REPORT TO:	**Cabinet 25th February 2019**
SUBJECT:	**General Fund & HRA Budget 2019/20**
LEAD OFFICER:	**Lisa Taylor, Director of Finance, Investment and Risk (Section 151 Officer)**
CABINET MEMBER:	**Councillor Tony Newman, Leader Of The Council** **Councillor Simon Hall, Cabinet Member For Finance And Resources** **Councillor Alison Butler, Deputy Leader (Statutory) And Cabinet Member For Homes And Gateway Services**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2019/20.

FINANCIAL SUMMARY:

The report details the revenue and capital budgets for the General Fund for 2019/20, including the Council Tax increase of 2.99% and the 1% increase for the Adult Social Care precept, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2019/20.

FORWARD PLAN KEY DECISION REFERENCE

The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 4th March 2019.

The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/19/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

1. RECOMMENDATIONS

The Leader of the Council has delegated authority to the Cabinet to make the following decisions:

1.1 That Cabinet recommend to full Council:

I. A **2.99**% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).

II. A **1.0**% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).

III. The GLA increase of **8.93%, of which** 91% of which is being used for the Metropolitan Police service and 9% is being used for the fire service.

With reference to the principles for 2019/20 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.5 of this report.

IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 4.88**%** in the overall council tax bill for Croydon.

V. The revenue budget assumptions as detailed in this report and the associated appendices :-

VI. The programme of revenue savings and growth by department for 2019/20 (Appendix A).

VII. The Council's detailed budget book for 2019/20 (Appendix B).

VIII. The Capital Programme as set out in section 16, table 16 and 17 of this report.

IX. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2019/20.

X. The adoption of the Pay Policy statement at Appendix H;

XI. Approve the increase in premium for long-term empty dwellings with effect from 1st April 2019 as set out in section 9.10 of this report and Appendix I.

XII. The adoption of the Adult Social Care Charging Policy with effect from the 1st April 2019 as set out in section 8.11 and appendix J of this report.

1.2 That Cabinet agree:

I. A rent decrease for all Council tenants for 2019/20, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.

II. No increase to Garage and Parking space rents.

III. No increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 17.

1.3 That Cabinet note:

I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.

II. The progress being made towards balancing the Council's financial position for 2018/19 as at Quarter 3 and the current projected outturn forecast of £5.466m as set out in the report at item 5b on this agenda.

III. The response to the draft local government settlement which is attached at Appendix F.

IV. That pre-decision scrutiny of the proposed budget 2019/20 took place at the Scrutiny and Overview Committee on the 15th January 2019. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee early in the new municipal year to discuss with Members the process for setting the following year's budget.

V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2. EXECUTIVE SUMMARY

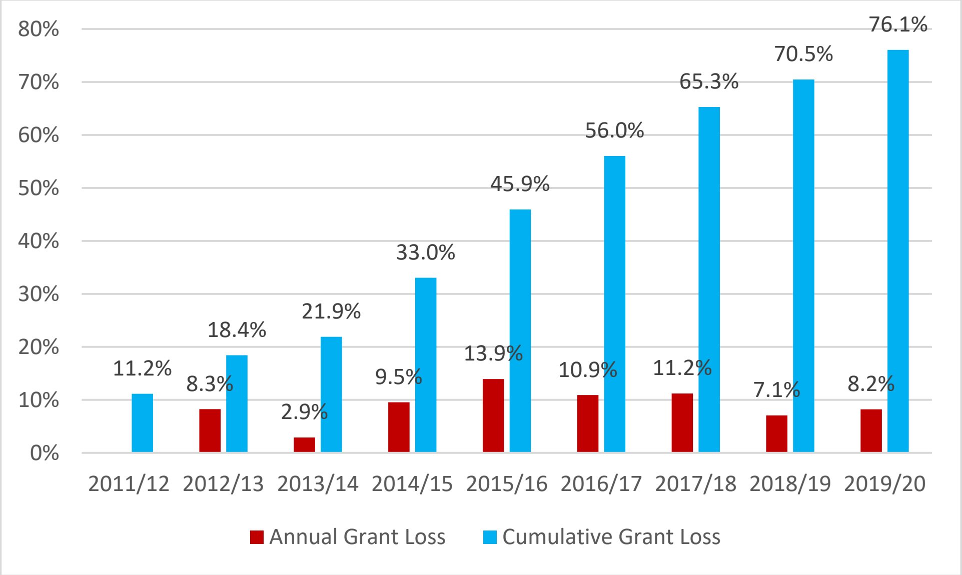
2.1 This report sets out the context and challenges faced by the council in setting a balanced budget for the financial year 2019/20, and gives an update on the key issues from the Draft Local Government Financial Settlement on the 13 December 2018.

2.2 This report also 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. Graph 1 below gives details of Croydon's grant reductions for the period 2011/20.

2.3 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.

2.4 This administration has been determined to deliver on the priorities it set out in its Ambitious for Croydon manifesto, notwithstanding the pressures that come, directly or indirectly, from Central Government. This budget reflects the continued delivery of those priorities.

Graph 1: Croydon's Grant Reductions 2011/20



3. Local Government Finance Settlement 2019/20.

3.1 The provisional 2019/20 Local Government Settlement was announced on the 13 December 2018 by the secretary of state for Housing, Communities and Local Government. In headline terms there were no material changes announced that changed the assumptions made for Croydon in the Medium Term Financial Strategy (MTFS).) On 5 February 2019, these provisional figures were made final by Parliament, with none of our representations having been recognised.

3.2 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.

3.3 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.

3.4 Public Health funding allocations for 2019/20 were confirmed on the 20 December. Croydon's allocation was confirmed as £20.785m, a reduction of nearly £0.6m.

3.5 The funding for Unaccompanied Asylum Seeking Children and related activities is assumed to be the same as this year, given the Home Office's failure to engage with Croydon despite multiple representations.

3.6 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. All Government's calculations assume that all local authorities increase council tax by the referendum threshold and precepts by the maximum allowed.

3.7 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.

3.8 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. These response will be added as late appendices to this report at Appendix K and L.

3.9 Croydon's response to the draft Local Finance Settlement for 2019/20 is included as Appendix F to this report.

3.10 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2019. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 4th March 2019.

3.11 It is recommended that there is a 2.99% increase in council tax for the Croydon element of the charge and a 1% increase based on the Adult Social Care Precept as set by the Chancellor. The GLA are proposing an 8.93% increase in their element of the charge and that is due to be agreed by the GLA on the 25th February 2019. The overall headline increase is 4.88%. The effect of this increase on Band D is set out in table 1 below.

Table 1 – Local Taxation & GLA Taxation increase (Band D comparison)

Band D	2019/20 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,297.33	2.99%	40.15	0.77
Adult Social Care Precept	98.98	1.00%	13.43	0.26
Greater London Authority	320.51	8.93%	26.28	0.51
	1,716.82	**4.88%**	**79.86**	**1.54**

4. Medium Term Financial Strategy (MTFS)

4.1 Scrutiny and Overview Committee 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.

4.2 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.

4.3 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.

4.4 The MTFS outlined a gap between income and expenditure over the period 2019/22 referred to as the budget gap. Table 2 below outlines the gap at the stage the MTFS was signed off.

Table 2 – 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**

4.5 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 Service Improvement Plan.

4.6 This report presented to Cabinet contains details of a balanced budget with the gap in the MTFS for 2019/20 in table 2 now closed.

5. Corporate Assumptions - 2019/20 budget

Council tax

5.1 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 in council tax generates an additional **£6.9m**.

5.2 In 2018/19 Croydon increased its Social Care Precept by 2% and the recommendation for 2019/20 is to increase it by the balance of 1%.

5.3 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.

5.4 Council tax income for 2019/20 after allowing for both increases referred to above would equate to **£180.0m.**

Grant loss

5.5 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 core funding has reduced by £7.8m. The overall change is a net loss of **£1.8m**, plus an additional **£0.6m** loss in public health grant.

Inflation

5.6 The budget for 2019/20 takes 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.

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

Capital Programme and borrowing

5.8 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 £50m in 2019/20 and an additional amount of **£2m** has been added to the revenue budget to fund the associated interest payments. This excludes borrowing for specific programmes where the borrowing is repaid to the Council, examples of these programmes are: Growth Zone, the asset acquisition fund and the revolving investment fund.

Pension Contribution

5.9 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.

6. Local Government Finance Settlement 2019/20 – Croydon

6.1 The published Core Spending Power figures for Croydon are shown in the table below. The funding per head reduces in real terms from £688 per person in 2016 to £641 in 2020. This is a reduction of 7% or £47 per head.

6.2 If funding was held at the same rate per head in real terms over the period Croydon would an extra £31.6m in 2019/20.

Table 3 Croydon's Funding Allocations 2016/17 to 2019/20

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	114.6	101.7	94.5	86.8
Under-indexing the business rates multiplier	1	1	1.6	2.4
Council Tax	143.5	155.1	167.4	179.4
Improved Better Care Fund	-	5.5	7.1	8.3
New Homes Bonus	11.8	8.5	6.3	6.7
New Homes Bonus returned funding	0.2	0.2	-	-
Rural Services Delivery Grant	-	-	-	-
Transition Grant	0.4	0.4	-	-
The Adult Social Care Support Grant	-	1.4	0.9	-
Winter pressures Grant	-	-	1.4	1.4
Social Care Support Grant	-	-	-	2.4
Core Spending Power	271.4	273.8	279.1	287.3
Population	386,700	390,100	393,600	397,000
Core Spending Power Per Head	£702	£702	£709	£724
Core spending power real terms	**£266**	**£258**	**£254**	**£254**
Core spending power per head - real terms	**£688**	**£662**	**£647**	**£641**

6.3 Table 3 above shows an increase in funding for Croydon over the period of £15.9m in cash terms or 5.8% (a real terms decline). However, it is important to note that this includes assumptions by the Ministry of Housing Communities and Local Government (MHCLG), including forecast increased council tax revenues over the period of £36m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £20m or 18%. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

New Homes Bonus

6.4 The 2017/18 settlement included a number of planned changes to the New Homes Bonus scheme which will see authorities seeing a reduction in New Homes Bonus allocations.

6.5 For Croydon, this means a significant reduction in grant income. The amount received through the scheme in 2016/17 was £11.8m. The 2019/20 allocation is £6.7m, a reduction of £5.1m.

Improved Better Care Fund

6.6 The additional funding announced at the March 2017 Budget has seen an increase to Croydon's allocation over the period 2017/18 to 2019/20. For 2019/20, the allocation increased from £7.1m to £8.3m.

London Pilot

6.7 The continued pan-London Business Rates Pilot should provide a further opportunity for all London authorities to gain from the business rates growth across the region. Pilot status will remove the levy on growth paid by high tax base authorities and allow a greater proportion of any local growth to be retained. As in 2018/19, the gains from the pilot are dependent on the business rates collected across all of the boroughs, it is therefore difficult to predict the outcome for Croydon at this stage. Once 2019/20 NNDR1 forms have been completed and collated, a forecast level of gain for each of the boroughs should be possible. However, this will only be a forecast and the final amount will not be known until the actual business rates collected in 2019/20 is determined.

Business Rates Retention Changes

6.8 The move to 100% business rates retention was intended to be revenue neutral for local authorities (at the outset), with increased business rates revenues equalling lost revenue grants. Therefore, the intention to move to 75% business rates retention in 2020/21 (instead of the original plan to move to 100% business rates by 2020) does not have an adverse impact on Croydon’s resources projection at this stage.

6.9 The planned Reset of the business rates retention scheme in 2020/21 could be to the benefit of Croydon through:

(I) A reduced business rates baseline for Croydon, therefore allowing it to retain higher amounts of business rates income and / or
(ii) An increase to Baseline Need, as existing national business rates growth is fed back into the system across all authorities.

6.10 However, there are some indications from the Relative Needs consultation of elements that could result in Croydon losing, notably relating to use of geographical size as a factor, which could penalise urban areas. There are a number of variables that will ultimately determine if (and to what extent) Croydon will gain from the Reset. However, given there is the potential even for Croydon to lose, the MTFS assumes a 2.5% reduction in government funding.

Settlement Funding Assessment per head across London

6.11 Table 4 below shows the Settlement Funding Assessment per head for each London Borough (excluding the City of London) and shows Croydon ranked as 20th, receiving £219 per head in 2019/20, and an average of £254 per head over the four year period compared to the London average of £333 over the same four year period. Neighbouring Lambeth will receive £425 per head in 2019/20. If Croydon were funded at the London average of £333 per head for 2019/20 we would receive an additional £31m.

6.12 Croydon's ranking has improved compared to 2018/19 where Croydon was ranked at 21st.

Table 4 – Settlement Funding Assessment per Head

	SFA (£ PER RESIDENT)					
	2016-17	**2017-18**	**2018-19**	**2019-20**	**Average over the 4 years**	**Rank in 2019/20**
London	**380**	**341**	**318**	**294**	**333**	
Hackney	615	562	530	496	**551**	1
Westminster	573	526	498	469	**517**	2
Southwark	568	519	491	460	**510**	3
Islington	555	503	472	440	**493**	4
Tower Hamlets	553	501	469	436	**490**	5
Camden	545	489	457	423	**479**	6
Lambeth	526	480	454	425	**471**	7
Hammersmith and Fulham	523	480	456	428	**472**	8
Kensington and Chelsea	510	458	429	396	**448**	9
Newham	493	452	427	401	**443**	10
Lewisham	484	440	413	385	**431**	11
Haringey	458	415	389	361	**406**	12
Greenwich	457	415	390	363	**406**	13
Barking and Dagenham	422	383	359	334	**375**	14
Brent	417	379	357	333	**372**	15
Waltham Forest	393	354	332	308	**347**	16
Wandsworth	354	325	308	290	**319**	17
Ealing	344	309	289	267	**302**	18
Enfield	341	305	283	261	**298**	19
Croydon	**296**	**261**	**240**	**219**	**254**	**20**
Hounslow	282	249	230	210	**243**	21
Sutton	285	247	225	202	**240**	22
Redbridge	269	237	218	199	**231**	23
Merton	267	232	212	191	**226**	24
Hillingdon	239	206	187	168	**200**	25
Harrow	233	199	180	160	**193**	26
Barnet	232	198	179	158	**192**	27
Bexley	224	192	173	154	**186**	28
Havering	205	172	153	133	**166**	29
Kingston upon Thames	182	146	126	119	**143**	30
Bromley	171	140	122	111	**136**	31
Richmond upon Thames	168	124	108	110	**128**	32

6.13 Alongside the response to the Fair Funding Review Croydon continues to lobby the Government for fair funding in Croydon in relation to two specific service areas. These are No Recourse to Public Funds (NRPF) and Unaccompanied Asylum Seeking Children (UASC) funding.

6.14 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 Minster on the 16th November 2017 and follow up discussions have been taking place between council officers and the Home Office to ask for a re instatement 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.

6.15 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. In terms of UASC and NRPF for former UASC, the Council is facing an estimated £7m annual shortfall.

6.16 The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act.

7. Flexible Homelessness Support Grant (FHSG)

7.1 Croydon was allocated Flexible Homelessness Support Grant (FHSG) which replaced the Department of Work and Pensions temporary accommodation management fee, over 3 years from 1 April 2017 to meet the cost of administration for the prevention of homelessness. This funding increased to £5.4m in 2019/20 from £4.3m, an increase of £1.1m. This is effectively the partial funding of a new burden, resulting from homelessness legislation and the impact of welfare reform.

8. Department Assumptions 2019/20 budget

8.1 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 5 below shows these at a departmental level.

Table 5 – Growth and Savings by department

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**	**3.3**	**0.8**
Place	**8.0**	**3.3**	**(4.7)**
Resources	**8.0**	**0.0**	**(8.0)**
Total	**27.9**	**28.8**	**0.9**

8.2 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

8.3 The projected department overspend in 2018/19 is **£9.131m,** excluding the exceptional items detailed in paragraph 8.4 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.

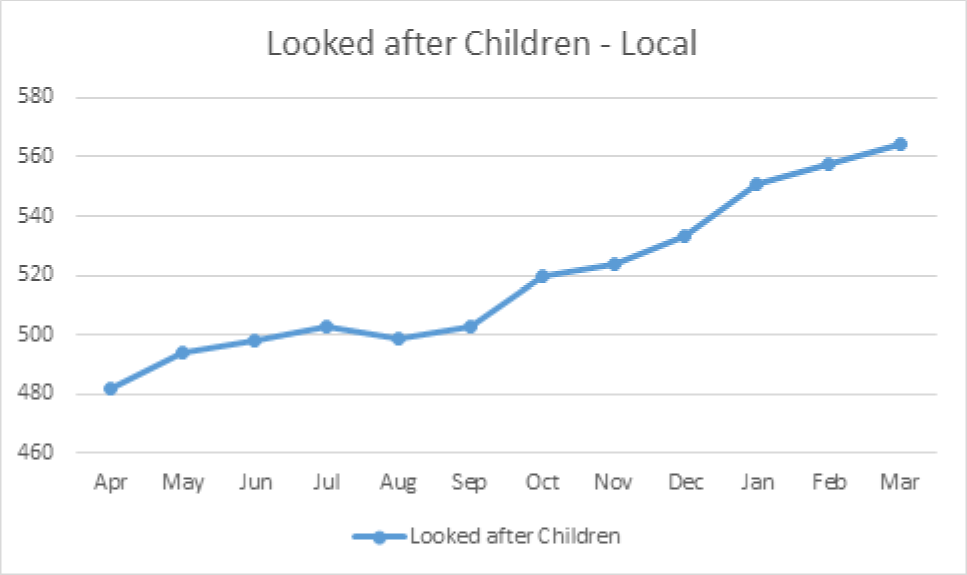
8.4 The exceptional items as reported to Cabinet in the quarter 3 financial monitoring report relate to Unaccompanied Asylum Seeking Children (UASC), No Recourse to Public Funds (NRPF) and Appeal Rights Exhausted (ARE), which we are continuing to lobby the government to fund. The UASC increased cost 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.

8.5 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.

8.6 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.

8.7 The numbers of looked after children have continued to increase in 2018/19 and have been rising significantly. With 551 local children being looked after in January 2019. The graph below shows the actual data until January and estimated figures for February and March. It is hoped that the increase will not be as great as shown in February and March as the impact of new commissioning arrangements are embedded.

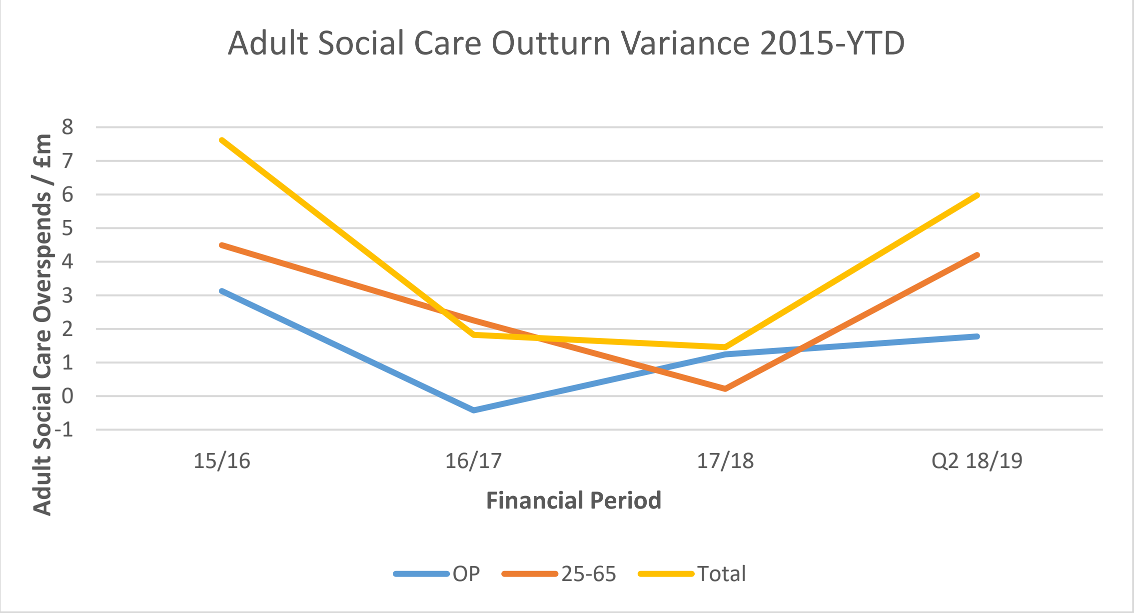
Graph 2: Looked after children case numbers compared to budget



Health, Wellbeing and Adults

8.8 Adult Social Care has continued to see increases in demand for services above budget and is projecting a net overspend of £2.099m 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 3 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 3: Adult Placement overspend for Older People service and the 25 to 65 service.



Gateway Services

8.9 Gateway services continue to focus on managing demand for homelessness services and helping residents with prevention measures. Additional funding of £3.3m 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.

Savings

8.10 The full list of savings included in the 2019/20 budget 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.

8.11 Adult Social Care Charging Policy - Between 17th December 2018 and 25th January 2019 Croydon Council consulted on a revised charging policy to come into force from 1st April 2019. The policy proposed amendments to 5 areas of the existing policy. These were:

- Amending the point of which services become chargeable to charge from the start of service
- Changing the treatment of some income to include taking into consideration the full amount of higher Disability Living Allowance (DLA).
- Introduce proportionate financial assessments to enable a faster response to those with more complex financial arrangements
- Introduction of administration charges to those self-funders who want the Council to arrange their care arrangements
- To remove the subsidy to meals on wheels and advise on alternative provision.

8.12 124 Responses were received in writing, 44 calls to the charging helpline and meetings with carers and direct payments service user group. All current users of services affected by the changes were written to asking for their views on the changes. Over 58% of respondents either strongly agreed or agreed to the proposals.

8.13 Income raised from these changes will be allocated directly back into the budget for adult social care services.

8.14 A full response to the consultation will be written up and uploaded to the 'Get Involved' section of the Council's web site. Further details are also contained in appendix J to this report.

8.15 It is recommended that all the options consulted on come into force from 1st April 2019.

9. Local Taxation / Collection Fund

Local Taxation Charge for 2019/20

9.1 The council tax change for the Croydon element of the charge for 2019/20 is recommended to be **3.99%** in accordance with Appendix E of the report.

9.2 This decision includes a 1.0% increase for the Government's' adult social care precept that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 6 below.

Table 6 – Local Taxation for 2019/20

	2019/20 **£**	**Increase** **£**
Croydon Band D per year	1,297.33	40.15
Adult Social Care precept per year	98.98	13.43
Band D per year	**1,396.31**	**53.58**

9.3 Table 7 gives details of both the increases to the Croydon element of the council tax and the Adult Social Care precept over the last 3 years and the increase being recommended for 2019/20.

Table 7 – Croydon Council percentage increase since 2016/17

	2016/17	**2017/18**	**2018/19**	**2019/20**
Croydon Council Percentage change	1.99%	1.99%	2.99%	2.99%
Adult Social Care Precept	0%	3%	2%	1%

9.4 Alongside grant income, local taxation is the other major income stream that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in appendix C.

9.5 **Council Tax base**: The number of domestic properties in the borough from which Council Tax can be collected is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported. The calculation of the Council Tax base is set out in Table 8 below:

9.6 It is anticipated that there will be an increases in the Council tax base of 3.4% compared to the 2018-19 base, which will enable a further £12.7m of expenditure to be supported in the 2019-20 general fund budget as shown in table 8 below. The Council tax base is adjusted for anticipated collection rates, which are proposed to increase by 0.25% to 97.50% for 2019-20.

Table 8 - Increase in Council Tax Base

	2019/20	2018/19	Change
Number of Dwellings	159,898	155,918	3,980
Less: Exempt dwellings	-34,336	-34,483	147
Sub-total - dwellings	125,562	121,435	4,127
Conversion of dwellings into Band D equivalent units	132,237	128,165	4,072
Less: anticipated losses on collection	-2.50% -3,306	-2.75% -3,525	219
Council Tax Base	128,931	124,640	4,291
Band D charge (Croydon)	£1,396.30	£1,342.73	£53.57
Council Tax Funding (Croydon)	£180,065k	£167,359k	£12,706k

Projected Collection Fund Surplus

9.7 It is anticipated that a surplus of £6.560m will be available for release into the 2019/20 general fund budget. This figure is now a combination of a forecast surplus position for both Council Tax and Business Rates, as set out below. £2.5m of this surplus has not been included in the budget projections and is being held to offset the current projected overspend for 2018/19.

9.8 Council Tax - Croydon’s share of the anticipated council tax surplus available in 2019/20 is £4.060m. There has been a council tax surplus in the last 5 years as a result of tax base growth and improved collection rates.

9.9 Business rate localisation in 2013/14 resulted in the Council retaining a share of business rates, which is 64% in 2018/19. A surplus of £2.500m is projected to be available to the Council in 2019/20. This is a result of appeals against rateable value being less than previously anticipated, allowing the provision held to be released into the Collection Fund, as well as improved collection of rates.

9.10 Any difference between the projected surplus and final surplus for 2019/20 will be carried forward within the collection fund, for consideration in 2020/21's general fund budget.

9.11 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 received royal assent on 1st November 2018, It made provisions to increase the percentage by which a billing authority may increase the Council Tax payable in respect of a long-term empty dwelling from 1st April 2019. A long-term empty dwelling, is a dwelling that is unoccupied and substantially unfurnished. Thereafter from April 2020 and April 2021, additional premiums can be applied to properties that are left empty for 5 years and 10 years respectively. Details regarding these changes and the potential additional revenue streams from this can be found in Appendix I and are also summarised below:

- 1st April 2019 premium on empty dwellings can increase from 50 to 100%
- 1st April 2020 - a Council has the power to increase the 100% premium to 200% from 1st April 2020 where a dwelling has been long term empty for more than 5 years. If a dwelling is long term empty for 5 years or less the premium will remain 100%.
- 1st April 2021- a Council has the power to increase the 200% premium mentioned above to 300%, if a dwelling has been long term empty for over 10 years. The premium will remain 200% if the dwelling has been long term empty for more than 5 years and up to 10 years. If the long term empty dwelling has been empty for less than 5 years, the premium remains at 100%.

10. Greater London Authority Precept 2019/20

10.1 On 20th December 2018, the Mayor of London announced his proposal to increase his share of council tax by an average of 50p a week – the maximum amount allowed by the Government. In total, the Mayor proposes to commit an additional £95m in 2019/20 to policing and tackling crime. This money will be raised from council tax and business rates.

10.2 Keeping Londoners safe is the Mayor's top priority. The Government has already forced the Met to make £850m of cuts and despite the police funding settlement, there remains a huge funding gap. The Mayor's proposal would see his share of council tax increase overall by 9% £26.28

a year in cash terms for an average Band D council tax payer.

10.3 It means the Mayor and other Police and Crime Commissioners across the country can now increase Band D Policing Precepts by a maximum of £24 a year before having to hold a council tax referendum.

10.4 In order to give the Metropolitan Police the resources it requires, the Mayor is proposing to increase his share of council tax that goes directly to the police by the maximum amount that does not require a referendum. This is the equivalent of 46p a week – an 11% increase in the policing precept.

10.5 This will generate an additional £84.8m to invest in the Metropolitan Police, which will be split between a numbers of crime fighting measures. This includes funding new officers, specialist investigators to disrupt gang violence and cutting-edge equipment for officers on the frontline, such as digital fingerprinting, rapid drug testing, and technology to help with digital investigations, and advanced techniques to combat child sexual exploitation online. This will allow the Violent Crime Taskforce to be even more effective and visible on the streets and help tackle the crimes that impact most on the safety of Londoners.

10.6 The Mayor also intends to direct £6.8m from council tax and business rates to invest in a new Violence Reduction Unit. The Mayor announced the Violence Reduction Unit in September to expand his work on a public health approach to tackling all forms of violence. Using data to form a strong evidence base, the unit will use this money to identify where and how to make early interventions in a young person’s life as part of a long-term strategy to prevent the spread of violence.

10.7 The new investments – which is on top of an initial £0.5m the Mayor invested towards initial set-up costs, will be directed towards local services and programmes to provide greater capacity to deliver early interventions to help prevent the spread of violence, and supporting projects that will help tackle the complex root causes.

10.8 A further £3.5m will be spent on other anti-violence initiatives, for example making permanent the successful ‘Information Sharing to Tackle Violence’ pilot that develops more effective data sharing between Community Safety Partnerships, health services and other violence reduction partners. It uses a new approach to collect data and analyse data from hospital emergency departments to help develop strategies to tackling violence.

10.9 The Mayor also intends to increase his non policing precept by 2.99%, again the maximum permitted by the Government. This is the equivalent of £2.28 a year of just over 4p a week. The proceeds of this modest increase will be allocated directly to the London Fire Brigade.

10.10 Overall, this means that the Mayor’s overall precept for an average Band D taxpayer will increase from £294.23 to £320.51.

10.11 The draft 2019/2020 budget covers the entire Greater London Authority Group, including Transport for London, the London Legacy Development Corporation, Old Oak and Park Royal Development Corporation, the Metropolitan Police service and the London Fire Brigade.

10.12 As reflected in TfL's Business Plan earlier this month, the draft budget also takes into account the delay to the opening of Crossrail and the need to find additional funding to complete the project. Its plans include:

- Pushing ahead with the Mayors ambitious plans to make London a cleaner, safer, healthier city through investment to improve London's streets and
- create better and more accessible public transport – at the same time as continuing to freeze public transport fares;
- The introduction of the Ultra-Low Emission Zone in central London in April 2019 and a new diesel scrappage scheme supporting micro businesses to tackle air pollution;
- Continuing to tackle London's housing crisis by supporting thousands of new homes for social rent as part of City Hall's commitment to start at least 116,000 new genuinely affordable homes by 2022;
- Maintaining funding to the London Fire Brigade in the aftermath of the terrible Grenfell Tower fire to ensure fire engines arrive at emergency incidents within targets;
- Creating East Bank, an arts, cultural and educational district on the Queen Elizabeth Olympic Park site; and
- Unlocking the first 10,000 homes and more than 5,500 jobs over the next 15 years at Old Oak Common

10.13 The Mayors consolidated budget is set out in table 9 below and the budget will be agreed on 25th February 2019.

Table 9 – Mayors Consolidated Budget

Component Council Tax Requirements	**Approved 2018/19 £m**	**Proposed 2019/20 £m**	**Plan 2020/21 £m**	**Plan 2021/22 £m**	**Plan 2022/23 £m**
GLA (Mayor)	67.7	67.7	69.1	70.4	71.9
GLA (Assembly)	2.6	2.6	2.6	2.7	2.7
MOPAC	641.4	726.2	755.5	786	817.8
London Fire Commissioner	148	159.3	167.4	175.9	184.7
Transport for London	6	6	6	6	6
Consolidated Council Tax Requirement	**865.7**	**961.8**	**1,000.6**	**1,041.0**	**1,083.1**
Total Band D council Tax Payable in :					
32 London Boroughs	£294.23	£320.51	£326.92	£333.45	£340.11

10.14 This overall resultant council tax increase is set out in table 10 below.

Table 10– Local Taxation increase and the GLA Tax increase

Band D	**2019/20** £	**Increase** %	**Annual Increase** £	**Weekly Increase** £
Croydon	1,297.33	2.99%	40.15	0.77
Adult Social Care Precept	98.98	1.00%	13.43	0.26
Greater London Authority	320.51	8.93%	26.28	0.51
	1,716.82	**4.88%**	**79.86**	**1.54**

10.15 The overall increase on the total bill for the residents of Croydon is 4.88**%.**

11. External Financial Environment

Spending Review 2015 and settlement 2019/20

11.1 The Chancellor of the Exchequer published the government's Spending Review 2015 on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20. This was the first four year settlement and was designed to give authorities more certainty on their funding levels and the ability to undertake longer term financial planning.

11.2 The key announcements made at the Provisional Finance Settlement on December 2018 and confirmed in the final settlement published in February 2019 are listed in section 13 later in the report.

12. Economic Projections – Autumn Budget 2018

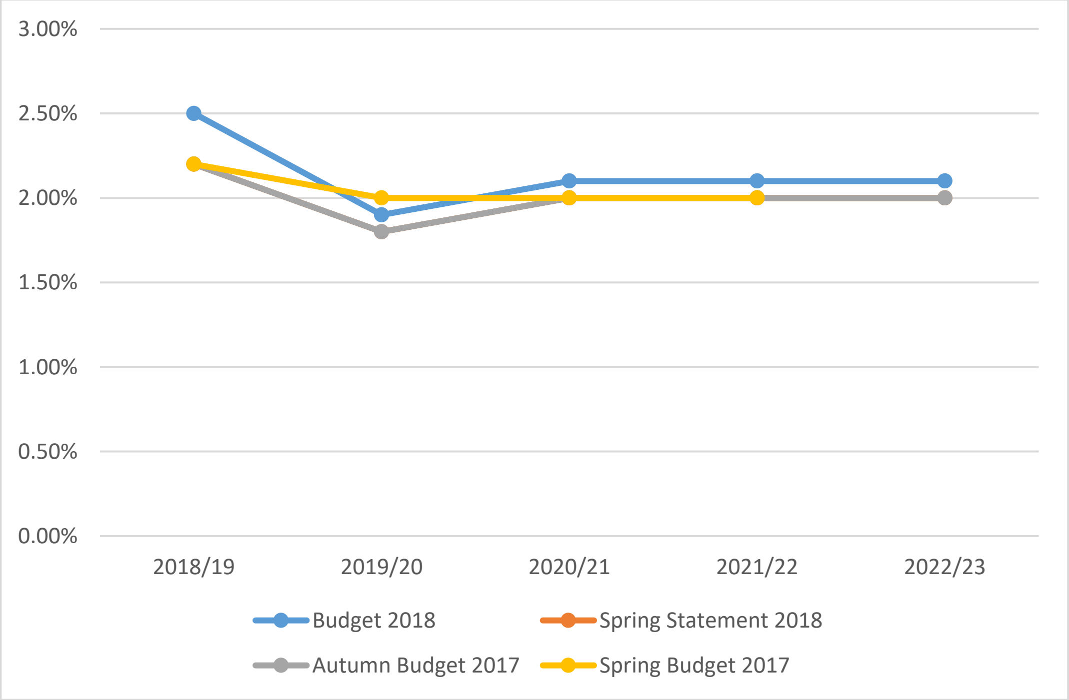
12.1 The Office of Budget Responsibility (OBR) updated its economic projections for the 2018 Autumn Budget. The projections for inflation (CPI & RPI), council tax receipts and business rates income are set out below. Inflation – CPI.

12.2 Table 11 shows the Budget 2018 CPI inflation forecasts against those published in previous announcements. The table shows an increase in the rate forecast for 2018/19 of 0.3% and a 0.1% increase in the rate forecast for each year between 2019/20 to 2022/23.

Table 11 CPI Inflation Forecasts

	2018/19	2019/20	2020/21	2021/22	2022/23
Budget 2018	2.50%	1.90%	2.10%	2.10%	2.10%
Spring Statement 2018	2.20%	1.80%	2.00%	2.00%	2.00%
Autumn Budget 2017	2.20%	1.80%	2.00%	2.00%	2.00%
Spring Budget 2017	2.20%	2.00%	2.00%	2.00%	

Graph 4 CPI Inflation Forecasts



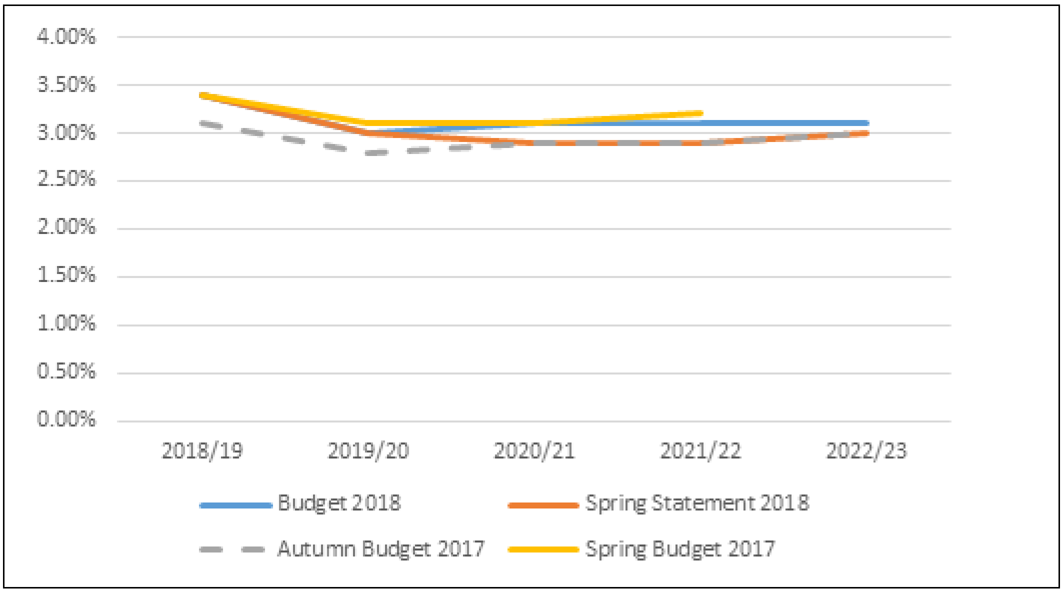
Inflation – RPI

12.3 Table 12 shows the Budget 2018 RPI inflation forecasts against those published in previous announcements. The table shows only small changes in the forecast for RPI over the period, with increases of 0.2% in the forecast for 2020/21 and 2021/22 and 0.1% in 2022/23.

Table 12 RPI Inflation Forecasts

	2018/19	2019/20	2020/21	2021/22	2022/23
Budget 2018	3.40%	3.00%	3.10%	3.10%	3.10%
Spring Statement 2018	3.40%	3.00%	2.90%	2.90%	3.00%
Autumn Budget 2017	3.10%	2.80%	2.90%	2.90%	3.00%
Spring Budget 2017	3.40%	3.10%	3.10%	3.20%	

Graph 5 RPI Inflation Forecasts



13. Local Government Finance Settlement 2019/20 – Nationally

13.1 The Provisional Local Government Finance Settlement was published on 13 December 2018. The settlement provided allocations for 2019/20 only.

13.2 The main announcements were:

- **Council Tax** – The council tax referendum limit will be 3% for local authorities (as in 2018/19), with the only change from 2018/19 being that the Police precept will be allowed to increase by £24 per annum (it was £12 per annum in 2018/19).

- **New Homes Bonus** - The 2019/20 allocations have been announced (previously these figures were only indicative – based on previous years' allocations). Due to an additional £10m of funding being added, it has not been necessary to make changes to the deadweight threshold (at 0.4%) or the eligibility of properties to qualify for the funding.

- **Business Rates Pilots** - In July 2018, the government invited authorities to bid for pilot status in 2018/19. Following a competitive process, 15 areas have been successful with their applications (alongside the London Pilot).

- **Top Up/Tariff Adjustments (Negative Revenue Support Grant - RSG)** – As expected, the government has decided to provide an additional £153m in funding to those authorities that were due to pay negative RSG for 2019/20.

- **£180m additional funding** – There has been an additional £180m announced (to be paid in 2018/19). This has been provisionally allocated via the 2013/14 Settlement Funding Amount allocations. It has been funded from the surplus on the Business Rates Retention levy/safety net account. MHCLG have confirmed this funding is not shown in the Core Spending Power figures.

- **Social Care Funding (£650m)** - Announced at Budget 2018, the government has now indicated how this funding will be allocated. This comprises of the Winter Pressures Grant of £240m of additional funding in 2019/20 for councils to spend on adult social care services to alleviate winter pressures on the NHS. This Winter Pressures Grant funding will be allocated in 2019/20 using the existing Adult Social Care Relative Needs Formula. This funding is ring-fenced and will be pooled into the Better Care Fund. The other element is the Social Care Support Grant. £410m in 2019/20 for use for adult and children's social services. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care fund therefore the existing Adult Social Care Relative Needs Formula will also be used to distribute this Social Care Support Grant funding. This grant will not be ring-fenced, and conditions or reporting requirements will not be attached, nor there should any prescription of how much of it be spent on adult social care or children's social care.

13.3 In addition to the announcements affecting 2019/20:

- **Fair Funding Review -** The government has published the consultation paper *"A review of local authorities' relative needs and resources - Technical consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements"*

- **Business Rates Retention** – The government has published the consultation paper *"Business Rates Retention Reform - Sharing risk and reward, managing volatility and setting up the reformed system",* a consultation on the proposed 2020/21 Redesign and Reset of the Business Rates Retention (BRR) scheme.

- The deadline for responses is 21st February 2019 and Croydon will be submitting a response to these papers

Overall Funding: Core Spending Power

13.4 The updated National Core Spending Power figures for the period 2016/17 to 2019/20 are shown in Table 13 below. It shows an increase of 2.8% for 2019/20 and an overall increase for the period 2016/17 to 2019/20 of 5.9%.

Table 13 Core Spending Power figures for England 2016/17 to 2019/20

	2016-17 £m	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Settlement Funding Assessment	18,602	16,633	15,574	14,560
Under-indexing business rates multiplier	165	175	275	400
Council Tax	23,247	24,666	26,332	27,927
Improved Better Care Fund	0	1,115	1,499	1,837
New Homes Bonus	1,485	1,252	947	918
Rural Services Delivery Grant	81	65	81	81
Transition Grant	150	150	0	0
Adult Social Care Support Grant	0	241	150	0
Winter pressures Grant	0	0	240	240
Social Care Support Grant	0	0	0	410
Core Spending Power	43,730	44,296	45,098	46,373
Change %		1.29%	1.81%	2.83%
Cumulative change %			3.10%	5.93%
Real Terms Change %			2.13%	3.25%
Real Terms cumulative Change %			2.69%	5.94%

13.5 Table 14 below shows the change in figures from those published at the 2019/20 final settlement.

Table 14 Change in 2019/20 Core Spending Power figures for England between 2018/19 Final Settlement and the 2019/20 Provisional Settlement

	2019-20
	£m
Settlement Funding Assessment	162
Under-indexing business rates multiplier	25
Council Tax	-120
New Homes Bonus	18
Rural Services Delivery Grant	16
Winter pressures Grant	240
Social Care Support Grant	410
Core Spending Power	**751**

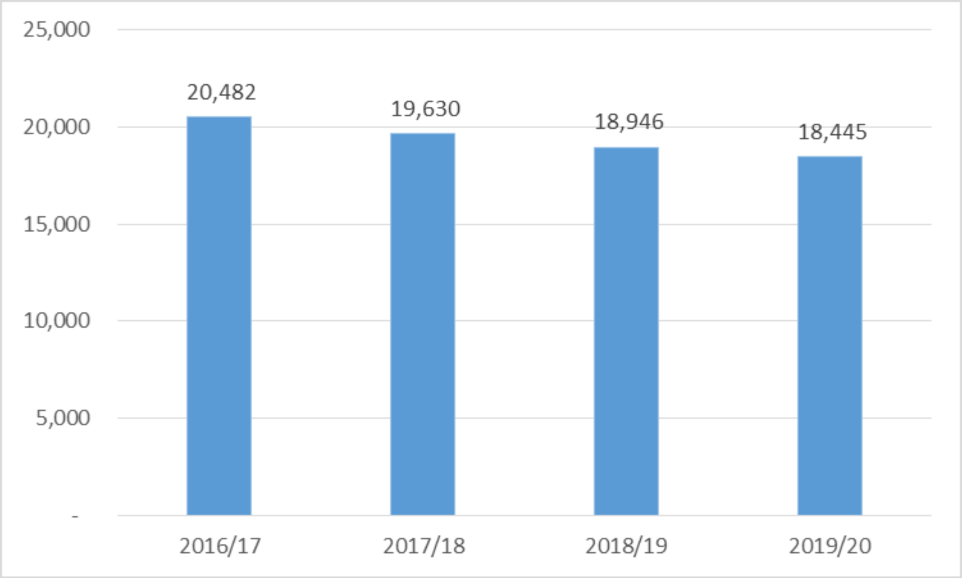
13.6 Table 14 shows:

- An increase to the Settlement Funding Assessment of £162m – representing the removal of negative RSG (£153m) and an increase to the inflation adjustment to the business rates multiplier (£9m);
- A decrease to the Council Tax amounts of £120m – Due to a combination of lower forecasts for tax base growth and lower actual increases in tax rate for 2018/19; and
- The additional £650m of social care funding, a £16m increase in Rural Services Delivery Grant and the £18m for New Homes Bonus.

Core Spending Power: Excluding Council Tax

13.7 The graph below shows the level of central government funding to local government between 2016/17 and 2019/20 excluding Council Tax. It shows a reduction of £2bn from £20.4bn to £18.4bn, a reduction of 11%.

Graph 6 – Local Government Funding 2016/17 to 2019/20



Social Care Precept

13.8 The introduction of a social care precept was originally announced at Spending Review 2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.

13.9 The provisional and then final 2017/18 local government finance settlement amended the use of this additional precept. It announced that it could be applied at 3% per annum for the two years, up to 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore, if an authority chose to use the higher 3% threshold in each of 2017/18 and 2018/19, then it would not be able to have an additional precept in 2019/20.

13.10 The government has confirmed that the amended rules for the adult social care precept established in 2017/18, and applied in 2018/19, will continue to apply for 2019/20.

Council Tax

13.11 For 2019/20, there will continue to be differential limits that will trigger the need for a council tax referendum.

13.12 For upper tier authorities wishing to use the social care precept at the maximum, a referendum will be triggered where council tax is increased by 3% (plus the planned Social Care Precept) or more above the authority's relevant basic amount of council tax for 2018/19.

13.13 Police and Crime Commissioners will be allowed increases of less than 3% or up to and including £24, whichever is higher.

13.14 For the Greater London Authority, a referendum will be triggered where council tax is increased by 3% or more above the authority's relevant basic amount of council tax for 2018/19.

New Homes Bonus

13.15 The New Homes Bonus allocations for 2019/20 have been announced. The Core Spending Power figures for 2019/20 include these allocations.

13.16 The technical consultation on the 2019/20 Local Government Finance Settlement, published in September 2018, suggested there would be an increase to the deadweight for the 2019/20 "in-year" allocations. However, through an additional £18m added to the funding of the scheme, no increase to the deadweight has been necessary.

13.17 Table 15 below shows that the "in-year" allocation for 2019/20 of £222m; this reduces the overall cost of the scheme to £918m, compared to £947m in 2018/19.

Table 15 National New Homes Bonus Allocations (£m)

	2016/17	2017/18	2018/19	2019/20
Prior Years	1,167	735	250	
2016/17	295	295	295	295
2017/18		197	197	197
2018/19			204	204
2019/20				222
Total	**1,462**	**1,227**	**947**	**918**

Additional Social Care Funding - £650m in 2019/20

13.18 At Autumn Budget 2018, the government announced £650m of extra funding in 2019/20 for local authorities in relation to adult and children's social care. This comprised:

Winter Pressures Grant.

13.19 £240m of additional funding in 2019/20 for councils to spend on adult social care services to alleviate winter pressures on the NHS. This Winter Pressures Grant funding will be allocated in 2019/20 using the existing Adult Social Care Relative Needs Formula. This funding is ring fenced and will be pooled into the Better Care Fund.

Social Care Support Grant.

13.20 £410m in 2019/20 for use for adult and children's social services. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care fund therefore the existing Adult Social Care Relative Needs Formula will also be used to distribute this Social Care Support Grant funding. This grant will not be ring fenced, and conditions or reporting requirements will not be attached, nor will there be any prescription of how much of it should be spent on adult social care or children's social care.

Business Rates Levy Account - £180m in 2018/19

13.21 An additional £180m was announced by the Secretary of State. This has been provisionally allocated via the 2013/14 Settlement Funding Amount allocations. It has been funded from the surplus on the Business Rates Retention levy/safety net account.

13.22 MHCLG have confirmed that this funding is not shown in the Core Spending Power figures and therefore will be in addition to the amounts shown.

Wider Local Government Funding Issues

13.23 In addition to the Core Spending Power amounts, the following information was also published as part of the Provisional Settlement information.

(i) Fair Funding Review

13.24 The government has published a further technical paper on the “Review of local authorities’ relative needs and resources”, which consults on the assessment of relative needs, relative resources and transitional arrangements.

13.25 The consultation outlines further:

- Proposals to simplify the assessment of local authorities’ relative needs by introducing a simple Foundation Formula, alongside several ‘service-specific’ formulas. This includes a focus on the structure of the needs assessment, the weighting between services, weighting of cost drivers, Area Cost Adjustments and future proofing the needs assessment;
- The type of adjustment that will be made to an authority’s relative needs assessment to take account of the relative resources available to them to fund local services, such as council tax; and
- A set of principles that will be used to design transitional arrangements and examines how the baseline for the purposes of transition should be established.

13.26 This consultation will last for 10 weeks from 13 December 2018 to 21 February 2019. It asks 16 questions and Croydon will be submitting a response.

(ii) Business Rates Retention

13.27 The government has published the consultation paper “Sharing risk and reward, managing volatility and setting up the reformed system”, a technical consultation which seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

13.28 The consultation outlines further proposals to:

- Update the balance of risk and reward to better reflect the wider context for local authorities in 2020. It suggests a future approach to resets that would smooth potential ‘cliff edges’ in income, proposes reforms to the levy that would allow more authorities to keep more of their business rates growth, and reaffirms the Government’s commitment to a safety net to protect authorities from sudden reductions in income;
- Mitigate volatility in income and simplify the system; and
- Set up the new business rates retention system in April 2020 – specifically, inviting views from local authorities on the operational steps that may be necessary to set accurate Business Rates Baselines.

13.29 This consultation will last for 10 weeks from 13 December 2018 to 21 February 2019. It asks 15 questions and Croydon will be submitting a response.

(iii) Business Rate Pilots

13.30 In July 2018, the government invited local authorities to submit applications for pilot status in 2019/20. Following a competitive process, which saw 35 applications submitted, an additional 15 areas have been selected as 75% business rates retention pilot areas for 2019/20. The original pilot areas from 2017/18 that will remain at 100% for 2019/20. London also remains a pilot area, but changes from 100% (2018/19) to 75% for 2019/20; in addition to there are also 15 pilot areas for 2019/20 that will be at 75%.

13.31 The successful areas will have the same 28-day cooling off period as the 50% Business Rate Pools to decide to either go ahead or to not become a pilot area.

14. Public Health grant

14.1 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015. Funding for 2019/20 continues to be cut as it has in the last two year and has reduced by £0.579m to £20.785m. This is in spite of a growing population and growing need, e.g. a significant increase in the birth rate over the last few years.

14.2 The ring-fence grant is used to commission a range of mandated service from external and internal provider's e.g. Health visiting, Substance misuse services, sexual health services etc. As well as providing resources for services within Croydon council that improve the health and wellbeing of the people in Croydon.

14.3 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council will be carried out in 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.

14.4 The savings will be realised through a combination of a reduction in the public health staffing budget, service efficiencies, and reductions in the value of a number of contracts.

15. Dedicated Schools Grant (DSG)

15.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. In March 2016 the DfE announced Fair Funding proposals and in the two consultations that followed set out the intentions for funding going forward. The intention was to implement the National Funding Formula (NFF) by December 2016 however due to delays, the NFF will be in place from April 2018 with a soft implementation of the NFF being available to Local Authorities (LAs) for three years from 2018/19 up to and including 2020/21.

15.2 This option allows LAs, following Schools Forum approval, to apply local rates / amounts to each of the factors that determine the allocation (such as Minimum Funding Guarantee and income deprivation affecting children) prior to the distribution of funding to schools.

15.3 The DSG consists of four blocks: a Schools block; an Early Years block; a High Needs block; and the Central Services Schools Block (CSSB).

15.4 The DSG allocation for Croydon for 2019/20 is **£341.67m**, increased by £4.71m compared to 2018/19 allocation of £336.96m. The allocation will be reduced by recoupment for academy funding. This is currently estimated to be in excess of £166m but will be subject to change throughout the financial year if more schools convert to academies. The education budget for 2019/20 was presented at Children and Young Peoples Scrutiny Committee on the 5th February 2019.

15.5 Full details of the DSG breakdown for 2019/20 are contained in Appendix G.

Schools Block

15.6 The Schools Block 2019/20 allocation is £247.51m (before recoupment), which is an increase of £3.64m since 2018/19 due to an increase in pupil numbers of 260 to 51,037.

15.7 The minimum funding guarantee (MFG) will continue to be applied, hence no school or academy will see a reduction of more than minus 1.5% per pupil compared to its 2018/19 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.

15.8 From 2018/19 the NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. The 2018/19 rates per pupil were £4,238.50 for primary pupils and £5,317.93 for secondary pupils. In 2019/20, the respective funding rates are £4,293.34 and £5,460.88. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 25th out of 32 London boroughs. This ranking has slipped one place since 2018/19. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

Early Years

15.9 The Early Years 2019/20 indicative allocation is £26.69m a decrease of £0.01m since 2018/19 due to a small reduction in the funding allocated for the maintained nursery school supplementary funding and the Disability Access Fund. The final allocation will be adjusted following the January 2019 census.

15.10 The Early Years block allocation for Croydon is based on a nationally set rate of a:

- £5.13 hourly rate for three and four year olds; and
- £5.66 for two year olds
-

The allocation will be updated following the January 2019 census after which the hourly rates for will be finalised by Schools Forum. The proposed rates based on the indicative 2019/20 allocation are:

- £5.66 for two year olds
- A (provisional) increase in rate for three and four year olds in 2019/20 to £4.73 (£4.50 in 2018/19)

High Needs

15.11 Funding for High Needs provision continues to be area of increased budget pressure nationally and Councils including Croydon are developing new SEND strategies to ensure services are delivered efficiently and effectively to meet demand and need. Croydon Council has recently reviewed special educational needs and disabilities demand, practice and provision and engaged with stake-holders, including parents, young people and schools to inform the development of a draft three year SEND Strategy. A consultation period has recently concluded and implementation of the new strategy will commence in the new financial year.

15.12 The High Needs 2019/20 allocation is £60.21m, which is an increase of £1.14m since 2018/19. This allocation is based on the October 2018 census, with further adjustments to be made for January 2019 census.

15.13 At quarter 1 2018/19, the High needs block forecast overspend was £12.20 million (including previous years overspends). Based on this forecast, on the 12th November 2018, Schools Forum agreed to transfer funding of 0.5% in 2019/20 (from the 2019/20 funding to be used for the 2018/19 overspend) from the provisional Schools Block to the High Needs Block. At that time, the 0.5% equated to £1.23 million.

15.14 The quarter 2 position has increased the High Needs Block forecast overspend to £12.64m. In addition, as the final allocation of the Schools Block was slightly higher than that of the provisional allocation – the 0.5% top slice would increase to £1.24m, resulting in an overall projected DSG overspend for 2018/19 of £11.40m.

15.15 The above transfer to the High Needs Block is in addition to the funding allocation of £1.966 million received for 2018/19 and 2019/20.

15.16 The High Needs Block continues to face increased demand without any corresponding increase in per pupil funding, which has led to an over-reliance on the independent / non-maintained sector, due to shortage of local state funded special schools and / or resourced provision. This is being addressed and a strategy developed to move to a more sustainable framework.

15.17 Croydon Council has a long term plan to increase special schools, Enhanced Learning Provision and post 16 specialist places, including a new free special school with 150 places opening in September 2020. Through this strategy the intention is to provide an effective pathway of local education provision for young people which is an efficient use of resources and supports young people in becoming independent in or near their local community.

15.18 Management of the high needs block and reducing the overspend requires that together there is an approach that manages reliance on Education, Health and Care Plans (EHCP) for children with lower levels of SEN, reduces demand and ensure placements of children are delivered through the continuum of state-funded education provision at efficient values.

15.19 On 21st January 2019 a letter was submitted to the Secretary of State for Education collectively by a number of London Councils regarding the concerns that have already been raised by many Councils on the mounting crisis in High Needs Funding for children with Special Educational Needs and Disabilities (SEND).

15.20 The Government Finance Settlement and the Education Secretary's additional funding for SEND announcement whilst welcomed by hard-pressed Councils, and the SEND funding announcement are not nearly sufficient to address current funding shortfalls let alone projected deficits. The letter asks for urgent action to address the situation to protect critical local services that residents rely on and also to work with HM Treasury to address this issue. The proposed 2019/20 funding should be improved, and the longer-term position considered in the Fairer Funding review.

15.21 In December The Department for Education (DfE) consulted on new arrangements for reporting deficits of dedicated schools grant (DSG). The proposal relates to authorities, where they will be leaving part or all of their accumulated DSG deficit outstanding, they will be required to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals, in agreement from their Chief Finance Officer (CFO).

15.22 Evidence to support local authority recovery plans should also have been presented to schools forums. The DfE are already aware that that majority of these deficits are usually caused by high needs pressures, and recovery plans will typically include block movement disapplication requests. Authorities will, however, need to address whatever the main causes of overspending on the DSG have been.

15.23 Croydon welcomes the proposal as it signals that national government is recognising the serious issue of funding not matching the demand within the High Needs block.

Central Services Schools

15.24 In 2018/19, the NFF created a fourth block within the DSG called the Central Services Schools Block (CSSB). This block is made up of two parts –Reported spend on Ongoing Functions and Reported spend on Historic Commitments.

Ongoing Functions

15.25 The Reported spend on Ongoing Functions includes services such as School Improvement and Education Welfare, totals £2.91m.

15.26 The 2019/20 allocation for ongoing functions has reduced by £0.06m (despite pupil numbers increasing by 260) based on a reduction in the CSSB unit of funding from £58.37 per pupil in 2018/19 to £56.91 in 2019/20.

Historic Commitments

15.27 The Reported spend on Historic Commitments consists of the prudential borrowing costs towards in borough provision of High Need places, costs towards a PFI contract and historic teacher pension costs, which totals £3.21m, and remains unchanged from 2018/19.

15.28 The 2019/20 draft budget for the Schools, Early Years, High Needs and Central School Services Blocks was agreed by Schools Forum on the 21st January 2019. The Schools Block funding formula was submitted to the DfE by the 21st January 2019 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2019.

16. Capital Budget – 2019/2022

16.1 Our Capital Programme remains a key part of the overall budget setting process. It remains focused on supporting the delivery of our statutory responsibility in relation to school places whilst also investing in district centres and community facilities across Croydon. The draft programme for 2019/22 is set out in Tables 17 and 18. The potential slippage from 2018/19 will be reviewed at the end of the financial year and reported to Cabinet in July.

16.2 The Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement Capital Strategy and Annual Investment Strategy 2019/20 report at agenda Item 3C of this agenda contains the capital strategy which sets out how capital investment supports the delivery of the authority’s objectives. It describes the main objectives for the Council over a three-year horizon 2019/22.

16.3 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.

Table 16 – Capital Programme

Description	**Budget 2019/20**	**Budget 2020/21**	**Budget 2021/22**	**Total 2019/20 to 2021/22**
	£000's	**£000's**	**£000's**	**£000's**
Education - Fixed Term Expansions	900	336	-	1,236
Education - Fire Safety Works	1,000	-	-	1,000
Education - Major Maintenance	2,000	2,000	2,000	6,000
Education - Miscellaneous	4,935	272	207	5,414
Education - Permanent Expansion	719	508	399	1,626
Education - SEN	24,534	11,681	473	36,688
Education - SEN Centre of Excellence	1,550	-	-	1,550
Children, Families and Education Sub Total	**35,638**	**14,797**	**3,079**	**53,514**
Affordable Housing Programme	7,273	-	-	7,273
Disabled Facilities Grant	2,400	2,400	2,400	7,200
Gateway, Strategy and Engagement Sub Total	**9,673**	**2,400**	**2,400**	**14,473**
Allotments	341	-	-	341
RIF	30,000	20,000	-	50,000
Community Ward Budgets	576	576	576	1,728
Devolution initiatives	912	912	912	2,736
Empty Homes Grants	1,000	500	500	2,000
Feasibility Fund	330	330	330	990
Fieldway Cluster	1,413	-	-	1,413
Fiveways junction	3,000	2,000	-	5,000
Growth Zone	8,000	20,000	60,000	88,000
Highways - Maintenance Programme	5,000	5,000	5,000	15,000
Highways - flood water management	414	175	-	589
Highways - bridges and highways structures	223	8,110	-	8,333
Highways - Tree works	179	179	179	537
Leisure centres equipment upgrade	1,004	-	-	1,004
Libraries Investment	2,000	2,000	1,000	5,000
New Addington Leisure Centre	5,796	-	-	5,796
New Addington wellbeing centre	-	6,500	6,500	13,000
Parking	153	-	-	153
Park Life	12,151	-	-	12,151

Play Equipment	985	-	-	985
Safety - digital upgrade of CCTV	500	-	-	500
TFL - LIP	2,462	2,000	2,000	6,462
Walking and cycling strategy	750	750	-	1,500
Waste and Recycling - Don’t Mess with Croydon	601	475	-	1,076
Place sub-total	**77,790**	**69,507**	**76,997**	**224,294**
Asset Acquisition Fund	45,000	-	-	45,000
Corporate Property	2,000	2,000	2,000	6,000
Finance and HR system	412	-	-	412
ICT Refresh & Transformation	5,500	1,500	1,500	8,500
People ICT Programme	6,927	2,014	1,521	10,462
Uniform ICT upgrade	534	3,600	-	4,134
Resources sub-total	**60,373**	**9,114**	**5,021**	**74,508**
General Fund	**183,474**	**95,818**	**87,497**	**366,789**
Fire safety programme	10,000	-	-	10,000
Larger Homes	1,500	-	-	1,500
Major Repairs and Improvements Programme	26,771	26,771	26,771	80,313
Special Transfer Payments	180	180	180	540
HRA Total	**38,451**	**26,951**	**26,951**	**92,353**
Capital Programme Total	**221,925**	**122,769**	**114,448**	**459,142**

Table 17: Funding for the capital programme

Funding	**Budget 2019/20**	**Budget 2020/21**	**Budget 2021/22**	**Total 2019/2022**
	£000's	**£000's**	**£000's**	**£000's**
Capital receipts	2,500	-	-	2,500
ESFA	10,000	3,500	-	13,500
School Condition Funding	2,000	-	-	2,000
Basic Needs (Education)	6,833	-	-	6,833
EFA Invest to Save (Education)	969	969	-	1,938
TFL LIP and other funding	2,462	2,000	2,000	6,462
NHS	-	5,000	-	5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	1,200	1,200	1,200	3,600
Disabled Facilities Grants	2,400	2,400	2,400	7,200
Borrowing	48,946	33,949	15,097	97,992
Borrowing - RIF	37,273	20,000	-	57,273
Borrowing - Asset Acquisition Fund	45,000	-	-	45,000
Borrowing - Growth Zone	8,000	20,000	60,000	88,000
S106	1,800	-	-	1,800
Football foundation	7,291	-	-	7,291
GENERAL FUND	**183,474**	**95,818**	**87,497**	**366,789**
Major Repairs Allowance	27,709	21,209	21,209	70,127
HRA - Revenue Contribution	3,718	3,718	3,718	11,154
HRA - Use Of Reserves	7,024	2,024	2,024	11,072
HRA FUNDING	**38,451**	**26,951**	**26,951**	**92,353**

TOTAL FUNDING	**221,925**	**122,769**	**114,448**	**459,142**

UNDER/OVER FUNDING OF PROGRAMME	**-**	**-**	**-**	**-**

16.4 The capital programme detailed in tables 16 and 17 above excludes slippage from the 2018/19 capital programme. Estimated slippage is detailed in the quarter 3 financial monitoring report at agenda item 3B. It is currently estimated that there will be scheme slippage of approx. £20m. The actual slippage will be reported to this Cabinet as part of the annual July Financial Review report. Schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative.

16.5 There are a number of key projects supported in the 2019/20 programme, including:

16.5.1 Continued investment in the primary school estate to provide additional places to meet the growing demand and carry out fire safety works of **£53.5m** from 2019/20 to 2021/22.

This includes £13.5m for the New Addington Valley SEN School on the Timebridge site which the Education and Skills Funding Agency (ESFA) commissioned Croydon to lead on. The school will offer 150 places to children aged 2-19 years, with autism and learning difficulties, with the aim of providing a local pathway from the early years to adulthood. The proposed date for the first phase of the school to be opened is September 2020. The project will be fully funded by the ESFA.

16.5.2 £5m investment in Croydon’s libraries over 3 year capital programme 2019/22. The draft libraries strategy (2018-2028) sets out an ambitious programme of work over the next 4-10 years that will transform Croydon’s libraries into a modern library service that will meet the ambitions for the service and contribute to Croydon Council’s outcomes, priorities and locality based delivery. Croydon Council has been developing its new operating model with a focus on prevention and locality based services

16.5.3 Continued investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the opportunities presented by the Croydon Growth Zone. The Council will increase its borrowing to maintain the highways network following reduction in TFL funding. Additional borrowing has been included to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.

16.5.4 Continued investment in New Addington which includes the well-being centre, the New Addington Leisure Centre, the Fieldway Cluster, public realm and other expenditure. The total investment from 2014 to 2022 will be around £60 million in addition to the capital expenditure from the HRA.

16.5.5 Improvements to the Council’s ICT infrastructure to provide a fit for purpose service to staff and residents remains a priority. This includes:

16.5.6 £10.4m over 3 years for the full implementation and improvements of the ICT software to support and drive efficiencies in the Housing, Adults and Children's' services.

16.5.7 £4.2m over 3 years for the procurement of Uniform System, a key line of business system used across the Planning and Strategic Transportation, Building Control Highways, Environmental Health and Licencing services.

16.5.8 £12.1m over 3 years for the ParkLife Croydon project, a Football Association-led initiative to tackle long-term under-investment in Croydon's Football facilities will enable two new, state-of-the-art borough Football hub sites that will be part funded by £7.2m of Football Foundation money. The new facilities are expected to achieve in excess of 26,000 visits per year each, and will make a major contribution to physical activity and health outcomes, as well as wider as well as wider socioeconomic and regeneration objectives.

16.5.9 The HRA Estates capital programme set out in Table 16 shows the planned expenditure in 2019/20 is £38.5m and total is £92.3m over the 3 years to maintain homes to a decent homes standard and the funding available to support our priorities and vision.

- Work is continuing to ensure fire safety within residential blocks owned or leased by the Council is compliant and meets current standards in order to provide safe homes for our residents.
- Post Grenfell Tower the Council increased the level of fire risk assessments to all council blocks to ensure robust procedures are in place and outstanding works programmed. In 2019/20 an additional £5m expenditure is planned on fire safety works to address issues highlighted in the Fire Risk Assessment.
- The capital programme includes £26.7m planned for ongoing and essential works identified, these include replacement/upgrade of flat front entrance doors, installation/ upgrade of emergency lighting and fire alarm systems where required and blocks with spandrel panels which may need to be replaced.

Revolving Investment Funding (RIF) for Housing and other development

16.6 Cabinet previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder both to the development company Brick by Brick and the Housing LLP's set up in conjunction with the charity Croydon Affordable Housing. The figures shown in the table above are shown on a net basis. The Council may lend to Croydon Affordable Homes if the company cannot secure debt from other sources. Brick by Brick will increasingly recover its costs through sales receipts and enable borrowing to be repaid, or re-invested into further schemes.

16.7 The RIF lends at commercial rates whilst borrowing at the 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.

Growth Zone

16.8 The Croydon Growth Zone is a Tax Incremental Financing (TIF) model which harnesses business rates uplift to enable borrowing to fund infrastructure. The Croydon Growth Zone programme consists of a range of transport, public realm social infrastructure and technology projects as reported to Cabinet in December 2017. They are deemed essential to mitigate the impact and maximise the opportunities of the growth planned (as detailed in the Croydon Local Plan 2018, Croydon Opportunity Area Planning Framework 2013 and the London Plan) in Croydon for the benefit of existing and future residents, businesses and visitors.

16.9 Table 18 below sets out the spending profile of the Growth Zone programme to be delivered to 2021/22 that was approved by cabinet in October 2018.

Table 18 Growth Zone projects

Project	**2019/20 (£'000s)**	**2020/21 (£'000s)**	**2021/22 (£'000s)**
Transport	2,885	12,600	39,886
Public realm	2,565	4,940	19,374
Construction Logistics	500	685	465
Parking	300	825	75
Culture	1,000	300	200
Social Infrastructure	250	250	-
Croydon Works	400	400	0
Energy	**100**	-	-
TOTAL	**8,000**	**20,000**	**60,000**

Section 106 and Community Infrastructure Levy (CIL)

16.10 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.

16.11 The Council manages, monitors and recovers Section 106 income. In the 2018/19 year up to quarter 3, a total income of £1.129m has been received.

16.12 The Council's Section 106 balance as at 31/12/2018 was £10.508m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement. Set out below in table 19 is the Council's detailed Section 106 balance sheet.

Table 19 – S106 breakdown of funds

Section 106	**Balance £'000**
Housing	3,468
Transport	2,684
Education	596
Open Spaces	1,254
Other	2,506
TOTAL	10,508

16.13 In terms of future Section 106 assignment, our affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively working on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon.

16.14 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.

16.15 At the end of 2017/18 the borough's CIL closing balance was £9.842m. This is a combined total for the borough's CIL, Local Meaningful Proportion and the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2018/19, after planned expenditure of £7.3m as at 31/12/18 was £11.582m, including the 5% administration fee and 15% Local Meaningful Proportion for 2018/19.

16.16 Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of CIL to ensure no duplication between CIL and planning obligations (Section 106).

16.17 The Council's Regulation 123 list indicates the infrastructure projects or types that will, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.

16.18 In addition to allocations in 2018/19, and based on current CIL balances and forecast CIL receipts, it has been assumed that £7.3m of CIL money will be available to fund the capital programme. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report.

16.19 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.

16.20 The CIL Local Meaningful Proportion as at 31/12/18 was £2.369m. The capital programme has assigned the Local Meaningful Proportion to fund the Community Ward Budgets.

Housing Programme

16.21 In the past housing investment has been undertaken using HRA funds and Council borrowing. From 2017 housing new builds are being undertaken by Brick by Brick, the Council's independent development company. Brick by Brick will have invested around £700m by 2021/22 to deliver more than 2,000 new homes in Croydon, it is expected to deliver a total of 522 affordable rent units in the current programme, with a further 561 units in the pipeline programme. These units will transfer to the Croydon Affordable Homes LLP.

The Council has also continued to purchase street properties for the provision of affordable rent and at the end of this year it is anticipated that phase 2 of this programme to purchase an additional 250 properties will be completed. These properties will also transfer to the LLP.

Croydon has also been awarded £61m to build new council homes by City Hall from funding secured the Mayor of London's £1 billion Building Council Homes for Londoner's programme for social housing. The grant funding is being used to build homes at affordable prices for shared ownership and let to people in the borough who need them most.

Table 20 – **Housing – New Assets**

	Number of Affordable Units	**Total Pipeline Properties**
Street Properties – phase1	96	
Street Properties – Phase 2	250	
Taberner House	90	
BxB	522	561

16.22 Alongside this housing building programme, we will be continuing to invest in housing improvements. These properties are being funded by capital borrowing, the use of Right to Buy Receipts earned from previous sales and grant funding.

16.23 To enable the increase of the provision of affordable housing in the borough, the Council 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 have utilised the Council's retained right to buy receipts, which it is unable to due to the limited resources in the housing revenue account due to the government imposing a borrowing cap on HRA up until its lifting in October 2018, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. This has enabled acquisitions of 346 street properties for the provision of affordable rent in the borough without public subsidy.

Repair and Improvement of council stock

16.24 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard. Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard. The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, the Council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's direction that social landlords should comply with the decent home standard with ongoing effect. The council continues to invest in maintenance and improvement works in order to maximise the life of the assets

16.25 The proposed major repairs and improvement programme for 2019/20 will remain at circa £27m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. Additional works of £5m to respond to the need for fire safety works have been included in the 2019/20 capital programme, this will bring the total spend to £10m in this year. The costs of this is being funded out of reserves and we continue to lobby central government for the funding.

Capital Allowance (HRA)

16.26 Local authorities are required to establish a 'Capital Allowance'. This is a notional amount set by the Council. The main considerations in setting the allowance are to ensure that it will exceed the anticipated receipts during the year and that total investment in affordable housing needed within the borough exceeds the allowance. This is in order to justify 100% use of the receipts.

16.27 The Capital Allowance for 2018/19 was set at £10m. It is recommended that the Capital Allowance for 2019/20 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

17. Housing Revenue Account (HRA)

17.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges. The services provided to tenants and leaseholders which includes responsive repairs, management and supervision services and caretaking as examples are resourced from this account.

17.2 At the start of 2018/19, Croydon's HRA consisted of 13,572 homes, 2,375 leasehold flats and 1,101 blocks. In addition, there are 834 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to maintain good quality accommodation, and offer temporary accommodation to families most in need.

17.3 Longer term planning for the HRA is continuing to take place through the 40-year business plan which is updated annually to reflect changes in legislation and assumptions which underpin the financial projections. This includes reviewing the impact of the Housing and Planning Act 2016 to understand and model the impact of the 1% rent reductions introduced from 2015/16 for four years, and build a sustainable budget for revenue and capital spend within the HRA. In particular, the announcement about the lifting of the HRA borrowing cap is a key consideration.

17.4 The budget for 2019/20 shows a balanced position as required by statute and will be reported with the proposed rent and other charges to the Tenants and Leaseholders Panel on the 12th February 2019. A draft budget for the HRA for 2019/20 can be found in the Budget Book in Appendix B.

17.5 All investment in new-build is being undertaken outside of the HRA by either the Council's Development Company, Brick by Brick, or other partners.

17.6 Croydon Affordable Homes (the charity set up by the Council in partnership to deliver affordable rented properties across the borough) will be renting out local homes at a maximum of 65% of the market rent to borough residents and remaining units will be available through shared ownership.

17.7 The government announced the lifting of the borrowing cap in October 2018. The removal of the borrowing cap provides an opportunity for the Council to borrow more money for social housing provision in future subject to affordability constraints which it can use flexibly.

17.8 Prior to the announcement, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. Croydon's current HRA debt is £324m with a headroom of £11m. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside the HRA.

17.9 The Council is using its wholly owned development company, Brick by Brick (BxB), to bring forward housing led developments and Housing LLP, Croydon Affordable Homes (CAH) to increase the provision of social and affordable housing in the borough for the benefit of residents. Funding for these schemes is secure through the source that provides value and where appropriate the Council provides the required funding from its Public Works Loan Board (PWLB) borrowing, with repayments including interest.

Housing demand

17.10 It is considered that for at least the next 10 years that the housing market in London and the South east will be characterised by rising demand and increased barriers to entry caused by rising house prices, rising rents and population growth. Beyond 10 years it is difficult to predict with any certainty what housing policy will be in place or what structural housing market changes may have occurred.

17.11 The mix of new housing supply continues to be influenced by numbers of applicants on the Council's housing register locally and the forecasts of future housing need.

17.12 The budget position of the HRA is subject to continued uncertainty in light of further policy proposals that have been issued by the government. The Council is awaiting the final outcome of the legislative process followed by detailed guidance still to be issued by government.

17.13 The 'A new deal for social housing' Green Paper consultation outcome is awaited. Recent changes and proposals impacting HRA are set out below.

- The government has announced that from 2020/21 rent increases will apply at CPI+1% (Consumer Price Index) on social housing rented properties.
- The government has proposed making Right to Buy (RTB) receipts to be available for 50% of social rented new build costs rather than 30%.
- The government has proposed extending use of existing RTB receipts to 5 years with new receipts being available for 3 years.

17.14 However, assumptions about these policy changes and the current legislation, % reduction in rental income, have been incorporated into the 40 year business plan and annual budget setting. These are explained below:

Disposal of "high value" properties

17.15 The government confirmed in the Green Paper that it will not bring into effect the levy imposed on local authorities for the disposal of high value void levy as provided for in the Housing and Planning Act 2016.

Right to Buy

17.16 Croydon Council entered into a retention agreement with the government in April 2012. Under the terms of the agreement, the government requires that local authorities can only retain the receipts from right to buy (RTB) sales if they spend it within three years of retention to create new stock by match funding the purchase of this new supply on a 70:30 basis.

17.17 The implication of this is that the RTB receipts can only fund 30% of new property development or acquisition costs with the remaining balance of 70% funded through the council's HRA or other resources. Interest is repayable to the government on retained receipts not used within 3 years.

17.18 The Council's Housing LLP uses the retained RTB receipts which the HRA had been unable to use due to the limited resources in the HRA before the government announced the lifting of the borrowing cap, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. As explained above, if the Council did not use the retained RTB receipts in this manner, it would need to repay the unused receipts to central government with interest.

17.19 The current 2019/20 HRA budget and business plan assumes there will be 80 right to buy sales in the year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement.

17.20 The table below shows the RTB sales since 2012 compared to the assumptions in the Self-Financing (SF) settlement.

Table 20 – RTB sales since 2012

	Actual Sales (Forecast from 2018/19)	Assumed Sales (in SF Settlement)
2012/13	36	14
2013/14	51	17
2014/15	135	19
2015/16	143	20
2016/17	148	20
2017/18	88	20
2018/19	80	20
2019/20	80	20
Total	**771**	**150**

Rent Setting and Changes

17.21 The Welfare Reform and Work Act 2016 requires all registered providers of social housing in England to reduce rents by 1% a year for four years from 2015/16 levels to 2019/20. This reduction commenced in 2016/17, making 2019/20 final year. Rents for new tenants must also reflect the 1% per annum reduction.

17.22 Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.

17.23 The cumulative reduction in rents has resulted in the HRA has needing to make corresponding savings in expenditure and reduction in its annual spending by a total of £13.0m over the four-year period in order to maintain a balanced budget position.

17.24 The government has indicated that rent increase of CPI+1% will apply from 2020/21 for four years.

17.25 Social rents in Croydon are currently approximately 32%-35% of the private sector equivalent. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent. In the last 12 months, average market rents for Croydon have increased by 10% for 1 bed properties, 8% for 2 beds, and just 8% for properties with 3 bedrooms. The affordability of council rents in comparison to the private sector has therefore improved in the last year, as shown in table 21 below.

Table 21 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2018/19	Average weekly Council rent 2019/20	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£85	£84	£243	35%
2 bed	£103	£102	£318	32%
3 bed	£125	£124	£389	32%

Service Charges

17.26 It is proposed that service charges remain at 2018/19 levels in 2019/20, with the intention that a review of the costs of provision and the allocation of those costs across Croydon properties to be reviewed in relation to the costs of providing these services before any changes are made to 2020/21 charges. From 1 April 2019, the Council will no longer collect payment for water and wastewater services on behalf of Thames Water from tenants. Instead tenants will be responsible for paying their water bills directly to Thames Water. The notification letter informing affected tenants of the change was sent in early January 2019.
The discontinuation of the water and wastewater services charge arrangement between Thames Water and the Council has been reflected in the rent and service charges to tenants in the 2019/20 Budget Setting and HRA Business Plan.

17.27 The charges for 2019/20 will therefore be:

Table 22 –2019/20 Tenant Service Charges

	2018/19	2019/20	Change
Tenant Service Charges			
Caretaking	£10.18pw	£10.18pw	£0.00pw
Grounds Maintenance	£2.09pw	£2.09pw	£0.00pw

Heating charges

17.28 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will remain the same as 2018/19 in line with RPI.

Garages and parking spaces

17.29 Rents for garages and parking spaces were not increased in 2018/19 and it is proposed that no increase will be applied for 2019/20.

Table 23 – 2019/20 Parking and Garage Charges

	2018/19	2019/20	Change
Parking Spaces			
Tenants	£7.00pw	£7.00pw	£0.00pw
Non-Tenants	£9.62pw	£9.62pw	£0.00pw
Garages			
Avg. Rent*	£13.13pw	£13.13pw	£0.00pw

Voids and Bad Debts

17.30 The loss of income associated with void properties is assumed at 0.9% for 2019/20.

17.31 In the light of the uncertainties regarding the impact of changes to the benefits arrangements a provision for bad debt has been included at £0.750m per annum for 2019/20.

HRA Savings

17.32 In order to balance the HRA budget position in the medium-term (particularly the impact of the 1% rent reduction), the council has identified a range of management savings to ensure that it continues to drive value for money from the services that it provides. A summary of these savings is shown in table 24 below:

Table 24 – 2019/20 HRA Savings Proposals

Management Savings	£000s
Staff Restructure savings	178
Cost Efficiencies	200
Contract procurement and budget review	710
TOTAL	**1,088**

17.33 The savings proposals set out in Table 24 above include savings made from restructuring on staff costs, cost efficiencies estimated on running costs and contract procurement.

18. Treasury Management

18.1 The Director of Finance Investment and Risk (S151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy. The details are set out in the Treasury Management Strategy which is recommended to Cabinet for approval as a separate item on this agenda.

19. Statement of the Section 151 Officer on reserves and balances and robustness of estimates for purposes of the Local Government Act 2003.

19.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to his advice throughout the year in the preparation of the budget for 2019/20. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Director of Finance, Investment and Risk. This is her statement which meets the Section 25 requirement of the Act.

19.2 All Members of the Council have been advised of the financial challenges the Council faces over the medium and longer term indicated clearly to the Council through the spending review reductions for the Council and more recently in the Provisional local government settlement from the Chancellor of the Exchequer. This clearly forecasts further and deeper reductions to Local Government and to the Council's funding until at least 2019/20. These further reductions are going to require a further review of the way we work and the way we deliver services. In taking decisions on any budget all Members must first and foremost understand the underlying funding changes which the Council faces and set these associated decisions within the context of the overall financial environment the Council faces.

19.3 These are very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycles if the Council is to maintain a continued solid financial foundation and achieve a balanced budget position in future years. Continuous improvements have been made in the Council's overall financial standing demonstrated through progress towards targeted levels of general fund balances and the Council's ability to manage the significant in-year risks in a corporate and planned way. The revised financial strategy has been written to help us navigate through these difficult times and Members will need to fully support this strategy if the Council is to maintain a solid financial foundation. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves I have reviewed this position in detail and have reported my conclusions and assumptions to the Cabinet on a continued on-going basis as part of the Council's overall governance and financial stewardship arrangements.

19.4 All Members must be aware that the calculation of the budget is, in its simplest form, dependent on three key factors, which are set in the context of the reducing level of support from central government, these are:

a) The structural growth and savings in service expenditure or income;
b) The level of increase in local taxation (council tax); and
c) The level of reserves and balances.

19.5 With regard to the Housing Revenue Account, It is important for Members to understand that the continued 1% reduction for the next year through government legislation would result in a significant reduction in income to the Housing Revenue Account and would make the 30 year business plan unsustainable based on the current expenditure plans. There is a great deal of uncertainty around other changes covered in the report that will impact on the HRA and therefore the focus has been on ensuring the 2019/20 budget is balanced and working on options within the control of the council to reduce expenditure in future years.

Growth and Savings in service expenditure

19.6 Proposals for growth and savings in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough with the available resources from Government and that which can be raised locally through taxation and income. In balancing such decisions Members must have regard to the professional advice of officers in such matters as service need, statutory responsibility, changes to Government legislation, demographic factors (particularly in respect of demand-led services), unavoidable cost pressures and future levels of Government funding support. This report forms part of the advice.

Local Taxation

19.7 The level of change in council tax is similarly a matter of political judgment, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the budget, the level of reserves and balances, prudent financial management, the current and future financial risks the Council may face over the medium to longer term such as the localisation of business rates and council tax benefit support and the future forecast of Government funding support. The recent local government settlement saw a major shift in the government’s approach to Council tax. There has been the creation of the option to increase council tax by up to 3% without the requirement for a referendum. It is important for Members of the Council to understand that this reflects a long term pressure that the council faces as a result of demographic and population change and any decision made now also has a long term impact on the council’s financial strategy.

The Level of Reserves and Balances

19.8 The level of reserves and balances are principally the responsibility of the s151 officer and are key to ensure the financial sustainability of the Council. The Members of the Council are not automatically obliged to accept my advice in every particular, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from my advice.

19.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice to all Member is that an appropriate level of General Fund Balances is between 3% and 5% for the medium term which is cash terms is between £8m and £13.3m. The current level of General Fund Balances is £10.3m, and are expected to remain unchanged.

19.10 The 2018/19 revenue budget is currently forecast to overspend by £5.466m and it is proposed to fund this from Earmarked Reserves at the end of the year. The strategy in 2019/20 will then be to replenish reserves from the anticipated collection fund surplus which will become available to the general fund on the 1st April 2019 and the dividend payable to the Council by Brick by Brick. This is a similar process to last year whereby £4.7m was added to earmarked reserves on the 1st April 2018.

In determining the level of reserves and balances key factors include:

- The risks inherent in the budget;
- The level of specific reserves and associated provisions;
- The identified efficiencies to be achieved;
- The future financial risks the Council may be exposed to both quantifiable and unquantifiable; and
- The Authority's history of delivering services within the budgetary provision set.

19.11 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £20m at the end of 2019/20. This is a position that needs to be kept under review. The increased flexibility on the use of capital receipts allows the authority to use these to support transformation projects and therefore provides capacity that would previously have to be funded from earmarked reserves.

19.12 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures. The Council has set plans to deliver efficiencies of £28m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2019/20 financial period.

19.13 Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding and there has been overspends in social care each year since 2010. Despite this the council has managed to maintain balances at an appropriate level. This remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members.

19.14 HRA reserves are currently at their target of 3% and expected to remain at that level in the medium term in line with the financial strategy.

19.15 Table 25 shows the schools reserves position.

Table 25 Reserves (Schools)

Reserves	Balances as at 31/03/18 £m	Estimated 31/3/19 £m
Local Maintained School balances	2.407	0.750
	2.407	**0.750**

19.16 The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If maintained schools have balances greater than these sums and do not have plans meeting approved criteria that explain the reasons for additional balances, the additional balances may be redistributed between Croydon's maintained schools.

19.17 The Section 151 officer has a responsibility to ensure Croydon's maintained schools have sound financial management. Where a school has set a deficit budget (one where anticipated expenditure will exceed anticipated income), or is heading towards a deficit position in year, the Section 151 officer requires the school to submit a pro forma, setting out their action plan to show how the deficit position will be managed. The pro forma is signed by the School Governors and submitted to the Section 151 officer for agreement. We are currently working with a number of schools on their deficit position and recovery plans.

20. Summary and Conclusions

20.1 As all Members are aware, setting a budget for 2019/20 that is robust, balanced and deliverable has been challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.

20.2 This budget report is based on the current financial outturn projections for 2018/19. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

20.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2019/20.**

21. FINANCIAL CONSIDERATIONS

21.1 The report contains the financial implications of the options to deliver a balanced budget for 2019/20 and the draft capital programme for 2019/22.

22.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

22.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2019 but it may not be set before the GLA has issued the precept.

22.2 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum.

22.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Thresholds for 2019-20 were published on 29 January 2019 and provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 5% or more. Council tax for general spending requires a referendum if it rises by 3% or more, alongside a maximum 2% ‘social care precept’. The setting of the social care precept must not exceed a rise of 6% over three years. The ‘adult social care precept’ is technically not a ‘precept’ but additional headroom within the referendum regime for selected local authorities. The expressed intention is that local authorities would then be able to raise council tax by a total of 6% over and above the “standard” threshold of 2% by 2019/20. As Croydon raised the social care precept by 3% in 2017/18 and 2% in 2018/19 there is only a remaining 1% for the upcoming financial year of 2019/20.

22.4 The procedure followed in developing the budget proposals as detailed in the report meets the requirements of the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council’s Constitution.

22.5 When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council’s resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon’s communities.

22.6 To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council’s obligations under the Equality Act 2010.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

23. HUMAN RESOURCES IMPACT

23.1 The implementation of the efficiency and cuts programme will in a number of instances necessitate a change of structure and skill mix of staff and/or change of working practices. Where a redundancy is being 'contemplated' the unions must be informed. If subsequently a redundancy is actually 'proposed' then the employer is immediately obliged to consult with the unions and staff for a minimum statutory period before any decisions and formal notification of redundancy is issued. The organisation will take these considerations into account in planning for the implementation of any structural reform.

23.2 Where restructures or transfers are proposed the Council's existing policies and procedures must be observed.

Pay Policy Statement

23.3 The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.

23.4 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2019/20 on:

23.4.1 The remuneration of its senior staff including chief officers

23.4.2 The remuneration of its lowest paid employees

23.4.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers

23.5 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 4th March 2019.

Approved by: Sue Moorman – Director of Human Resources

24 EQUALITIES CONSIDERATIONS

24.1 The Equality Act, 2010, also 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.

24.2 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. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.

24.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. 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.

24.4 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 in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.

24.5 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 groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

24.6 An equality analysis has been completed in respect of the overall Council Tax increase which will apply to all households in the borough. While this increase is relatively modest it will nonetheless impact on those on low and fixed incomes and in particular those that may have been adversely affected by changes to the benefit system and who do not qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of BAME residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. This will benefit Croydon’s most vulnerable adults and families. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:

- Pensioners on low incomes.

- People that are in receipt of disability living allowance or employment support allowance.
- People that are in receipt of income support.
- Single parents with a child or children aged under five.

24.7 As part of the overall welfare support provided, customers having difficulties with their payments are also offered wider budgeting advice and support and help in finding work is also available where applicable through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

24.8 In respect of specific proposals as outlined in Appendix A may result in new policies or policy or service changes an equality analysis will inform the final proposal and its implementation and will be available at the time of decision.

Approved By Yvonne Okiyo, Equalities Manager

25. ENVIRONMENTAL IMPACT

25.1 There are no direct environmental considerations arising from this report.

26. CRIME AND DISORDER REDUCTION IMPACT

26.1 There are no savings which should impact upon this Corporate Priority.

27. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

27.1 The council has a duty to set a balanced budget and therefore the proposals set out in the report achieve this duty.

28. OPTIONS CONSIDERED AND REJECTED

28.1 Various other options were considered in terms of council tax levels, investments and savings. These are ultimately decisions of policy and political choice.

REPORT AUTHOR AND CONTACT:	Lisa Taylor, Director of Finance, Investment and Risk, Section 151 Officer.
BACKGROUND DOCUMENTS:	none

APPENDICES:
Appendix A – Revenue savings and growth options
Appendix B – Detailed Budget Book
Appendix C – Summary of Revenue Estimates
Appendix D – Budget Requirement and Council Tax
Appendix E – Council Tax Recommendations
Appendix F – Response to draft Local Government Settlement

Appendix G – Dedicated Schools Grant
Appendix H – Pay Policy Statement
Appendix I – Rating (Property in Common Occupation) and Council Tax (Empty Dwellings)
Appendix J – Adult Social Care Charging
Appendix K – Response to the Fair Funding Review Consultation
Appendix L – Response to the Business Rates Consultation