

REPORT TO:	COUNCIL 4 MARCH 2019
SUBJECT:	COUNCIL TAX AND BUDGET REPORT
LEAD OFFICER:	LISA TAYLOR DIRECTOR OF FINANCE, INVESTMENT AND RISK AND SECTION 151 OFFICER
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:	
The Council Tax and Budget Report is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.	

1. RECOMMENDATIONS

Subject to decision at the Cabinet meeting to be held on 25 February 2019, the Council is expected to be asked to approve the following recommendations:

- 1.1 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).
- 1.2 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).
- 1.3 To welcome 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 Section 52ZC (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 report 6.1.

- 1.4 The calculation of budget requirement and council tax as set out in Appendix D and E of report 6.1. Including the GLA increase this will result in a total increase of 4.88% in the overall council tax bill for Croydon.
- 1.5 The revenue budget assumptions as detailed in report 6.1 and the associated appendices :-
 - (i). The programme of revenue savings and growth by department for 2019/20 (Appendix A of report 6.1).
 - (ii). The Council's detailed budget book for 2019/20 (Appendix B of report 6.1).

- 1.6 The Capital Programme as set out in section 16, table 16 and 17 of report 6.1.
- 1.7 To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2019/20.
- 1.8 The adoption of the Pay Policy statement at Appendix H of report 6.1.
- 1.9 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 of report 6.1.
- 1.10 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 report 6.1.

2. EXECUTIVE SUMMARY

This Council Tax and Budget Report comprises a summary of the process and matters of business relating to the Council Tax and Budget Setting as required by Part 4A of the Constitution. The report also includes recommendations that are anticipated to be made to Council by Cabinet at its meeting on 25 February 2019

3. GENERAL FUND AND HRA BUDGET PROPOSALS

- 3.1 The General Fund and HRA Budgets are appended to this report as report 6.1.
- 3.2 At its meeting on 25 February 2019, Cabinet is anticipated to recommend to Council the recommendations detailed in 1.1 to 1.10 above. Those recommendations will be put to the vote at the conclusion of this item of business.
- 3.3 In accordance with paragraph 4.12 of part 4A of the Constitution, recommendations 1.1, 1.2 and 1.3 will be taken as recorded votes.

4. QUESTIONS TO THE LEADER AND CABINET MEMBER FOR FINANCE & RESOURCES

- 4.1 At the outset of consideration of this item, Members will have the opportunity to ask questions of the Leader of the Council on any matter related to the Council Tax or draft budget.
- 4.2 Following the above session, Members will have an opportunity to ask questions of the Cabinet Member for Finance & Resources on any matter related to the Council Tax or draft budget.

- 4.3 Both of these question and answer sessions will last for fifteen minutes and the first three minutes of each session may be used by the Leader or Cabinet Member to make any announcements. Both sessions will be conducted in accordance with paragraphs 4.3 to 4.6 of Part 4A of the Council's Constitution.
- 4.4 In case of doubt, the Mayor shall decide whether it is appropriate for any matter to be considered at a Council Tax Meeting and shall disallow any questions considered inappropriate. Each Member asking a question will also be allowed to ask a supplementary question

5. BUSINESS REPORT OF THE SCRUTINY AND OVERVIEW COMMITTEE

- 5.1 Part 4C of the Constitution outlines the process for developing the Council's annual budget and makes provision for the Scrutiny & Overview Committee to comment on proposals. It also requires Cabinet to take into account any formal response from the Scrutiny & Overview Committee.
- 5.2 Paragraph 4.8 of part 4A of the Constitution allows a period of ten minutes for Councillors to question the Chair of the Overview and Scrutiny Committee, the first two minutes of which are available to the Chair to make any announcements.
- 5.3 In accordance with the above requirements, the Scrutiny & Overview Committee considered all non-education elements of the proposed 2019/20 budget at its meeting on 15 January 2019. Education elements of the proposed budget were considered by the Children and Young People Scrutiny Sub-Committee at its meeting on 5 February 2019.

Council Tax and Budget Scrutiny

- 5.4 At its meeting on 15 January 2019, the Scrutiny and Overview Committee considered an item on the draft budget from the Cabinet Member for Finance and Resources.
- 5.5 A presentation from the Cabinet Member for Finance and Resources outlined the current status of the financial position, the growth pressures, income assumptions and the Capital Programme for 2019-2020.
- 5.6 The Committee learnt that the growth pressures, particularly in social care, continued to have a significant impact on the local authority. In particular the level of underfunding by the government for services in Croydon continued to have an impact. The Council continued to make representations on both a national and regional level for fair funding for the borough. As well as making individual representations on those circumstances specific to Croydon, such as the costs arising from Unaccompanied Asylum Seeking Children.
- 5.7 The Committee gave consideration to Council Tax, noting that without the proposed increase, an additional £7m would need to be found within the budget

for 2019/20. This in turn would also significantly impact upon services provided to residents.

- 5.8 The Committee challenged the assumptions used as the basis for the predicted income to be delivered from the new Waste and Recycling contract in the 2019/20 Budget. It was noted that the Council was on track to save £1m over half a year from the new Waste and Recycling contract. As such, this had been extrapolated for a full year and used as a basis for the assumed income from the contract for 2019/2020.
- 5.9 The Committee noted that the Council had a three year programme of investment, which was set out in the Asset Acquisition Strategy that sat alongside the Medium Term Financial Strategy. The Asset Acquisition Strategy also informed the type of investments the Council would pursue.
- 5.10 The Committee learned that the increased level of income from car parking predicted in the Budget had been based on a combination of factors. This included previously cautious estimates for income from car parking in 2018-19, an increase in the size of the Enforcement team and an expectation that the growth rate would continue.
- 5.11 In response to a question from the Committee about the assumed dividend of £2.2m from Brick by Brick, it was highlighted that the Council had not received a dividend since the company was set up. As there were now 20 separate schemes in the process of completion, the dividend had been based on a prudent assumption of profit available in 2019/20.
- 5.12 The Committee questioned what lessons had been learned from past budgets. In response it was advised that the Finance team now had stronger insight and intelligence on the areas for growth and pressures within the budget. There were better systems in place for tracking the budget and there had been more detailed work undertaken focused upon the key areas of pressure within the Council. However there would always be unknowns and risks to the budget and it was essential to prepare for these where possible.
- 5.13 It was suggested that it would be useful for the Committee to meet with the Cabinet Member for Finance and Resources early in the budget setting for 2020/2021 to focus on the actual process of setting the budget in more detail and ensure it was fit for purpose.
- 5.14 The Chair thanked the Cabinet Member and the Officers for their attendance at the meeting and answering the Committee's questions. In particular extending the thanks of the Committee to the Executive Director for Resources and Section 151 Officer, Richard Simpson, who was attending his last Scrutiny meeting before leaving the Council.

Conclusions

- 5.15 Following the discussion of this item, the Committee reached the following conclusions:

- i) That the Budget being proposed by the Administration was reasonable and took into account the potential risks where possible.
- ii) That it would be beneficial to scrutinise the budget setting process in the new municipal year, to provide reassurance on the preparation of the 2020-21 budget at an early stage.

Recommendation

- 5.16 The Scrutiny and Overview Committee agreed to recommend to the Cabinet Member for Finance and Resources that he be invited to attend a meeting of the Committee early in the new municipal year to discuss with Members the process for setting the next budget.

Education Budget 2018/19

- 5.17 At its meeting on 5 February 2019, the Children and Young People Scrutiny Sub-Committee considered an item on the draft education budget from the Cabinet Member for Children, Young People & Learning and the Head of Finance.
- 5.18 Prior to the meeting a briefing session had been organised to provide the Sub-Committee with an overview of the process for setting the Education Budget.
- 5.19 The Sub-Committee was informed that the Dedicated Schools' Grant (DSG) allocation for the forthcoming year 2019/2020 was £342m. From this the allocation for academies was £166m. The Department of Education (DfE) had also awarded capital funding of £26m over the next four years for the borough, which included funding for a Special Educational Needs School in New Addington.
- 5.20 The Sub-Committee was disappointed to note that the DSG continued to underfund the educational needs of the borough in comparison with other local authorities, with a particular disparity between the funding awarded to the borough and the inner London local authorities, despite sharing many of the same challenging characteristics. It was noted that information was being compiled to present Croydon's case for additional funding to the DfE.
- 5.21 The Sub-Committee learned that the Government was proposing to introduce a Dedicated Schools' Grant recovery plan which would require local authorities with a deficit of greater than 1% of their allocation to recover the deficit. At present it was estimated that three quarters of local authorities had a deficit greater than 1%.
- 5.22 As it was noted that further guidance on the recovery plans was expected in the near future, the Sub-Committee considered the lack of guidance at the present time a significant risk.

- 5.23 The Sub-Committee was also advised that steps were already underway to address the deficit with work to focus demand on the high needs budget with the emphasis moving towards intervening at an early stage.
- 5.24 The Sub-Committee questioned what level of spare capacity was planned for in schools and what criteria was taken into account when calculating this figure. It was advised that there was an aim to have a spare capacity of 5%, which had been based on a number of sources of information included birth-rates and data on people moving into the borough. It was noted that where schools had spare capacity of greater than 5%, the Council would work with them to amend their plans and reduce expenditure.
- 5.25 Officers were thanked for their responses to Members' questions.

Conclusions

- 5.26 Following the discussion of this item, the Sub-Committee reached the following conclusions:
- i) The Sub-Committee was concerned about the risks arising from the lack of government guidance on the requirement for local authorities to have a recovery plan in the event that their Dedicated Schools' Grant budget falling below a 1% deficit.
 - ii) It was clear that Croydon's Dedicated Schools' Grant funding allocation was insufficient for the borough's need and that the funding differential to other local authorities was evident.
 - iii) The Sub-Committee was pleased to note that information was being gathered to evidence Croydon's low funding allocation, enabling the Council to present a case for fairer funding to the Department for Education.

Recommendation

- 5.27 The Sub-Committee agreed to recommend to the Cabinet Member for Children, Young People and Learning that the Council and its partners should be meeting in preparation for the eventuality of the Council finding itself in the position of having to utilise its recovery plan.

6. COUNCIL TAX DEBATE

- 6.1 The Council Tax Debate will proceed in accordance with paragraphs 4.9 to 4.12 of part 4A of the Constitution.
- 6.2 The order of speakers shall be as follows:
- i) Leader or other Cabinet Member (10 mins)
 - ii) Leader of the Opposition (10 mins)
 - iii) Administration Speaker (3 mins)
 - iv) Opposition Speaker (3 mins)
 - v) Administration Speaker (3 mins)

- vi) Opposition Speaker (3 mins)
- vii) Administration Speaker (3 mins)
- viii) Opposition Speaker (3 mins)
- ix) Administration Speaker (3 mins)
- x) Opposition Speaker (3 mins)
- xi) Administration Speaker (3 mins)
- xii) Opposition Speaker (3 mins)
- xiii) Leader or other Cabinet Member exercising a right of reply (5 mins).

6.3 The Leader of the Council and Cabinet Members may submit bulletins to be included in the Council agenda papers for this item. Bulletins may summarise the business undertaken by a Cabinet Member since the last ordinary meeting of the Council. The bulletins can be found at Appendix M.

6.4 At the conclusion of the debate, the recommendations shall immediately be put to the vote as detailed in 1.1 to 1.10 above.

CONTACT OFFICER: Stephen Rowan
Head of Democratic Services and Scrutiny

BACKGROUND DOCUMENTS: None

APPENDICES:

- Appendix 6: Council Tax Report to Cabinet
- Appendix 6A: Revenue savings and growth options
- Appendix 6B: Detailed Budget Book
- Appendix 6C: Summary of Revenue Estimates
- Appendix 6D: Budget Requirement and Council Tax
- Appendix 6E: Council Tax Recommendations
- Appendix 6F: Response to draft Local Government Settlement
- Appendix 6G: Dedicated Schools Grant
- Appendix 6H: Pay Policy Statement
- Appendix 6I: Rating (Property in Common Occupation) and Council Tax (Empty Dwellings)
- Appendix 6J: Adult Social Care Charging
- Appendix 6K: Response to the Fair Funding Review Consultation
- Appendix 6L: Response to the Business Rates Consultation
- Appendix 6M: Leader and Cabinet Member Bulletins