

# Scrutiny & Overview Committee Supplementary Agenda



**6. 2024-25 Budget Setting Update (Pages 3 - 20)**

Attached is the presentation delivered to the Scrutiny & Overview Committee on 16 January 2024.

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# Budget proposals 2024-25

Page 3

16 January 2024

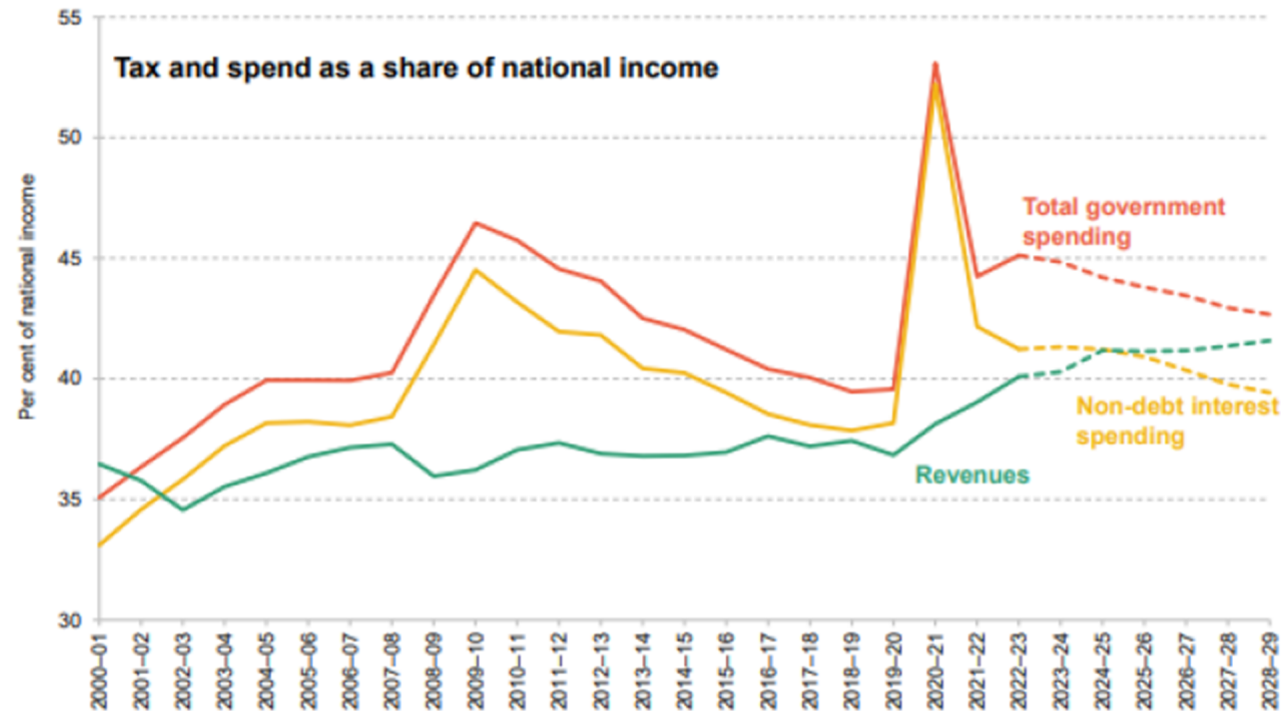
Agenda Item 6

# Introduction

- Council published its Draft Medium Term Financial Strategy in October, earlier than last year
- Government released Provisional Local Government Finance Settlement late, 19 December
- No new money on offer beyond what had been announced last year for 2024-25, much tighter than expected given all the lobbying councils had been doing
- Government acknowledged that councils were facing tough times
- Government have stressed that councils need to consider the use of reserves if they are struggling to balance next year. This is highly unusual and not helpful to councils like Croydon that do not have large reserves. Use of reserves to fund ongoing commitments should be discouraged.
- The government is also consulting on giving councils more flexibility to use capital receipts to finance revenue spend to help councils avoid S114. Again, this one off income stream should not be used to fund ongoing commitments.
- The next slides set out the challenging national context and where this leaves Croydon.

# The pandemic has increased the size of the State

## A bigger post pandemic state



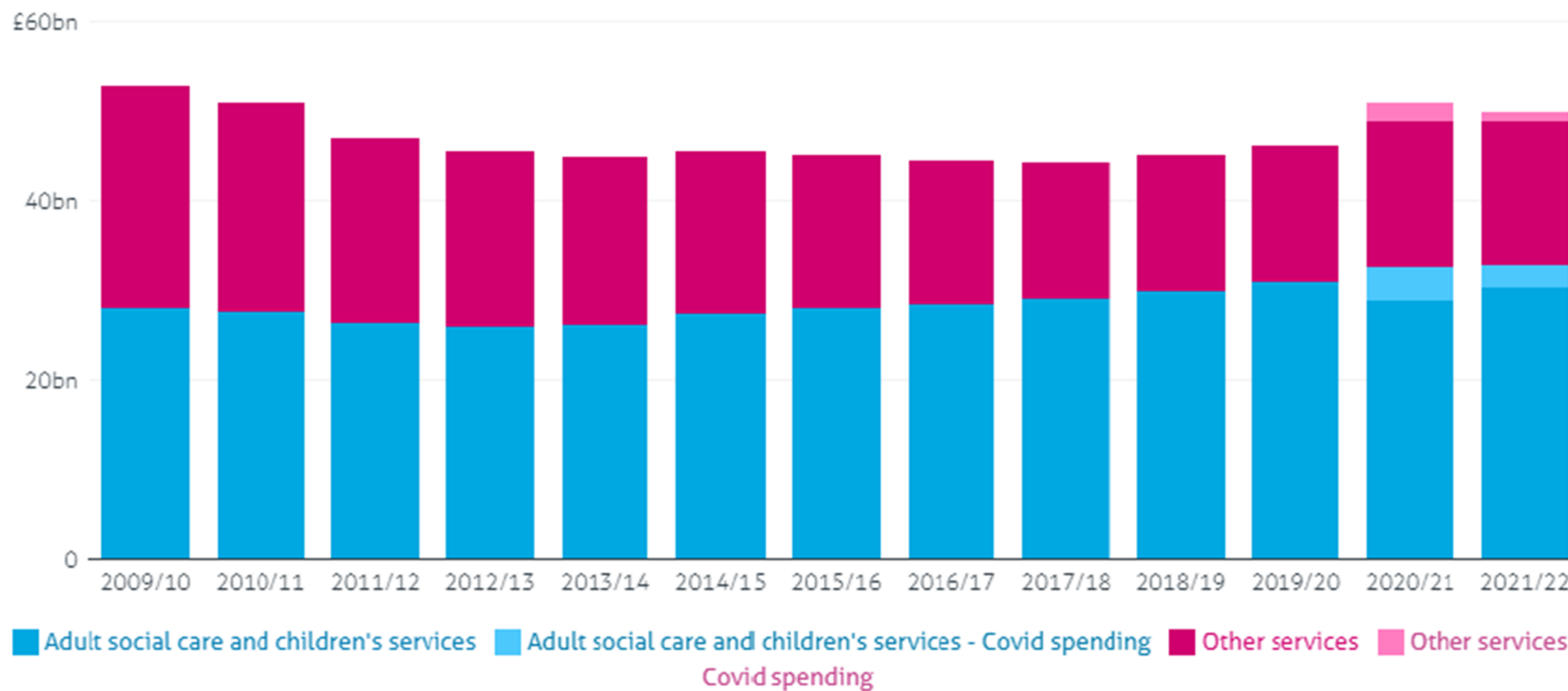
Source: OBR Economic and Fiscal Outlook

# Local government spending

2010-11 to 2021-22

Local authority spending, 2009/10–2021/22 (2023/24 prices)

IfG



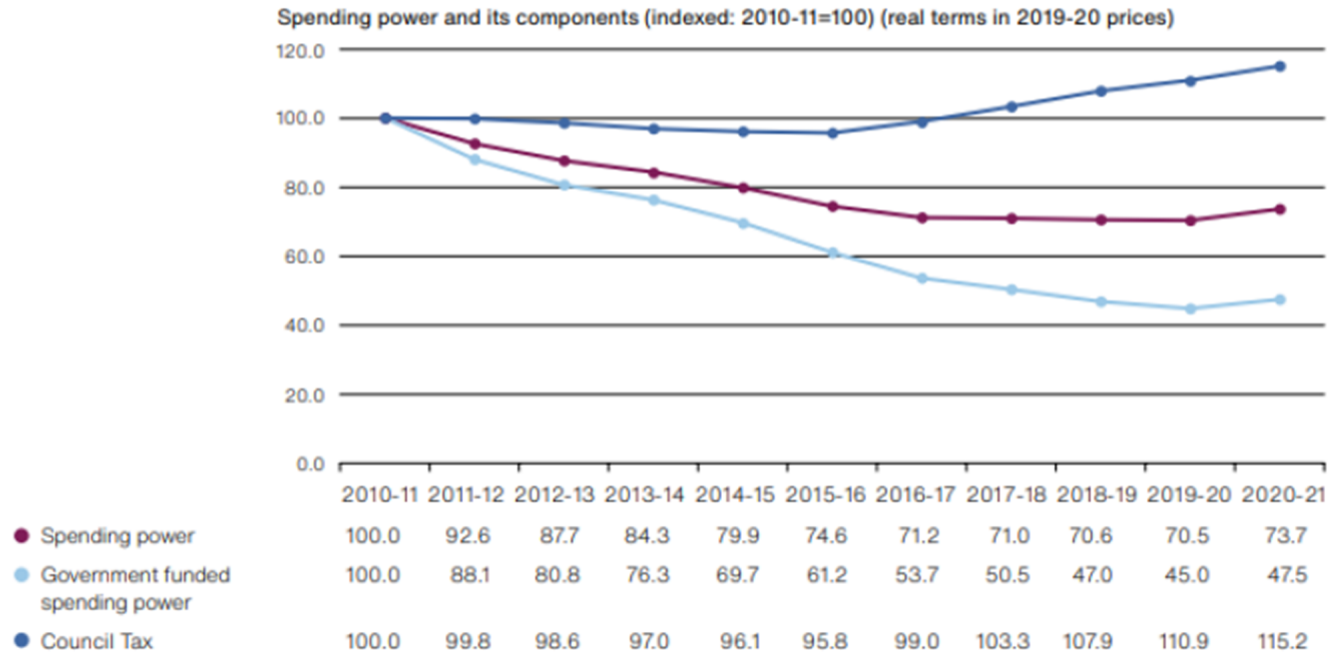
# Local government spending and income

## 2010-11 to 2020-21

**Figure 1**

Change in spending power in English local authorities 2010-11 to 2020-21

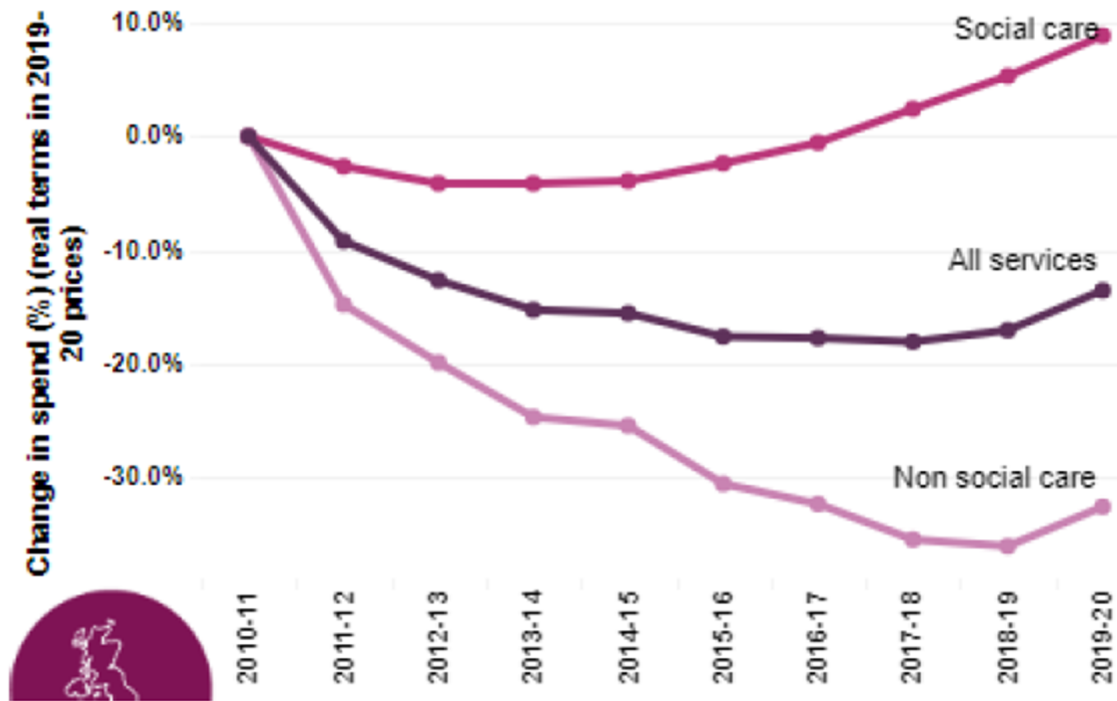
Spending power fell rapidly from 2010-11 to 2016-17 at the sector level but has been relatively stable since then, with growth in 2020-21



Source: National Audit Office

# Impact on social care and all other services

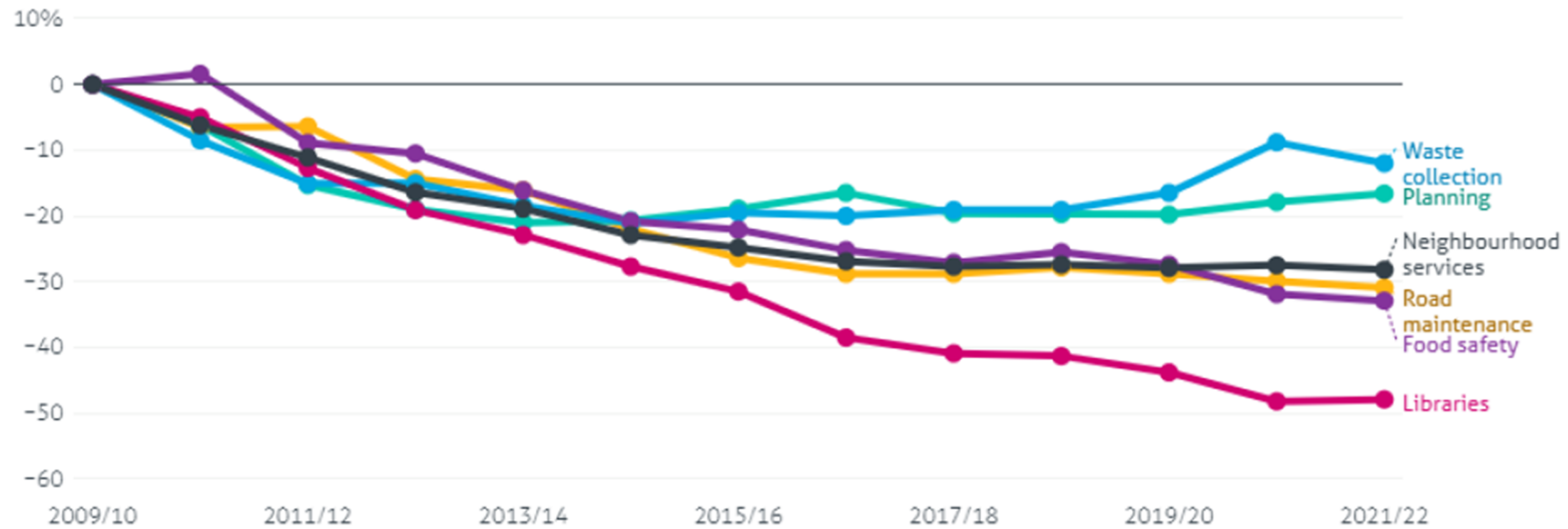
- central services, libraries, food safety down most of all



Source: National Audit Office



# Impacts on 'non social care' services



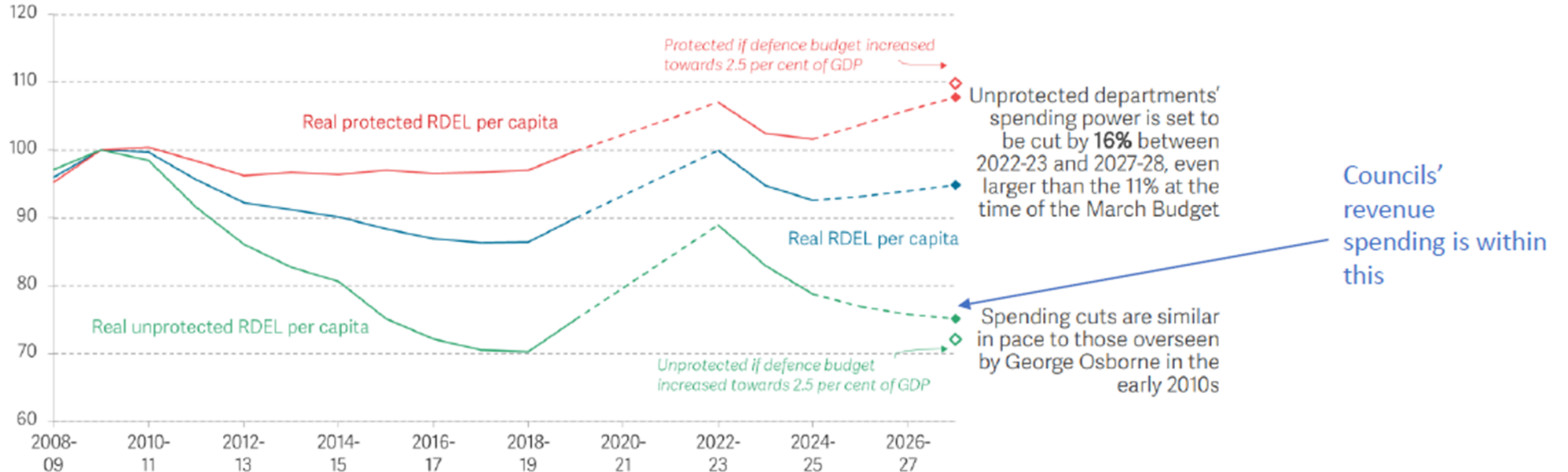
Source: Institute for Government analysis of DLUHC, 'Revenue outturn highways and transport services' and 'Revenue outturn cultural, environmental, regulatory and planning services', 2021/22, supported by CIPFA. • Get the data • Embed • Download image



Source: Institute for Government

# Future Projections

Indices of real (government expenditure deflator-adjusted) per-capita resource departmental expenditure limits (2009-10=100), all departments, 'unprotected' departments and 'protected' departments



Notes: Deflated using the Bank of England forecast for the GDP deflator to 2022-23 cash terms. Protected budgets include health, education, defence and foreign, commonwealth and development office. Source: RF analysis of Bank of England, Monetary Policy Report; OBR, Economic and Fiscal Outlook, various; HM Treasury, Budget and Spending Review documents, various. @resfoundation 23

Page 10

Source: <https://www.resolutionfoundation.org/app/uploads/2023/11/Preparing-the-pitch.pdf>

# 2024-25 Provisional Local Government Finance Settlement for Croydon

	2023-24 Actual	Current LBC Forecast	Autumn Statement	Provisional LGFS
	2023-24	2024-25	2024-25	2024-25
	£'m	£'m	£'m	£'m
<b>Grants held corporately within Core Spending Power</b>				
Improved Better Care Fund	9.978	9.978	9.978	9.978
Services Grant	2.994	0	1.613	0.471
New Homes Bonus	1.646	0	2.471	2.471
Social Care Grant	18.999	28.257	22.413	22.106
	<b>33.617</b>	<b>38.235</b>	<b>36.475</b>	<b>35.026</b>
<b>Other Grants held corporately</b>				
DWP Housing Benefit Admin Grant	1.567	1.350	1.567	1.567
DSG & Education Grants held centrally	4.023	4.023	4.023	4.371
<b>Core Grants as Per Croydon's MTFS</b>	<b>39.207</b>	<b>43.608</b>	<b>42.065</b>	<b>40.964</b>
Revenue Support Grant	16.711	17.628	17.831	17.818
<b>Total Corporate Grants</b>	<b>55.918</b>	<b>61.236</b>	<b>59.896</b>	<b>58.782</b>
<b>Grants held departmentally within Core Spending Power</b>				
New Adult Social Care discharge fund	1.399	2.331	<b>2.331</b>	2.332
Market sustainability and Improvement fund	3.281	4.934	<b>4.934</b>	6.131
	<b>4.680</b>	<b>7.265</b>	<b>7.265</b>	<b>8.463</b>

Corporate grants are £2.4m below the previous MTFS forecast and £1.1m less than modelled after the Autumn Statement

# Considerations in setting the budget

**The Council has a legal duty to set a balanced budget every year.**

**Croydon faces financial challenges like other councils:**

- Inflationary pressures
- An increase in demand for essential social care and housing services
- Uncertainty in government grant levels – we will receive the provisional Local Government Finance Settlement just before Christmas

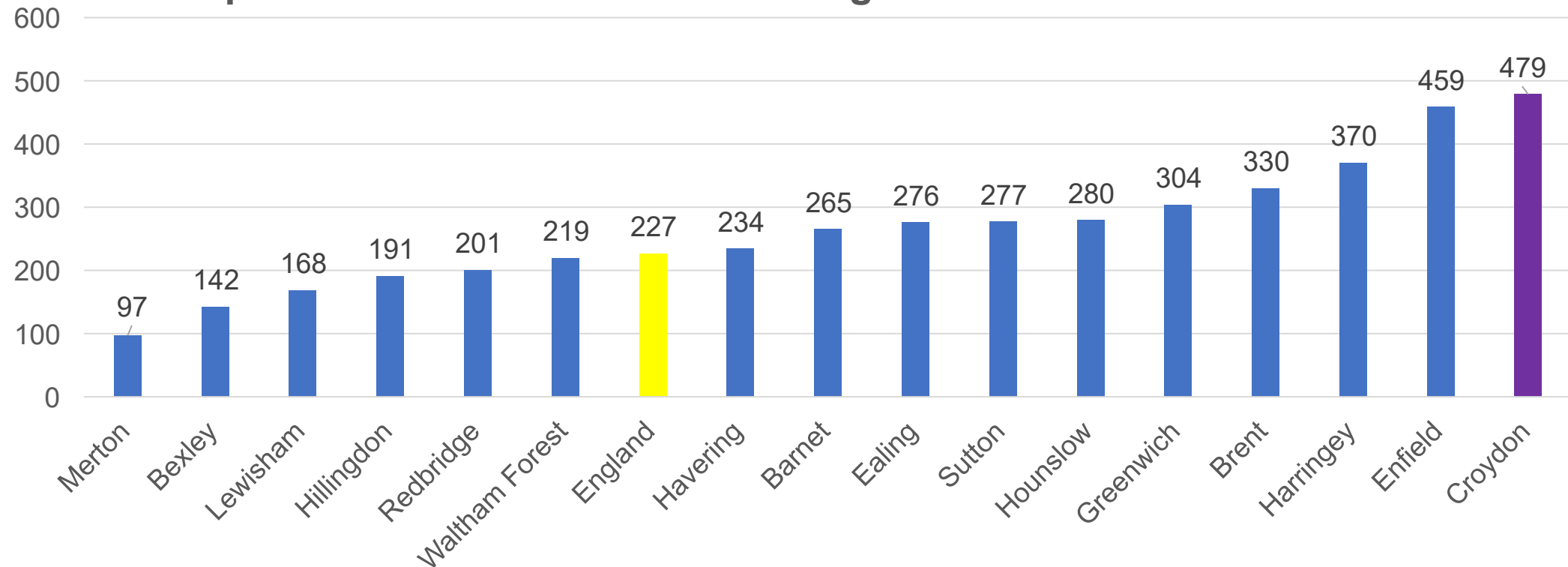
**And faces a particular financial challenge as it deals with:**

- £1.3bn historic General Fund debt which costs the council £61.7m per year to service. This represents 15% of the Council's core spending power compared to 8% for the median English authority.
- The cost of this high debt level means the council also relies on 'Exceptional Financial Support' from the government of around £38m per year.
- This means additional borrowing or using income from one off 'capital' receipts, for example from selling buildings, to balance our budget. This is not a permanent solution and the Council is discussing other options with government. It also goes against the widely accepted rules of accountancy that you should not capitalise day to day revenue expenditure.

# Total Debt as a Percentage of Core Spending Power

Source - OFLOG data as at the end of 2021-22

## Comparison to Statistical Nearest Neighbours - %



# Where the council gets its money from



1	Council tax	45.29%
2	Business rates	14.34%
3	Grants given for a specific purpose e.g. public health	23.11%
4	Capitalisation direction	11.52%
5	Other (income from partners and other contributions)	5.74%

# How the council spends its money

Pence per pound



1	Adult social care	30p
2	Children, young people and education	20p
3	Borrowing costs	11p
4	Customer and corporate services	10p
5	Planning, environment and regulatory	10p
6	Housing	6p
7	Public health	4p
8	Highways and parking and transport	4p
9	Culture, Registrars and Community Safety	1p
10	Other (transformation, taxes etc)	4p

# Council Tax

- Government expects councils to raise Council tax by the referendum limit each year.
- Following the need to raise council tax by 14.99% in 2023 in order to protect services, the Executive Mayor has committed that Croydon will not increase future council tax levels above the referendum limit.

Page 16

In 2024/25 the Budget assumes a council tax increase of 4.99%

- 2.99% council tax
- 2% adult social care precept to support vulnerable adults.

## **Council Tax support for low income households**

- In 2023/24 we expect to spend £33.4m providing council tax discounts of up to 100% to over 27,000 pensioners and low income families through our Council Tax Support Scheme.
- In addition, the hardship fund provides additional support for low income households that cannot afford to pay their full council tax.



# Croydon Council's Budget for 2024/25

- Croydon has a budget gap of £75m in 2024/25. The draft Budget proposes this is addressed by:
  - £38m of extraordinary financial support from government
  - Selling assets to reduce debt costs by £4m per year
  - Making savings of £26.9m
- This would leave a gap of £6.1m which the Council will seek to address following confirmation of the Local Government Finance Settlement.
- The results of the Budget Consultation, which closed just prior to Christmas, are also under consideration.

# Closing the Budget Gap

All figures in £m and are cumulative

	2024-25	2025-26	2026-27	2027-28
<b>Budget Gap (before savings, assuming Council Tax increases of 2% Adult Social Care and 2.99% general)</b>	<b>75.0</b>	<b>94.8</b>	<b>117.2</b>	<b>137.3</b>
New savings in borrowing costs from asset disposals - £200m sales over 4 years from 2022-23	-4.0	-8.0	-12.0	-12.0
Proposed savings	-26.9	-33.9	-38.9	-39.0
Future savings to be identified	-	-13.0	-28.0	-48.0
<b>Budget Gap (net of savings)</b>	<b>44.1</b>	<b>39.9</b>	<b>38.3</b>	<b>38.3</b>
Further Request for government support	-38.0	-38.0	-38.0	-38.0
<b>Remaining Budget Gap</b>	<b>6.1</b>	<b>1.9</b>	<b>0.3</b>	<b>0.3</b>
<b>Cumulative budget deficit</b>	<b>6.1</b>	<b>8.0</b>	<b>8.3</b>	<b>8.6</b>

Discussions are ongoing regarding the level and type of government support.

# Proposed Savings

All figures in £m

Directorate	Incremental			Total
	2024-25	2025-26	2026-27	All Years
Adult Social Care & Health	5.0	4.0	4.0	13.0
Assistant Chief Executive	4.2	0.9	0	5.1
Children, Young People & Education	4.1	0.2	0	4.3
Housing	2.0	0.6	1.0	3.6
Resources	6.7	1.0	0	7.7
Sustainable Communities, Regeneration & Economic Recovery	1.4	0.4	0	1.8
Corporate & Council Wide	3.5	0	0	3.5
<b>Total Directorate Savings</b>	<b>26.9</b>	<b>7.1</b>	<b>5.0</b>	<b>39.0</b>
Saving in borrowing costs from asset disposals	4.0	4.0	4.0	12.0
<b>Total Savings</b>	<b>30.9</b>	<b>11.1</b>	<b>9.0</b>	<b>51.0</b>

# Next Steps

- Government to publish Final Local Government Finance Settlement on 5 February.
- 2024-25 Council Tax Setting and Budget Report to be published on 6 February.
- Report to be discussed at the Scrutiny and Overview Committee on 12 February.
- Budget Cabinet on 14 February.
- First Budget Council on 28 February.
- If necessary, second Budget Council on 6 March.