

Scrutiny & Overview Committee Agenda



To: Councillor Sean Fitzsimons (Chair) Councillor Robert Ward (Vice-Chair),
Sherwan Chowdhury, Jerry Fitzpatrick, Joy Prince and Andy Stranack

Reserve Members: Richard Chatterjee, Felicity Flynn, Maddie Henson,
Stephen Mann, Stuart Millson and Callton Young

A meeting of the **Scrutiny & Overview Committee** which you are hereby summoned to attend, will be held on **Tuesday, 15 January 2019** at **6.30 pm** in **Council Chamber - Town Hall. A pre-meet for Members only will take place at 6:00pm in room F5.**

Jacqueline Harris Baker
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www.croydon.gov.uk/meetings
Monday, 7 January 2019

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

To receive any apologies for absence from any members of the Committee.

2. Minutes of the Previous Meeting (Pages 5 - 16)

To approve the minutes of the meeting held on 11 December 2018 as an accurate record.

3. Disclosure of Interests

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

4. Urgent Business (if any)

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

5. Question Time: Leader of the Council

Question time with the Leader of the Council, Councillor Tony Newman.

6. Pre-Decision Scrutiny: Proposed General Fund Revenue Budget 2019-20 (Pages 17 - 68)

To discuss the Administration's Budget Proposals for 2019 – 2020.

7. Work Programme 2018 - 2019 (Pages 69 - 72)

To consider the Committee's Work Programme for the remainder of the municipal year.

8. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

Scrutiny & Overview Committee

Meeting held on Tuesday, 11 December 2018 at 6.30 pm in Council Chamber - Town Hall

MINUTES

Present: Councillor Sean Fitzsimons (Chair), Councillor Robert Ward (Vice-Chair), Sherwan Chowdhury, Jerry Fitzpatrick, Joy Prince and Andy Stranack
Also Present: Councillors Hamida Ali, Oliver Lewis, Helen Pollard, Manju Shahul-Hameed and Niroshan Sirisena

PART A

27/18 **Minutes of the Previous Meeting**

The minutes of the meeting held on 30 October 2018 were agreed as an accurate record.

It was highlighted that the information requested at the previous meeting concerning representations made on behalf of the Council for fair funding and an update on the implementation of a system to notify Members of S106 and Community Infrastructure Levy funding in their Wards had not yet been provided. The Chairman advised that the need to ensure a timely response to requests for information from Scrutiny had been raised with the Cabinet at their meeting the previous evening. The two requests from the meeting on 30 October would be followed up outside of the meeting and provided to Members as soon as possible.

28/18 **Disclosure of Interests**

There were none.

29/18 **Urgent Business (if any)**

There were no items of urgent business.

30/18 **Fairfield Halls**

Neil Chandler, the Venue Director for the operators of Fairfield Halls – BH Live, was in attendance at the meeting to provide an update on the redevelopment of the venue and the future plans for the Halls once it re-

opened. Prior to the start of the meeting a tour of venue had been arranged for the Committee, to allow Members the opportunity to view the progress made to date on the redevelopment.

It was confirmed to the Committee that the newly redeveloped Fairfield Halls would reopen in September 2019, with the website for the venue, including information about events, going live in January 2019. As it was noted that there had been criticism on social media about the redevelopment, it was hoped that there would be support from the entire Council once shows started to go on sale in January. This view was echoed by the Committee who recognised the importance of the Fairfield Halls to the wider area.

In response to a question about accessibility for larger vehicles to deliver equipment for shows and tours at the rear of the venue, it was advised that this had been considered as part of the redevelopment plan. The Fairfield Halls was designed as a concert hall with a capacity of around 1,800 seats. Touring theatre shows require a much larger capacity to be economic and there are several such larger venues in the area that are more attractive to promoters and are better suited to hosting this type of show. It was therefore decided that it would not be cost effective to undertake the work needed and to focus on the strengths of the venue which are hosting classical and live performances, comedy shows and local community events.

It was questioned whether there would be any engagement with the Mobility Forum to test the venue's accessibility prior to opening. It was advised that this could be arranged, but it would need to be after the power was turned back on at the venue and the new lifts were operational. The new developments would mark a huge improvement in terms of access; prior to the redevelopment there had only been a single wheelchair lift at the front of the venue and as part of the improvements, all lifts were now accessible. The dressing rooms had also been made accessible, along with accessible toilets on each floor. There are also plans for a Changing Places facility in the venue. The Committee agreed to recommend that BH Live engage with the Mobility Forum and Councillor Andy Stranack on the accessibility of the venue prior to its opening.

As the Halls had previously been partially staffed by volunteers, it was questioned whether this would continue to be the case once it reopened. It was confirmed that BH Live did not use volunteers but used paid staff for the front of house functions. BH Live had high expectations of its staff and a strong focus on excellent customer service and as such was committed to paying the London Living Wage and had an ongoing commitment to training.

In response to a question about the offer for local community groups, it was confirmed that they would be charged half the full rate for the hire of the venue, which was lower than the previous pricing. The hire charge for community groups had been set after a lot of research into pricing across the local area, but it was recognised that it was not possible to please everyone. It was also acknowledged that there were other venues in the local area and as such it was important to ensure that community events were spread across the borough.

It was noted that once it reopened there would be a number of different spaces within the venue that could be hired for functions included the old Arnhem Gallery, the main foyer and the concert hall, which could all seat up to 300 people. This meant that there was potential for three different events to be held at the same time.

It was confirmed that seating in the venue had been re-upholstered rather than completely replaced, as complete replacement was not needed. The toilets in the venue had been upgraded, with some relocated to allow for increased provision. It was also confirmed that the Halls would be participating in the national scheme for carers, with the exact details of this to be finalised.

It was noted that catering would be a key area for the business and was an area that BH Live were particularly well known for. Within the venue there would be a bistro opened during the day and for event dining. There would also be a separate café and a foyer café as well. To ensure that the venue could cope with any demand for refreshments, more bars and selling points had been installed and an in-seat app to pre-order drinks which would be delivered to the seats had also been installed.

In response to a question about the plans for the re-opening and how it would be marked, it was advised that it would focus upon ensuring the celebrations were representative of Croydon as a borough now. It was suggested that it would also be important to acknowledge the history of the venue as well.

It was confirmed that the former Arnhem Gallery would be renamed the Croydon Rec when it reopened, with the foyer being renamed as the Arnhem Foyer. The renaming of the foyer would be marked by a civic event with representatives from Arnhem invited to attend in October 2019. A concern was raised about the name Croydon Rec, as it was felt that this could be misconstrued. It was agreed that this would be taken away for further consideration.

As it was highlighted that 2022 would mark the 60th Anniversary of the Fairfield Halls it was suggested that it would be great if events could be organised to mark the occasion. It was agreed that this was something that could be looked into.

Conclusions

In forming its recommendations, the Committee reached the following conclusions:

1. The Committee agreed that the re-opening of the Fairfield Halls was crucial to the economy of the local area and as such it was essential that it was successful.
2. The Committee agreed that the Venue Manager had presented what appeared to be a very cogent account of the business plan

3. The Committee had concerns about the accessibility of the venue and felt that further engagement was needed to provide reassurance.
4. Despite concern that may have been previously expressed, it was generally thought to be the case that all Councillors were supportive of the venue and were keen for it to succeed.

Recommendation

The Committee **RESOLVED** to recommend that the project leads meet with Councillor Andy Stranack and the Mobility Forum to provide reassurance in regard to the accessibility of the venue.

31/18 **Question Time: Cabinet Member for Culture, Sport & Leisure**

The Cabinet Member for Culture, Sport & Leisure, Councillor Oliver Lewis, was in attendance at the meeting to provide the Committee with an update on his Portfolio and answer questions arising.

The presentation was divided into four main sections, namely Strengths, Weaknesses, Opportunities and Threats. During the course of the presentation, the following points were noted:-

Strengths

- The Library Service had been brought back in-house following the collapse of Carillion and a strategy was being developed for consideration by the Cabinet in early 2019 that would set out a clear direction for the library service going forward.
- There was a strong cultural sector within the borough, with a notable musical heritage. A robust bid for Cultural Enterprise Zone funding had been submitted by the Council, with the outcome expected shortly. It was also planned to explore the potential for using the Music City model in Croydon.
- There were 128 parks and open spaces in the borough, which was the highest number of any London borough and these were increasingly seen as important places to provide opportunities to improve people's wellbeing.

Weaknesses

- There was the ongoing challenge of the historical position of the parks maintenance budget, which as a non-statutory service faced continual pressure. However, plans were being developed to bring the grounds maintenance team back in-house, which may provide scope for future opportunities in this area.
- The lack of new burial land was becoming an increasingly pressing issue, with options being explored before maximum capacity was reached.

- The historically negative reputation of Croydon as a place to visit was challenging and was not something that could be easily changed.

Opportunities

- The opening of the redeveloped Fairfield Halls venue later in the year would provide a boost for the wider area.
- The Clocktower development that would start in 2020 provided a welcome opportunity to improve the provision of services offered from the venue.
- The St Georges Walk development opposite the Town Hall would include provision for a new town square.
- Croydon had the largest proportion of young residents of any London borough which helped to contribute towards the vibrancy of the local area.
- The Council had an opportunity to work with local sports provision to raise the profile and success of sports provision in the borough

Threats

- Although the Administration had placed a priority on cultural and creative activities being at the heart of community since coming into power in 2014, budget constraints would continue to put pressure upon cultural services, with it difficult to maintain services which were not statutory.
- Competition from other boroughs also presented challenges, with a need to ensure a diverse cultural offering to compete with provision elsewhere.

Following the presentation, the Committee were given the opportunity to question the Cabinet Member about the areas within his remit. It was highlighted that the Lifetimes, Museum of Croydon was an excellent facility and as such questioned whether it was publicised enough. It was agreed that the museum was a fantastic resource which did a good job of telling the story of people in Croydon. It was advised that there had been a Clocktower Late event earlier in the year focusing on the people of Croydon involved in World War One. It was hoped that similar events could be held in the future. It was noted that the refurbishment of the Clocktower would allow for greater use of the facility.

It was questioned whether residents using allotments were reflective of the borough and whether usage was monitored. It was advised that allotments should be considered as an opportunity for cross cultural learning and although they were currently oversubscribed, there was more that could be done to promote them to people from different backgrounds.

It was also highlighted that the allotment fees in Croydon were currently the lowest in London. The fees were in the process of being reviewed, but it was envisioned that they would remain at the lower end of the scale in comparison with other boroughs, with the possibility of different pricing structures. As part

of the review, work would also be undertaken to ensure that all Council allotments were brought up to standard, with the provision of toilets and conveniently located water sources. This work was being undertaken with a view to other organisations taking on the responsibility for allotments.

As there was a waiting list for the allotments in the borough, it was questioned whether there were any plans to create more allotments, with an abandoned allotment site at Thorne Park in Kenley suggested as a possibility. It was agreed that the possibility of reopening this site would be taken aware for further exploration.

In response to a question about what the Council could do to encourage cultural cooperatives and social enterprises it was highlighted that the Council administered a small grants scheme aimed at helping small organisations put on cultural events, which were match funded from elsewhere.

It was questioned how work was progressing on the development of the Parks Masterplan. It was confirmed that work had been undertaken to establish what could be achieved at six of the parks within the borough, which had led to a wide range of options. The Council was now undertaking an engagement process with the Friends Groups of the respective parks to establish what options were most viable. Provisional plans include the possibility of a cricket pitch at Norbury Park.

In response to a question about possible capital investment in libraries, it was confirmed that potential options were being considered for Norbury Library, but there were difficulties due to the cost required to make the upper floors accessible. A Library Strategy was being developed which would give consideration to how the space within libraries could be best used. A request was made by the Committee to have the opportunity to provide input into the Library Strategy prior to any decision by the Cabinet. It was agreed that this could be arranged, with a meeting of the Committee required to be scheduled for February to allow for this to happen.

In response to a question about the opportunities for sponsorship of public buildings, it was advised that there was a cultural partnership scheme for businesses and individuals to give donations to cultural services, which had raised approximately £100,000 to date since its launch in September 2018. It was highlighted that the sponsorship for cultural services could be sporadic and it was important to focus upon matching potential sponsors to specific activities. Private sponsors would be very unlikely to support services or facilities perceived as council services

The redevelopment of the Fairfield Halls and in particular the delay in reopening the facility was questioned as well as how this had impacted upon the budget for the project. It was highlighted that the redevelopment of a 60 year old building with five venues in one site was always going to be challenging and as the initial work progressed it became apparent that the project would be more complex than originally envisioned, particularly the discovery of asbestos that needed to be removed. This additional work meant that the budget would be higher than planned at the start of the project.

In response to a question about the process for determining cultural grants applications, it was confirmed that any Groups wanting to apply would need to submit an application form, which would be followed up by officers with a further discussion of the application. The final decision on whether to award a grant or not would be made by the Cabinet Member in conjunction with officers. Plans were underway to add a greater structure to the process as the number of bids had increased with the success of the scheme.

In response to a concern raised about the limited number of parking spaces available at the Fairfield Halls, it was highlighted that as the venue was in the centre of the town it was well served by public transport options. There was also other car parking available within the town that people would be able to use if required. As part of the process for the reopening of the venue work would be undertaken to improve the wayfinding to the site from around the town.

The cultural heritage of the borough was highlighted and as such it was questioned whether there were any plans to give greater recognition to this. It was confirmed that plans were being developed in this area, including the possibility of a Musical Heritage Trail of sites of music heritage importance within the borough, this would be in the context of the wider Music City plans for Croydon.

The effectiveness of the byelaws in place at local parks was questioned, with a view taken that they were not easily enforceable and not reflective of current lifestyles with activities such as cycling banned. As such the Committee agreed to recommend to the Cabinet that a review of byelaws was undertaken to ensure that they were fit for purpose.

Conclusions

In forming its recommendations, the Committee reached the following conclusions:

1. The Committee were pleased to hear that plans were being developed to create an app which would celebrate the cultural heritage of the borough.
2. The Committee welcomed plans to review the Council's allotments.
3. The Committee agreed that work was needed to ensure that the byelaws relating to local parks remained fit for purpose.
4. The Committee agreed to schedule an additional meeting on 11 February to enable it to undertake pre-decision scrutiny on forthcoming Cultural, Libraries and Voluntary Sector Strategies.

Recommendations

The Committee **RESOLVED** to recommend to the Cabinet Member for Culture, Sport and Leisure:-

1. That plans to introduce the Music City scheme in Croydon should also include provision to celebrate the Borough's musical heritage

2. That a short briefing note is prepared for Committee on the status of the Allotment Review.
3. That a review is undertaken of the byelaws in place in the Council's parks to ensure that they remain relevant and fit for purpose.

32/18 **Pre-Decision: Evening & Night Time Economy Strategy**

The Committee were given the opportunity to provide input into the development of the Evening & Night Time Economy Strategy, which aimed to overcome the challenges facing local businesses and communities in Croydon's night time economy. Given that the Strategy covered areas in a number of Portfolio's, the following Cabinet Members were in attendance for this item:

- Councillor Hamida Ali – Cabinet Member for Safer Croydon & Communities
- Councillor Oliver Lewis – Cabinet Member for Culture, Sport & Leisure
- Councillor Manju Shahul-Hameed – Cabinet Member for Economy & Jobs

During the introduction of the Strategy it was noted that it had been informed by seven night time walkabout events across the Borough to gain an understanding of the night time economy in different areas. From these it had been concluded that there were significant differences between the town and district centres, but signposting and wayfaring were common issues.

Potential actions for inclusion in the strategy included the addition of a Night Time Business Award in the Mayor's Civic Awards, the possibility of Night Markets, strengthening support for businesses and an exploration of the late night shopping offer.

Although the Council would not be able to directly affect every aspect of the night time economy it would be able to act as a key influencer. One area that the Council could directly influence would be through its regulatory services such as licensing and food standards. Community Safety would also be important to promote the perception of safety across the borough.

Current strengths in the night time economy included a number of diverse venues such as Ludoquist and Box Park, a good calendar of coordinated events in the borough and a well-established restaurant quarter in the Croydon. Weaknesses included the perception of crime and safety within the borough, inconsistent lighting along key walkways, transport links across the borough were not as useful as they could be in the evening/night time, litter and refuse collection needed to be improved, planning and licensing were seen to be a barrier and there was a perception that the borough was in transition with a number of vacant sites.

Future opportunities for the evening and night time economy included the regeneration plans for the town centre, the reopening of the Fairfield Halls,

planned public realm improvements which will deliver improved signage and the possibility of a university in the borough. Potential threats to the night time economy came from crime and the perception of crime in the borough, a lack of confidence slowing growth, falling income levels from Brexit, rising rents and business rate increases which placed further pressure on businesses.

It was noted that there had previously been a Night Time Economy Strategy in 2007 and as such it was questioned how the new strategy would differ from the previous one. It was highlighted that there had been significant change in the economy since 2007, with an increasing trend for low and no alcohol offer. The Council's Licensing Policy had been reviewed in the last year to take into account the changes in the night time economy, which had previously focussed on tackling the challenge from a clustering of licensed premises.

It was also noted that many of the challenges facing the night time economy were longstanding and the strategy would not directly provide the solution to these, but it should be viewed as a starting point for the Council to work with partners to deliver change. It was also important that the strategy was informed by businesses across the district centres.

The issue of women's safety and whether there was a barrier to women participating in the night time economy was raised and as such it was questioned whether a specific focus was needed in the strategy. It was highlighted that the Council had a good record in this area having been awarded White Ribbon Borough Status. Women's Safety was also a priority for the Police. It was agreed that further consideration would be given as to how this work could be reflected in the strategy.

It was noted that for the night time economy to be successful it needed to attract people from outside of the borough to visit. As the perception of crime had previously been raised as a potential threat to the delivery of the strategy, it was questioned what could be done to provide assurance that Croydon was safe place to visit. In response it was advised that although it was important to be mindful of the fear of crime, it was difficult to change people's perceptions. The Borough Commander for the Police had looked at this issue and changed the type of policing away from a strong visible presence as a result.

In response to a question about what the Council could do to support local businesses during the transition period when the new Westfield Centre was built, it was highlighted that there had been concerns during the building of the Westfield Centre in Stratford, but since it had moved to the area footfall had increased and businesses were thriving. There were a number of different ideas in development to promote local businesses including the creation of a Curry Mile in West Croydon and promoting Stanley Halls through ensuring there were a wide programme of events running from the venue. Consideration was also being given to promoting events linked to festivals such as Eid and Diwali.

It was questioned whether there had been a disability representative on the Steering Group for the strategy. It was advised that there had not, but any input would be welcomed.

It was suggested that the strategy would benefit from increased data on the demographics of potential customers to ensure that it was pitched at the right level. It was advised that a survey had been undertaken as part of the process, but limited resources meant that large scale research was not possible. It was also emphasised that it was essential the strategy was delivered in conjunction with partners and included a shared vision of what it was trying to achieve.

In response to a suggestion that the report was more economically driven rather than culturally driven, it was highlighted that a Cultural Strategy was being prepared to sit alongside the Evening and Night Time Economy Strategy.

Although the report mentioned the diverse offer within the borough, a concern was raised that the report did not place enough emphasis on the diversity of the borough. It was acknowledged that the diversity of the borough could be made more explicit within the strategy as diversity was of key importance, with it highlighted that the Licensing Policy had introduced a need for a diversity of offer.

It was highlighted that the conversion of commercial premises to residential use had reduced the supply of potential venues and as such it was questioned whether consideration should be given to how best protect smaller venues. It was confirmed that this could be delivered through working with planning colleagues to ensure planning policies were aligned with the strategy.

In conclusion it was agreed that the Strategy needed to have a focus on deliverable outcomes which could be used to gauge its success, with a suggestion that SMART Objectives could be used. It was noted that the report would be considered by the Cabinet in either March or April 2019.

Conclusions

In forming its recommendations, the Committee reached the following conclusions:

1. It was recognised that a significant amount of work had gone into the development of the strategy.
2. The attendance of three Cabinet Members at the Committee meeting for the discussion of item demonstrated a commendable openness to challenge.
3. The Committee were keen to emphasise that deliverable outcomes would be key to the success of the strategy.
4. The Committee agreed that the strategy needed to represent the diversity of the borough.

Recommendations

The Committee **RESOLVED** to recommend to the respective Cabinet Members:-

1. That the Evening and Night Time Economy strategy had SMART, deliverable outcomes.
2. That the Strategy retained a strong focus across the borough and not just the town centre.
3. That the strategy reflected the diversity of the Borough.

33/18 **Work Programme 18/19**

The Work Programme was noted.

34/18 **Exclusion of the Press and Public**

Not needed.

The meeting ended at 9.35 pm

Signed:

Date:

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Agenda Item 6

REPORT TO:	SCRUTINY & OVERVIEW COMMITTEE 15 JANUARY 2019
SUBJECT:	PRE-DECISION SCRUTINY: PROPOSED GENERAL FUND REVENUE BUDGET 2019/20
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)
CABINET MEMBER:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND RESOURCES
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND RESOURCES AND RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)

ORIGIN OF ITEM:	This item is contained in the Committee's work programme
BRIEF FOR THE COMMITTEE:	To scrutinise the proposed 2019/20 Council Budget.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 This report sets out the context and challenges faced by the council in setting a balanced budget for the financial year 2019/20, and gives an update on the key issues from the Draft Local Government Financial Settlement on the 13 December 2018.
- 1.2 This report looks at the changes and challenges faced by local government and particularly Croydon in terms of its continued reduction in funding and the financial resources available to deliver the key services for the authority.
- 1.3 The report updates on the assumptions and proposed changes that will underpin the 2019/20 budget. The draft growth and savings plans for 2019/20 are then set out in Appendix A. The report also gives details of the forecast financial performance of the Council for 2018/19.
- 1.4 This report is in advance of the final budget report and budget setting decision being made by Council in March 2019.

2.0 Provisional Local Government Finance Settlement 2019/20.

- 2.1 The provisional 2019/20 Local Government Settlement was announced on the 13 December 2018 by James Brokenshire – the secretary of state for Housing, Communities and Local Government. In headline terms there were no material changes announced that change the assumptions made for Croydon in the Medium Term Financial Strategy (MTFS).
- 2.2 In terms of funding for Croydon, the settlement confirmed year 4 of the four year spending plans announced in 2015. This saw a reduction in Settlement Funding Assessment (SFA) of **£7.8m or 8.2%**. As announced in the budget, a social care support grant worth approx. £410m nationally will be made available in 2019/20. The government is consulting on the methodology for allocation and based on their preferred methodology Croydon will receive £3.8m.
- 2.3 Additional funding of £1.1m has also been allocated as part of the Flexible Homelessness Support Grant to fund the rising costs of managing Homelessness.
- 2.4 Public Health funding allocations for 2019/20 were confirmed on the 20 December. Croydon's allocation was confirmed as £20.785m, a reduction of just over £0.5m.
- 2.5 The council tax referendum threshold remained the same at 3% in 2019/20. The police precept can be increased by £24 per annum. There was also no change to the Adult Social Care (ASC) precept principle of a maximum increase of 6% over 3 years to 2019/20.
- 2.6 It was confirmed that London will be a pilot for 75% business rates retention in 2019/20. London was a pilot for 100% retention in 2018/19.
- 2.7 Consultations were published on the Fair Funding Review and 75% business rates retention with deadlines of the 21 February 2019 for responses. The outcomes of how the system for funding local government from April 2020 are still not expected until the Autumn of 2019.

3.0 Medium Term Financial Strategy (MTFS)

- 3.1 Scrutiny reviewed the proposed approach to the MTFS in July 2018. The MTFS was approved by Council in October 2018. The MTFS pulls together in one place all the financial implications of the Council's strategic priorities to produce a costed plan to enable long term financial planning and enable financial sustainability.
- 3.2 It is designed to aid strategic planning and is particularly important during this time of funding uncertainty. The current four year spending review ends in 2019/20 and the ongoing Fairer Funding Consultation means that the level of government funding for 2020/21 and beyond is unknown and therefore makes planning in the later years of the strategy more difficult.
- 3.3 While the MTFS outlines all the key Council financial priorities for the next four years (2018/22). It does make assumptions in some areas due to uncertainty

and therefore regular reviews and updates of the Strategy are fundamental to maintain a strong financial grip.

- 3.4 The MTFS outlined a gap between income and expenditure over the period 2019/22 referred to as the budget gap. Table 1 below outlined the gap at the stage the MTFS was signed off. A copy of the MTFS is included as Appendix B.

Table 1 – Budget gap as per the MTFS

	2019/20 £m's	2020/21 £m's	2021/22 £m's	Total £m's
Budget Gap	5.8	12.5	7.7	26.0

- 3.5 The focus of the work to date has been to get to a balanced position for 2019/20 that can be presented to Cabinet in February and Council in March.
- 3.6 It is assumed that capital receipts will continue to be allocated where appropriate to fund transformation programmes and projects that support the assumptions made in the MTFS, this includes the transformational activities in the Children's Services Improvement Plan.

4.0 Corporate Assumptions - 2019/20 budget

4.1 Council tax

Council tax income made up **£167.4m** of the 2018/19 budget, over 60% of the net income and is therefore a very significant element of the council's budget. The draft budget for 2019/20 assumes that council tax is increased by **3.99%**. This increase comprises of 2.99% Croydon Council Tax and the additional 1% relates to the last percent of the 6% ASC precept allowed. The overall increase generates an additional **£6.9m**.

Also as a result of increases in the number of households liable for council tax and improved collection a further **£5.7m** is expected in council tax from council tax base improvements.

4.2 Grant loss

As set out in section 2 of the draft settlement. There has been a number of changes in grant income that have to be taken into account in the 2019/20 budget. The overall change is a net loss of **£1.8m**.

4.3 Inflation

The budget for 2019/20 needs to take account of changes in the cost of living/inflation. A pay award of at least 2% for all staff has been agreed as part of national pay negotiations, with lower paid staff receiving a greater increase.

Additionally a number of the councils contracts are subject to indexation each year. Overall **£5.8m** has been set aside for inflation.

4.4 Capital Programme and borrowing

The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £60m in 2019/20 and an additional amount of **£2m** has been added to the revenue budget to fund the associated interest payments.

4.5 Pension Contribution

The Pension Fund is valued on a tri-annual basis to determine the employer contribution required by the council to fund future pensions. The valuation undertaken in March 2016 assumed that in the final year of that valuation there would be a 1% increase in contribution for the council which means a **£1.4m** increase in 2019/20.

5 Department Assumptions 2019/20 budget

5.1 Alongside the corporate assumptions that underpin the 2019/20 budget, work has been ongoing to ensure that departmental and service estimates are accurate. This is the key element of the budget where movement in resources between services can be identified. This reflects growth and savings. Appendix A sets out the detailed list of growth and savings options across the five departments of the council. Table 2 below shows these at a departmental level.

Table 2 – Growth and Savings by department

	Options 2019/20		
	Savings	Growth	Net
	£m's	£m's	£m's
Children, Families and Education	1.0	12.0	11.0
Health, Wellbeing and Adults	8.4	10.2	1.8
Gateway, Strategy and Engagement	2.5	3.2	0.7
Place	8.0	1.8	(6.2)
Resources	8.0	1.5	(6.5)
Total	27.9	28.7	0.8

5.2 The table above shows a clear continued shift of resources into Children, Families and Education. Key areas of growth are set out below.

Children, Families and Education – Demand and issues

5.3 The projected department overspend in 2018/19 is **£7.542m** excluding the exceptional items detailed in paragraph 5.4 below. The main areas of overspend continue to derive from demand led services; Children's Social Care placements and staffing. These pressures are a continuation of pressures experienced in previous years, although additional investment was made in 2018/19. A further **£12m** of growth is provided for in the 2019/20 budget.

5.4 The exceptional items as reported to Cabinet in the quarter 2 financial monitoring report relate to Unaccompanied Asylum Seeking Children (UASC), No Recourse to Public Funds (NRPF) and Appeal Rights Exhausted (ARE), which we are continuing to lobby the government to fund. The UASC increased

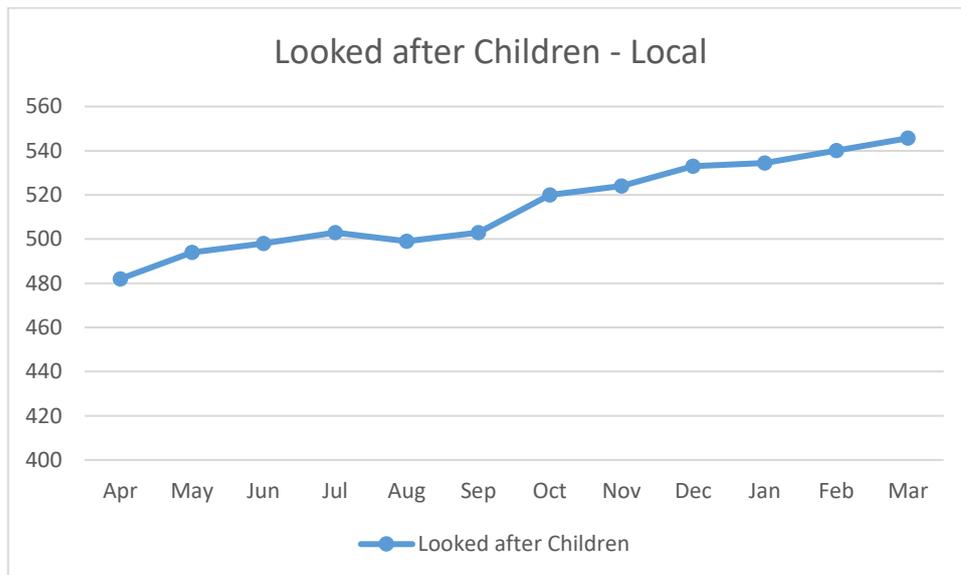
cost is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored.

The total 2018/19 forecast cost of UASC for the Council is **£6.7m** and includes Children’s Social Care costs, along with costs associated with education and health for these young people.

The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act. In addition to these exceptional items Croydon also funds in excess of £5m of other costs relating to NRPF across Adults, Children’s and Gateway services from our own resources.

5.5 The numbers of looked after children have continued to increase in 2018/19 and have been rising significantly. With 533 local children being looked after in December 2018. The graph below shows the actual data until December and estimated figures for January to March. It is hoped that the increase will not be as great as shown in January to March as the impact of new commissioning arrangements are embedded.

Graph 1: Looked after children case numbers compared to budget

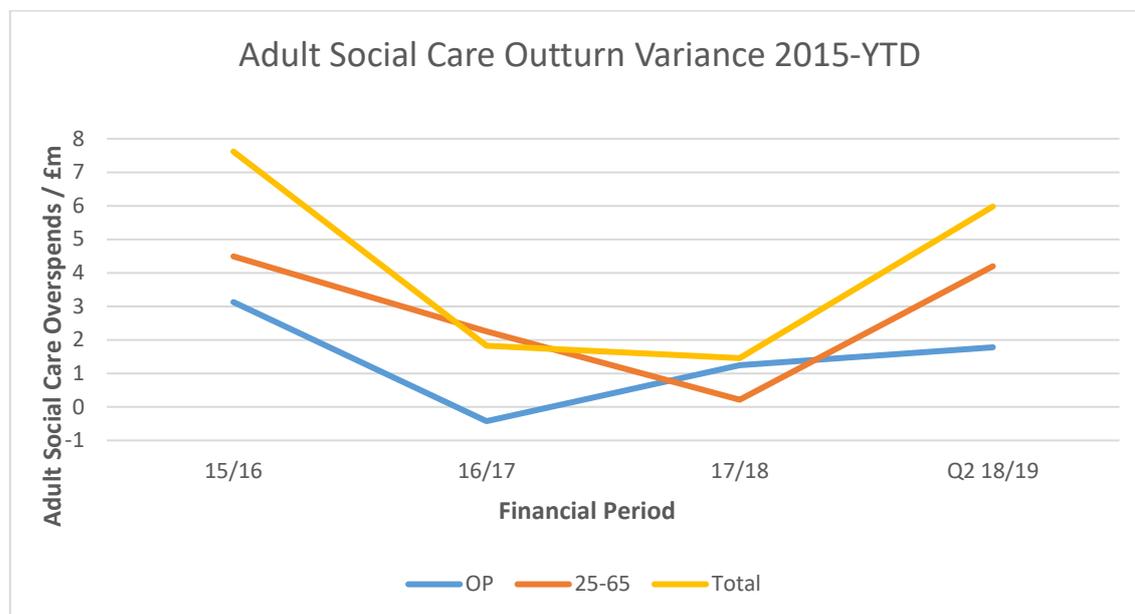


Health, Wellbeing and Adults – Demand and issues

5.6 Adult Social Care has continued to see increases in demand for services above budget and is projecting a net overspend of £0.225m in 2018/19. However there are areas of significant overspend such as the 25-65 disability service with an overspend of just over £4m. This is as a result of rising demand and increased complexity of cases, especially within the 25 to 65 year old service. In the last six months there has been a 3.4% increase in the number of care packages (total 17% increase since April 2018). Graph 2 below shows the overspend for the Older People and 25-65 service. Provision of over £10m has been made in

the 2019/20 budget for growth across the department.

Graph 2: Adult Placement overspend for Older People service and the 25 to 65 service.



Gateway Services

5.7 Gateway services continue to focus on managing demand for homelessness services and helping residents with prevention measures. Additional funding of £3.2m has been allocated to this service to ensure the service can continue to support the most vulnerable residents, with savings from managing demand and need early expected in adult social care services, children's social care services and housing.

5.8 The full list of savings are set out in Appendix A. The key areas are set out below:

- Additional parking income – this reflects the additional level of activity seen in 2018/19 from parking income.
- Asset investment strategy – the net income achieved is based on the two purchases made in 2018/19.
- One Croydon Alliance – Savings from integration work with partners.
- Gateway link – savings achieved across social care from joined up work with families in gateway.
- Improved recycling – savings in landfill costs from improvements in our recycling rate.
- Adult social care charging – changes to charging policy in social care.

6.0 Financial Performance 2018/19

6.1 The revenue outturn forecast at the end of the second quarter of 2018/19 is **£1.226m**, this is before exceptional items of **£2.279m**, resulting in a total overspend of **£3.545m**. If this forecast overspend is not reduced by the end of the year then the contribution to reserves will need to be reduced to fund this.

- 6.2 This total overspend is made up of Departmental over spends of **£6.266m** and exceptional items of **£2.279m**, these exceptional costs relate to Unaccompanied Asylum Seeking Children (UASC) and the impact of the failure of Central Government to implement the provisions of the Immigration Act. These costs are offset by non-departmental underspends of **£5m**. Further detail is shown in table 3 below.
- This

Table 3 – Summary of forecast revenue outturn position at Quarter 2

Department	Quarter 2 Forecast Variance £'000s
Health, Wellbeing and Adults	225
Children, Families and Education	7,542
Place	(5,062)
Gateway, Strategy & Engagement	1,517
Resources and CEO	2,044
Departmental Overspend	6,266
Corporate Items	(5,000)
Sub Total - Before Exceptional Items	1,266
Exceptional Items - Unaccompanied Asylum Seekers (UASC), UASC Leaving Care and All Rights Exhausted associated costs	2,279
Total Projected Over-spend	3,545

- 6.3 The 2018/19 budget was set with the inclusion of growth to help manage known pressures as well as ambitious savings targets. Despite this growth there continues to be increasing demand for the services provided by the Health, Wellbeing and Adults department and the Children, Families and Education department in the key areas of, adult and children's social care and also gateway and welfare services.
- 6.4 As in previous years we have continued to implement a number of programmes and projects aimed at reducing both demand and cost and it is anticipated that the greatest impact of these programmes will continue to be within the Health, Wellbeing and Adults and Children, Families and Education Departments.
- 6.5 Alongside these programmes there continues to be monthly reviews in the areas of highest risk and a continual review of the actions being implemented to manage them. The other departments are also continuing to review spend and deliver efficiencies in the short term to help bring the budget back in line.
- 6.6 The findings from the Children's Social Care Ofsted inspection have put increased pressure on our financial resources. £10.2m additional revenue funding was allocated in the 2018/19 budget, along with additional transformation funding of £4m.
- 6.7 As previously reported to cabinet there are a number of actions in place to manage spend this financial year and in future years.

In the short term, there are a range of immediate actions being taken across departments, including:-

- Improved commissioning, contract management and brokerage including a new framework for independent foster care placements.
- A further review of the use of and cost of agency staff, with reduced use over the Christmas period where possible.
- Continued implementation of the recruitment and retention strategy for social workers.
- The transformation of adult social care continues, which includes a detailed review of high cost care packages alongside the implementation of the Outcome Based Commissioning (OBC) programme for over 65's with health partners.
- The successful Gateway programme continues to deliver savings and support the most vulnerable residents to become more independent.
- The continuation and further growth of the Family Link workers team to assist families.
- Boosting the supply of affordable housing by committing to purchase a further 250 street properties.

7 Capital Budget – 2018/2022

7.1 Our Capital Programme remains a key part of the overall budget setting process. The draft programme for 2019/22 is set out in Appendix C. Borrowing is undertaken for specific schemes and is prioritised where it can have a net positive impact on the revenue budget and there is a clear repayment plan for the capital. Borrowing can be clearly split into four elements:

- **Borrowing – Revolving Investment Fund** – normally for housing and on lent at a commercial rate where debt is repaid on completion of the project.
- **Borrowing – Growth zone** – debt is repaid from future business rates growth.
- **Borrowing – Asset Investment strategy** – Borrowing decisions made in line with the agreed strategy and where the asset generates a positive net return. Debt would be repaid in future from asset value.
- **Borrowing – General** – Any other priority capital schemes that cannot be funded from external sources. Allowance needs to be made in the revenue budget for repayment of capital and payment of interest.

8 Next Steps and Risks

8.1 The key next steps in the financial planning process over the next 12 months are set out in the table below

Table 4 – Timetable for future budget decisions/issues

Item	Date
Response to Fair Funding and Business rates consultations	20/02/19
Cabinet review of budget	25/02/19
Council budget meeting	04/03/19
Spending review	July – Oct 2019
Financial Strategy review – Cabinet	15/07/19
Outcome of Fair Funding review	Oct/Nov 19
Draft Local government financial settlement 2020/21	Dec 19

- 8.2 As always there is a level of risk associated with the assumptions made within the budget and the period 2019/20 is no different. National uncertainties are in addition to local risks, with the key ones listed below :
- 8.3 **Adults and Children’s Social Care and Health.** The lack of additional funding for these services are continuing to be a pressure nationally and in Croydon we are continuing to experience rising demand and complexity of need. While a number of measures have been put in place to manage these demands there still continues to be a growing level of overspend in these services. Growth has been allocated based on known costs and expected future impacts. There is always the ongoing risk that growth may be greater than anticipated and work will need to be ongoing to review and manage budgets.
- 8.4 The Children’s Social Care Ofsted inspection has resulted in a rise in demand for services and therefore an increase in costs. This is alongside the cost to implement our improvement plan. Investment in this essential service area is being made but there remains a risk that the £12m investment from 2019/20 detailed earlier in this report may still not be sufficient.
- 8.5 **UASC and Immigration.** Funding for UASC and Immigration remains a risk, and we are continuing to make a concerted drive for fairer funding for Croydon. The Leader of the Council and the Cabinet Member for Finance and Resources met with the Immigration Minister on the 16th November 2017 and follow up discussions have been taking place between council officers and the Home Office to ask for a reinstatement of our Gateway funding which would increase our funding by £2m, disappointingly these are still ongoing. We have also highlighted a number of other areas where prioritisation by the Home Office could result in a saving to Croydon, including prioritising unresolved appeals for families with no recourse to public funds and a co-ordinated approach to enforcement action with individuals where appeal rights are exhausted. Until the agreement is reached to fund these services these remain a financial risk to Croydon.
- 8.6 **Dedicated Schools Grant (DSG) High Needs Funding.** Funding for schools changed in 2018/19 as a result of the National Funding Formula being implemented. This was welcomed news but did not wholly address the issue of under resourcing for the High Needs block. In recent years funding has been provided at a lower level than need and this has resulted in an overspend. A review of high needs provision is taking place in the borough and the increase

in the number of in borough school places will help reduce costs. However there remains a risk that funding is not sufficient to meet demand resulting in an annual deficit.

8.7 **Legislative Changes.** There continues to be a risk that the Government could make other policy changes that could impact on Croydon over the period of this budget. These changes if they occur will need to be managed as they arise.

8.8 **BREXIT.** Leaving the European Union brings with it financial uncertainty for the Council, as well as the Country as a whole. Whilst the exact impact cannot be estimated at this point, sound financial management requires consideration and preparation for a range of consequences.

9.0 Summary

9.1 There are a number of significant savings options factored in to the budget model and as with all future years there remains a level of risk around the delivery of these options which will need to be carefully managed and reported.

10.0 CONSULTATION

All Departments have been consulted during the preparation of this report.

11.0 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

11.1 The report is submitted by the Executive Director of Resources (Section 151 Officer)

12.0 COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER

12.1 The Solicitor to the Council comments that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of Jacqueline Harris-Baker Director of Law and Monitoring Officer.

13.0 HUMAN RESOURCES IMPACT

13.1 There will be savings packages and action plans that will need to be developed in response to the report that are likely to have workforce implications and significant HR impact. These can vary from posts not being filled or deleted, through to possible redundancies, although in the latter case the Council will seek to mitigate this as far as possible. Where that is the case HR advice must be sought. The Council's existing policies and procedures will apply and must be observed.

Approved by Gillian Bevan for Sue Moorman Director of Human Resources

14.0 EQUALITIES IMPACT

14.1 Croydon Council recognises the important role it has in creating a fair, inclusive and cohesive society through its functions as:

- A community leader
- A provider and commissioner of services
- An employer

Serving one of the most diverse boroughs in outer-London the Council's aim is to make the borough a place where everybody has the opportunity to benefit and people want to invest, live and work here.

14.2 The Equality Act, 2010, requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity; and
- Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.

14.3 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity.

14.4 Whilst the council must have due regard to the Equality Duty when taking decisions, there is also recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. The report has highlighted some of the service challenges that may impact some of our more vulnerable residents, and how the Council is managing these through the budget decisions.

14.5 The Council has an equalities assessment process to ensure that any significant service changes, including those resulting from budget changes, are assessed to identify any impact on any group with a protected characteristic. Where an impact is identified, an equalities plan will be developed to mitigate the harm. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings, and understand the potential risk to challenge.

14.6 In developing its detailed budget proposals for 2019/20 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions to reduce expenditure to meet Government cuts in grant funding and to deliver a balanced budget that meets the specific needs of all residents, including those groups that share a "protected characteristic". Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to protected groups. It will be guided by the broad principles of equality and inclusion that recognise the need to:

- Engage communities
- Narrow the gap between equality groups that share a “protected characteristic” and the majority of the population in relation to services and employment.
- Support active citizenship to enable residents to participate more fully in civic life
- Build community capacity and strengthen cohesion and trust
- Display robust community leadership using diversity as a driver for social and economic growth and prosperity.
- Address inequality and social exclusion
- Provide differentiated services designed and delivered in such a way that they meet the individual need of residents and are accessible.

Approved By Gavin Handford - Head of Policy and Communities.

A detailed analysis will be presented alongside the Cabinet report on the budget in February.

Contact Officer: Richard Simpson, Executive Director Resources (S151 Officer)

Background Documents: None

Appendices: Appendix A Savings and Growth
Appendix B Medium Term Financial Strategy 2018-2022

Children, Families and Education Department Budget Options

Director	Division	Description	Growth/ (Saving)	FTE	2019/20 (£m)
Nick Pendry	Early Help and Childrens Social Care	Fund additional placement costs	Growth	0.00	5.000
Nick Pendry	Early Help and Childrens Social Care	Fund additional staff - currently funded by transformation.	Growth	est. 45	4.000
Nick Pendry	Early Help and Childrens Social Care	UASC costs not funded by the Home Office	Growth	0.00	2.600
Nick Pendry	Early Help and Childrens Social Care	Additional business Support Resources	Growth	11.00	0.400
Nick Pendry	Early Help and Childrens Social Care	Placement savings following review and re commissioning	Savings	0.00	(1.000)
Total				11.00	11.000

Summary

Growth			12.000
Savings			(1.000)
Net			11.000

Health, Wellbeing and Adults Department Budget Options

Director	Division	Description	Growth/ (Saving)	FTE Impact	2019/20 (£m)
Annette McPartland	Adults and All Age Disability	Workforce reform and transformation. Creating a permanent workforce with less agency cover and costs, reducing management costs and creating more holistic team structures around our residents.	Saving	tbc	(1.000)
Annette McPartland	Adults and All Age Disability	All age disability day opportunities - Reconfiguring our offer to people, enhancing life and well-being opportunities through more efficient use of our contracts.	Saving	0.00	(0.100)
Annette McPartland	Adults and All Age Disability	25-65 disability transformation - creating efficiency through better outcomes for people reducing expensive care packages	Saving	0.00	(1.500)
Annette McPartland	Adults and All Age Disability	Mental Health Transformation - Creating efficiency through better outcomes for people reducing expensive care packages.	Saving	0.00	(0.100)
Annette McPartland	Adults and All Age Disability	One Croydon Alliance - Managing the increased demand through better partnership working within the Alliance.	Saving	0.00	(2.445)
Annette McPartland	Adults and All Age Disability	Charging Policy	Saving	0.00	(3.200)
Annette McPartland	Adults and All Age Disability	25-65 Disability Demand - Forecast growth in demand for care and support.	Growth	0.00	4.000
Annette McPartland	Adults and All Age Disability	Mental health Demand - Forecast growth in demand for care and support.	Growth	0.00	0.738
Annette McPartland	Adults and All Age Disability	CWD - service growth - To accommodate current increase in demand and high case loads	Growth	TBC	3.000
Annette McPartland	Adults and All Age Disability	Council contribution to the wider One Croydon Partnership Alliance	Growth	0.00	2.483
		Total		0.00	1.876

Summary

Growth			10.221
Savings			(8.345)
Net			1.876

Gateway, Strategy and Engagement Department Budget Options

Director / HOS	Division	Description	Growth/ (Saving)	FTE	2019/20 (£m)
Julia Pitt	Service Development	To substantiate the Gateway Link core service.	Growth	4.00	0.216
Julia Pitt	Service Development	Expansion of Gateway Link service.	Growth	7.00	0.316
Julia Pitt	Gateway Service	Implement the Community Resources Team from being a pilot into a permanent team	Growth	4.00	0.200
Julia Pitt	Enablement and Welfare	Employment Support Service	Growth	9.00	0.329
Julia Pitt	Enablement and Welfare	Personal Budgeting Support Team	Growth	TBC	0.157
Julia Pitt	Enablement and Welfare	Adult Social Care Financial Assessment Team to respond to the New Operating Model with a view to maximising income	Growth	TBC	0.388
Julia Pitt	Enablement and Welfare	Increase staffing numbers in the No Recourse to Public Funds Service	Growth	TBC	0.233
Julia Pitt	Enablement and Welfare	Gateway Link - Adults Social care and all age disability	Growth	TBC	0.475
Julia Pitt	Enablement and Welfare	Gateway Link - Childrens	Growth	TBC	0.275
Julia Pitt	Enablement and Welfare	Gateway Link Panels	Growth	0.00	0.133
Julia Pitt	Enablement and Welfare	Increased requirement for concessionary fares	Growth	0.00	0.066
Julia Pitt	Gateway Service	Savings in adults social care and children's delivered by gateway	Savings	0.00	(2.500)
Helen Parrot	Policy and Partnership	Your Croydon	Growth	0.00	0.050
Yvonne Murray	Housing Needs	Increased team capacity and incentive payments	Growth	5.00	0.500
		Total			0.838

Summary

Growth			3.338
Savings			(2.500)
Net			0.838

PLACE DEPARTMENT BUDGET OPTIONS

Director	Division	Description	Growth/ (Saving)	FTE Impact	2019/20 (£m) Revised
Steve Iles	Leisure	Re-procurement of Leisure Services Contract	Saving	0.00	(0.100)
Steve Iles	Leisure	Increasing income from parks events	Saving	0.00	(0.050)
Steve Iles	Streets	Waste Minimisation Project (landfill) - as a result of the new reduction in residual waste bin sizes	Saving	0.00	(1.000)
Steve Iles	Streets	Street lighting Energy Costs	Growth	0.00	0.700
Steve Iles	Streets	Grounds Maintenance costs - improved service	Growth	0.00	1.000
Steve Iles	Parking	Increase - On street Pay & Display charges	Saving	0.00	(1.925)
Steve Iles	Parking	increase - Penalty Charge Notice Income	Saving	0.00	(2.198)
Steve Iles	Parking	Increased - Permit Income	Saving	0.00	(0.377)
Heather Cheesbrough	Development Control	Increased Planning and Building Control Income, and supplies and services savings in the Directorate	Saving	0.00	(0.051)
Emma Lindsell	Economic Growth	Coast to Capital and SLP subscriptions	Growth		0.100
Paula Murray	Culture	Increased Contribution from partners to cultural activities	Saving	0.00	(0.025)
All	All	Reduction in various budgets (including contractors, consultancy, memberships and training)	Saving	0.00	(0.020)
Shifa Mustafa	Place	Brick By Brick Dividend	Saving	0.00	(2.200)
TOTAL				0.00	(6.146)

Summary

Growth			1.800
Savings			(7.946)
Net			(6.146)

RESOURCES DEPARTMENT BUDGET OPTIONS

Director	Division	Description	FTE	Growth/ (Saving)	2019/20 (£m)
Mark Norrell	FM and Support Services	Further automation and self serve for business support services.	TBC	Saving	(0.235)
Mark Norrell	FM and Support Services	Reduced frequency of cleaning across corporate estate including windows and general cleaning.	0.00	Saving	(0.140)
Mark Norrell	FM and Support Services	Various Directorate Savings including restructure of Sustainable Energy Team, commercial FM trading to schools and FM savings from reduction in office accommodation.	TBC	Saving	(0.151)
Mark Norrell	FM and Support Services	Income from investment properties	0.00	Saving	(2.500)
Mark Norrell	FM and Support Services	Management of estate - various options inc. surrendering leases, lettings and different use of assets.	0.00	Saving	(0.628)
Lisa Taylor	Finance , Investment and Risk	Reduced costs from further channel shift in revenues and benefit services, including complaints and training	0.00	Saving	(0.119)
Lisa Taylor	Finance , Investment and Risk	Full year effect of the the reduction in the number of divisions within the directorate.	0.00	Saving	(0.077)
Lisa Taylor	Finance , Investment and Risk	Planned national efficiencies by the External Auditor and a local reduction in the cost of validating key grants and internal audit contract savings	0.00	Saving	(0.049)
Lisa Taylor	Finance , Investment and Risk	Reduced pension deficit contribution as a result of the asset transfer to the pension fund	0.00	Saving	(3.500)
Neil Williams	Digital and ICT	Savings from ongoing review and renewal of systems and software contracts	0.00	Saving	(0.100)
Jacqueline Harris Baker	Legal	Improved demand management for external legal services	0.00	Saving	(0.200)
Jacqueline Harris Baker	Legal	Reshaping election services	0.00	Saving	(0.037)
Sue Moorman	Human Resources	Review of HR model	1.00	Saving	(0.067)
Sarah Warman	Commissioning and Procurement	Additional Income from trading - equipment services	0.00	Saving	(0.250)
Sarah Warman	Commissioning and Procurement	SEN Transport	0.00	Growth	1.500
		Total			(6.553)

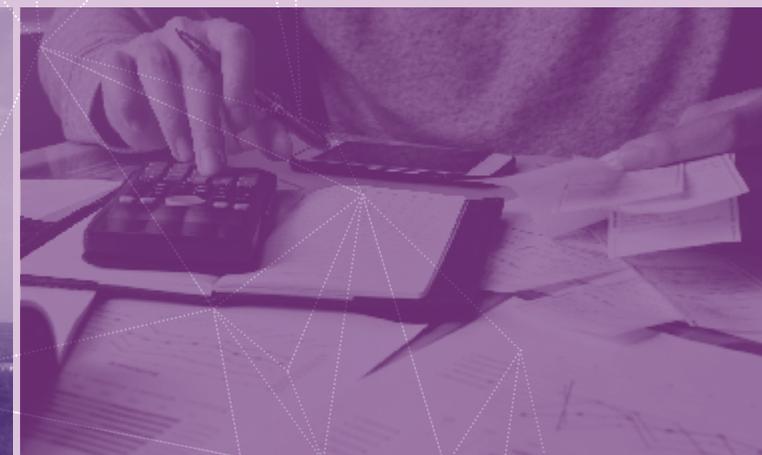
Summary

Growth			1.500
Savings			8.053
Net			6.553

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— MEDIUM TERM —
FINANCIAL
STRATEGY FOR
CROYDON
2018 - 2022





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S151 Officer

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Reporting

Foreword: Cabinet Member for Finance and Resources

This strategy has been written during a time of significant financial uncertainty in local government.



We have seen local authorities run out of money or take draconian action to avoid such a scenario. I am proud that Croydon is not in this situation, despite all its historic underfunding, demographic pressures and massive cuts in its funding from central government.

The current spending review ends mid way through this strategy and Government has announced an overhaul of local government finance without saying what the new system will be, making it difficult to predict many elements with certainty. However, we know that government funding is set to reduce, so increasing pressure.

Our unique position in London sees us funded as an out of London Borough but we face the pressures and demands of an inner London Borough. We have the pressures created by having a fast growing fast changing population. We also have the pressures created by our unique status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC), the issue of No Recourse to Public Funds (NRPF) and housing pressures, alongside insufficient funding to provide high quality schools and special schools. All of which puts increased pressure on our already stretched budgets and services.

Despite the challenge of reducing funding and increasing demand this administration remains committed and determined to deliver modern affordable services and to maintain excellent financial planning that ensures we are fit for the future.

Our priorities are:

- To support the delivery of the manifesto.
- To continue to maximise economic growth in the Borough.
- To deliver services in a way that protects front line services and ensures good outcomes to residents, notably with a focus on local delivery, prevention, partnership work and empowerment of communities.
- To use our borrowing capacity to deliver infrastructure, housing and contribute financially through investment returns.
- To bring more services in-house and improve our commissioning and contract management.
- To ensure we maintain a strong financial management framework, using and investing resources wisely.

We will continue to develop our workforce and digital services to create a sustainable Council that is able to meet the needs of our residents and partners.

This Medium Term Financial Strategy (MTFS) sets out the financial principles of the Council and is aligned to the Corporate Plan 2018-22. These documents set out our drivers for change and the way in which we plan to meet future challenges both operationally and financially. With some key and fundamental plans to deliver our services in a more direct manner focusing on location and need.

A handwritten signature in black ink that reads "Simon Hall".

Councillor Hall

Cabinet Member for Finance and Resources

Foreword: Executive Director of Resources

This Financial strategy sets out the approach we will take to ensuring that the financial health of the organisation remains strong over the medium term.



The strategy itself does not provide a detailed budget for the next 4 years but does set out the approach we will be taking to managing the financial challenges. The strategy does not cover the Housing Revenue Account. A separate strategy on this will come to Cabinet early in 2019 as part of the budget setting report.

We will continue to report to Cabinet in July and February each year to update on this financial strategy and its delivery and for detailed decisions to be made on annual budgets. The Fair Funding review and implementation of a 75% business rates retention system are both potentially significant changes to how we are funded. At this stage there remains a great deal of uncertainty about how this will impact us.

I am proud of the work that we have done on financial management over the last 4 years which has included us delivering our final accounts a month earlier in 2018 by the end of May. Accurate and timely reporting of our financial position remains a key priority for this financial strategy to ensure decisions are based on up to date information and are made in a timely way.

There is heightened focus on the financial sustainability of local authorities both from inside and outside local government. The strength of a council's balance sheet including its level of reserves and balances is clearly a factor in this. The management of our reserves and balances remains crucial over this strategy however it is also vital to understand the future position as well as the current position to judge financial sustainability.

The table compares our usable reserves in 2010 to 2018. Overall there has been a reduction, earmarked reserves have gone down significantly as they have been used for the purposes they were intended for. Capital receipts have gone up and these can now be used to fund revenue transformation projects which is a key area to support our future financial sustainability. We also estimate a further £30m of capital receipts will be received by 2021. This strategy assumes we aim to hold 5% in general fund balances over the period of the MTFS.

The level of income this council can raise from council tax, business rates, development and other commercial opportunities is crucial to ensuring that a balanced budget can be delivered over the medium term whilst still delivering the ambitions of our Corporate Plan.

	2010/11 £m	2017/18 £m
GENERAL FUND		
General Fund Reserves	11.6	10.4
Ear Marked Reserves	38.5	16.2
Capital Receipts	7.6	11
Total	57.7	37.6

Richard Simpson
Executive Director of Resources
(S151 Officer)

► National Context

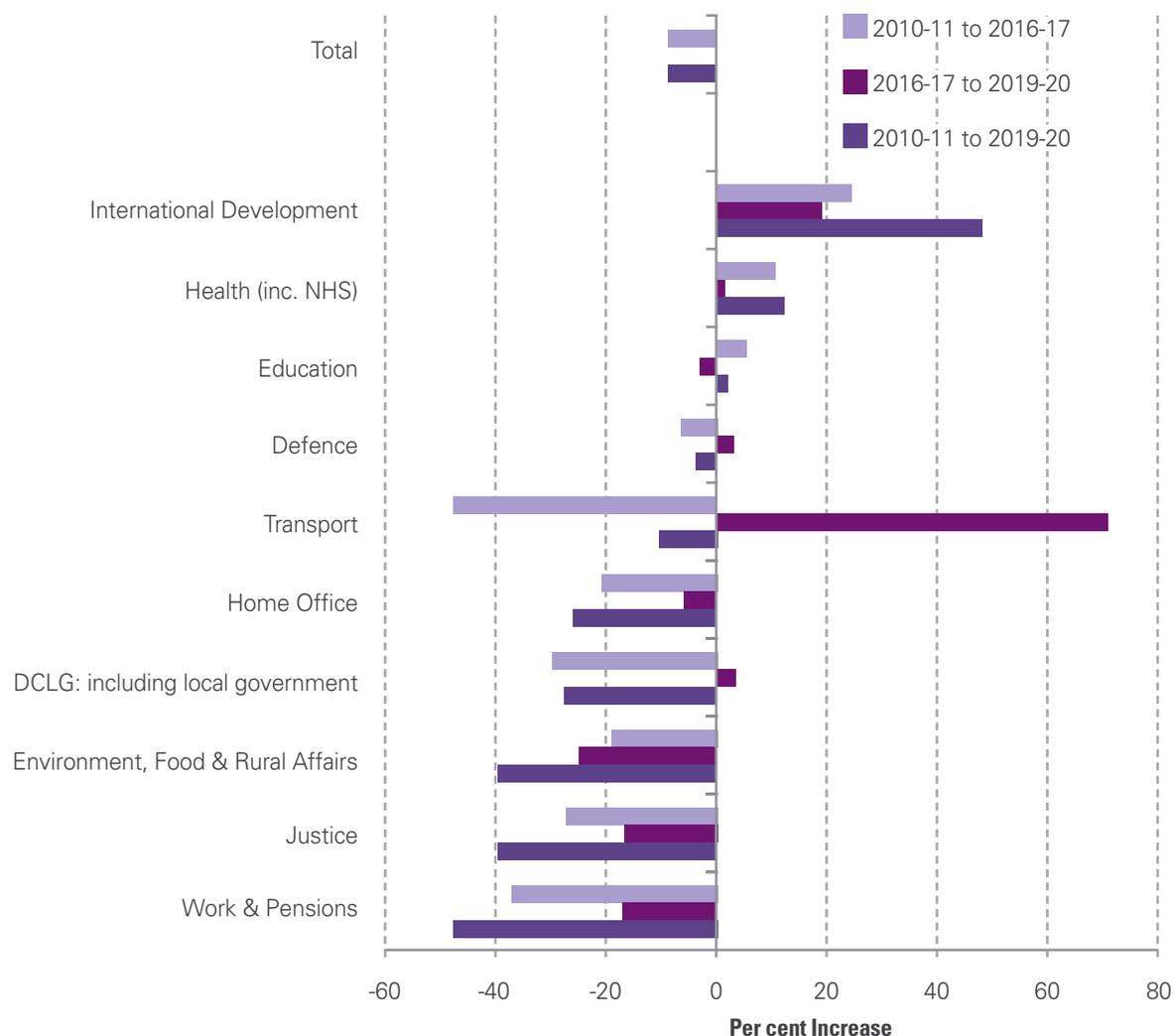
► Since 2010 funding for local government has significantly reduced nationally in line with the government’s objective to reduce the national deficit. Over the period of the 2010 spending review, 2010/11 to 2014/15 government funding for local authorities reduced by 27.9%.

The current government’s Spending Review 2015 covers the period 2016/17 to 2019/20 and is the first four year settlement, which has been designed to give local authorities more certainty on their funding levels and the ability to undertake longer term financial planning. Over the period of this review funding for local government has reduced by a further 22%.

The graph shows the cuts to local government funding since 2010. It is clear that local government funding which is contained within the DCLG line has been cut significantly more than many other departments, while Health and International Development have seen net budget growth. These reductions have been alongside a period of population growth making the real term impact even greater.

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Funding for Government Departments



▶ Government Funding Going Forward

▶ The government is currently in the process of consulting on a funding reform for local government which will be implemented when the current spending review ends in 2019/20. Current uncertainty in future years funding is making it very difficult for local government to plan ahead with any certainty. The Local Government Association (LGA) have published some key assumptions regarding future funding and these have been factored in to this medium term financial strategy where actual funding sources are unknown.

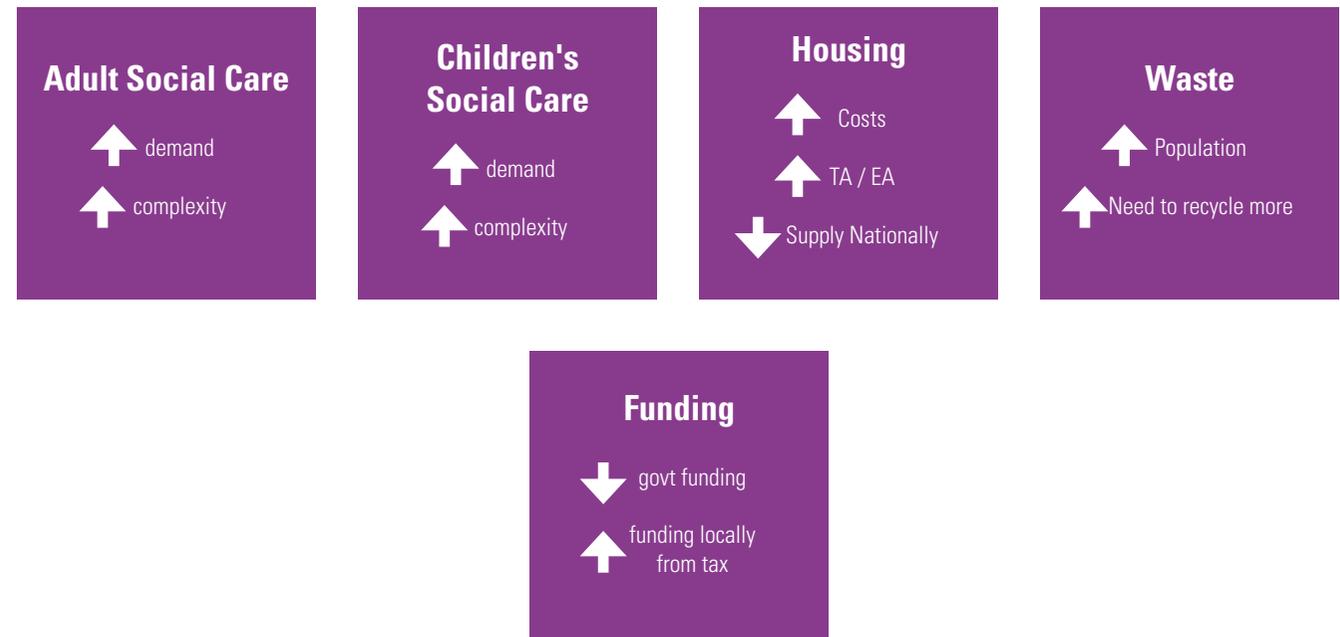
At this time of significant change and unprecedented cuts by central government we will continue to seek to prioritise and protect front line services alongside seeking to achieve best value and efficiency from our back office services.

Nationally the demand for social services is increasing for both adults and children's services. We know that our population is growing, and people are living longer with more complex needs.

Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2017/18 councils surpassed their children's social care budgets by £816.5m in order to protect children at immediate risk of harm, the largest overspend in the last four years. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16. The LGA has estimated that Children's Social care pressures will reach some £2bn by 2019/20.

The national pressures faced in adult social care are also significant and the LGA has recently estimated that £2bn is required by 2019/20 to provide services nationally.

We are seeing an increasing number of local Authorities struggling to balance their budgets. Northamptonshire county council issued a S114 notice in early 2018. The first council to issue a S114 notice in over two decades.



► Achievements during the last Financial Strategy

► Over the four year period of the last financial strategy we have achieved a number of key objectives and delivered a wide range of savings whilst continuing to invest in areas of greatest need.

Our approach to delivering our savings continues to be underpinned by the efficiency strategy that was approved by cabinet in October 2016 and our MTFS continues to recognise this strategy to ensure a sustainable budget is set and delivered over the medium term.

The efficiency strategy set out the key principles and programmes that we have been targeting to deliver savings and includes:

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

Some of our key achievements during the period of the last financial strategy include:

- Successfully prosecuted 200 people for fly tipping in the borough as part of the Don't Mess with Croydon Campaign.
- Introduced charges for green garden waste services.
- Town centre improvements, including upgrades to both East and West Croydon bus station, providing new shelters, better lighting, improved pedestrian access, seating and planting.
- Extending the 20mph limit across 80% of the borough and enhancing the cycle network.
- Invested in our school assets to provide good quality school places at all levels of the curriculum, resulting in over 80% of our Schools being judged as good or outstanding by Ofsted.
- The establishment of our Gateway service enabling thousands of residents to become more financially independent.
- Set up a new charity to oversee our LLP Croydon Affordable Homes, focusing on providing affordable accommodation to homeless families.
- Established our own housing development company Brick by Brick to develop housing across the borough providing private for sale homes and affordable accommodation.
- Let a new Leisure centre services contract, enabling facilities to be refurbished and residents enjoy a healthier lifestyle.
- Established the One Croydon Alliance, an Integrated Health and Social Care system, aimed at improving the lives of Croydon residents and delivering more effective health and social care outcomes.

- Transferred Library Services in house without any disruption to service following the collapse of the external provider.
- Replaced over 23,000 street lights in the borough, creating a safer environment.
- Reviewed our assets, releasing 18 of those no longer required to generate capital receipts and letting areas of spare capacity to generate additional income.
- Invested capital receipts to deliver transformation in key service areas including Adult Social Care, Housing, Children's Social Care and ICT.

We have and will continue to review all services to ensure they are delivered in the most efficient and effective way and where appropriate outsourced services will be terminated and insourced to achieve improved service delivery and financial efficiencies. We will also continue to explore alternative ways of providing services by working more closely with our partners and other local authorities.

We will continue to engage with the government and lobby for fair funding where we think that Croydon is underfunded and not recognised appropriately. Current areas of lobbying which we anticipate will continue to remain throughout the life of this MTFS are Unaccompanied Asylum Seeking Children (UASC) and funding for High Needs via the Dedicated Schools Grant.

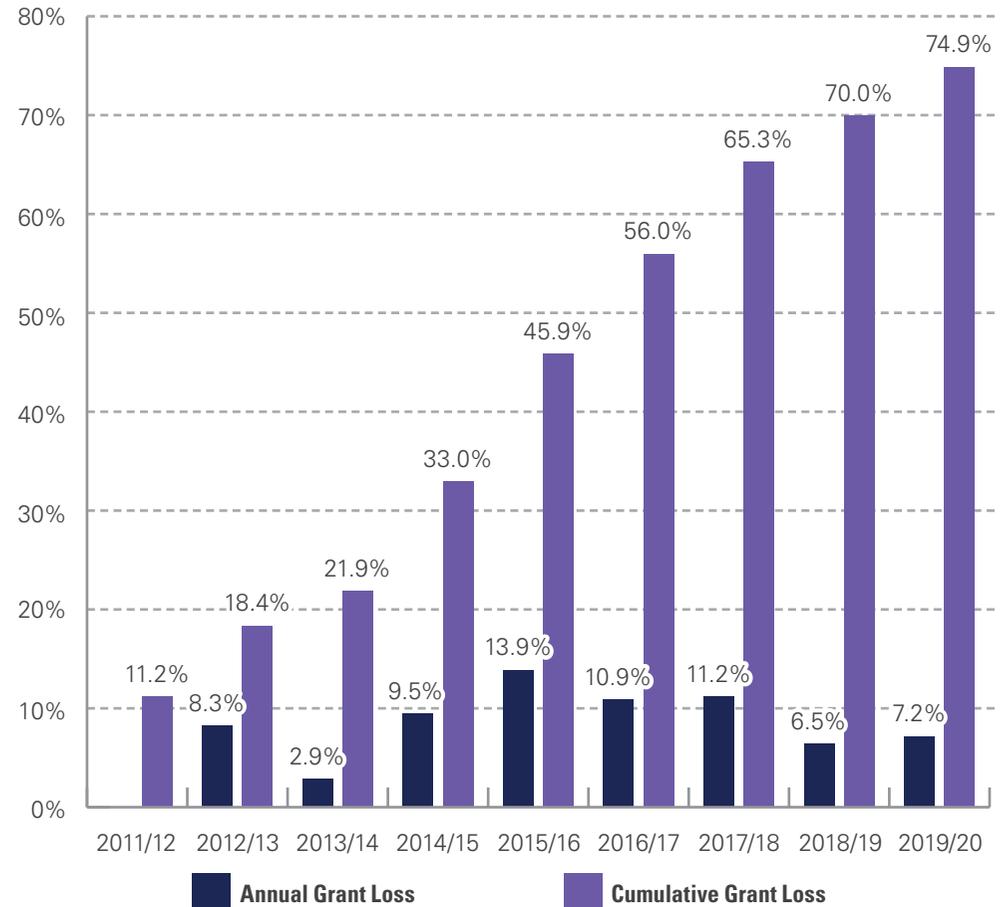
► Croydon Context

► The graph shows Croydon’s funding reductions over the period 2011 to 2020. Our total grant loss compared on a like for like basis with the grant from 2011 is expected to be 74.9% by 2019/20.

In the current global economic climate public financial management is more important than ever. Our resources are becoming scarcer, which coupled with increasing pressures and demands on services, makes it more challenging to ensure that resources are effectively targeted. With funding having been reduced significantly since 2010 we have continued to focus on delivering for our residents whilst maintaining financial control.

Our level of funding per head from government is intended to represent the need in Croydon. The system of need has been fixed within the system since 2013 and is being reviewed as part of the Fair Funding review by MHCLG. We have set out previously how the level of change in need in Croydon over the last decade has driven our demand for services. The table over on page 10 shows our settlement funding assessment per head compared to all the other London Boroughs. Croydon is ranked as 21st lowest, receiving £247.25 per head in 2018/19 compared to neighbouring Lambeth who will receive £457.57 per head. The inner London average funding per head is £394.93. If Croydon were funded at the inner London average per head we would receive an additional £56m (these average figures exclude the City of London due to their uniqueness).

Croydon's Funding Reductions 2011-2020



Funding per head

	Estimated population	SFA (£per resident)					Rank Average	Rank of Average 2016/20
		2015/16	2016/17	2017/18	2018/19	2019/20		
City of London	9,401	2,970.00	2,754.75	2,595.95	2,508.29	2,400.91	2,645.98	1
Hackney	273,526	684.82	624.29	579.83	554.95	526.35	594.05	2
Southwark	313,223	631.87	573.14	529.96	505.84	478.23	543.81	3
Westminster	247,614	622.38	567.69	527.32	504.98	478.59	540.19	4
Tower Hamlets	304,854	616.29	560.03	518.62	495.55	468.87	531.87	5
Islington	232,865	623.65	562.30	517.18	491.98	463.33	531.69	6
Camden	246,181	628.84	562.76	514.06	486.95	456.06	529.73	7
Hammersmith & Fulham	179,654	588.02	529.14	485.73	461.60	433.90	499.68	8
Lambeth	327,910	579.59	522.74	480.95	457.57	431.07	494.39	9
Newham	340,978	555.17	506.42	470.63	450.58	427.60	482.08	10
Kensington & Chelsea	156,726	580.31	509.20	456.55	427.48	394.27	473.56	11
Lewisham	301,867	538.62	485.95	447.28	425.59	401.19	459.72	12
Greenwich	279,766	512.51	462.98	426.64	406.24	383.31	438.34	13
Haringey	278,451	505.68	452.59	413.56	391.70	367.24	426.15	14
Barking & Dagenham	206,460	478.71	433.47	400.29	381.64	360.67	410.96	15
Brent	328,254	465.11	416.84	381.36	361.49	339.21	392.80	16
Waltham Forest	275,843	441.91	394.03	358.82	339.10	317.15	370.20	17
Wandsworth	316,096	399.29	362.55	335.46	320.42	302.91	344.12	18
Ealing	343,196	393.78	346.55	311.81	292.36	270.93	323.09	19
Enfield	331,395	390.93	345.29	311.74	292.92	272.22	322.62	20
Croydon	382,304	345.32	299.67	266.08	247.25	226.80	277.02	21
Sutton	202,220	335.81	287.21	251.41	231.36	209.76	263.11	22
Hounslow	271,139	323.08	281.04	250.09	232.76	213.81	260.16	23
Redbridge	299,249	313.95	273.87	244.38	227.85	209.79	253.97	24
Merton	205,029	316.69	270.69	236.77	217.83	197.22	247.84	25
Hillingdon	302,471	280.76	240.18	210.31	193.56	175.51	220.06	26
Barnet	386,083	278.01	234.66	202.70	184.83	165.59	213.16	27
Harrow	248,752	278.75	234.15	201.29	182.90	163.10	212.04	28
Bexley	244,760	268.12	226.59	196.02	178.88	160.52	206.03	29
Havering	252,783	250.52	207.75	176.26	158.59	139.86	186.60	30
Kingston upon Thames	176,107	228.87	182.57	148.36	129.30	108.93	159.61	31
Bromley	326,889	213.14	172.85	143.12	126.51	108.81	152.88	32
Richmond upon Thames	195,846	225.95	168.46	125.27	110.87	75.19	141.15	33

► Croydon Context

Core Spending Power has been the governments preferred methodology for measuring the impact of funding changes on local government. This is intended to take account of the full range of income the council receives so includes council tax. The table shows Croydon's Settlement Funding Assessment allocations 2015/16 to 2019/20, clearly showing how our Settlement Funding Assessment (SFA) has significantly reduced and our core spending power in real terms has also significantly reduced. Population growth and inflation has been included so Core funding per head in real terms can be assessed in order to show the impact between 2015/16 and 2019/20 on how much we have to spend per head of the population.

Real term core spending reduction is 9%.

Real term core spending per head reduction is 13%.

Core Spending Power

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment	133.0	115.5	102.6	96.0	88.9
Council tax	133.4	140.7	147.7	156.8	166.4
Adult Social care council tax precept		2.8	7.3	12.6	13.3
Improved Better Care Fund	–	–	5.5	7.1	8.3
Transition Grant	–	0.4	0.4	–	–
The 2017/18 Adult Social Care Support Grant		–	1.4	–	–
New Homes Bonus	9.9	11.9	8.7	6.3	6.4
Core Spending Power	276.3	271.4	273.7	278.7	283.3
Population	380,368				399,552
Core funding per Head	726.3				709.0
Core spending power real terms	276.3	266.4	260.1	255.7	252.3
Core funding per Head – real terms	726.8				631.4



► Medium Term Financial Model

► This Medium Term Financial Strategy sets out the underpinning financial assumptions of the Council and is aligned to the Corporate Plan 2018-22. These documents set out our drivers for change and the way in which we plan to meet future challenges both operationally and financially. With some key and fundamental plans to deliver services more focused on prevention.

The MTFS covers a 4 year period. The first year 2018/19 is the current financial year and the budget was agreed at Cabinet in February 2018.

Year 2 is 2019/20, this is the last year of the current spending review and the draft budget was also presented to Cabinet in February 2018.

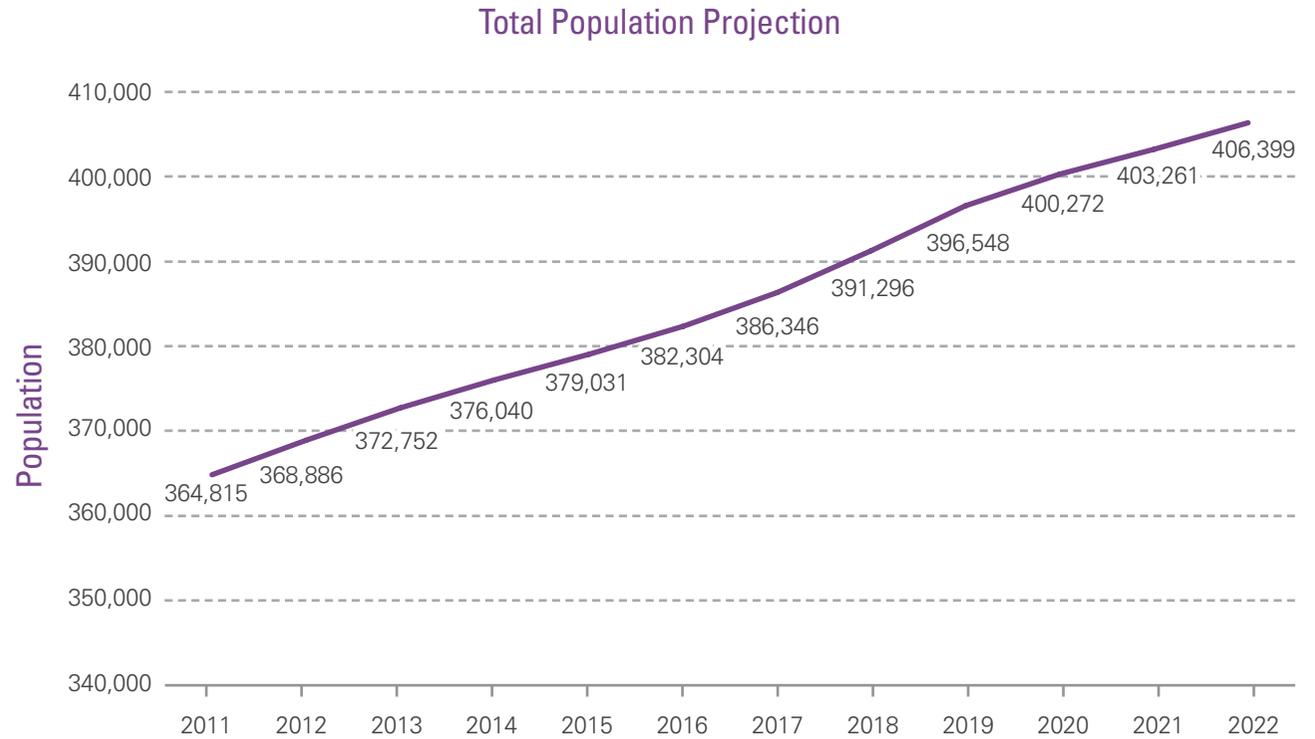
Years 3 and 4, 2020/21 and 2021/22 are the first two years following the new spending reform that has yet to be fully developed. As a result the figures in these two years are less developed and contain more assumptions, these are explained and will need to be reviewed.



► Population

► In developing this Medium Term Financial Strategy we needed to consider growth and the changing demographics. Croydon is expanding at a significant pace, and the speed and extent of change is evident in the built environment and in the number of people and businesses moving in to the borough.

We know that our population is increasing and the GLA have predicted that our total population will grow from 391,296 in 2018 to 406,399 in 2022. This is an increase of 4%. The graph shows our growth since 2011 at over 11%.



► Our Demographics – Young People



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► We have assumed that our number of young people aged 0-17 years will increase from 96,751 now in 2018 to 101,224 in 2022, based on GLA assumptions. This is an increase of 4.6%, and can be seen in the graph.

Children Social Care referrals and the number of children with special education needs are growing at a much faster rate.

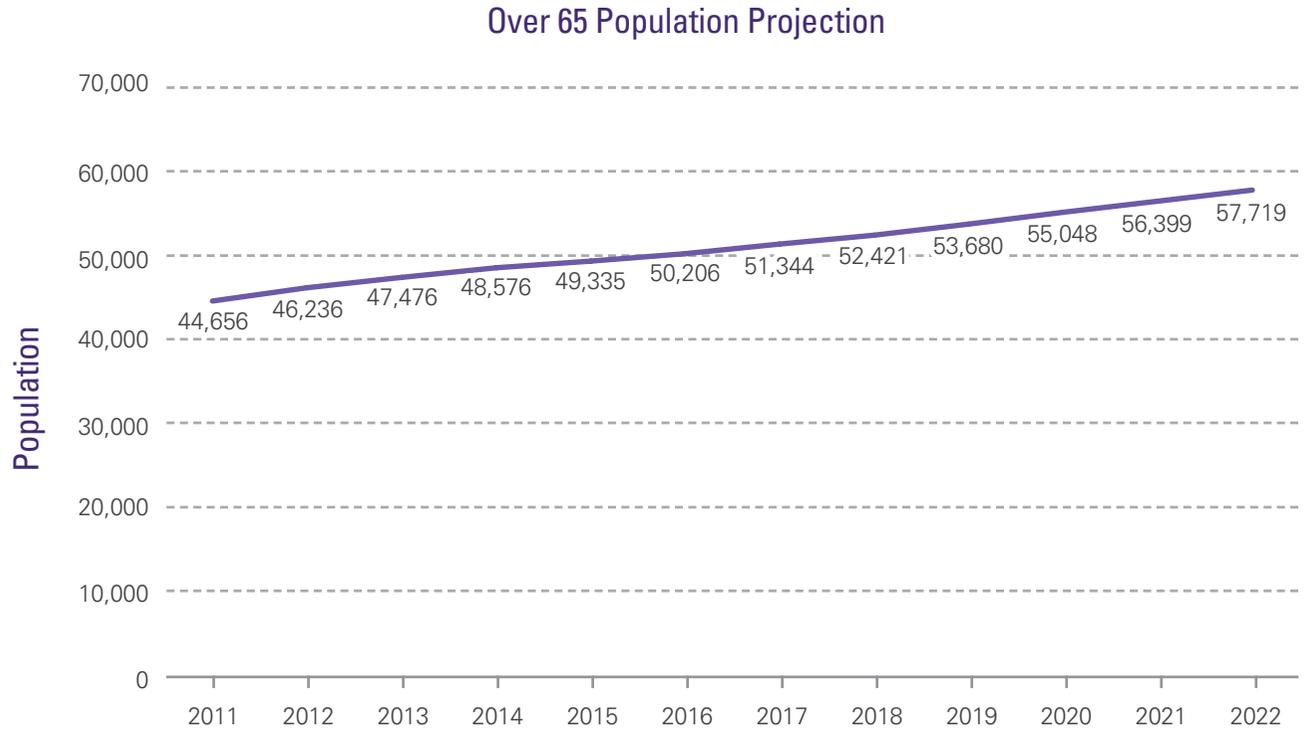
0-17 Years Population Projection



► Our Demographics – Older People



► We know that our population of older people is increasing and based on the GLA modelling we have assumed that our population of over 65's will increase by 10% to 57,719 in 2022. And of those 8,173 will be over 85. This is an increase of 14.8%.





OUR DEMOGRAPHICS

ADULT SOCIAL CARE

CHILDREN'S SOCIAL CARE

Page 50 ▶ Each of these different groups of our population will have different needs and require different levels of services from us. In developing this strategy we have taken account of these forecasts and they will need to continue to be reviewed over the life of the strategy.

▶ We know that our population is growing and that our residents are living longer, often with complex health and social care needs. By 2020 we anticipate that 15% of our population will be over 65. We want our residents to live long, healthy, happy and independent lives with access to care services when needed.

▶ The number of young people in our borough is continuing to increase and by the end of this financial strategy we predict (using GLA data) that the number of young people under the age of 17 will have increased to over 101,000, an increase of 4% over the life of this MTFS.

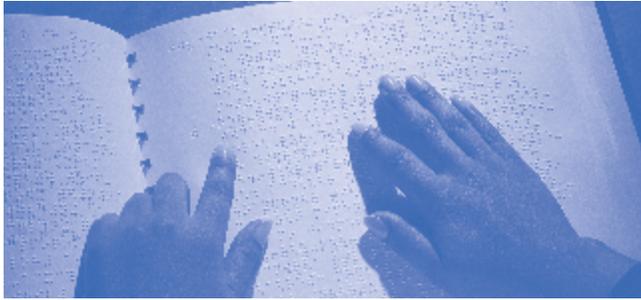
With an increase in population we know that there will be an increase on demand for both universal and targeted services.

In this MTFS we have assumed that demand for social care services will continue to grow and in 2019/20 we have factored in specific service growth of £3.7m. We have factored in an annual increase of 2.5% in real terms to manage demand and growing complexity of need, this is based on the projected GLA projections on population change over the life of the strategy.

The recent Ofsted inspection of our Children's services identified that we needed to make improvements and in 2018/19 we have invested over £10m in to children's services to provide a greater number of front line social workers and for the provision of good quality foster placements. Based on this investment and the continued growth in demand and complexity of need we have assumed an additional investment in 2019/20 of a further £7m.

Set out are the key assumptions that have been built into the MTFS.

We have assumed in this strategy that demand for Children's Social care services will increase at 1.5% in real terms per annum over the life of the MTFS, based on the projected GLA population projections over the life of the strategy.



CHILDREN WITH DISABILITIES

▶ With the number of young people in our Borough increasing and the current costs exceeding budget we have assumed in this financial strategy that the cost of providing services to children with disabilities will continue to rise. The assumption in 2019/20 is a £2m increase to manage both current overspends and increasing demand and for future years we have assumed demand growth will continue at £1m per annum.



HIGH NEEDS

▶ The number of young people in Croydon with High Needs is continuing to increase and this is putting increased pressure on our Dedicated Schools Grant (DSG) and General fund.

Funding for school High Needs places is not increasing in line with demand and over the last year we have seen an increase in costs of £4m. To manage this rising demand we are increasing the number of school places within our borough for pupils with high needs and therefore reducing the cost of expensive placements in the private sector. This will also reduce the number of journeys needing to be made and therefore reduce transport costs.

Expectations in this strategy are that the increase in places in the borough along with a change to the level of provision provided in main stream schools will reduce costs and enable the service to be delivered in line with the Dedicated Schools Grant funding from Government and therefore not impact on the need for budget growth in our general fund.



SEN TRANSPORT

▶ With an increase in population and growing numbers of children with disabilities we are also seeing an increase in demand for SEN transport. Work is taking place to review the service provision and we have assumed in this strategy that there will be an increase in the budget of £1.5m in 2019/20 to manage current demand. We will continue to work with schools to enhance our local provision and therefore reduce the need for transport.



TEMPORARY AND EMERGENCY ACCOMMODATION

► Whilst we have greatly reduced our spend on temporary and emergency accommodation we are currently spending more than the budget. To correct this and ensure the budget is correct for the future we have assumed in this financial strategy that there will be the need to increase the budget by **£0.5m** in 2019/20.



WASTE

► We have assumed in this strategy that our population will continue to grow and therefore we have assumed that the cost of waste collection and disposal will also grow. The assumption is that costs will increase by £1m per annum, this will continue to be monitored closely especially as the new collection contract that commences in September 2018 is expected to increase recycling rates.

► 2019/20 savings

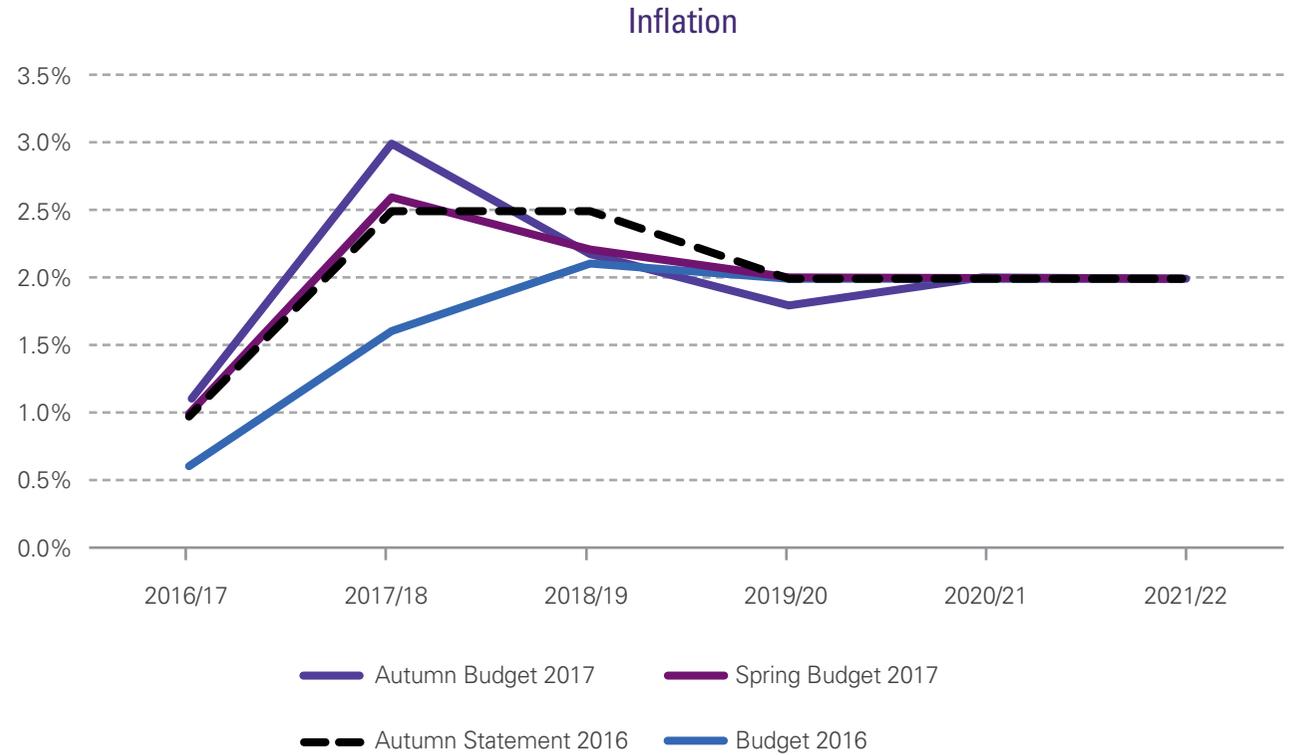
► The 2019/20 budget agreed at Cabinet in February 2018 contained a number of savings options totalling £14.9m, these include savings from the One Croydon Alliance, ICT and asset management savings. While these are assumptions in the budget they all need to be reviewed and tested to ensure they remain viable deliverable options. For the purposes of this MTFS we have assumed that the Brick by Brick dividend of £3.3m has been removed and therefore the savings in 2019/20 are £11.6m.



► Inflation

► We have assumed that general inflation in the financial model will be 2.5%. This has been assumed as a general increase on all income and expenditure items that are subject to inflation.

The graph shows the Budget 2017 forecasts for CPI against those published in previous announcements. Figures show very little overall change, with an increase of 0.4% in projected CPI in 2017/18 and then unchanged CPI for three of the next four years.



► Capital Programme

► Our Capital programme is a key part of our MTFS and investment in our assets and infrastructure are an important part of our financial plans.

We will invest in programmes and projects in line with our statutory and core functions with priority for funding being given to these schemes along with invest to save projects. We will use return on investment to prioritise schemes. The MTFS assumes that we will continue to make maximum use of planning gain from CIL and S106 where possible to reduce our borrowing requirements.

We are proposing to create an asset Acquisition Fund of £100m to enable us to invest in property to generate an income for the Council.

We have assumed that Borrowing for the capital programme will be £25m per annum maximum from 2019/20.

Capital receipts will continue to be used to fund our transformation programme given our shortage of earmarked reserves this is key to manage the medium term revenue position.

The Growth Zone is a big element of our capital programme. The principle assumed in this strategy is that future business rates received from the zone are ring fenced outside of this strategy for investment within the zone.

Borrowing	Budget 2018/19 £m	Budget 2018/19 £m	Budget 2019/20 £m	Budget 2020/21 £m	Budget 2021/22 £m	Total 2018/22 £m
General Fund Debt at 31.3.18	581.5					581.5
Borrowing – Revolving Investment Fund		194.9	37.3	20.0	20.0	272.2
Borrowing – Growth Zone		4.0	27.0	90.0	90.0	211.0
Borrowing – General		96.5	25.0	25.0	25.0	171.5
Asset Acquisition Fund		32	50	30	20	132.0
Total General Fund Debt		908.9	1,048.1	1,213.1	1,368.1	1,368.1



► How we spend our money



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► The table details our expected expenditure based on the assumptions set out in this MTFS:

Pg 23 shows our anticipated budget gap based on the assumptions in this MTFS.

Expenditure	2018/19 Base Year	£m year 2	£m year 3	£m year 4
	18/19	19/20	20/21	21/22
Adults Health and Wellbeing	106.8	112.6	117.6	122.5
Children, Families and Education	61.7	68.7	71.0	73.3
Residents and Gateway services	30.4	30.9	30.9	30.9
Place Department	37.6	38.6	39.6	40.6
Resources Department	19.7	21.2	21.2	21.2
Chief Executives Department	0.6	0.6	0.6	0.6
Contribution to Doubtful Debt	0.2	0.2	0.2	0.2
Pension Deficit Contribution	8.1	9.1	9.1	9.1
Carbon Credits	0.3	0.3	0.3	0.3
Apprenticeship Levy	0.6	0.6	0.6	0.6
Community Initiative Fund	0.7	0.7	0.7	0.7
Contracts Review	-2.0	-2.0	-2.0	-2.0
Inflation	0.0	5.3	12.4	19.6
Contingency	2.0	2.0	2.0	2.0
Interest Payable	21.0	23.0	25.1	27.2
MRP	6.8	7.0	7.1	7.3
Levies	1.4	1.4	1.5	1.5
Contribution to Reserves	4.7	0.0	0.0	0.0
TOTAL	300.4	320.2	337.9	355.8
Savings Identified	0.0	-11.5	-11.5	-11.5
Total Expenditure	300.4	308.7	326.4	344.3

► What income we receive & savings required

► We know that our expenditure is greater than our income and therefore savings need to be identified. From our assumptions in this strategy savings of £5.8m are needed in 2019/20. A further £12.5m in 2020/21 and £7.7m in 2021/22. The total savings required over this MTFS are £25.9m.

Income Assumptions – %

Projections	£m Year 1	£m Year 2	£m Year 3	£m Year 4
	Baseline 2018/19	2019/20	2020/21	2021/22
Income				
Council Tax – assumptions	1.99%	3%	2%	2%
ASC Precept	2%	1%	2%	2%
Government funding loss	0	-2.5%	-2.5%	-2.5%

Income Assumptions – £

Income	£m Year 1	£m Year 2	£m Year 3	£m Year 4
	Baseline 2018/19	2019/20	2020/21	2021/22
Council Tax	156.7	167.6	173.8	180.2
ASC Precept	10.7	12.6	16.4	20.4
Interest and Investment Income	5.9	6.0	6.2	6.4
Collection Fund Surplus	8.8	4.7	0.0	0.0
Business Rates Top Up Grant	12.7	12.0	11.0	10.0
Business Rates Income	78.0	78.0	79.6	81.2
Core Grants	27.5	22.0	21.3	20.2
Fair Funding	0.0	TBC	TBC	TBC
TOTAL	300.4	303.0	308.2	318.3

Savings Required

	Year 1	Year 2	Year 3	Year 4
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Budget Gap Per Year	n/a	5.8	12.5	7.7
Cumulative Savings Required	n/a	5.8	18.2	25.9

► Detail of what money we receive

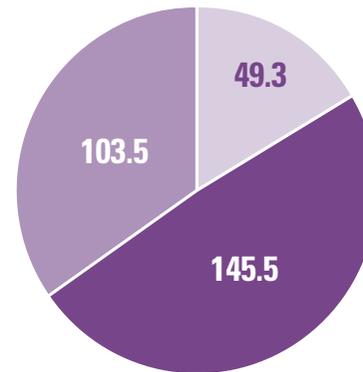
► We know that our funding from government will continue to be reduced, and therefore the need for income generation to deliver services will continue to become greater to ensure we have enough money to deliver services.

With income being an important element of the budget and with the new spending review coming in to effect from 2020/21 following the funding reform we do not know the level of funding we will receive from government in the form of grants beyond 2019/20. So, at the time of writing this strategy with the significant level of uncertainty around funding beyond the end of the current spending review in 2020, we have modelled a number of different scenarios.

The grant assumptions range from between a freeze and a 5% reduction in grant. The assumption is a 2.5% loss of grant in cash terms. Our current grant funding from government is £29m and includes New Homes Bonus funding, Improved Better Care fund and S31 Business Rates Grant.

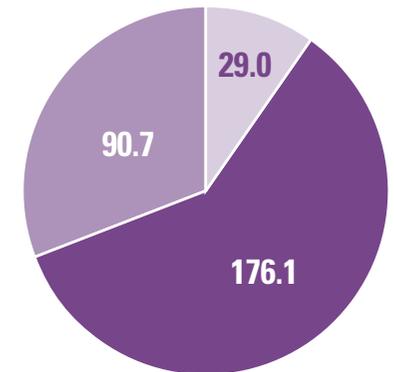
The graphs show our budget requirement over the period 2010/19. Clearly showing that our income from Council Tax has increased and the government funding from Grants has significantly reduced. This means in simple terms that council tax has a much more significant impact on the affordability of our spending plans than in 2010.

Budget Requirements
2010/11
£m



- Council Tax
- Business Rates
- Grants

Budget Requirements
2018/19
£m



- Council Tax
- Business Rates
- Grants

► Council Tax

► This MTFS assumes that Council tax will increase by a total of 4% in 2019/20. This includes the final 1% of the allowable Adult Social Care Levy and 3% for Croydon services.

For 2020/21 and 2021/22 it is currently uncertain how much we will be able to increase Council Tax by, and whether the Adult Social Care levy will continue. For the modelling in this strategy we have assumed that Council tax will increase by a 2% per annum from each source.

Based on the current Council tax base a 1% increase generates approximately an additional £1.5m of income.

Growth in the Council Tax base has been built in to our income projections at 1.2% per annum, with the potential for further growth in future years if the increase in new properties exceeds current projections. This increase in council tax income also results in an increase in demand on services and this projected increase in demographic growth has also been factored in to this MTFS.



► Business Rates

► The delivery of economic growth remains a key part of our MTFS, enabling increased prosperity and reducing dependency on Council services. Businesses play an important role in our borough and the rates they pay make a significant contribution towards our funding. Business Rates are forecast to grow over the period of this MTFS. Assumptions made in the strategy are that Business rates will increase by CPI over the life of the strategy.

We are currently a member of the London Business Rates Pilot for 2018/19, enabling all the London Boroughs to retain 100% of their Business Rates growth with no borough being worse off by being a member of the pool. The current proposal is that this will change to a 75% scheme from 2019/20.

The growth in business rates from the growth zone is ring-fenced separately from a general fund budget as it is used to repay debt.

► Fees and Charges



► All discretionary fees and charges will be reviewed annually and will be increased where appropriate. The assumption in this strategy is an increase of inflation per annum.

► Actions to manage our financial position

► We recognise that good financial management is key to delivering effective services and maintaining financial sustainability and control and needs to be embedded in everything we do. We know that demand for our services is increasing and that we need to deliver them in a different way if they are to be effective and affordable.

The areas set out in this strategy are the key strategic priorities for how we will manage the medium term budget position.

It will be vital to make well informed decisions on the basis of accurate financial and operational information. It is also important to recognise that the council will need to take considered risks to deliver it's objectives.



► Delivering our Corporate Plan

► It is crucial that the financial strategy is completely aligned with the Corporate Plan. The corporate plan sets out the key priorities for the next four years and identifies the need to drive even harder the approach to:

- supporting residents and families
- tackling issues before they reach crisis
- delivering creative solutions to deliver better outcomes
- overcome the challenges presented by ongoing reductions to funding and increasing need for Council services

Building on the approach already established in the Gateway Service, the Corporate Plan will drive, a total place based approach that uses business intelligence to design new preventative services and programmes tailored to local need and delivered close to home.

Working in partnership, notably with health, police and the voluntary sector, we will look to design holistic and integrated services based on a system-wide approach, with joint pooled resources and pathways operating across organisational boundaries and maximising the use of digital technology.

A key element of delivering the corporate plan priorities and securing better outcomes requires us to recognise the variations in assets and needs within the different localities across the borough.

Providing the right services closer to home, and developing preventative programmes in conjunction with communities and families who need them is central to the new approach. This reflects approaches already underway in the Gateway Service and through our work with Health in the One Alliance. Trialling different approaches in different areas will enable us to test the impact of this approach.

This is an approach not driven by saving money but driven by improving outcomes for residents. However we do believe it will lead to a more effective use of our resources and increase the opportunity to reduce the amount of the council's resources spent on acute need which can be both expensive and not lead to the best outcome for our residents.



▶ Asset Acquisition

▶ The Council has an aspiration to secure medium to long term revenue returns from sound property investment principally within the Borough. If chosen carefully the revenue returns should be consistent and less prone to fluctuation due to the protection within the lease agreements. These returns will be key to our future revenue income and enable expenditure on key services.

We will be principally looking at the opportunity that property investment offers to help generate a secure revenue stream over the medium to long term. However, less secure assets that offer future revenue potential with higher returns that also unlock the development of strategic sites will also be considered. These may typically be part vacant properties in district centres that requiring some degree of refurbishment or additional development to secure their full letting potential.

Each opportunity will be assessed against a matrix.

The matrix will have scoring against each of the key elements and categorise into Excellent, Fair, Good and Marginal investments. Procurement of investment and valuation advice and any survey work will be delivered by the Professional Property Services framework.

In order to ensure we can compete in a competitive commercial market for the purchase of investment assets it is proposed that a £100m asset acquisition fund is created.

The key elements to be scored within the matrix will be:

Location – the proposal is to have all investments within borough unless there are exceptional circumstances to justify an out of borough purchase (e.g. linked to a wider portfolio of assets, supports local employment or business retention). The split between locations is suggested as Prime 65%, Secondary 25%, Out of borough prime/secondary 10%

Covenant Strength – to secure the required security of revenue it is important to secure grade A covenants. By exception, weaker covenants may be considered if there are refurbishment/redevelopment benefits.

Tenure – unencumbered freehold or long leasehold titles without any restrictive covenant terms

Lease terms – ideally 15-20 years on Full Repairing basis in a single occupation to minimise management costs.

Building Age – new build or have been subject to a comprehensive refurbishment. Older buildings in sound condition, may also be considered on the right terms

Lot size – This will reflect the quality of the requirements but a range of values should be considered to help reduce risk and offer some flexibility. Suggested split: £1-5m 20%, £5-12m 35%, £10-20m 25% and £20m+ 20%

Net Yields – These must reflect the total costs including SDLT, Agents fees and legal costs together with the cost of borrowing to give a true return on the investment to the Council

Property use – certain uses will not be considered and it is suggested that these follow the requirements of the pension fund

Portfolio mix – to spread the type of investment so that not all investments are in one market sector (Suggested 35% Offices, 35% industrial, 20% other and 10% retail)

► Revolving Investment Fund (RIF) + Brick by Brick

► The Revolving Investment Fund (RIF) is key to our financial strategy enabling investment in the borough and supporting the delivery of our Growth Promise. The RIF also acts as a funder to our Housing Development Company Brick by Brick enabling the development of homes in the borough.

The RIF lends at commercial rates whilst borrowing at lower rates which are available to the Council. The net returns estimated over the next 3 years are £2m per annum and are included in the revenue budget.

The Council has also set up a Housing LLP to increase the provision of affordable homes in the borough. To enable the increase of the provision of affordable housing in the borough, the Council, via wholly owned entities, has entered in to three separate limited liability partnerships (LLPs) with a local charity to develop units across the borough and street purchased properties as affordable rented homes.

The LLPs will be able to utilise the Council's retained right to buy receipts, which it is unable to use due to the limited resources in the housing revenue account, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. If the Council did not use the right to buy receipts in this manner, we would have to repay them to central government with interest.

Croydon will retain a long term interest in the properties via the freehold of the sites or properties and receive an income stream in to the general fund from each LLP. The impact on the Council's general fund, once all properties are fully available, is an ongoing benefit of £1.4m. Additionally, there will be capital gains on the previously purchased units and, through arms lengths agreements with the LLPs, a contribution to the Council's fixed costs.

► We have established a development company, Brick by Brick Croydon Limited (BxB), to bring forward housing led development in a way which realises the development potential of a number of sites throughout the borough and maximises the benefit from development to local residents. Although the Council is the sole shareholder, the board of the company operates independently from the Council and on a commercial basis.

The key implication for the Council from the lending arrangement to BxB is the estimated net funding requirement driven by the company's cash flow projections. BxB will draw down from the Council through a combination of borrowing and equity investment (on a 75:25 split) to fund its planned development programme. The borrowing for this funding is via the Revolving Investment Fund and the interest earned by the Council is used to run services.

For the purpose of calculating the budget gap it has been assumed that any dividends from Brick by Brick will go directly into our earmarked reserves. Given these are likely to difficult to predict in timing and uneven between years it is felt these should not be included with the base revenue budget at this stage.



► Children's Improvement

► Improving Children's services continues to be a key priority and the implementation of the Children's Improvement plan following the Ofsted inspection in the summer of 2017 remains a key priority. Our aim is to deliver good services for children and young people, we recognise that this is likely to be a three year journey. The plan will continue to focus on the child's experience and will continue to require close working with partners to implement our vision:

To implement improvement we are investing in our staff to ensure they are stable and skilled and their case loads are manageable. We are strengthening our strategic commissioning to ensure efficient and effective services are delivered and that children are at the forefront of service delivery. We have invested over 10m in 2018/19. We are assuming a further investment of £7m in 2019/20.

The implementation of our Early Help Strategy is also key to delivering service improvement and we are working with partners to deliver joined up service offer for children aged 0-18 and their families. Services will be provided on a locality basis and be evidence based.

The aim to develop a service that builds sustainability in Croydon enabling more families to be self-sufficient and less reliant on council services, generating a better outcome for the family, which will also be at a lesser cost.



► Adult Social Care Transformation

► The Transformation of Adult Social Care (TRASC) Programme is key to enabling us to deliver personalised services, “a life not a care plan”, as well as a financially sustainable adult social care system. It has been developed as a response to reducing budgets and increasing demand arising from an aging population and an increase in clients with increasingly complex needs and will continue to be developed and delivered through the life of this financial strategy.

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The intended benefits of the programme are:

- People will have better access to advice, information and targeted prevention that will help them to live their lives without support from the Council;
- People will be supported through re-ablement to be as independent as possible;
- People will have more choice and control, leading to higher satisfaction levels;
- More people will be supported to live independently.
- In line with the Care Act we are moving toward delivering services through an Asset Based Approach.

This will deliver better outcomes for our residents, at a lower cost. Integration of our services with our health partners is a key priority and the One Croydon Alliance has been and will continue to be key in delivering services working together with the hospital, borough GP'S, CCG, Mental Health Trust and Age UK.



► Reporting

► Our financial position will be reported to Cabinet on a quarterly basis for both revenue and capital to ensure Cabinet can continue to monitor the delivery of our budget.

Additionally an update on the financial strategy and future budgets for the council will be reported in February and July each year to ensure there is continued focus on our MTFS and the delivery of the actions.



— MEDIUM TERM —
FINANCIAL
STRATEGY FOR
CROYDON

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Agenda Item 7

REPORT TO:	SCRUTINY AND OVERVIEW COMMITTEE 15 January 2018
SUBJECT:	WORK PROGRAMME 2018-19
LEAD OFFICER:	Simon Trevaskis Senior Democratic Services & Governance Officer - Scrutiny

ORIGIN OF ITEM:	The Council constitution requires Scrutiny and Overview Committee to agree the scrutiny work programme for the municipal year.
PURPOSE:	To agree the scrutiny work programme for future meetings.

1. EXECUTIVE SUMMARY

The Scrutiny and Overview Committee has a constitutional responsibility to monitor the scrutiny programme each municipal year.

2. WORK PROGRAMME 2018-19

2.1. The Scrutiny Procedure Rules (extracted from the Constitution) state that:

“6.01 ...the Scrutiny and Overview Committee shall be responsible for setting its own work programme and the initial work programme of its Sub- Committees.

6.02 A balanced work programme should be developed including pre- and post-decision scrutiny, monitoring and external scrutiny. As far as reasonably practicable, there should be wide consultation on the work programme with Councillors, Chief Officers, external agencies and the wider community prior to its consideration by the Scrutiny and Overview Committee.”

2.2. The Scrutiny and Overview Committee work programme 2018-19 for the remainder of the municipal year is attached as **Appendix A**.

3. RECOMMENDATIONS TO THE SCRUTINY AND OVERVIEW COMMITTEE

3.1. Members are asked to agree the Work Programme.

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APPENDIX A:

Scrutiny and Overview Work
Programme 2018/19

BACKGROUND DOCUMENTS:

None

Scrutiny Work Programme 2018/19

Scrutiny & Overview Committee

Meeting Date	Item
15 January 2019	- Budget 19/20 (S) - Leader Q & A
11 February 2019	- Pre Decision: Culture Strategy - Pre Decision: Library Strategy - Pre Decision: Voluntary & Community Sector Strategy
5 March 2019	- Community Safety Strategy (S) - Crime & Disorder Partnership (S) - Safer Croydon & Communities Q&A (S)
30 April 2019	- Brexit Impact - Economy & Jobs Q & A (S)

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