

# LONDON BOROUGH OF CROYDON

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

## 1. SUMMARY OF REPORT:

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

were, in order of priority:-

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

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

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

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

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

## **2. RECOMMENDATIONS**

The Executive Mayor in Cabinet is asked to:

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

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

### **3. BACKGROUND**

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

#### National Background

- 3.2 The Chancellor of the Exchequer gave an update on the state of the public finances and the performance of the economy in the Autumn Statement<sup>1</sup> 2022. The economic and fiscal outlook set out in the Statement included:
- A forecast increase in interest rates to levels not seen since the 2008 financial crisis.
  - A forecast increase in Consumer Price Index (CPI) inflation to a 40-year high of 11% in Quarter 4 2022 before dropping sharply in 2024.
  - A forecast rise in national unemployment of 505,000 from 3.5% to a peak of 4.9% in Quarter 3 2024.
  - A material worsening in the medium-term fiscal outlook over the past year due to the weaker economy, higher interest rates and higher inflation

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<sup>1</sup> Autumn Statement - HM Treasury 17 November 2022

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

#### Local Legacy and Structural Issues

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

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<sup>2</sup>The LGFS was published on 6 February 2023

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

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

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

#### 4. THE 2023/24 BUDGET AND COUNCIL TAX REQUIREMENT

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

**Table 1 – 2023/24 Budget and Council Tax Requirement**

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

#### 5 BUDGET ASSUMPTIONS



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

#### Inflation and Economic Demand Pressures.

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

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

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

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

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

5.6 The use of the 2023/24 inflation provision will be controlled corporately and drawn down in accordance with the national pay award and agreement of specific departmental pressures. The latest report<sup>3</sup> of the Bank of England Monetary Policy Committee highlighted downside and upside risks to their latest inflation forecast, for example the downside impact if geopolitical tensions and supply disruption ease more quickly, or upside risk if there is a sharper-than-expected tightening in global financial conditions. For Croydon the risk that actual inflationary pressures will be significantly more, or less, than budgeted will be closely monitored with updates provided within the monthly Cabinet financial performance reports

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

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

#### Demand Pressures and Legacy Budget Corrections

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

**Table 2 – 2023/24 Demand Pressures and Budget Corrections**

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

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

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

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

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

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

There are also debt financing costs regarding the capitalisation directive of £161.6m. Overall debt financing costs<sup>4</sup> are budgeted to increase by £13.6m from 2022/23 to 2023/24.

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

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

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

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<sup>4</sup> Interest payable and the minimum revenue provision

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

### Savings and Transformation

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

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

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

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

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

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

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

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

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

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

<sup>5</sup> This saving is reported through the net cost of borrowing budget.

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

### Net Cost of Borrowing

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

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

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

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

### Government Grant and Business Rates Funding

5.28 The Final Local Government Finance Settlement (LGFS) was announced by a written Ministerial statement on 6<sup>th</sup> February 2023. The core grant and

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

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

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

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

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

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

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

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

5.35 Table 4 sets out, using draft data<sup>6</sup>, a high-level analysis of the underlying impact of the revaluation on different types of business within Croydon. Whilst

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<sup>6</sup> Issued by the Valuation Office Agency (a government executive agency) in November 2022. The revaluation will come into effect on 1 April 2023 based on rateable values from 1 April 2021.

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

**Table 4 – Increase in Rateable Values Since 2017**

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

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

## **6. REQUEST FOR GOVERNMENT SUPPORT**

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

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

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



**Table 5 – Request for Government Support**

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

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

## 7. COUNCIL TAX BASE AND CHARGE

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

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

- 7.3 This represents an increase in the Croydon element of the council tax charge of 12.99% and a 2% levy for the adult social care precept. The weekly increase in the Band D charge for the Croydon element of council tax is £4.51 (annual £235.35 and daily £0.64)
- 7.4 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and council tax increases with compulsory referenda on council tax increases above limits it sets. For 2023/24 the relevant basic amount of council tax of Croydon London Borough Council has been determined by government as being excessive only 'if the authority's relevant basic amount of council tax for 2023-24 is 15% (comprising 2% for expenditure on adult social care, and 13% for other expenditure), or more than 15%, greater than its relevant basic amount of council tax for 2022-23'.

## 8. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

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

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

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

## 9 TOTAL 2023/24 COUNCIL TAX REQUIREMENT

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

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

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

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

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

### Prior year Collection Fund adjustments

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

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

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

## **10. BUDGET ENGAGEMENT**

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

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

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

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

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

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

## **11 VIEWS OF THE DIRECTOR OF FINANCE**

### The robustness of the budget estimates

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

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

- The budget proposals have been developed following guidance from the Corporate Director of Resources and have been through a robust process of development and challenge with the Executive Mayor, Scrutiny and Cabinet Members, the Chief Executive and the Corporate Management Team, service directors and managers.
- The 'Opening the Books' review has identified substantial accounting corrections that have one-off and on-going implications for the Council's budget. These are recognized in the proposed 2023/24 Budget and Medium-Term Financial Strategy to 2025/26.
- Constructive dialogue has been undertaken with central government and the Improvement and Assurance Panel with Croydon gaining additional flexibility to increase 2023/24 council tax by upto 14.99% (including 2% for adult social care expenditure)
- An increased provision of £32.9m is set aside for inflation and takes reasonable account of potential future pay awards and the government forecast<sup>7</sup> for continued inflationary pressures.
- A £5.5m provision has been set aside regarding economic demand pressures.
- The revenue budget proposals provide for the Council to hold an unallocated contingency of £5m to meet unforeseen budget pressures.
- Service managers have made reasonable assumptions about growth pressures which, following corporate challenge were not manageable within current budgets, and have resulted in additional essential investment
- Rigorous mechanisms are in place to monitor sensitive areas of expenditure with regular assurance meetings held to ensure that all proposals within the medium-term financial strategy are managed well and that budgets remained on track during the year.
- The use of budget monitoring in 2022/23 to re-align budgets where required with mitigating actions identified to meet budget pressures and growth provided when needed. As a result of the stringent approach to monitoring, the latest Month 8 Financial Performance Report predicts that the Council is likely to be able to balance its in-year budget pressures.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals comply with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital

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<sup>7</sup> Autumn Statement 2022 – Inflation forecast to be 7.4% in 2023.

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

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

### Risk, revenue balances and earmarked reserves

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

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

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

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

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

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

**Table 7 – Reserves Carried Forward to 2022/23**

	<b>Balance 1<sup>st</sup> April 2022 £'m</b>
Earmarked Reserves	65.6
Restricted Reserves	46.7

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

11.7 Croydon holds reserves for the following main purposes.

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

## 12. DEDICATED SCHOOLS GRANT

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

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

### **Table 8 – Croydon DSG Allocations**



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

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

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

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

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

**Table 9 – Schools Block**

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

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

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

**Table 10 – High Needs Block**

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

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

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

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

**Table 11 – Early Years Block**

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

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

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

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

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

**Table 12 – Central Services Schools Block**

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

#### 12.17 On-Going Commitments.

The main expenditure type under on-going responsibilities includes:

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

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

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

## 13 FINANCIAL IMPLICATIONS

13.1 As set out throughout this report

## 14 LEGAL IMPLICATIONS

## Setting the Council Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a) 1<sup>st</sup> March in the financial year preceding that for which the amount is set;
- b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set.

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

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

#### Members' Common Law Duties

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



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

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

#### Constitution (Budget and Policy Framework Procedure Rules)

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

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

#### Arrears of Council Tax and Voting

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

Approved by: Director of Legal Services and Monitoring Officer.

## **15 EQUALITIES IMPACT**

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

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

- 15.2 Section 149 of the Act requires public bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
  - advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
  - foster good relations between people who share a protected characteristic and people who do not share it.
- 15.3 Protected characteristics defined by law are race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief and marriage and Civil Partnership.
- 15.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. Report authors have been guided towards ensuring that there is sufficient mitigation when a service has been changed to ensure that there is no detrimental impact on service users as a result of the change.
- 15.5 The budget proposals have been assessed in line with the Council's equality impact analysis processes (EIA), as part of a risk-based approach to analyse potential equalities impact of budget proposals. Budget holders have identified where proposals are likely to have an impact on those with protected characteristics (i.e. race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, age, gender identity and marriage and civil partnership). Where necessary, the potential for mitigating measures are explored. The EIA process continues alongside the development of policy and operational changes and during their implementation.
- 15.6 The recent pressures caused by higher inflation has been identified in a number of the equality assessments. Nationally it is recognised that households have struggled with rising bills and more are reliant on support. Fuel inflation has had a particularly challenging impact over the last 12 months.
- 15.7 As at July 2022, there were 7,028 low income families in Croydon where their monthly income is below their estimated costs. This figure represents households that claim benefits through Croydon Council. If costs were increased by £19.62 a month (this is the 14.99% increase on a Croydon Band D house) then there would be 7,290 households with a monthly income below their estimated costs.
- 15.8 As a result, particular consideration has been given in the equality analysis to proposals which include increases in fees/charges, and the proposed increase in Council Tax. The evidence from both internal and external sources was gathered to consider the impact, as well as considering the responses from the budget engagement activity.

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

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

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

## **16 ENVIRONMENTAL IMPACT**

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

## **17 CRIME AND DISORDER REDUCTION IMPACT**

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

## **18 DATA PROTECTION**

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

## **19 HUMAN RESOURCES IMPACT**

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

Approved by: Dean Shoesmith, Chief People Officer.

## **20. OVERVIEW AND SCRUTINY COMMITTEE**

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

## **LIST OF APPENDICES**

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

## **BACKGROUND DOCUMENTS**

Mayor's Business Plan Council 14<sup>th</sup> December 2022  
Cabinet report 30<sup>th</sup> November 2022