPORATE	190,649
TOTAL GENERAL FUND CAPITAL PROGRAMME	254,536

2022-23 BUDGET	
PROJECT NAME	£'000
Asset management ICT database	155
Major Repairs and Improvements Programme	22,083
Trelis Mews	3,377
NEC Housing System	1,742
TOTAL HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME	27,357

10.2 APPENDIX 2 - POTENTIAL ASSET DISPOSALS

The Council has currently identified approximately £100m of potential disposal receipts, seen in the table below, based on existing sites previously identified, a review of investment assets and other potential opportunities driven by anticipated service changes, although the latter are dependent on confirmation by service directorates and clarity on the impact on individual operational assets.

Potential disposals	Asset name
Existing disposal sites previously identified	11 Heather Way
	Boulogne Road
	Cemetery Lodge
	Purley Way Pavilions
	Norwood Grove Mess Room
Review of investment properties	Davis House
	Colonnades
	Vulcan Way
	Imperial Way
	Enterprise Close
Additional asset disposals / merging opportunities identified	Reduction/merging of libraries
	Ramsey Court
	Family Justice Centre following service relocation
	Samuel Coleridge-Taylor Centre
	Winterbourne Youth hub

	89 Whitehorse Road
	Car park sites
	Review of depots and car pound

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LONDON BOROUGH OF CROYDON

REPORT:	Cabinet	
DATE OF DECISION	22 February 2023	
REPORT TITLE:	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24	
CORPORATE DIRECTOR	Corporate Director of Resources and Section 151 Officer	
LEAD OFFICER:	Matthew Hallett Acting Head of Treasury and Pensions	
LEAD MEMBER:	Cllr Jason Cummings – Lead Member for Finance	
KEY DECISION? [Insert Ref. Number if a Key Decision]	Yes	REASON: Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates and Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards
CONTAINS EXEMPT INFORMATION?	NO	Public
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 This report seeks the agreement of the Executive Mayor in Cabinet to the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2023/24.
- 1.2 The report sets out the Council’s Treasury Management objectives, which are to manage the Council’s cash flows, borrowing and investments whilst minimising the level of risk exposure. It looks to maximise investment yield returns within agreed risk parameters and ensure that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the borrowing and investment activities that will be undertaken by the Council in the financial year 2023/24 and the two subsequent years.
- 1.3 The report invites agreement to recommendations essential to the achievement of the Treasury Management objectives.

2 RECOMMENDATIONS

For the reasons set out in the report and its appendices, the Executive Mayor in Cabinet, is asked to recommend to Full Council that it approves:

- 2.1** The Treasury Management Strategy Statement 2023/24 as set out in this report.
- 2.2** The Prudential Indicators as set out in Appendix A of this report.
- 2.3** The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B.

3 REASONS FOR RECOMMENDATIONS

- 3.1** Under the Constitution of the London Borough of Croydon the Full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code).

4 INTRODUCTION

- 4.1** Under Regulations made pursuant to the Local Government Act 2003 the Council is required to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code), to ensure that its 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 incorporates these indicators and details the expected treasury activities for the year 2023/24 in the context of the long-term planning forecasts for the Council. 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.
- 4.2** Under the same Regulations the Council is required to have regard to the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance (Treasury Management Code) in setting up and approving its treasury management arrangements.
- 4.3** On 20 December 2021 CIPFA produced revised codes and stated that local authorities were required to implement the required reporting changes within their Treasury Management Strategy Statement reports from 2023/24.
- 4.4** The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over recent years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that:
 - it defines its risk appetite and its governance processes for managing risk;
 - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects;

- it adopts a new liability benchmark treasury indicator to support the financing risk management of the Capital Financing Requirement (CFR); this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
- it does not borrow to finance capital expenditure to invest primarily for commercial return;
- increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the authority; where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose;
- an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- its capital plans and investment plans are affordable and proportionate;
- all borrowing/other long-term liabilities are within prudent and sustainable levels;
- risks associated with commercial investments are proportionate to overall financial capacity to sustain losses;
- treasury management decisions are in accordance with good professional practice;
- reporting to members is done quarterly, including updates of prudential indicators;
- it should assess the risks and rewards of significant investments over the long term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the authority. (CIPFA has not defined what longer-term means, but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium-term financial planning, at a higher level of detail, is probably aimed at around a 10-year timeframe and focuses on affordability in particular); and
- it has access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

4.5 The Prudential Code confirms a requirement for local authorities to produce an annual Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. Over the last year the Council's Officers and advisers have carried out a great deal of work in formulating the Capital Strategy. Although the Capital Strategy is separate to this report, it has been considered when producing this report.

5. KEY CONSIDERATIONS

Background

- 5.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first main function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.
- 5.2 The second main function is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 5.3 The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will, in effect, result in a loss to the General Fund Balance.
- 5.4 In line with CIPFA the Council defines its treasury management activities as:
- "The management of the Council's borrowing, investments and cash flows, including 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."*
- 5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

Reporting Requirements

5.6 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of strategies and policies, and estimated and actual figures.

1. Prudential capital and treasury management indicators and treasury strategy (this report) - The first, and most significant report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Annual Investment Strategy (the parameters on how investments are to be managed).

2. A mid-year treasury management report – This is primarily a progress report and updates members on the capital position, amending prudential indicators as necessary, and advises whether any policies require revision; and

3. An annual treasury report – This is a backward looking review and provides details of a selection of actual prudential capital and treasury management indicators and of actual treasury operations compared to the estimates.

Treasury Management Strategy for 2023-24

5.7 The Strategy for 2023/24 covers two main areas, capital and treasury management:

Capital

- Capital expenditure plans and associated prudential indicators (paragraphs 6.5 to 6.9);
- MRP Policy Statement (paragraph 6.16 and 6.17).

Treasury management

- Current portfolio position (paragraphs 7.2 and 7.3);
- Treasury indicators: Limits to borrowing activity (paragraphs 7.7 to 7.10);
- Prospects for interest rates (paragraph 7.11);
- Borrowing strategy (paragraphs 7.13 to 7.16);
- Policy on borrowing in advance of need (paragraphs 7.17 and 7.18);
- Debt rescheduling (paragraphs 7.19 and 7.20);
- Investment Strategy (paragraph 8).

5.8 These elements cover the requirements of the Local Government Act 2003, Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the Prudential Code, and the Treasury Management Code.

Training

- 5.9** The Treasury Management Code requires a Council officer (the “responsible officer”) to ensure that members with responsibility for treasury management receive adequate training in that function. This especially applies to members responsible for scrutiny. Furthermore, the Code states that all organisations are expected to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.
- 5.10** The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Councils should consider how to assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 5.11** As a minimum, organisations should carry out the following to monitor and review knowledge and skills:
- Record attendance at training sessions and ensure action is taken where poor attendance is identified;
 - Prepare tailored learning plans for treasury management officers and Council members;
 - Require treasury management officers and Council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the Council; and
 - Have regular communication with officers and Council members, encouraging them to highlight training needs on an ongoing basis.
- 5.12** In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management.’
- 5.13** Appropriate training will be made available to all Members involved in the monitoring of treasury management performance. Members have been offered training on the Council’s finances and were given a detailed session on Treasury Management in the summer of 2021.

Treasury management consultants

- 5.14** The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. It has, therefore, appointed Link Group (Link) as its external treasury management consultant.
- 5.15** Notwithstanding this appointment, the Council recognises that responsibility for treasury management decisions remains with itself at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regards to available information, including, but not solely, that provided by Link.

6. THE CAPITAL PRUDENTIAL INDICATORS 2023/24 -2025/26

Introduction

- 6.1 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 for 2023/24 to 2025/26, as attached in Appendix A, which are designed to assist members' overview and to confirm capital expenditure plans. It should be noted that the figures used as the baseline for 2021/22 are taken directly from the Council's Statement of Accounts and these are yet to be audited.
- 6.2 The Corporate Director of Resources (Section 151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.
- 6.3 The Council is also required to confirm that it has adopted the CIPFA Code of Practice on Treasury Management.
- 6.4 The Prudential Indicators set will be monitored throughout the year and will be reported to Cabinet on a regular basis.

Capital Expenditure and Financing

- 6.5 The first prudential indicator is a summary of the Council's expenditure plans, both those previously agreed, and those forming part of this budget cycle. Members are asked to approve the following expenditure forecasts.

Table 1: Capital Expenditure

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund services	32.8	53.0	61.4	50.7	32.5
Commercial activities and non-financial investments	5.8	0	0	0	0
HRA services	55.1	27.4	32.6	82.6	98.0
Capitalisation Direction	50.0	186.6	63.0	38.0	38.0
TOTAL	143.7	267.0	157.0	171.3	168.5

- 6.6 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in Table 1 above indicate that no such activity is proposed in the future programme.
- 6.7 The above programme excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements, that already include borrowing instruments.
- 6.8 If awarded, the Capitalisation Direction (see paragraph 7.23) will allow for certain items of revenue expenditure to be charged to Capital.

- 6.9 The table below summarises how the plans in Table 1 are being financed by capital and revenue resources. Any shortfall of resources results in a borrowing need.

Table 2: Resources

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital receipts	47.6	55.0	45.0	50.0	50.0
Capital grants	31.3	13.1	24.1	23.6	8.8
Capital reserves	0.5	0	0	0	0
S106 payments	0.5	0.5	1.6	1.2	0.7
Community Infrastructure Levy	6.5	1.5	1.8	0.8	0
Growth Zone Fund	0	3.0	4.9	4.9	4.9
HRA Contribution	0	1.7	1.2	0	0
General Fund total	86.4	74.8	78.6	80.5	64.4
HRA revenue	8.8	1.2	13.9	15.4	15.6
RTB receipts	6.0	0	2.1	2.2	2.2
HRA reserves	0	13.8	1.1	0	0
Major Repairs Allowance	12.3	12.4	15.5	14.9	15.2
HRA total	27.1	27.4	32.6	32.5	33
Net financing need	30.2	164.8	45.8	58.3	71.1
TOTAL	143.7	267.0	157.0	171.3	168.5

The Council's Borrowing Need (Capital Financing Requirement)

- 6.10 The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). This is the total of 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 indebtedness, effectively its underlying borrowing need. Any capital expenditure in Table 1, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. However, the CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.
- 6.11 The CFR includes any other long term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility provided by the PFI or lease provider and the Council is not required to borrow separately to deliver them. The Council currently has £71m of such schemes within the CFR.
- 6.12 The Council is asked to approve the CFR projections below:

Table 3: Capital Financing Requirement

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	1,268.7	1,408.1	1,425.6	1,405.2	1,383.1
HRA	363.5	363.5	363.5	413.6	478.6
Total CFR	1,632.2	1,771.6	1,789.1	1,818.8	1,861.7

Table 4: Movement in Capital Financing Requirement

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Net financing need	30.2	164.8	45.8	58.3	71.1
Less Minimum Revenue Provision	-24.3	-25.4	-28.3	-28.6	-28.2
Development loans repaid	-2.1				
Movement in CFR	3.8	139.4	17.5	29.7	42.9

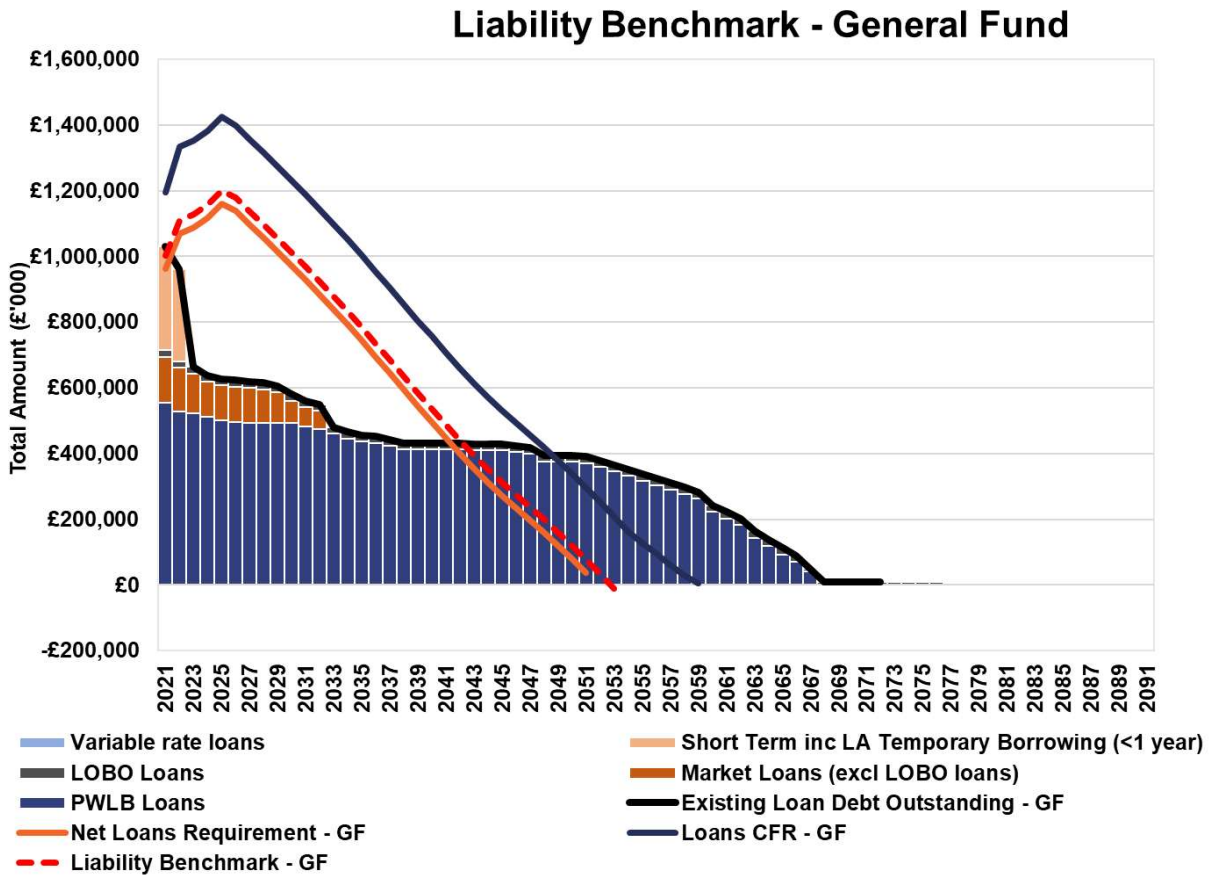
Liability Benchmark

6.13 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The LB is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs. The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

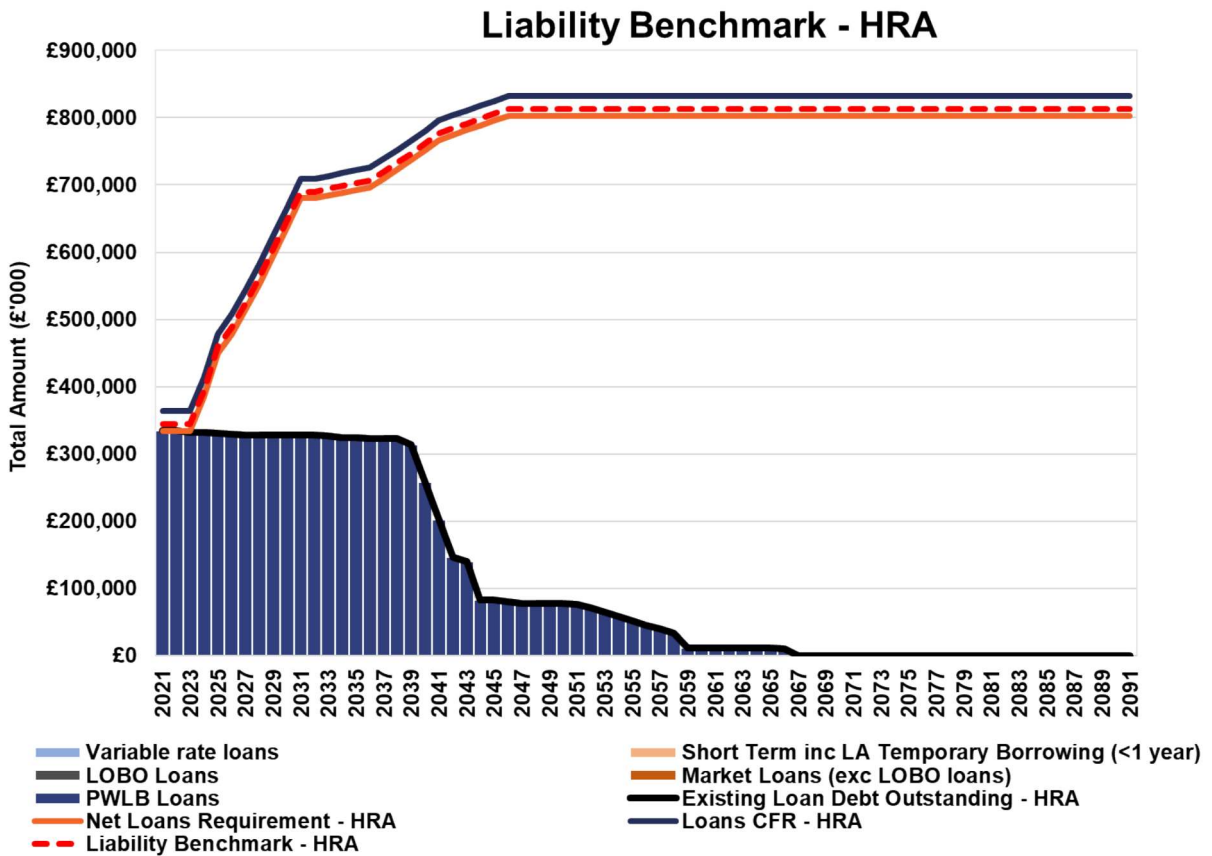
6.14 There are four components to the LB:

- Existing loan debt outstanding in future years;
- Loans CFR, calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP;
- Net loans requirement: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- LB (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

6.15 A separate LB has been calculated for the General Fund and the HRA and are shown in the charts below:



The LB for the General Fund shows that from 2023 to 2041 there are insufficient loans to meet the borrowing requirement as the Existing Loans Outstanding are below the LB line. The Council will need to fund this gap by either increasing its reliance on internal borrowing or adding to its external borrowing. Most will have to be done through external borrowing as the use of internal borrowing has almost been fully exhausted. From 2041 as the level of Existing Loans Outstanding rises above the LB line the graph indicates that the Council will have surplus cash which will need investing. In reality this is unlikely as the Council will extend its Capital programme in future years. The LB will be used to help determine the duration of future borrowing undertaken by the Council, as keeping the maturity of loans in line with the LB will help reduce the Council's exposure to interest rate risk.



The projection given above for the Council's HRA LB benchmark has been taken from the HRA 30 year business plan. This indicates that significant levels of borrowing will be undertaken. This extra borrowing must be self-financed from the HRA account.

Minimum Revenue Provision Policy Statement

- 6.16 The Council's Minimum Revenue Provision Statement is attached as Appendix B.
- 6.17 The only significant change made from the existing Policy is that the Council commits to set aside a minimum of 2% of Capital Financing Requirement for MRP in the event that the total MRP charge as calculated would be less than 2% of the total CFR.

7 BORROWING

7.1 The capital expenditure plans set out in paragraph 6.5 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The treasury management strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current Portfolio Position

7.2 The overall treasury management portfolio as at 31 December 2022 comprised:

Table 5: Borrowing as at 31 December 2022

		Principal £m	Average Rate %
Fixed Rate Funding	- PWLB ¹	860.926	3.30
	- Local Authorities ²	304.000	1.91
	- Amber Green LEEF 2LLP	8.575	1.68
	- European Investment Bank	102.000	2.20
Variable Rate Funding	- LOBO ³	20.000	4.20
Total External Debt as 31/12/22		1,295.501	2.89
Other long term liabilities		71.000	
Total Debt		1,366.501	

1. PWLB is the Public Works Loan Board, the branch of Government that is the principal 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. As an alternative to borrowing from the Government, local authorities have come to the market offering loans at competitive rates.

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.

7.3 The Council's debt maturity profile is included as Appendix C.

Table 6: Temporary Investments as at 31 December 2022

	Principal £m	Average Rate %
Money Market Funds	70.10	3.28
Banks	30.00	3.08
Total Temporary investments outstanding as at 31/12/22	100.10	3.22

7.4 The Council's external gross debt at 31 December 2022 was £1,366.5m and this is forecast to remain the same at 31 March 2023. The forward projections are based on the debt increasing in line with the projected increase to the CFR from the previous year. The Council's forward projections for borrowing are shown in table 7. The table shows the actual external debt against the CFR, highlighting any over- or under-borrowing.

Table 7: Borrowing and the Capital Financing Requirement

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt at 1 April	1,446.5	1,364.5	1,298.0	1,437.4	1,454.9
Expected change in debt	-82.0	-66.5	139.4	17.5	29.7
Other long term liabilities	73.6	71.0	68.5	66.0	63.5
Expected change in other long term liabilities	-2.6	-2.5	-2.5	-2.5	-2.5
Actual gross debt at 31 March	1,435.5	1,366.5	1,503.4	1,518.4	1,545.6
CFR	1,632.2	1,771.6	1,789.1	1,818.8	1,861.7
Under/ (over) borrowing	196.7	405.1	285.7	300.4	316.1

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

Table 8: Debt relating to commercial activities / non-financial investment

	2021/22 Actual	2022/23 Forecast	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt at 1 April (£m)	98.2	98.2	98.2	98.2	98.2
Percentage of total external debt (%)	6.8	7.2	6.4	6.1	5.9

7.5 Within the range of prudential indicators there are several 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 2023/24 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 or speculative purposes.

7.6 The Corporate Director of Resources (Section 151 Officer) 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 the budget report.

Treasury Indicators: limits to borrowing activity

- 7.7 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.
- 7.8 **Operational boundary for external debt.** This is the limit 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 and the ability to fund under-borrowing by other cash resources.

Table 9: Operational boundary for external debt

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt	1,364.5	1,298.0	1,437.4	1,454.9	1,484.6
Other long term liabilities	71.0	68.5	66.0	63.5	61.0
TOTAL	1,435.5	1,366.5	1,503.4	1,518.4	1,545.6

- 7.9 **Authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents the statutory limit under section 3 (1) of the Local Government Act 2003 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. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- 7.10 At the Full Council meeting held on 7 March 2022, the Council approved the Authorised Limit for 2022/23 of £1,674.6m. The forecast actual debt for 22/23 is £1,366.5m and reflects the work done by the Council to date in reducing its external debt. The level of external debt has been identified as and remains a problem for the Council and where possible the Council are looking to reduce this or at least slow the pace of increase over time. The forecast increases in debt are largely driven by Capitalisation Directions being sought by the Council which are due to legacy issues. With this in mind, the Cabinet is asked to recommend to Full Council that it should approve the authorised limit for 2023/24 of £1,553.4m as per the following table:

Table 10: Authorised limit for external debt

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt	1,414.5	1,348.0	1,487.4	1,504.9	1,534.6
Other long term liabilities	71.0	68.5	66.0	63.5	61.0
TOTAL	1,485.5	1,416.5	1,553.4	1,568.4	1,595.6

Prospects for Interest Rates

- 7.11 Part of the service provided by Link is to assist the Council to formulate a view on future interest rate movements. The following table gives their current forecasts for certainty rates, gilt yields plus 80bps.

Table 11: Interest Rate Forecast December 2022 to December 2025

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

- 7.12 Link's commentary on the prospects for interest rates and on the wider economic background are attached as appendices D and E respectively.

Borrowing Strategy

- 7.13 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, CFR, has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have been used. The Council will continue to maximise its use of internal borrowing whilst interest rates remain at perceived elevated levels. The Council also has a significant portion of short-term debt that needs to be financed over the coming year. This will continue to be on a short-term basis unless long term rates are deemed to be more optimal.
- 7.14 This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy i.e. Bank Rate increases over the first half of 2023.
- 7.15 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Corporate Director of Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it is felt that there is a significant risk of a sharp fall in borrowing rates, then borrowing will be postponed;
 - if it is felt that there is a significant risk of a much sharper rise in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 7.16 Any decisions will be reported to Cabinet at the first available opportunity.

Policy on borrowing in advance of need

- 7.17** The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR 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. The Council is not currently expecting to borrow in advance of need.
- 7.18** Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

- 7.19** Rescheduling of current borrowing is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.
- 7.20** If rescheduling is to be undertaken it will be reported to Cabinet, at the earliest meeting following its action.

Sources of borrowing

- 7.21** The Council's main source of finance has traditionally been borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed for up to 50 years.
- 7.22** Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
 - Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- 7.23** The Council's Medium Term Financial Plan includes the provision of Capitalisation Directions from Government to support the budget gap within the Revenue Account. This allows the Council to charge some of its revenue expenditure to capital. It is for the Council to decide which of its capital resources eg capital receipts or borrowing to allocate for this purpose at year end. Should the Council choose to borrow from the PWLB it will be charged the more disadvantageous rate of PWLB+1%. MRP will be required using the asset life method with a proxy 'asset life' of no more than 20 years. To date, the Council has not needed to use this borrowing facility.
- 7.24** The Council's 2023/24 Financial Plan indicates a £63m gap to its budget requirement and this is being supported by a further Capitalisation Direction request from Government.

8 ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

- 8.1** DLUHC, formerly MHCLG, and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy.
- 8.2** The Council’s Investment Policy has regard to the following: -
- DLUHC’s Guidance on Local Government Investments;
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021; and
 - CIPFA Treasury Management Guidance Notes 2021.
- 8.3** The Council’s investment priorities will be security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum yield on its investments commensurate with proper levels of security and liquidity and with regard to its risk appetite.
- 8.4** In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.
- 8.5** The guidance from DLUHC and CIPFA places a high priority on the management of risk. The Council adopts a prudent approach to managing risk and defines its risk appetite by the following means:
- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
 - Other information: ratings will not be the sole determinant of the quality of an institution; it is important continually to 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 achieve this consideration the Council will engage with its advisers 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 financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment Policy – Council implementation

- 8.6 The Council has defined the list of types of investment instruments that the treasury management team are authorised to use. They are placed in one of two categories:

Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

Detailed explanations of investment instruments included in the two categories are provided in Appendix F.

- 8.7 The Council's criteria for the selection of counterparties for investments are based on Link's assessment using formal credit ratings issued by various agencies. Credit rating information is supplied by Link on all active counterparties. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.
- 8.8 Each week, the Council, along with other clients, receives from Link a "Suggested Credit List." This is accompanied by a disclaimer reminding recipients, inter alia, as follows:

This document is intended for the use and assistance of customers of Link Asset Services. It should not be regarded as a substitute for the exercise by the recipient of its own judgement.

- 8.9 Notwithstanding this and other similar clauses Link are the largest suppliers of treasury management advisory services to UK local authorities and understand the market well. In their analysis they take into account the views of each of the three major credit ratings agencies along with the pricing of credit default swaps and market intelligence. They are better placed than Council officers to carry out this analysis and the Council has adopted the following lending list criteria:

Specified investments

AAA rated money market funds - limit £20m
Debt Management Office – no limit
All UK local authorities – limit £10m
NatWest as the Council's banker – limit £25m
Duration of up to one year.

Non-specified investments

All institutions included on Link's weekly "Suggested Credit List" – limit £10m
All UK local authorities with duration over one year
– limit £10m

Duration to be determined by the "Suggested Credit List" from Link

- 8.10 The only change made to the above criteria from 2022/23 is that all UK local authorities be “specified” for periods of under one year
- 8.11 The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 8.17). Regular monitoring of investment performance will be carried out during the year.

Investment Strategy

- 8.12 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy is appropriate to optimise returns.
- 8.13 Accordingly, while most cash balances are required in order to manage the fluctuations of cash flow, where surplus cash sums become available it is expected that these will be used to repay debt. However this will be assessed against income that could be generated through longer term investments.
- 8.14 As at 31 December 2022, the Council held £100m in short-term investments. Any funds above those required to meet day to day expenditure will be used to repay debt as it matures. As it has become clear that the low interest rate environment, which has existed for several years, has come to an end the cost of re-financing debt is likely to exceed the yield on investments. 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.
- 8.15 Based on cashflow forecasts for 2023/24 the Council anticipates its average daily cash balances for the year to be £75m. The overall balances include schools’ balances and HRA revenue balances for which an apportionment of interest earned is made. The net income then due to the General Fund is estimated at £1m.

Investment returns expectations.

- 8.16 The current forecast shown in paragraph 8.15, includes a forecast for Bank Rate to reach 4.5% in the second half of 2023.
- 8.17 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Table 12: Average Earnings in Each Year

Average earnings in each year	
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

8.18 Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity and debt repayment requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit: -

Table 13: Upper limit for principal sums invested for longer than 365 days

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£m 0	£m 0	£m 0
Current investments as at 31 December 2022 in excess of 1 year	0	0	0

End of Year Investment Report

8.19 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

9 IMPLICATIONS

7.1 FINANCIAL IMPLICATIONS

7.1.1 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.

7.2 LEGAL IMPLICATIONS

- 7.2.1** The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 require the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes " ("The Treasury Code") issued by CIPFA.
- 7.2.2** In relation to the Annual Investment Strategy, the Council is required to have regard to the Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 entitled "Statutory guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.
- 7.2.3** In addition, the Prudential Code and the Treasury Code contain investment guidance which complements the Statutory Guidance mentioned above.
- 7.2.4** Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.
- 7.2.5** Under the provisions of Section 3(1) and (8) of the Local Government Act 2003, the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review is a full Council, rather than an executive function.
- 7.2.6** The Council must also have regard to the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 entitled "Statutory guidance on minimum revenue provision."
- 7.2.7** As set out earlier in this report, the Prudential Code requires authorities to prepare a capital strategy.

Approved by: Sandra Herbert, Head of Litigation & Corporate Law, on behalf of the Director of Legal Services and Monitoring Officer. Date 09/02/2023

7.3 EQUALITIES IMPLICATIONS

- 7.3.1** As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

- 7.3.2** The Council must, therefore, ensure that it considers any equality implications in respect of its Treasury Management Strategy. The the Council has an established Equality Impact Assessment process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.
- 7.3.3** The objectives of the Mayor’s Business plan are focused on delivering good sustainable services and creating opportunities for all residents of Croydon including children and young people. The proposals in the Treasury Management Strategy are likely to impact on residents, the extent of which and the characteristics most affected can only be identified following further analysis once the proposals have been developed.
- 7.3.4** The Council considers both its own data and evidence from other sources in making these decisions. We analyse both who will be affected along with how services will change as a result of decisions that are made. During the MTFS process, proposals which impact on people are subjected to equality analysis and mitigation is offered to people most affected. Mitigation is largely targeted at those who fulfil the criteria laid out. These are often young people, Disabled people and people on low incomes.
- 7.3.5** We commit to ensuring that we meet our legal requirements under the Equality Act 2010 to our residents including Disabled residents and the parents of Disabled residents in respect of children and young people.
- 7.3.6** We have identified areas of improvement in relation to the collection of data across directorates and are committed to improving this to enable our decisions to be more evidence based and robust.

Approved By: Denise McCausland, the Equality Programme Manager.
Date 09/02/2023.

7.4 HUMAN RESOURCES IMPLICATIONS

- 7.4.1** There are no immediate HR impacts arising from this report.

Comments approved by: Dean Shosmith, Chief People Officer. Date 09/02/2023

8. APPENDICES

- 8.1**
 - A Capital and Treasury Management Prudential Indicators 2023/24 -2025/26
 - B Minimum Revenue Provision Policy Statement 2023/24
 - C Long-term debt profile
 - D Commentary on prospects for interest rates – November 2022
 - E Economic background – November 2022
 - F Specified and non-specified investments

9. BACKGROUND DOCUMENTS

9.1 None.

CONTACT OFFICER: Matthew Hallett, Acting Head of Pensions and Treasury Ext
27148

**CAPITAL AND TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2023/24 –
2025/26**

CAPITAL

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

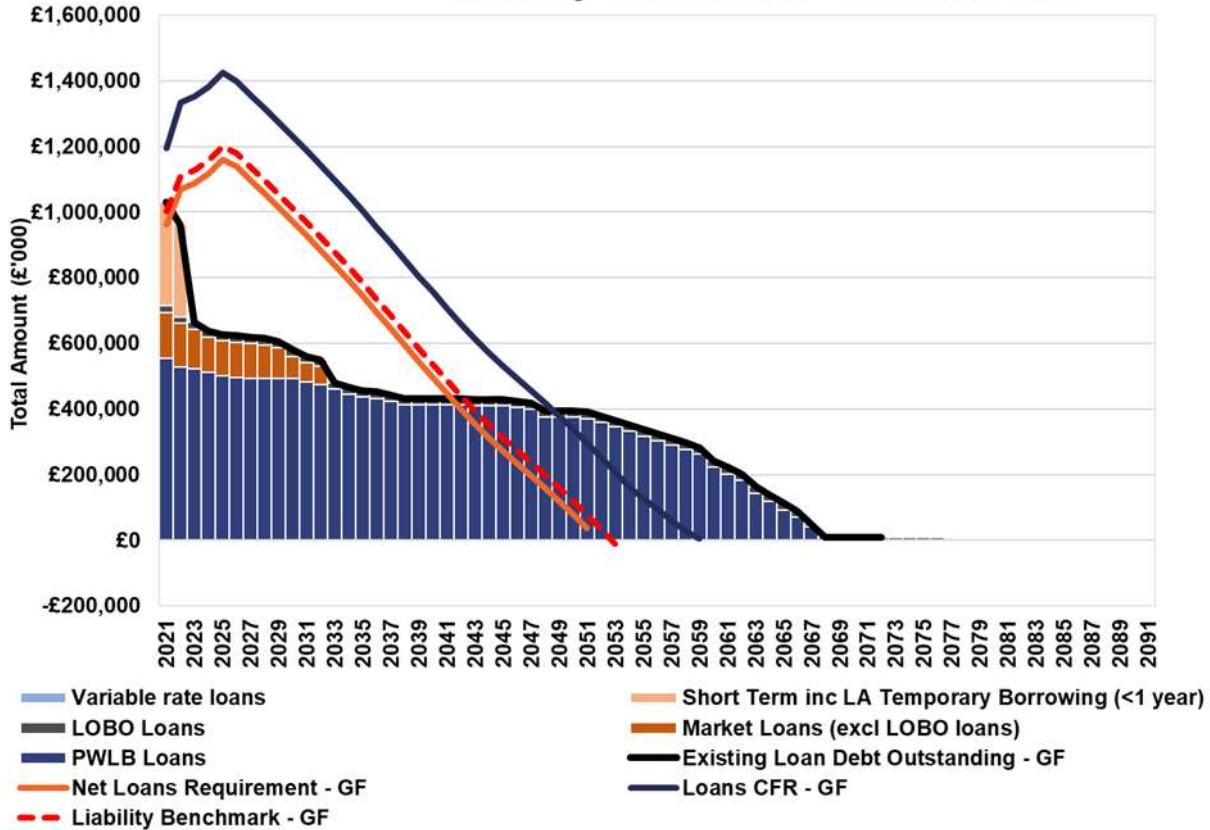
Capital Expenditure

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund services	32.8	53.0	61.4	50.7	32.5
Commercial activities and non-financial investments	5.8	0	0	0	0
HRA services	55.1	27.4	32.6	82.6	98.0
Capitalisation Direction	50.0	186.6	63.0	38.0	38.0
TOTAL	143.7	267.0	157.0	171.3	168.5

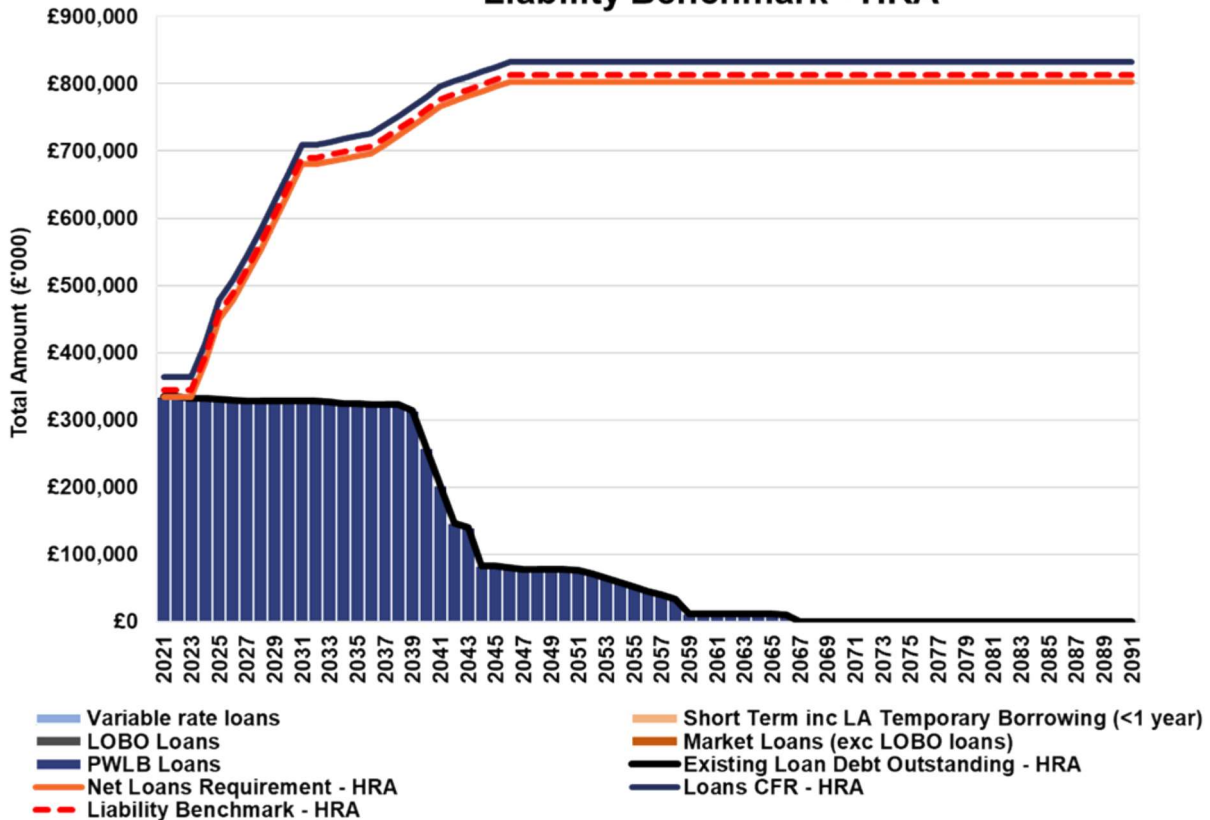
Capital Financing Requirement Projections

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	1,268.7	1,408.1	1,425.6	1,405.2	1,383.1
HRA	363.5	363.5	363.5	413.6	478.6
Total CFR	1,632.2	1,771.6	1,789.1	1,818.8	1,861.7

Liability Benchmark - General Fund



Liability Benchmark - HRA



	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt at 1 April	1,446.5	1,364.5	1,298.0	1,437.4	1,454.9
Expected change in debt	-82.0	-66.5	139.4	17.5	29.7
Other long term liabilities	73.6	71.0	68.5	66.0	63.5
Expected change in other long term liabilities	-2.6	-2.5	-2.5	-2.5	-2.5
Actual gross debt at 31 March	1,435.5	1,366.5	1,503.4	1,518.4	1,545.6
CFR	1,632.2	1,771.6	1,789.1	1,818.8	1,861.7
Under/ (over) borrowing	196.7	405.1	285.7	300.4	316.1

Authorised limit for external debt

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt	1,414.5	1,348.0	1,487.4	1,504.9	1,534.6
Other long term liabilities	71.0	68.5	66.0	63.5	61.0
TOTAL	1,485.5	1,416.5	1,553.4	1,568.4	1,595.6

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a) Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2021/22 Actual %	2022/23 Forecast %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
Non-HRA	9.9	12.6	18.4	18.9	18.0
HRA	13.8	13.7	13.1	12.6	14.2

HRA ratios

	2021/22 Actual	2022/23 Forecast	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt £m	334.3	334.3	334.3	384.3	444.3
HRA debt cap £m	363.5	363.5	363.5	413.6	478.6
HRA revenues £m	87.6	88.1	92.7	96.1	98.3
Ratio of debt to revenues	3.8	3.8	3.9	4.3	4.9

TREASURY MANAGEMENT

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£m 0	£m 0	£m 0
Current investments as at 31 December 2022 in excess of 1 year	0	0	0

Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	20%
2 years to 5 years	0%	30%
5 years to 10 years	0%	30%
10 years and above	0%	100%

MINIMUM REVENUE PROVISION POLICY STATEMENT 2023/24

1. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 2003/3146, as amended] states that:

“a local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent”.

2. The regulations provide authorities discretion in deciding their annual amount of Minimum Revenue Provision (hereafter MRP). Statute (S.21 (1)(A) of LGA 2003) requires authorities to “have regard” to the MRP Guidance and the recommendations within it.

3. Regulation 28 does not define prudent provision, the MRP guidance issued by MHCLG (now DLUHC) makes recommendations on the interpretation of that term. Within this guidance it is acknowledged that while four methodologies are available to authorities, other approaches are not meant to be ruled out, provided they are fully consistent with the statutory duty to make prudent revenue provision. Therefore it is recognised that in some cases a more individually designed MRP approach is justified, taking into account local circumstances.

4. The Council has given regard to Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 which was revised in November 2020.

5. The Council’s MRP Policy Statement for 2023/2024 is to be as follows:

6. 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 adopt 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.

7. For unsupported borrowing undertaken since 1 April 2008, reflected within the CFR debt liability at 31 March 2023, 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 or supporting evidence pertaining to the asset. 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. The total useful life will not exceed 50 years which would be in line with MRP Guidance.

8. 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.

9. 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.

10. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.

11. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP). In addition, the Council commits to set aside a minimum of 2% of Capital Financing Requirement for MRP in the event the total MRP charge is less than 2% of the total CFR.

12. There may be circumstances when the Council may not make a provision for the repayment of the debt liability. In such circumstances where the authority has had regard to the guidance and chooses an alternative approach, the authority will set out the reasons in support to demonstrate it is satisfied that the arrangement is prudent

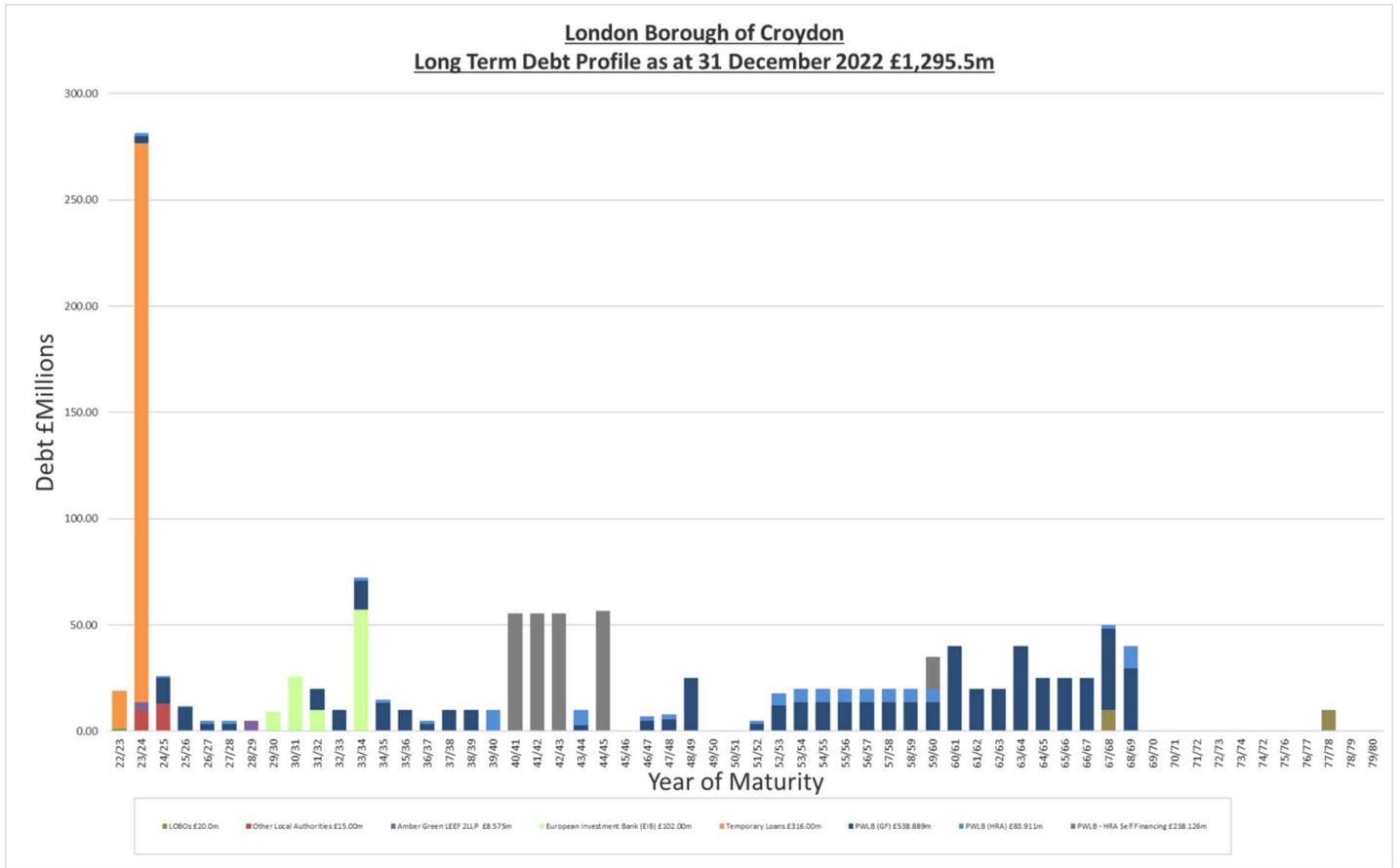
13. Where the Council has provided loan(s) to a third party to support capital expenditure which is due to be repaid in full under the terms of the contractual agreements, the loan repayments are classed as a capital receipt. Any principal sum repaid will be set aside to reduce the increase in the CFR which relates to any such loan(s) provided.

14. In circumstances where the Council has previously determined not to set aside a provision to repay the debt liability, an annual review will be undertaken to determine if the amount and timing of any loan repayment remains in accordance with the formal loan agreement. Where there is evidence which suggests that the full amount will not be repaid, it would be prudent to reassess the need to commence MRP to recover the impaired amounts from revenue. This will be reviewed on an annual basis to assess the likelihood of default. If required, a prudent MRP policy will commence, following a stringent risk assessment process.

15. The Council holds commercial property as part of its Investment Property Portfolio. The assets are held solely for investment purposes and are managed on a fully commercial basis. The Council has the ability to sell the assets to repay any outstanding debt liabilities related to their purchase, there is still a need to consider if a prudent provision is required. As above, following a stringent risk assessment a contribution to the MRP may be necessary. The market value of the assets will be reviewed on a regular basis and if the asset value significantly decreases, a prudent MRP contribution will be made. For the 2023/24 Budget and the 3 Year MTFs the Council has calculated the projected MRP costs and these are included within the plans.

16. The Council holds an investment in the Real Lettings Property Fund LP under a 7-year life arrangement which is due to be returned in full at maturity with interest paid on outstanding balances annually. The investment is treated as capital expenditure with the Council's 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. No MRP has been charged as annual valuations have determined that Council's investment has not impaired in value but has increased instead. The investment is relatively short-term in duration and the funds are to be returned in full.

17. Loans borrowed from Amber Green LEEF 2LLP, 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, the Council has determined 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.



COMMENTARY ON PROSPECTS FOR INTEREST RATES PROVIDED BY LINK GROUP
DECEMBER 2022

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19.12.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- **The Government** acts too quickly to cut taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields consequently.

Link Group Forecasts

We now expect the MPC to continue to increase Bank Rate during Q1 and Q2 2023 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 4.5%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through 2023.

Our target borrowing rates two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Borrowing rate 19.12.22	Target borrowing rate 19.12.22
5 years	4.24%	3.5%
10 years	4.35%	3.6%
25 years	4.68%	3.9%
50 years	4.34%	3.6%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and as follows: -

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

ECONOMIC BACKGROUND – DECEMBER 2022

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	10.7%/y/y (Nov)	10.1%/y/y (Nov)	7.1%/y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

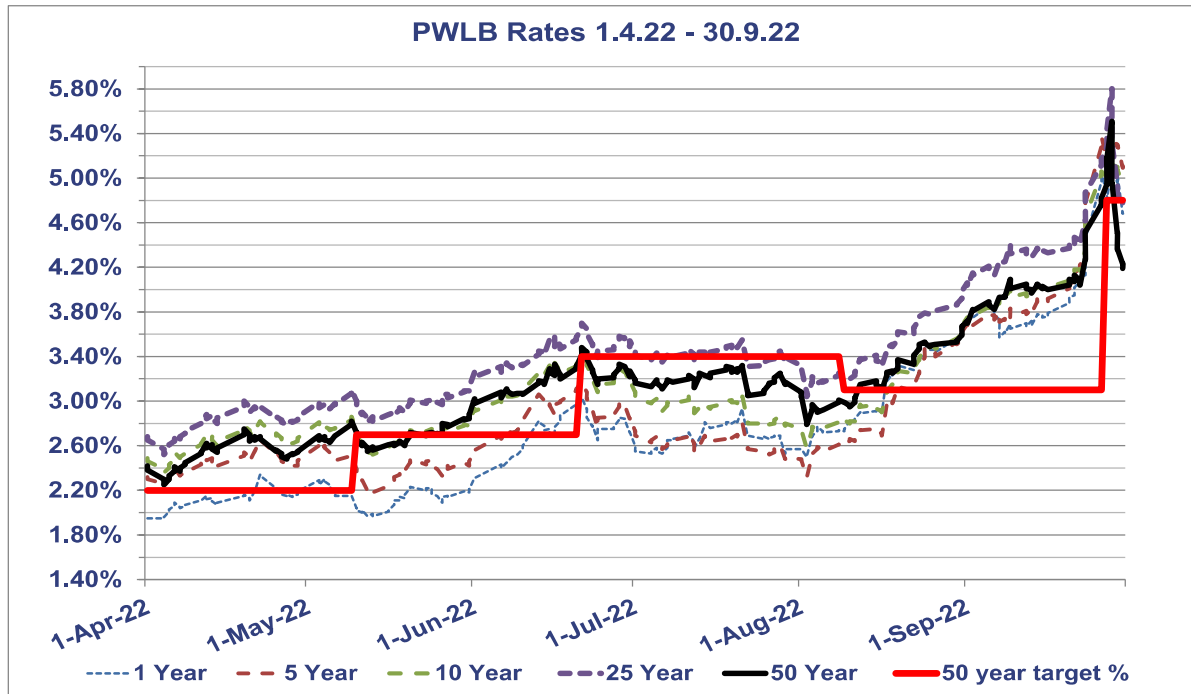
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.12. Page 275
 However, standing the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved

above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year. only for the Bank to

have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also). developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

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.

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Equality Analysis : Revenue Budget and Council Tax Levels 2023/24

1. Introduction

1.1 Purpose of Equality Analysis

The Council has an important role in creating a fair society through the services we provide, the people we employ and the money we spend. Equality is integral to everything the Council does. We are committed to making Croydon a stronger, fairer borough where no community or individual is held back.

Undertaking an Equality Analysis helps to determine whether a proposed change will have a positive, negative, or no impact on groups that share a protected characteristic. Conclusions drawn from Equality Analyses helps us to better understand the needs of all our communities, enable us to target services and budgets more effectively and also helps us to comply with the Equality Act 2010.

An equality analysis must be completed as early as possible during the planning stages of any proposed change to ensure information gained from the process is incorporated in any decisions made.

In practice, the term '**proposed change**' broadly covers the following:-

- Policies, strategies and plans;
- Projects and programmes;
- Commissioning (including re-commissioning and de-commissioning);
- Service review;
- Budget allocation/analysis;
- Staff restructures (including outsourcing);
- Business transformation programmes;
- Organisational change programmes;
- Processes (for example thresholds, eligibility, entitlements, and access criteria).

2. Proposed change

Directorate	All
Title of proposed change	Revenue Budget and Council Tax Levels 2023/24
Name of Officers carrying out Equality Analysis	Gavin Handford, Denise McCausland, Felisha Dussard, Laura McCartney

2.1 Purpose of proposed change

The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

This equalities impact assessment relates to the 2023/24 revenue budget proposals regarding:

- A council tax increase of 12.99% and a 2% increase in the adult social care precept levy.
- Proposed savings, demand pressures, and inflation.
- Legacy financial issues and budget corrections
- Fees and charges (only brief summary is given in this EQIA, as a separate EQIA has been prepared in relation to fees and charges)
- Budget risks, reserves and balances.
- An update on discussions with Central Government.

Context for Change

Changing Demographics

Data from the 2021 census shows that Croydon's population has grown by 7.5% since the 2011 census to 390,800. This is slightly lower than the increase for London (7.7%). Other comparative data from 2021 Census:

- Croydon ranked 16th for total population out of 309 local authority areas in England.
- Croydon has the highest population in London.
- The number of households has increased to close to 160,000 compared to 145,000 recorded in Census 2011.
- Croydon is the 10th least densely populated of London's 33 local authority areas

In Croydon,

- 52% of the population are female.
- 19.3% of the population are under 15 and 13.6% over 65

Based on the age bandings for delivering services in Croydon:

- 23.1% of residents in Croydon are aged 0-17 years
- 63.3% are aged between 18 and 64 years
- 13.6% are aged 65 years or over

A number of the proposals within the Revenue Budget may impact council officers directly, data presented to the council's Equality Diversity and Inclusion Board in January 2023 provided an overview of the officer make up of various protected groups. This is included in the appendix.

A council tax increase of 12.99% and a 2% increase in the adult social care precept levy.

On Monday 06 February 2023 the Local Government Settlement was published by the Department for Levelling Up, Homes, and Communities (DLUCH). As part of that settlement announcement, DLUHC set the level of increase in council tax, or, set the council tax cap that councils can consider charging. For most councils in the country the cap is a 4.99% increase to council tax bills.

However, the Government has given Croydon Council (along with Slough, and Thurrock) permission to increase council tax above the 4.99% cap. Because of the seriousness of the financial situation, Croydon has been given permission to increase council tax above that national 4.99% cap by 10% to 14.99%.

Without this proposed increase the council would need to identify and deliver a further £20 million in savings, in addition to the £36 million that are already being put forward within the budget that this EQIA accompanies.

The council have so far made savings of £90m to service budgets over the last two years, and the DLUHC appointed Improvement and Assurance Panel have been clear that we cannot continue to make cuts at this level.

The council recognises that this is a significant increase, and that the scale of our financial problems means that we must look at every option possible to protect vital services. In addition, it is important that all residents are supported to pay the council tax due for their households. The council has a Council Tax Support Scheme in place to support those on low incomes and has proposed as part of this budget an additional £2m Hardship Fund from 2023/24 onwards which will be available for households struggling to pay the council tax increase to access. The council takes an ethical approach to council tax collection focussing on collecting debts swiftly from households that can pay and supporting households that are struggling to make ends meet. In response to questions from the Scrutiny and Overview Committee, details of the council's approach to debt collection are attached as Annex A to this EQIA.

As of July 2022, there were 7,028 low-income families in Croydon where their monthly income is below their estimated costs. (This figure represents households that claim benefit through the council, only). If costs were increased by £19.62 a month for these households (this is by working out a monthly 15% increase on a Croydon band D house) then there would be a further 262 households with a monthly income below their estimated costs. There are mitigations being put in place to support these households, and those like them, which can be found in section 5 of this Equality Impact Assessment.

Proposed savings, demand pressures, and inflation.

Adult Social Care accounts for more expenditure at Croydon than any other service (31% of net budget). The pressures in this area are felt across the country. However, we know that our cost base is too high and we can learn from other Councils. Working closely with an external LGA Adults and Finance expert, we have reviewed every aspect of our savings and transformation plan, and modelled these based on LGA recommendations.

The service offer remains the same, and as outlined in the principles below:

- Our adult social care services reflect the relevant legislation underpinning social care and health through the Care Act (2014).
- All packages are assessed or reviewed, proportionately, through a strengths based approach, considering safeguarding, to meet the needs of the individual and carers.
- Residents can access appropriate services provided in-house or commissioned by the Council, or delivered independently by the voluntary and community sector.
- Where people have the financial means to pay a contribution, or to pay for their care in full, this will be in line with the self-funding legislations outlined in the Care Act and wider National policy.

Within Council services supporting Children, Young People, Families and Education there are a range of proposals to improve the effectiveness of services, with practices improvements, restructures and service efficiencies. These are not expected to have an impact on residents/clients. Where there are restructures, separate EQIAs will be undertaken to understand the impact on staff, and this will be shared with trade unions and affected staff.

Legacy financial issues and budget corrections

The legacy financial issues that Croydon Council are facing are well documented, and form part of the rationale behind both the proposed Council Tax increase, and the proposed savings already referred to. Within the Revenue Budget there are also a number of accounting proposals to ensure that services are funded at the appropriate level, from the appropriate budget(s).

A significant proportion of the budget proposals are accounting corrections and amendments. Whilst these have an impact on the budget overall, they do not directly impact on service changes, and therefore do not impact on protected characteristics.

Fees & Charges: See separate EQIA

Residents and customers currently pay specific fees and charges for a wide range of activities and services such as building control services, planning application, land charges fees, leisure activities, care related charges etc. Some of these fees and charges are set nationally and the council is legally required to adopt these levels, whilst other fees and charges are set at levels using the council's discretion. The Council has a need to balance its budget which an increase in fees would support. The Council is also mindful of the impact of an increase on the residents that it delivers its services to may have.

A separate EQIA has recently been completed solely focusing on Fees and Charges.

There are mitigations in place which the Council currently provide to support those in need and these are detailed in section five of this Equality Impact Assessment.

Conversations with Central Government

DLUHC and the Improvement and Assurance Panel have been fully involved in the discussion around the council tax increase and agree that this is the next step to take, along with Central Government continuing to support the council financially.

3. Impact of the proposed change

Important Note: It is necessary to determine how each of the protected groups could be impacted by the proposed change. Who benefits and how (and who, therefore doesn't and why?) Summarise any positive impacts or benefits, any negative impacts and any neutral impacts and the evidence you have taken into account to reach this conclusion. Be aware that there may be positive, negative and neutral impacts within each characteristic.

Where an impact is unknown, state so. If there is insufficient information or evidence to reach a decision you will need to gather appropriate quantitative and qualitative information from a range of sources e.g. Croydon Observatory a useful source of information such as Borough Strategies and Plans, Borough and Ward Profiles, Joint Strategic Health Needs Assessments <http://www.croydonobservatory.org/> Other sources include performance monitoring reports, complaints, survey data, audit reports, inspection reports, national research and feedback gained through engagement with service users, voluntary and community organisations and contractors.

3.1 Deciding whether the potential impact is positive or negative

Table 1 – Positive/Negative impact

	<p>For each protected characteristic group show whether the impact of the proposed change on service users and/or staff is positive or negative by briefly outlining the nature of the impact in the appropriate column. If it is decided that analysis is not relevant to some groups, this should be recorded and explained. In all circumstances you should list the source of the evidence used to make this judgement where possible.</p> <p>PLEASE NOTE: As this report covers a wide range of Council services, the equalities impact caused by a change in charges will differ in line with the service in question, and the demographics of those individuals &/or communities who use or benefit from the service.</p> <p>This EQIA addresses the general impact of a review of fees and charges, along with any planned mitigations to the impact on groups and individuals that share protected characteristics and utilises data currently available.</p> <p>The fees and charges subject to increase will impact on all residents that use those services, some fees and charges will have more of an impact on some characteristics than others and are detailed below. Mitigating actions are in place for all of these and detailed in later in the EQIA.</p>		
Protected characteristic group(s)	Negative Impact	Positive impact	Source of evidence
Age	The Revenue Budget and Council Tax Levels 2023/24 may have an impacts that vary across this protected characteristic	The budget seeks to reduce spend on looked after children placements. Less children will be exposed	Croydon's population continues to age with those over 65 increasing by 19.7% since the 2011 Census. The

group. In some cases the impact may be significantly greater than for other residents.

The mitigations for any potential negative impacts listed below are laid out in section five of this report.

As set out in the separate EQIA, there are fees that may affect younger / older residents more. However, the impact is considered to be low as the fee increase is below overall inflation levels. In relation to adult social care, financial assessments are in place for these services.

Savings are proposed from placement costs for looked after children. This is primarily achieved through gatekeeping controls on costs at the point of identifying suitable placements; ensuring effective support is provided to enable children to remain living at home or within their wider family network.

Proposed savings may impact upon provision for 18-25 year olds with no recourse to public funds, with an All Rights Exhausted immigration status. The approach is to ensure that accommodation and subsistence is provided to former UASC young people in line with legislation and home office guidance.

Savings are proposed through the removal of Non-Contractual Overtime (NCO) – there is a possibility that NCO is largely undertaken by certain roles within the council which may impact some groups more than others. For example, NCO is less common in senior roles. Therefore this may have a negative impact on some of our

to the negative impacts of being 'in care'.

Changes to the fostering service will see fostering hubs set up around the borough to support foster carers better, as well as the children in their care. Foster carers are being included in the information gathering stages to inform this.

median age also increased by two years, from 35 to 37 years of age.

The borough data regarding age is as follows:

- 97,900 0-19 year olds. This is the highest in London. (2021 Census)
- 239,700 20-64 year olds. This is the highest in London. (2021 Census)
- 53,100 65+ year olds. This is the 3rd highest in London. (2021 Census)

	<p>junior colleagues, who – on average – are younger.</p> <p>Proposed changes to Youth Services may see a reduction in provision for young people.</p>																		
Disability	<p>The Revenue Budget and Council Tax Levels 2023/24 may have an impact on this protected characteristic group that is significantly greater than any other resident.</p> <p>Where a claimant or partner are disabled and not working a deduction may be introduced for any other adult living in the property.</p> <p>For Disabled claims where the claimant or partner are working they may be impacted, along with all other working age claims by the final outcome on the proposal to change the rate by which the income bands are increased</p> <p>The mitigations for any potential negative impacts listed below are laid out in section five of this report.</p> <p>External factors mean some disabled residents face higher costs in areas such as energy use, which may in turn impact their ability to meet any increased costs proposed by Croydon Council.</p> <p>In terms of Council Tax increases it is reasonable to expect those already in receipt of Council Tax Support to be further impacted by a rise in Council Tax, the mitigating factors shown later in the EQIA will therefore be essential to supporting this group of residents.</p>		<table border="1" data-bbox="1570 325 2152 836"> <thead> <tr> <th>Disability</th> <th>Croydon</th> </tr> </thead> <tbody> <tr> <td>Total: All usual residents</td> <td>390,719</td> </tr> <tr> <td>Disabled under the Equality Act</td> <td>54,852</td> </tr> <tr> <td> Disabled under the Equality Act: Day-to-day activities limited a lot</td> <td>23,716</td> </tr> <tr> <td> Disabled under the Equality Act: Day-to-day activities limited a little</td> <td>31,136</td> </tr> <tr> <td>Not disabled under the Equality Act</td> <td>335,867</td> </tr> <tr> <td> Not disabled under the Equality Act: Has long term physical or mental health condition but day-to-day activities</td> <td>21,978</td> </tr> <tr> <td> Not disabled under the Equality Act: No long term physical or mental</td> <td>313,889</td> </tr> </tbody> </table> <p>Employment rates for disabled people, across all ages, are significantly lower than those of non-disabled people.</p> <p>The employment of disabled people 2021 - GOV.UK (www.gov.uk)</p> <p>In 28% of Council Tax Support claims either the claimant or partner are disabled and neither are in work, and 3% of claims are classified as disabled working claims meaning either the claimant or partner are disabled and either are in work.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>	Disability	Croydon	Total: All usual residents	390,719	Disabled under the Equality Act	54,852	Disabled under the Equality Act: Day-to-day activities limited a lot	23,716	Disabled under the Equality Act: Day-to-day activities limited a little	31,136	Not disabled under the Equality Act	335,867	Not disabled under the Equality Act: Has long term physical or mental health condition but day-to-day activities	21,978	Not disabled under the Equality Act: No long term physical or mental	313,889
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	<p>The proposed closures of the Cherry Hub garden centre and Whitehorse centre are likely to have a negative impact on people with a learning disability:</p> <p>The service provides a specialised opportunity in the form of supported volunteering which may be difficult to replicate even in alternative volunteer opportunities such as charity shops.</p> <p>The proposed closure may affect the needs of carers / family of those attending if the alternative offered is not accepted or transition to a new service is not successful.</p>		
Sex	<p>The Revenue Budget and Council Tax Levels 2023/24 are unlikely to have any impact on this protected characteristic group that is greater than any other resident unless a service is utilised by one sex one sex more than another.</p> <p>A separate EQIA has been completed in relation to fees and charges, where there may be some impact on this protected characteristic.</p>		<p>203,000 (51.9%) residents in Croydon are female and 187,600 are male (48.1%).</p> <p>(Source 2021 Census)</p> <p>Of 16,260 Council Tax Support single claims by females, 11,795 are from working age claimants and of the 6,263 male claims 4,187 are working age. These claimants will be effected by the change to the amount the income bands will be increased.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
Gender reassignment/identity	<p>The Revenue Budget and Council Tax Levels 2023/24 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>A separate EQIA has been completed in relation to fees and charges, where there may be some impact on this protected characteristic.</p>		<p>According to the ONS Census 2021, of all the Croydon residents aged 16 years and over who responded, 91.6% stated that their gender identity was the same as their sex registered at birth.</p> <p>7.5% of those who responded did not answer the gender identity question Only 0.9% stated that they had a different gender identity.</p>

<p>Marriage or Civil Partnership</p>	<p>The Revenue Budget and Council Tax Levels 2023/24 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>The changes in registrars' fees will impact on individuals from all characteristics who have with the intention of entering into marriage or civil partnership. This is detailed in the separate Fees and Charges EQIA.</p>		<p>Wedding costs – source: https://www.compareweddinginsurance.org.uk/blog/average-cost-uk-wedding.php</p> <p>The borough data on marital status is as follows:</p> <ul style="list-style-type: none"> • 32.8% Married • 34.1% Single • 8.5% Divorced or Separated • 3.7% Widowed • 20.6% No response to question <p>493 people were registered in a same sex civil partnership 279 people were registered in an opposite sex civil partnership.</p> <p>(Source: Census 2021)</p> <p>4107 (15%) claims of Croydon's Council Tax Support Scheme current case load are those made by couples, the remaining 22,559 (85%) are from single claimants.</p> <p>Whether or not the couples are married or in a civil partnership, or are unmarried partners does not affect the way the claims are calculated. We do not hold specific details regarding if a couple are married or not as we do not ask that specific question in our application form, rather if they have a partner.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
<p>Religion or belief</p>	<p>The Revenue Budget and Council Tax Levels 2023/24 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>The changes in bereavement fees may impact residents based on their religion or belief. This is detailed in the separate Fees and Charges EQIA. The fee increases are below inflation and the percentage</p>		<p>The predominant religion of Croydon is Christianity. According to the 2021 census, the borough has over 190,880 Christians (48.9%), 40,717 Muslims (10.4%) and 23,145 Hindu (5.9%) residents.</p> <p>101,119 (25.9%) Croydon residents stated that they are atheist or non-religious in the 2021 Census.</p> <p>6.9% did not answer the question on religion.</p>

	<p>change between burial and cremation is consistent.</p>																				
<p>Race</p>	<p>The Revenue Budget and Council Tax Levels 2023/24 may have an impact on this protected characteristic group that is significantly greater than any other resident.</p> <p>Residents who identify as Black are the largest group in receipt of Council Tax support (although nearly half of recipients have not declared).</p> <p>In respect of Housing Benefit support, the risk that the resident or landlord does not meet the criteria and that they can no longer stay in the property is more likely to affect Black African and Black Caribbean claimants as they make up the largest percentage of the caseload (excluding the unknown category)</p> <p>The proposal to reduce Non-Contractual Overtime (NCO) may impact officers sharing this protected characteristic as there is a possibility that NCO is largely undertaken by certain roles within the council which may impact some groups more than others. For example, workforce data shows that our workforce is less diverse in more senior roles. NCO is less common in senior roles. Therefore this may have a negative impact on Global Majority officers. however this will be mitigated in appropriate planning, reviews and consultation. Risks and issues associated with this will be managed within the appropriate project resource</p>		<p>Broad Ethnic Group Changes in Croydon from Census 2011 to Census 2021</p> <table border="1" data-bbox="1462 408 2123 584"> <thead> <tr> <th></th> <th>White</th> <th>Black</th> <th>Asian</th> <th>Mixed</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>55.1 %</td> <td>20.2 %</td> <td>16.4 %</td> <td>6.6%</td> <td>1.8%</td> </tr> <tr> <td>2021</td> <td>48.4 %</td> <td>22.6 %</td> <td>17.5 %</td> <td>7.65</td> <td>3.9%</td> </tr> </tbody> </table> <p>In 2021, 22.6% of Croydon residents identified their ethnic group within the "Black, Black British, Black Welsh, Caribbean or African" category, up from 20.2% in 2011. The 2.5 percentage-point change was the largest increase among high-level ethnic groups in this area.</p> <p>Across London, the percentage of people from the "Black, Black British, Black Welsh, Caribbean or African" ethnic group increased from 13.3% to 13.5%, while across England the percentage increased from 3.5% to 4.2%.</p> <p>In 2021, 48.4% of people in Croydon identified their ethnic group within the "White" category (compared with 55.1% in 2011), while 17.5% identified their ethnic group within the "Asian, Asian British or Asian Welsh" category (compared with 16.4% the previous decade).</p> <p>The percentage of people who identified their ethnic group within the "Mixed or Multiple" category increased from 6.6% in 2011 to 7.6% in 2021.</p> <p>Languages in Croydon</p>		White	Black	Asian	Mixed	Other	2011	55.1 %	20.2 %	16.4 %	6.6%	1.8%	2021	48.4 %	22.6 %	17.5 %	7.65	3.9%
	White	Black	Asian	Mixed	Other																
2011	55.1 %	20.2 %	16.4 %	6.6%	1.8%																
2021	48.4 %	22.6 %	17.5 %	7.65	3.9%																

A separate EQIA has been completed in relation to fees and charges, where there may be some impact on this protected characteristic. However, the impact is considered to be low.

Where service data is held there is not currently a proposal within the revenue budget that negatively impacts on racial group over any other.

According to the Census 2021,

- 84.0% of the residents who can speak in Croydon speak English as their first language.
- 7.8% speak a European language.
- 6.3% speak an Asian language.

[Mayor urges Government to tackle the cost of living crisis | London City Hall](#)

[December 2022 - GLA YouGov Cost of living poll results.pdf \(airdrive-secure.s3-eu-west-1.amazonaws.com\)](#)

Where a Council Tax Support Scheme claimant has provided their race this has been recorded and the current caseload is broken down as follows:

	Number	% of caseload
Asian or Asian British: Bangladeshi	162	1%
Asian or Asian British: Indian	387	1%
Asian or Asian British: Pakistani	546	2%
Asian or British : Any other Backgrnd	571	2%
Black-Black British:African	2098	7%
Black-Black British:Caribbean	2426	8%
Black-Black British:Other	2433	8%
Chinese	55	0%
Mixed :Any other mixed background	252	1%
Mixed: White and Asian	235	1%
Mixed: White and Black Caribbean	460	2%
White: British	4755	17%
White: Any other White background	1203	4%
Not Known	13077	46%
Total	28660	

(Source: Croydon Council Tax Support Scheme EQIA, 2023)

Sexual Orientation	<p>Our data does not identify that any of the proposed changes are anticipated to impact this protected characteristic group more than other residents with regard to the majority of services. However we are improving our data collection and usage in this area to ensure that our services pay due regard to sexual orientation.</p>		<p>According to the ONS Census 2021, of the residents aged 16 years and over who responded to the survey:</p> <ul style="list-style-type: none"> • 87.8% self-classified as Straight or Heterosexual. • 1.5% stated they were Gay. • 1.2% stated they were Bi-Sexual • 0.4% stated All other sexual orientations • 9.1% did not respond to the question <p>Within the current Council Tax Support Scheme case load there are 4107 claims made by couples, of those 29 are from couples where each partner is of the same sex.</p> <p>We do not ask for details of claimants sexual orientation as part of the application process, so are unable to identify the breakdown for those who have made a single application form.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
Pregnancy or Maternity	<p>The Revenue Budget and Council Tax Levels 2023/24 may impact residents that are pregnant or on maternity if they are not working.</p> <p>However, additional benefits are provided for residents in this situation and therefore the proposed changes are expected to have minimal impact.</p> <p>Due regard will be taken to ensure that any proposed organisational restructure in early years support considers impact on pregnancy/maternity through a separate equality impact assessment.</p>	<p>A proposal to create Family Hubs – bringing services closer to families may provide benefit to those on maternity.</p>	<p>Maternity leave: Cost of living crisis highlights need for support (personneltoday.com)</p> <p>There were 5,252 births in Croydon in 2020. An estimated 30,000 women lose their jobs as a result of pregnancy every year, according to the Equality and Human Rights Commission (EHRC).</p> <p>We currently have 38 active Council Tax Support Scheme claims where the claimant or partner are in receipt of maternity pay which is recorded on our system.</p> <p>We do not record if someone is pregnant at the time of application.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>

Note: Data disaggregating level of service use by protected characteristic group is unavailable or available in sufficient granularity to draw conclusions in many cases. This will be explored and refined iteratively to inform mitigating strategies wherever practical to do so.

Important note: You must act to eliminate any potential negative impact which, if it occurred would breach the Equality Act 2010. In some situations, this could mean abandoning your proposed change as you may not be able to take action to mitigate all negative impacts.

See Mitigations and data held in Appendix 3.

When you act to reduce any negative impact or maximise any positive impact, you must ensure that this does not create a negative impact on service users and/or staff belonging to groups that share protected characteristics. **Please use table 4 to record actions that will be taken to remove or minimise any potential negative impact**

3.2 Additional information needed to determine impact of proposed change

Table 2 – Additional information needed to determine impact of proposed change

If you need to undertake further research and data gathering to help determine the likely impact of the proposed change, outline the information needed in this table. Please use the table below to describe any consultation with stakeholders and summarise how it has influenced the proposed change. Please attach evidence or provide link to appropriate data or reports:

Additional information needed and or Consultation Findings	Information source	Date for completion
<p>The council’s current data collection of protect characteristics is weak in some areas and rich in others. We are currently carrying out a project to tackle this imbalance with the support of the Head of Profession for Business Intelligence and the Equalities Manager as well as analysts and services across the organisation.</p> <p>The Corporate Management Team and the Equality, Diversity and Inclusion Board are the driving force behind this work stream.</p> <p>Currently an ‘as is’ exercise is taking place to identify areas of weakness in collection that needs to be addressed. This will be followed by a ‘to be’ looking at the information across the council that we will want to collect and how we go about doing this. Due to having to implement new process for collection this project will take place in phases.</p>	<p>Index of Deprivation by Lower Layer Super Output Areas (gov.uk). Other data sources to be identified and investigated.</p>	<p>Iterative</p>

For guidance and support with consultation and engagement visit <https://intranet.croydon.gov.uk/working-croydon/communications/consultation-andhttps://intranet.croydon.gov.uk/working-croydon/communications/consultation-and-engagement/starting-engagement-or-consultationengagement/starting-engagement-or-consultation>

3.3 Impact scores

Example

If we are going to reduce parking provision in a particular location, officers will need to assess the equality impact as follows;

1. Determine the Likelihood of impact. You can do this by using the key in table 5 as a guide, for the purpose of this example, the likelihood of impact score is 2 (likely to impact)
2. Determine the Severity of impact. You can do this by using the key in table 5 as a guide, for the purpose of this example, the Severity of impact score is also 2 (likely to impact)
3. Calculate the equality impact score using table 4 below and the formula **Likelihood x Severity** and record it in table 5, for the purpose of this example - **Likelihood (2) x Severity (2) = 4**

Table 4 – Equality Impact Score

		1	2	3	
	Likelihood of Impact				

Severity of Impact	3	3	6	9
	2	2	4	6
	1	1	2	3

	Risk Index	Risk Magnitude
	- 9	High
	- 5	Medium
	- 3	Low

Key

Table 3 – Impact scores

Note: The data to populate this table is not available to inform the Equality Impact Score. Evidence for the above is drawn from the Index of Deprivation Score for the 5% most deprived areas in the country and should not be used to draw conclusions. Further research is planned to develop a more reliable indicator. And as stated previously, individual fee changes will require their own assessment, the table below represents a generic view:

The scores below have been taken on the basis of the Council Tax decision impacting on all residents, and therefore impacting on residents with protected characteristics. These scores are not intended to suggest that protected characteristic groups will be impacted more than others.

Column 1 PROTECTED GROUP	Column 2 LIKELIHOOD OF IMPACT SCORE	Column 3 SEVERITY OF IMPACT SCORE	Column 4 EQUALITY IMPACT SCORE
	Use the key below to score the likelihood of the proposed change impacting each of the protected groups, by inserting either 1, 2, or 3 against each protected group. 1 = Unlikely to impact 2 = Likely to impact 3 = Certain to impact	Use the key below to score the severity of impact of the proposed change on each of the protected groups, by inserting either 1, 2, or 3 against each protected group. 1 = Unlikely to impact 2 = Likely to impact 3 = Certain to impact	Calculate the equality impact score for each protected group by multiplying scores in column 2 by scores in column 3. Enter the results below against each protected group. Equality impact score = likelihood of impact score x severity of impact score.
Age	3	2	6
Disability	3	2	6
Sex	3	2	6
Gender reassignment	3	2	6
Marriage / Civil Partnership	3	2	6
Race	3	2	6
Religion or belief	3	2	6
Sexual Orientation	3	2	6
Pregnancy or Maternity	3	2	6

Equality Analysis

4. Statutory duties

4.1 Public Sector Duties

Tick the relevant box(es) to indicate whether the proposed change will adversely impact the Council's ability to meet any of the Public Sector Duties in the Equality Act 2010 set out below.

- | | | |
|---|---|--------------------------|
| Advancing equality of opportunity between people who belong to protected groups | X | <input type="checkbox"/> |
| Eliminating unlawful discrimination, harassment and victimisation | | <input type="checkbox"/> |
| Fostering good relations between people who belong to protected characteristic groups | X | <input type="checkbox"/> |

Important note: If the proposed change adversely impacts the Council's ability to meet any of the Public Sector Duties set out above, mitigating actions must be outlined in the Action Plan in section 5 below.

5. Action Plan to mitigate negative impacts of proposed change

Important note: Describe what alternatives have been considered and/or what actions will be taken to remove or minimise any potential negative impact identified in Table 1. Attach evidence or provide link to appropriate data, reports, etc:

Equality Analysis

Mitigations

Residents currently pay Council Tax, and specific fees and charges for a wide range of activities and services such as building control services, planning application, car parking, leisure activities, care related charges etc. An increase in Council Tax will impact all residents who pay, and an increase in fees will affect all those in, and out of the borough, who pay to use specific service(s). It appears that there is no significant disproportionate impact on groups or individuals that share one or more protected characteristic. With regard to the increase in Council Tax there are four specific key mitigations:

- The council's Council Tax Support Scheme for those with a low income
- The Revenue Budget proposals include plans to introduce a new hardship fund to support residents who are not eligible for Council Tax Support but who are finding it hard to make ends meet in these difficult times.
- A dedicated hub to [help with the rising cost of living](#) has also been set up on the Council's website
- The council's ethical approach to council tax collection.

With regard to the wider increase in fees & charges the Council has in place various schemes to support residents who experience financial difficulty, some of whom will fall within the protected characteristic groups and may be affected by the proposed increases, to help mitigate impact. Listed below are some examples of what support is currently available, taken from a wide range of support schemes across the council.

- The council in partnership with Nimbus Disability offer a discount card to all children and young people on our disability register. The card is free and is part of a national access card scheme, giving benefits and discounts to facilities and activities across the country, such as leisure, sports and fitness, cinema etc.
- There are discounted rates for all leisure centre activities for Croydon residents with disabilities. If a disabled person needs a carer with them in order to access leisure centre services, the carer is entitled to free entry.
- Croydon council Leisure Centres offer discounted rates for residents Seniors 60+ years and Juniors 4-15 years
- Croydon Council Money Advice Service for advice on paying your bills and debt worries. All advice is independent and confidential.
- Council tax discount for care leavers, single person occupier, residents with disabilities, full-time students.
- Healthy Homes is Croydon Council's free energy advice service aimed at Croydon residents on low incomes, and those more vulnerable to the effects of living in a cold home (especially families with young children, older residents, and residents with pre-existing medical conditions).
- The council has a statutory duty to protect those on low or, or no income, and supports with claims for Council Tax support, Housing Benefit, Universal Credit.
- Adult Social Care users are subject to a means tested financial assessment which will assess affordability to contribute to, or not, to service provision required (as defined by the Care Act 2014).

Equality Analysis

The review of Discretionary Housing Placements may impact residents, however a lack of data regarding protected characteristics means it is not currently possible to identify any impact to groups sharing protected characteristics at this stage. Further work will be undertaken by the service to improve data collection. In terms of mitigation, every household will be given the appropriate financial support or advice to help them move into alternative private rented sector accommodation.

In respect of specific proposals, it is likely that some proposals may result in new policy or service changes. In this instance each proposal will be accompanied by an equality analysis and / or consultation which will inform the final proposal and its implementation, on a case by case basis.

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.

Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
Age	<ol style="list-style-type: none"> 1. Savings are proposed from placement costs for looked after children – specific impacts are unknown due to the long term nature of some of these proposals, and the consultations that will be required before agreeing a definitive course of action. 2. Proposed savings may impact upon provision for 18-25 year olds with no recourse to public funds, with an All Rights Exhausted immigration status. 3. Savings are proposed through the removal of Non-Contractual Overtime (NCO) – there is a 	<ol style="list-style-type: none"> 1. The Council will continue to meet needs and statutory duties, and the gatekeeping of such services will be governed by policy and procedures that ensure fair treatment of protected groups 2. Human rights assessments ensure that young people are supported in the appropriate pathways, provision of accommodation subsistence is provided appropriately to those in need. 3. This will be mitigated in appropriate planning, reviews and consultation. Risks and issues associated with this will be 	<ol style="list-style-type: none"> 1. Debbie Jones 2. Sherry Coppin 3. Dean Shoemith 	<ol style="list-style-type: none"> 1. Proposal specific EQIAs from 28/02/23 2. Proposal specific EQIA due 30/04/23 3. TBC

Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.				
Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
	possibility that NCO is largely undertaken by certain roles within the council which may impact some groups more than others. For example, NCO is less common in senior roles. Therefore this may have a negative impact on some of our junior colleagues, who – on average – are younger.	managed within the appropriate project resource.		
Disability	<ol style="list-style-type: none"> 1. The closure of the Cherry Hub garden centre and Whitehorse centre services is likely to have a negative impact on people with a learning disability. 2. Council Tax Scheme Where a claimant or partner are disabled and not working a deduction may be introduced for any other adult living in the property For Disabled claims where the claimant or partner are working they may be impacted, along with all other working age claims depending on the outcome in relation to the proposal to change 	<ol style="list-style-type: none"> 1. The mitigation for affected users and their cares will be offered through consultation to re assess their needs ensure that the remaining two services are able to meet their needs or whether an alternative service needs to be commissioned and through the exploration of alternative service which service users could be signposted to. 2. Council Tax Scheme Proposal is to exclude any non-dependents who are receiving carers allowance for the claimant or partner 	<ol style="list-style-type: none"> 1. Annette McPartland 2. Jane West 	<ol style="list-style-type: none"> 1. Proposal specific EQIA due end of Feb 2023 2. April 2023

Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.				
Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
	the rate by which the income bands are increased.	A hardship fund is available for those affected by the changes to support with the reduction in support		
Sex	<p>1. Council Tax</p> <p>Of the 16,260 single claims by females, 11,795 are from working age claimants and of the 6,263 male claims 4,187 are working age. These claimants may be affected by the change to the amount the income bands will be increased depending on the final decision reached by Council.</p>	<p>1. Council Tax</p> <p>A hardship fund is available for those affected by the changes to support with any reduction in benefit. It will help to provide transitional support to bridge the gap between residents old and new entitlement.</p>	N/A	N/A
Gender reassignment / identity	N/A	N/A	N/A	N/A
Marriage / Civil Partnership	N/A	N/A	N/A	N/A
Sexual orientation	N/A	N/A	N/A	N/A
Race	1. The proposal to reduce Non-Contractual Overtime (NCO) may impact officers sharing this	1. This will be mitigated in appropriate planning, reviews and consultation. Risks and issues	1. Dean Shoemith	1. TBC

Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.

Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
	<p>protected characteristic as there is a possibility that NCO is largely undertaken by certain roles within the council which may impact some groups more than others. For example, workforce data shows that our workforce is less diverse in more senior roles. NCO is less common in senior roles. Therefore this may have a negative impact on Global Majority officers</p> <p>2. Council Tax: Residents who identify as Black are the largest group in receipt of Council Tax support (although nearly half of recipients have not declared).</p> <p>3. Housing Benefit Review The risk that the resident or landlord does not meet the criteria and that they can no longer stay in the property is more likely to affect Black African and Black Caribbean claimants as they make up the</p>	<p>associated with this will be managed within the appropriate project resource.</p> <p>2. Council Tax Scheme A hardship fund is available for those effected by the changes to support with the reduction in benefit. It will help to provide transitional support to bridge the gap between residents old and new entitlement.</p> <p>3. Housing Benefit Review We will work with providers to support them to get up to standard and maintain their supported accommodation classification. We have sign off to recruit to a new team</p>		

Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.

Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
	largest percentage of the caseload (excluding the unknown category)	who will be solely focused on these claims and will be able to work with providers. If we can't classify a provider as supported, or a tenant is deemed to no longer require this accommodation we will work with Housing to look for alternative accommodation and the tenant will be able to claim universal credit to support with their housing costs.		
Religion or belief	N/A	N/A	N/A	N/A
Pregnancy or maternity	N/A	N/A	N/A	N/A

Table 6. Decision on proposed change

Based on the information outlined in this Equality Analysis enter X in column 3 (Conclusion) alongside the relevant statement to show your conclusion.		
Decision	Definition	Conclusion - Mark 'X' below
No major change	Our analysis demonstrates that the policy is robust. The evidence shows no potential for discrimination and we have taken all opportunities to advance equality and foster good relations, subject to continuing monitoring and review. If you reach this conclusion, state your reasons and briefly outline the evidence used to support your decision.	
Adjust the proposed change	<p>We will take steps to lessen the impact of the proposed change should it adversely impact the Council's ability to meet any of the Public Sector Duties set out under section 4 above, remove barriers or better promote equality. We are going to take action to ensure these opportunities are realised. If you reach this conclusion, you must outline the actions you will take in Action Plan in section 5 of the Equality Analysis form</p> <p>Whilst changes in fees and charges may impact in some cases, this impact is considered to be minimal as set out in the information above.</p> <p>Mitigations and adjustments are already in place to support residents that may help them manage debt or financial vulnerability detailed. This includes signposting and discretionary support.</p> <p>Service departments will need to collate data on their service users to monitor impact. Some departments will have existing service level data regarding some protected characteristics and not others. Where data does not currently exist, each service must create an action around collecting data across all protected characteristics. As data is received the EQIA should be updated, demonstrating data and evidence where change has been made.</p> <p>Residents should be provided with details of support organisations in both digital and non-digital formats</p>	X

Equality Analysis

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Continue the proposed change	We will adopt or continue with the change, despite potential for adverse impact or opportunities to lessen the impact of discrimination, harassment or victimisation and better advance equality and foster good relations between groups through the change. However, we are not planning to implement them as we are satisfied that our project will not lead to unlawful discrimination and there are justifiable reasons to continue as planned. If you reach this conclusion, you should clearly set out the justifications for doing this and it must be in line with the duty to have due regard and how you reached this decision.	
Stop or amend the proposed change	Our change would have adverse effects on one or more protected groups that are not justified and cannot be mitigated. Our proposed change must be stopped or amended.	
Will this decision be considered at a scheduled meeting? MAB / Cabinet		Meeting title: Cabinet and Council Date: Cabinet: 22 February; Council: 1 March

7. Sign-Off

Officers that must approve this decision	
Equalities Lead	Name: Gavin Handford Date: 15 Feb 2023 Position: Director of Policy, Programmes & Performance
Corporate Director	Name: Jane West Date: 20 February 2023 Position: Corporate Director of Resources

Appendix: Deprivation data

Indices of Deprivation 2019 Croydon Lower Super Output Areas (LSOAs)

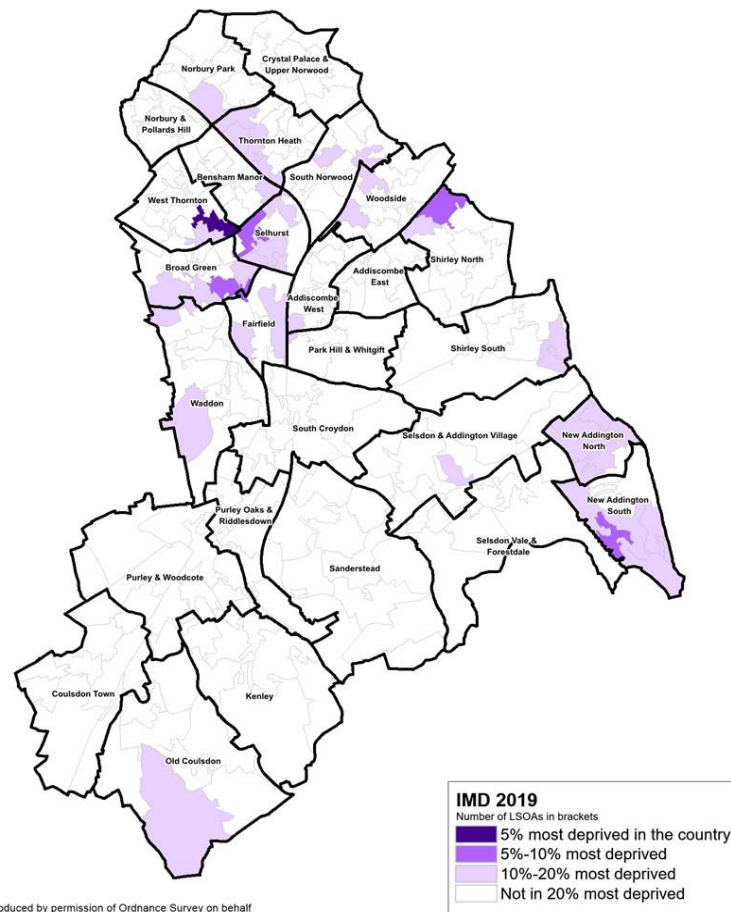
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INFOGRAPHIC 1

In Croydon, 1567 people live amongst the 5% most deprived in the country (Dark Blue)

In this area,

50% are male	(Croydon 49%)
27% are 0-15	(Croydon 22%)
30% are White ethnic group	(Croydon 55%)
35% are Black / African / Caribbean / Black British ethnic group	(Croydon 20%)
24% are Asian / Asian British ethnic group	(Croydon 16%)
7% are Mixed / multiple ethnic group	(Croydon 7%)
4% are Other ethnic group	(Croydon 2%)



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Equality Analysis

Appendix: Croydon Council staff data

Ethnicity							
Directorate	Any other	Asian Group	Black Group	Mixed Group	Undisclosed	White Group	Grand Total
Adult Social	0.36%	1.37%	4.95%	0.74%	2.67%	2.23%	12.31%
Assistant	0.33%	1.88%	3.35%	0.58%	2.82%	3.10%	12.06%
Children	0.61%	3.48%	8.71%	1.85%	5.94%	7.62%	28.21%
Housing	0.10%	1.37%	3.55%	0.69%	2.97%	2.13%	10.81%
Resources	0.13%	1.22%	1.80%	0.46%	1.40%	1.27%	6.27%
Sustainable	0.84%	5.92%	5.76%	1.68%	6.80%	9.34%	30.34%
Grand Total	2.36%	15.23%	28.13%	5.99%	22.59%	25.69%	100.00%

Sex					
Directorate	Female	Male	Undisclosed	Prefer to self-describe	Grand Total
Adult Social	7.39%	2.59%	2.34%	0.00%	12.31%
Assistant	6.25%	3.58%	2.23%	0.00%	12.06%
Children	17.39%	5.74%	5.03%	0.05%	28.21%
Housing	4.72%	3.63%	2.44%	0.03%	10.81%
Resources	2.77%	2.28%	1.19%	0.03%	6.27%
Sustainable	14.24%	9.93%	5.94%	0.23%	30.34%
Grand Total	52.75%	27.75%	19.17%	0.33%	100.00%

Disability				
Directorate	No	Yes	Undisclosed	Grand Total
Adult Social	10.26%	1.09%	0.96%	12.31%
Assistant	9.98%	0.84%	1.24%	12.06%
Children	23.48%	1.90%	2.82%	28.21%
Housing	9.06%	0.58%	1.17%	10.81%
Resources	5.23%	0.46%	0.58%	6.27%
Sustainable	24.75%	2.36%	3.22%	30.34%
Grand Total	82.76%	7.24%	10.00%	100.00%

Equality Analysis

Sexual Orientation							
Directorate	Bi-sexual	Gay man	Hetrosexual /straight	Lesbian/gay woman	Other	Undisclosed	Grand Total
Adult Social	0.20%	0.15%	8.89%	0.00%	0.08%	3.00%	12.31%
Assistant	0.20%	0.10%	8.66%	0.15%	0.05%	2.89%	12.06%
Children	0.71%	0.38%	20.31%	0.33%	0.18%	6.30%	28.21%
Housing	0.20%	0.20%	7.51%	0.03%	0.03%	2.84%	10.81%
Resources	0.10%	0.05%	4.52%	0.03%	0.08%	1.50%	6.27%
Sustainable	0.84%	0.74%	19.98%	0.33%	0.38%	8.07%	30.34%
Grand Total	2.26%	1.62%	69.87%	0.86%	0.79%	24.60%	100.00%

Age Range													
Directorate	20 or	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61 or older	Undisclosed	Grand Total	
Adult Social	0.18%	1.35%	1.35%	1.17%	1.17%	1.27%	1.07%	1.12%	0.69%	0.28%	2.69%	12.31%	
Assistant	0.36%	1.85%	1.83%	1.29%	0.84%	1.04%	0.81%	0.74%	0.53%	0.18%	2.59%	12.06%	
Children	0.33%	3.94%	4.95%	3.76%	2.77%	2.16%	1.90%	1.52%	0.58%	0.48%	5.81%	28.21%	
Housing	0.18%	1.55%	1.83%	1.62%	1.27%	0.71%	0.30%	0.43%	0.20%	0.05%	2.67%	10.81%	
Resources	0.08%	1.09%	1.02%	0.53%	0.74%	0.48%	0.33%	0.30%	0.23%	0.13%	1.35%	6.27%	
Sustainable	1.14%	4.57%	4.01%	3.35%	2.59%	2.21%	2.13%	1.88%	1.37%	0.58%	6.50%	30.34%	
Grand Total	2.26%	14.34%	14.98%	11.73%	9.37%	7.87%	6.55%	5.99%	3.60%	1.70%	21.60%	100.00%	

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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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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 RESOURCES	26,466	7,797	34,263	31,358	65,621
ASSISTANT CHIEF EXECUTIVE	24,787	7,774	32,561	2,969	35,530
	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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Department for Levelling Up,
Housing & Communities

Mayor Jason Perry
Mayor of the London Borough of Croydon

By email

Lee Rowley MP
*Parliamentary Under-Secretary of State
for Local Government and Building
Safety*

**Department for Levelling Up,
Housing and Communities**
2 Marsham Street
London
SW1P 4DF

www.gov.uk/dluhc

1 March 2023

Dear Mayor Perry,

SUPPORT FOR LONDON BOROUGH OF CROYDON

I am writing in relation to your Council's request of 12 January 2023 for exceptional financial support in respect of financial years across the period 2019-20 to 2023-24. I am grateful for your continued co-operation with my Department and the Improvement and Assurance Panel chaired by Tony McArdle OBE throughout the process, including the additional information and clarifications your officers have provided.

Your approach to the Department for further exceptional financial support is in addition to that previously sought in December 2020. I understand that at the time of your previous request the magnitude of the challenges faced was not yet fully understood, as such the need for further support has resulted from a crystallisation of the errors made in the past prior to you taking office. You and your officers have sought to reassure me that the full extent of financial issues are now better known.

I have considered various factors very carefully including the Council's position, the interests of Croydon's residents, and the need to provide sufficient stability to the Council to make sure that service delivery, especially for the most vulnerable citizens is not disrupted.

It is within this context that the Secretary of State has considered your Council's request for exceptional financial support. You will be aware that the Secretary of State has not opposed your request for a higher council tax referendum threshold of 14.99% to be applied in 2023/24 (i.e. an additional 10% above referendum principles applied to other councils), which was announced at the Local Government Finance Settlement on 6 February. I am aware that the decision for you to seek this level of council tax increase has not been taken lightly, and demonstrates your commitment to taking the difficult decisions required to address the considerable challenges in Croydon.

This letter sets out the Department's current position on the requested capitalisation alongside that additional Council Tax flexibility. However, this letter does not constitute a capitalisation direction.

The consideration of your request has been based on financial information and modelling the Council has provided to date. The Improvement and Assurance Panel have provided assurance and assessment, as far as possible, that the requested capitalisation is reasonable and appropriate.

With respect to the period between 2019-20 to 2023-24, the Secretary of State is minded to approve capitalisation directions totalling £224.6 million. This total is broken down by each financial year as follows:

- 2019-20 - £126.0 million
- 2020-21 - £10.0 million
- 2021-22 - £14.4 million
- 2022-23 - £11.2 million
- 2023-24 - £63.0 million

This is in addition to the in-principle capitalisation agreement that was provided on 4 March 2022 of £25.0 million for the financial year 2022-23. At this time, the Secretary of State remains minded to approve that capitalisation direction. I am aware that there is still an unresolved issue with your auditors with regards the accounting treatment of transactions relating to Croydon Affordable Homes. I urge you to resolve this as soon as possible and write to me once resolved.

You will understand that there is much to consider before any of the above capitalisation directions can be approved. The Council will need to demonstrate that it continues to take the necessary steps towards its recovery and improvement, and I will need assurance of that fact from the Improvement and Assurance Panel. Any decisions pertaining to the approval of this in-principle agreement would, amongst other factors such as demonstration of adequate progress, be contingent upon the Council reporting to the Department the final amounts identified for which you need capitalisation for each year, with the agreement of the Council's external auditors and endorsed by the Panel. In addition, if the Secretary of State decides to approve any directions, he may choose to apply conditions. Any conditions will be confirmed at the time any capitalisation direction is approved. This is addressed fully in the attached annex.

I recognise that in your request for exceptional financial support you included further requests and dispensations from the Department. These requests are not addressed here and will require further consideration before the Secretary of State can provide an answer on those elements of support sought. My officials will continue to engage closely with your officers in the coming months to understand your position going into the 2023-24 financial year.

A meeting will be scheduled with the Department and your officers to discuss the position set out in this letter.

I should be grateful if the Council would confirm to me in writing by 10 March that you wish to proceed in accordance with the conditions outlined in this letter. I am copying this letter to the members of the Improvement and Assurance Panel. This letter will also be published on GOV.UK.

Yours ever,



LEE ROWLEY MP

**Parliamentary Under Secretary of State
for Local Government and Building Safety**

Annex – Process for approving capitalisation directions

Assurance

If the Secretary of State decides to give any directions, he would confirm in due course the final amount of capitalisation support and any conditions that would be applied. The Department's consideration will include evidence from the Improvement and Assurance Panel of the Council's progress against the actions it is required to take. This will include evidence of the Council's:

- Progress in delivering against the London Borough of Croydon renewal plan, including evidence of the transformation of operations and processes to ensure the Council can deliver its services within the bounds of the Medium Term Financial Strategy;
- Progress in rebuilding a base of service data and intelligence to inform evidence based decision making, day to day management, and the management of service performance thereafter;
- Progress in delivering against its asset disposal strategy; debt management and reduction plans; savings targets; and long-term financial stability in Croydon;
- Progress in restoring confidence in and accuracy of the Council's budget management and financial position, enabling robust financial planning, to deliver financial stability and sustainability to the Council.

Conditions

Such directions may be subject to conditions, which would be set out in any capitalisation directions should the Secretary of State decide to exercise his powers under sections 16(2)(b) and 20 of the Local Government Act 2003.

If the Secretary of State decides to give any directions, he is minded to attach the following conditions:

- The Authority may only capitalise expenditure when it is incurred;
- Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the Public Works Loan Board and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;

With this in mind, the Secretary of State also reserves the right to attach additional bespoke conditions to any directions issued in respect of the financial years above, depending on the Council's individual circumstances.

Confirming final amounts

Although the Secretary of State is minded to approve capitalisation directions for the period between 2019-20 to 2023-24, this would be contingent on the Council reporting to the Department the final amounts identified for which it requires capitalisation for each year, with

the agreement of the Authority's external auditors and endorsed by the Improvement and Assurance Panel.