APPENDIX 6.1

REPORT TO:	**CABINET 26 FEBRUARY 2018**
SUBJECT:	**GENERAL FUND & HRA BUDGET 2018/20**
LEAD OFFICER:	**RICHARD SIMPSON** **EXECUTIVE DIRECTOR OF RESOURCES (SECTION 151 OFFICER)**
CABINET MEMBER:	**COUNCILLOR TONY NEWMAN, LEADER OF THE COUNCIL** **COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY** **COUNCILLOR ALISON BUTLER, CABINET MEMBER FOR HOMES AND REGENERATION**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2018/19 and also proposals around the delivery of the budget for 2019/20.

FINANCIAL SUMMARY:

The report details the revenue and capital budgets for the General Fund for 2018/19, including the Council Tax increase of 2.99% and the 2% increase for the Adult Social Care precept, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2018/19.

FORWARD PLAN KEY DECISION REFERENCE

The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 27th February 2018.

The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/17/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

1.0 RECOMMENDATIONS

1.1 The Cabinet recommend to full Council:

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

II. A **2.0**% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).

III. Welcomes the GLA increase of **5.07%,** where over 81% of which is being used for the Police and 16% being used for the Fire service.

With reference to the principles for 2018/19 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 7.12 of this report.

IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 5.01**%** in the overall council tax bill for Croydon.

V. The two year revenue budget assumptions as detailed in this report and the associated appendices :-
- The programme of revenue savings and growth by department for 2018/20 (Appendix A).
- The Council's detailed budget book for 2018/19 (Appendix B).

VI. The Capital Programme as set out in section 13, table 18 and 19 of this report.

VII. That it note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2018/19 .

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

1.2 That Cabinet agree:

I. A rent decrease for all Council tenants for 2018/19, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.

II. No increase to Garage and Parking space rents.

III. No increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 14.

IV. The Discretionary Council tax relief scheme pursuant to S13A(1)(c) of the Local Government Finance Act 1992 which sets out the Council's approach for reducing the council tax liability for Care Leavers as detailed in paragraph 12 of the report.

1.3 That Cabinet note:-

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

II. The progress being made towards balancing the Council's financial position for 2017/18 as at Quarter 3 and the current projected outturn forecast of £5.861m as set out in the report at item 3.b on this agenda.

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

IV. That pre-decision scrutiny of the proposed budget 2018/20 took place at the Scrutiny and Overview Committee on the 12th December 2017 with no recommendations being made by the Scrutiny and Overview Committee.

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

2.0 EXECUTIVE SUMMARY

2.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2018/20. The report also sets out the current savings plans and approach to transformation of the council over the next 2 years.

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

2.3 Funding and grant reductions are expected from national government based on the Spending Review and Local Government Financial Settlement, over the medium term with a funding gap before the identification of savings of just over £38m projected over the period 2018/20. To address previous and this funding gap the Council initiated and completed a number of programmes aimed at transforming services and reducing cost. These programmes have focused on making the council more efficient but critically more effective, through a focus on the right outcomes, and delivering services to the public that changes people's lives for the better. During the last year the Council has focused more on managing demand and changing behaviours of both residents and staff to enable the budget challenges to be met, and while the

Council continues to focus on managing this challenge, it will also be continuing to seek immediate action from national government to deliver a Fair Funding Share for the People of Croydon.

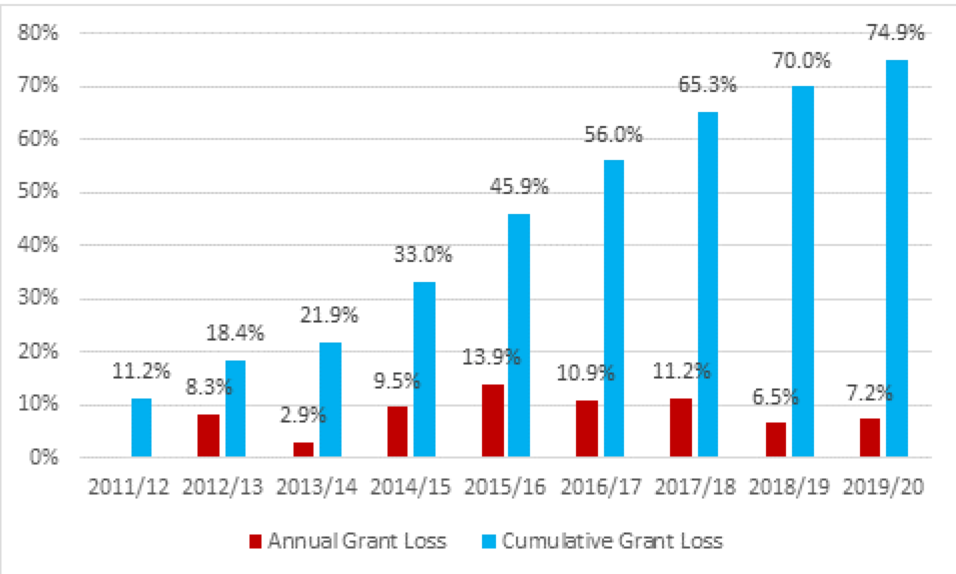
2.4 The choices made in this budget reflect the clear priorities of the administration. This is particularly clear in the focus on reducing back office costs and protecting the front line and those services that matter most to residents. This is reflected in table 3 and 4 which show the investment and savings by department.

2.5 The 2018/19 budget includes £19m of investment into Children's and Adults social care. This reflects both the demographic and demand changes impacting those services and also investment in ensuring children's services has the resources required to support its improvement.

2.6 The Capital Programme set out in section 13 shows the continued focus on both investing in key priorities across the borough including the delivery of additional school places, new youth facilities, affordable housing, and leisure and culture, as well as massive improvements in infrastructure thanks to the Growth Zone.

2.7 The Government that took office after the 2015 general election has continued to follow a policy aimed at reducing the public sector deficit, principally through reductions in public expenditure. One of the main areas to be cut has been local government. As a result councils have had significant reductions in their funding from Government funding (made up of grants and retained business rates) and further reductions are expected over the medium term (Croydon's Grant loss over the period is shown in graph 1 below). At the same time the Council has faced increasing demand for some services due to demographic pressure (population growth due to natural increases and migration, growth in the numbers with significant need such as the number of older people) and the consequences of other government policies such as universal credit.

Graph 1: Croydon's Grant Reductions 2011/20



2.8 As in previous years, there continues to be a number of key changes to Local Government Funding contained within the 2018/19 settlement that have had a significant impact both nationally and in Croydon. Cabinet has received reports previously showing the scale of the reductions in funding that the Council is facing and the way that inflation and the growing demand for services from population growth, demographic changes and legislative changes are not being reflected in the funding that Croydon receives. The Settlement announcement, together with associated announcements around the same time, have exacerbated this position.

2.10 The offer of a four year funding settlement made by Government as part of the Spending Review was to help local authorities plan their finances and prepare for the move to a more self-sufficient resource base by 2020. The multiyear settlement was aimed at providing certainty and stability to help local authorities strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents. However, the reality is that year-on-year variations in funding have been seen.

2.11 The Provisional Finance Settlement was announced on the 19th December 2017, and the Final Settlement was published on the 6th February 2018 by the Ministry of Communities, Housing and Local Government. The final settlement contained two changes from the provisional settlement as detailed below:-

2.11.1 £150m of additional funding to be allocated through Adult Social Care Support Grant. This is to be funded from anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government. This funding is distributed according to the adult social care relative needs formula, with £23m being allocated to London and £0.876m directly allocated to Croydon.

2.11.2 £16m of additional one off funding through Rural Services Delivery Grant (taking funding from £65m to £81m in 2018/19. This is in addition to the increase of £15m that was made at the Provisional Settlement in December. The additional funding is distributed in line with the existing methodology, and Croydon does not benefit from this funding stream.

2.12 It is incredibly disappointing that the government did not announced additional money to reflect the national pressure being faced by local government in respect of children's care in the settlement. The additional funding for Adult Social Care is welcome although it is massively less than current need. The national pressures faced in adult social care are estimated by the LGA to reach some £2bn by 19/20, are well documented and this additional funding plus short term funding through the council tax precept and IBCF show government has acknowledged these pressures in part. The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16. Indeed the LGA has estimated that Children's Social care pressures will reach some £2bn. by 19/20. The pressures on local authorities are shown by the recent decision by Northamptonshire County Council.

2.13 This reduction in funding will result in the need for a greater level of funding to be raised from local tax payers via council tax and adult social care precept which will mean that there is a greater burden on our local tax payers as we struggle to manage demand within the funding available. The Secretary of State was explicit about this shift and the Ministry of Housing, Communities and Local Government's spending power calculation assume that council tax is increased by the maximum level allowed without a referendum and that the government's adult social care precept is applied at the maximum level.

2.14 While, the London Borough of Croydon is no different from other councils. In order to balance its budget the Council has already delivered over £100m in efficiency savings and cuts so far with a 70% cumulative reduction in government funding up to 2018/19 in cash terms.

2.15 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2018. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 27th February 2018.

2.16 It is recommended that there is a 2.99% increase in council tax for the Croydon element of the charge and a 2% increase based on the Adult Social Care Levy as set by the Chancellor. The GLA are proposing a 5.07% increase in their element of the charge and that is due to be agreed by the GLA on the 20th February 2018. The overall headline increase is 5.01%. The effect of this increase on Band D is set out in table 1 below.

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

Band D	**2018/19 £**	**Increase %**	**Annual Increase £**	**Weekly Increase £**
Croydon	1,257.18	2.99%	38.24	0.74
Adult Social Care Levy	85.55	2.00%	25.58	0.49
Greater London Authority	294.23	5.07%	14.21	0.27
Total	**1,636.96**	**5.01%**	**78.03**	**1.50**

3 2018/20 General Fund Revenue Budget

3.1 2018/19 is the third year of the four year funding agreement and to coincide with this we have set a budget for the next two years (the remainder of the settlement period) based on known funding levels. The budget for 2018/19 is balanced and there remains the need for ongoing work to balance the budget for 2019/20.

3.2 The next section sets out the key areas of change in the Croydon budget for 2018/20, with a key focus on the next financial year (2018/19). Table 2 below gives a summary of the high level budget movements and the current gap in 2019/20.

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Table 2 – Budget Gap

	2018/19 £m	2019/20 £m	2018/20 £m
Cut in Grant	6.567	6.862	13.429
Core Grant Changes and Growth	18.783	17.063	35.846
Inflation	4.403	5.200	9.603
Gross Budget Gap	**29.753**	**29.125**	**58.878**
Council tax	(7.986)	(5.000)	(12.986)
CT Base Increases	(4.250)	(3.000)	(7.250)
Savings Options	(17.517)	(14.794)	(32.311)
Net Budget Gap	**0.000**	**6.331**	**6.331**

3.3 **Grants: -** Table 2 above shows that grants are continuing to be reduced and the expectation is that these will reduce further over the next two years. With the main change being the reduction in the Settlement Funding Assessment and the allocation of additional Improved Better Care funding in 2018/19 which will be used to fund the increasing cost of adult social care.

3.4 The budget also contains assumptions regarding expected levels of growth, inflation increases, savings and Council Tax income. These are listed below in more detail.

3.5 **Departmental Growth: -** The Council continues to experience budgetary pressures on services, with many of the pressures being demand led. Table 3 below shows a summary of the growth assumptions included in the budget by department and Appendix A sets out in detail all the departmental growth included in the budget assumptions. The approach has been to ensure that the significant recurring departmental pressures identified in the 2017/18 Financial Performance reports to Cabinet are included as growth in 2018/19 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration.

Table 3 – Summary of Growth Options by Department

Department	2018/19 £m	2019/20 £m	2018/20 Total £m
People	19.763	13.748	33.511
Place	1.471	0.026	1.497
Resources and Chief Executives	4.939	0	4.939
TOTAL	**26.173**	**13.774**	**39.947**

3.6 The People Department specifically children's services has seen a substantial increase in growth required. In the summer of 2017 an Ofsted inspection of Croydon's services for children in need of help and protection, children looked after and care leavers took place. The outcome of the inspection judged services to be inadequate; with poor quality social work practice and weak managerial oversight leaving too many children at risk of harm.

3.7 A corporate improvement programme led by the Chief Executive was developed which included an improvement team bringing together the Executive Leadership Team and senior officers across the council to drive the improvements needed.

3.8 The outcomes of the review have highlighted investment is required through in Children's Services in 2018/19 to cover costs associated with placements, additional staff resources for social work and for legal costs. £10m has been allocated in the budget for 2018/19 in the People Department, as well as £0.7m growth in business support which sits in the Resources Department.

3.9 Additional funding has also been allocated for Children with Disabilities to fund the increase in demand and Adult Social Care to manage growth in demand for social care packages across all ages and mental health.

3.10 Growth in the Place department is primarily for the increase in waste disposal costs, arising from a combination of increased landfill costs and increased waste volumes.

3.11 Growth in the Resources Department relates mainly to SEN transport costs which have been increasing due to increased demand for the service and the rising costs of utility bills for the whole Council estate.

3.12 **Corporate Growth: -** The budget also contains a number of corporate growth items, including the cost of borrowing and concessionary fares.

3.13 The budget also contains a number of inflation assumptions with the main ones being for pay and contracts.

3.14 **Inflation Assumption for Pay**: - At the time of writing this report and setting the budget the pay award for 2018/19 has not been agreed. The Greater London Provincial Council has made an offer to the Unions on the London Pay scales for the 2 year period 2018/2020.

3.15 The offer is based around applying the spirit of the agreed national employer offer, but with relevant and appropriate reflection of the specific London position around having its own pay spines. A key principle is that the impact on the London paybill should be comparable with the overall percentage increase agreed nationally.

3.16 The unions' timetable for consultation is January to February with an expectation of a formal response to the offer in mid-March 2018.

3.17 We have assumed a 2% pay increase for 2018/19 and the same for 2019/20. **This has a cost of £2.579m.**

3.18 **Contract Inflation**: – A large element of the council spend is through third party providers. Longer term contracts have in-built indices to calculate annual changes whilst other contracts can be negotiated on an annual basis. Appropriate provision has been made based on detailed work on a contract by contract basis. **This has a cost of £1.950m.**

3.19 A large percentage of contract spend relates to Adult Social care and to ensure decisions made regarding inflation increases for third party providers of Adult Social Care are fair and lawful, Croydon Council must ensure that it balances budget considerations with the following:

- The actual cost of good quality care when deciding a personal budget
- Risks in terms of quality of care and provider financial stability
- Consultation with the Care Market
- Local factors

3.20 The Inflation Strategy has considered these factors and sets out the Council's approach to setting inflation for the next 2 years 2018/2020.

3.21 The approach for Older People (Over 65's) will reflect the Financial model set out in the Croydon Health and Care Alliance Agreement and for 2018/19 inflation has been set at 1.5% for Third Party Services and at 1% for Council Delivered Services and Teams.

3.22 Inflation for Learning Disability, Mental Health, and Physical Disability services will be made on a case by case basis, reflecting the wide variation in individual needs and circumstances. An inflation holding account and exceptional fee increase request process has been developed to support this approach, and has been successfully used in 2017/18.

3.23 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2018/19 by RPI where it is felt the market can sustain this level of growth. **This will generate additional income of £0.135m**

3.24 The current figures for Inflation for December were 2.7% for CPI and 4.3% for RPI. Local Government will continue to face pressures on inflation mainly through pay pressures and existing contracts. The management of these inflationary pressures will be a crucial factor in balancing the future budgets of the Council.

3.25 **Pensions** the tri-annual actuarial review was completed last year and commenced in April 2017. Figures assumed in the budget model are for the employer's contribution rate to increase by 0% per annum in 2018/19 and by 1% in 2019/20 which will see it increase from 15.1% to 16.1% of pensionable pay. **This has an estimated cost of £1m.**

3.26 **Interest Payable** – the size of the capital programme drives the changes in the interest budget. The capital programme is set out in section 13. As a result of the borrowing planned for 2018/20 the interest payable budget will increase by £1.0m in 2018/19, and £2.0m in 2019/20.

3.27 As previously reported to this Cabinet the Council has a separate credit facility with the European Investment Bank (EIB) to fund capital schemes within the Council's Education Capital Strategy. This facility allows the Council to access up to £102m in loans from the EIB for these capital projects in tranches up to 2018. To date two have been drawn down. A maturity loan of £25.745m was taken on 1 December 2015 over 15 years at a rate of 2.292% - the comparable PWLB loan interest rate on the day was 3.14%. A second loan, in two tranches, was drawn down for £19m at a similar discount to the PWLB rate. The Council is therefore expected to make substantial savings of interest on this and future loans taken from the EIB. The balance of the facility, £57m, will be drawn down before the end of 2017/2018. It is not expected that this facility will be impacted by the UK Government invoking Article 50 to leave the European Union.

3.28 **Concessionary Fares** – London Councils' Transport and Environment committee agreed in December 2012 that there should be a transition for the introduction of usage apportionment for the National Rail and London Overground elements of the Freedom Pass settlement from 2014/15 onwards when the 2 years of usage data became available for these journeys. Owing to the significant distributional effects of moving these elements to usage apportionment the approach that was adopted is identical to that of the implementation of the original 2008 Arbitration Award, where it was phased in over three years. The total cost to Croydon of the scheme for 2018/19 is £15.698m. **This is an increase of £0.100m.**

3.29 **Savings: -** In order to present a balanced budget for 2018/20 significant savings of over **£38m** are required. In excess of £32m has been identified, including sufficient savings to balance the 2018/19 budget. The approach to delivering savings continues to be underpinned by the efficiency strategy that was approved by cabinet in October 2016 (A101/16).

3.30 The savings in the 2018/20 budget are summarised by department in table 4 below and detailed in full in appendix A of this report.

These savings were also presented to Scrutiny and Overview Committee on the 12th December 2017.

Table 4 – Summary of Savings Options by Department

Department	2018/19 £m	2019/20 £m	2018/20 Total £m
People	(7.209)	(5.992)	(13.201)
Place	(5.974)	(4.431)	(10.405)
Resources and Chief Executives	(4.334)	(4.371)	(8.705)

TOTAL	**(17.517)**	**(14.794)**	**(32.311)**

3.31 The efficiency strategy sets out the key principles and programmes that will be targeted to deliver these savings. These key principle and areas of focus continue to be:-

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

The key savings items in the 2018/19 budget are as follows:-

Getting the most out of our assets

3.32 Savings well in excess of £2m have already been delivered from making better use of our assets (in addition to the reduced costs coming from the new approach to facilities management which has saved over £2m).

3.33 There will be continued focus over the next 18 months in identifying further asset opportunities this will include;

3.34 Further opportunities to lease parts of BWH including the completion of the letting to DWP for the relocation of the Job Centre Plus to part of the ground and first floors which will generate £500k per annum as well as further space release within the building.

Better Commissioning and Contract Management

3.35 The council continues to use third parties to deliver a number of our services. Therefore getting best value both in terms of delivery and cost is crucial.

3.36 The introduction of the 'Make or Buy' framework continues to take place, to ensure that we have services delivered by the right parties (i.e. split between in-house, partnerships and third party). The in-housing of a number of services have resulted in improved service to residents at lower cost.

3.37 Enhanced contract management focus, including the professionalisation of contract management, notably on the major contracts and the separation between operational management and contract management. Over the last three years, we have seen some £1.5m of penalties and credits from main suppliers, compared to almost no such penalties in 2010-14.

3.38 Savings are anticipated from a number of future commissioning opportunities over the next 2 years. There are a number of commissioning initiatives concluded recently, where the benefits will be seen in the next two years are;

- Waste Collection and Street Cleansing
- Leisure
- Internal and external audit
- Legal Services

Managing Demand and Early Intervention and Prevention

3.39 Managing demand and early intervention is key to reducing and managing costs within all areas of the People Department.
The focus is to look at what drives demand for adults and children's social care services and housing services and then look at ways that the demand, notably for expensive services, can be reduced, whilst maintaining or enhancing the outcomes for residents.

3.40 The application of the successful Gateway approach to the 'front door' of adult social care and the Think Family approach and Family Link service has been part of this process and will continue in 2018/19 in an expanded form.

3.41 The transformation of adult social care continues, which includes detailed reviews of high cost care packages to ensure individual needs are being met in the most effective way. This includes looking at maximising reablement and looking at step-down, where clients can have an enhanced quality of life through supported living rather than in being in a residential setting. A review of the work force and service delivery will also be taking place to ensure services are delivered in the most effective and efficient manner.

3.42 Early Intervention is key to managing demand in Children's Services too and there will continue to be the use of analytics to understand what support is required in the community, to commission this support and to direct families appropriately. Work with partners to agree a shared risk-based operating model which makes full use of the community support available. Optimise processes across re-modelled pathways, and implement a new model of provision for care leavers and fostering.

3.43 Continued development of housing initiatives to target prevention and early intervention, and the continued implementation of a supply strategy based on cost modelling and supported by process redesign.

3.44 Provision of Public Health Services are key to managing demand and costs and the successful Live Well programme will continue in 2018/19 along with the more traditional public health services including sexual health, health visiting , weight management, drug and alcohol support and smoking cessation. There will be a continued use of behaviour change approaches across the council to deliver improved public health outcomes for residents.

3.45 Back Office Support Services will continue to be a key focus to enabling effective service delivery and additional investment is being made in Children's Social Care services to support front line social workers and enable them to deliver social care services more effectively.

Integration of Health and Social Care

3.46 As previously reported to cabinet, 2017/18 has been the first year (transition) of the One Croydon Alliance ("the Alliance") an Integrated Health and Social Care system. The key purpose of the One Croydon Alliance is to improve the lives of Croydon residents and deliver more effective health and social care outcomes. The transition year programme has demonstrated significant achievements and progress in what can be achieved when the whole system works together in an integrated and focused approach.

3.47 The year one transformation components of Living Independently For Everyone (LIFE) service and the Integrated Community Networks (ICN) programme have delivered significant successful outcomes that include 80% of reablement package ceased within 6 weeks compared to 18% prior to the changes and pre-Christmas admission avoidance and length of hospital stay reductions enabling the closure of 56 escalation beds. Intervention at the earliest stage with 180 people through multi-disciplinary working has prevented further escalation of needs and new life opportunities and an additional 200 people seen through the LIFE service since its commencement in October. All of these changes improve the quality and independence of service users.

3.48 The Alliance vision has always been to extend the model of care and approach adopted for over 65s if successful to other areas of the social care and health economy. There has been significant investment in establishing the Alliance and transition year has completed a number of workstreams and proceeded through three checkpoints at given points in May, August and October to provide assurance of progress. The Alliance members are agreed on its governance and have developed a range of appropriate commercial options to support the journey to a mature accountable care system.

3.49 The Alliance provides an ideal vehicle to further extend social and Health care integration, ensuring person centred care that is multi-disciplinary in nature and supports a more sustainable set of public services in Croydon. However it is recognised that any extension of programme scope needs further work to evidence return on investment. Each sovereign organisation needs to use its own governance to make individual decisions about scope and service area. In the Council therefore the decision would follow our usual democratic decision making process. In addition if the Alliance scope grew it is recognised that new partners particularly from the Voluntary and Community Sector would need to be involved and there will be a requirement in the Alliance Agreement to review membership when programme scope changes.

3.50 The signing of the original Alliance Agreement was for a single Transition year with the option to extend for a further 9 years. The purpose for the Transition year was to provide assurance that the chosen overall health and care model would effect a transformation in services to meet the outcomes identified by our over 65's as crucial to delivery of quality health and care services.

3.51 The transitional transformation programme of LIFE and ICN has demonstrated how an integrated whole system approach to health and social care can improve the lives of Croydon residents and achieve more effective health and social care outcomes proving the concept that health and social care systems integration and the One Croydon model.

3.52 Cabinet in January therefore agreed to extend The One Croydon Alliance Agreement term for a further 9 years, commencing 1 April 2018. It also agreed to expand the remit of the Alliance Agreement to ensure the potential for whole system transformation for health and social care, and any decisions to materially increase programme scope will be taken as part of the Council's decision making process.

Delivering Growth

3.53 The delivery of economic growth remains a key part of our efficiency strategy, to ensure increased prosperity and reduce dependency on the council and its services.

3.54 It will lead to increased income whether from business rates or from service income such as planning and parking or increased council tax income from the delivery of new homes.

3.55 As previously reported to the Cabinet the Council has successfully agreed the 'Growth Zone' with Central Government. This will see very substantial investment in the Borough, which will benefit the residents and businesses in the borough and improve the finances, through increased income and reduced costs.

3.56 The council approach to regeneration and major projects has been set out a number of times to Cabinet. These projects improve the lives of the community, generate employment, as well as supporting the delivery of revenue savings. Two examples are:

3.57 Fairfield Halls – provide a focal point for culture in the borough, with all the benefits that will bring, as well as reducing subsidy from capital investment of £30m.

3.58 New Addington Leisure Centre – provide enhanced facilities for a community with substantial need, whilst allowing the removal of the subsidy from the new centre, through a gross capital investment in the order of £30m.

3.59 The capital Programme is detailed in full in section 13 of this report provides full details of all capital investment, of which many schemes will result in growth in the borough which will directly benefit both the Council and our residents.

Commercial approach

3.60 We are continuing to embrace a commercial approach to service delivery where it is feasible to do so. The objective remains 'To become an innovative and entrepreneurial authority by generating extra revenue through trading and business improvement."

3.61 Our three current traded services are continuing to deliver services in Croydon.

- Traded services with schools – Octavo is continuing to provide a range of traded services to local authority and academy schools.

- Housing development company – Brick by Brick is now on site and has commenced on its ambitious building programme
- Croydon Equipment Solutions – is now trading commercially providing social care equipment.

Digital

3.62 Embracing digital technology remains a key transformation priority for the Council and we are continuing to build on our digital by design approach, wherever possible providing services on-line to improve access whilst reducing service costs. To date, this has generated some £6m. of annual savings and there is clearly further potential.

Flexibility to Use Capital Receipts for Transformation Projects

3.63 In March 2016 the DCLG issued guidance allowing a more flexible approach to using capital receipts. This guidance enabled local authorities to have the flexibility to use capital receipts from the disposal of property, plant or equipment assets for expenditure on projects that will generate ongoing savings and efficiencies. With such expenditure being incurred between 1 April 2016 and 31 March 2019.

3.64 In July 2016 (Minute ref A76/16) it was reported to this Cabinet that the Council would be taking advantage of this new flexibility, with and update in December 2017 on the strategy for the use of capital receipts in 2017/18, and an update on the programmes and projects to be funded.

3.65 To enable the continued delivery of our transformation programme we will continue to use this approach to the flexible use of Capital Receipts in 2018/19.

4 Local Taxation / Collection Fund

Local Taxation Charge for 2018/19

4.1 The council tax change for the Croydon element of the charge for 2018/19 is recommended to be **4.99%** in accordance with Appendix E of the report.

4.2 This decision includes a 2.0% increase for the Chancellor' adult social care levy that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 5 below.

Table 5– Local Taxation for 2018/19

	2018/19 £	Increase £
Croydon Band D per year	1,257.18	38.24
Adult Social Care Levy per year	85.55	25.58
Band D per year	**1,342.83**	

		63.82

4.3 Table 6 gives details of the increases to the Croydon element of the council tax over the last 3 years and the increase being recommended for 2018/19. With collection rates assumed at 97.25%.

Table 6 – Croydon Council percentage increase since 2015/16

	2015/16	2016/17	2017/18	2018/19
Croydon Council Percentage change	0%	1.99%	1.99%	2.99%

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

4.5 **Council Tax base**: the number of domestic properties in the borough is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported from any given level of Band D equivalent Council Tax. The Council tax funding available to the Council is the number of base units multiplied by the Band D rate. It is anticipated that there will be an increases in the Council tax base of 2.5% compared to the 2017-18 base, which will enable a further £4.346m of expenditure to be supported in the 2018-19 general fund budget as shown in table 7 below. The Council tax base is adjusted for collection rates, which are proposed to increase by 0.25% to 97.25% for 2018-19.

Table 7 - Increase in Council Tax Base

Year	Council Tax Base (Units)	Band D equivalent* £	Council Tax Funding £m
2017/18	121,243	1,278.91	155,059
2018/19	124,641	1,278.91	159,405
Change	**3,398**		**4,346**

*for the purpose of demonstrating the tax base increase, the Band D Council tax rate used in table 7 is the 2017/18 amount.

Projected Collection Fund Surplus

4.6 It is anticipated that a surplus of £8.768m will be available for release into the 2018/19 general fund budget. With an existing budget of £3.650m, this can yield an additional £5.118m of spending power to the Council in 2018-19. This figure is now a combination of the forecast surplus / deficit position for both Council Tax and Business Rates, as set out below. £4.7m of this surplus has not been included in the budget projections and is being held to offset the current projected overspend for 2017/18.

4.7 Council Tax - Croydon's share of the anticipated council tax surplus available in 2018/19 is £4.842m. There has been a council tax surplus in the last 4 years as a result of tax base growth and improved collection rates.

4.8 Business rate localisation in 2013/14 resulted in the Council retaining 30% of business rates. A surplus of £3.926m is projected to be available at the end of the financial year. This is a result of appeals against rateable value costing less than previously anticipated, allowing the provision held to be released into the Collection Fund.

4.9 Any difference between the projected surplus and final surplus for 2018/19 will be carried forward within the collection fund, for consideration in 2019/20's general fund budget.

Greater London Authority Precept 2018/19

4.10 On 21 December 2017 The Mayor of London, Sadiq Khan, announced proposals to increase his share of council tax from April 2018 by an average of 27p a week – the maximum amount allowed by the Government.

4.11 Almost all of the additional money raised will be used to fund the Metropolitan Police (Met Police) and London Fire Brigade.

4.12 Keeping Londoners safe is the Mayor's top priority. With the Government refusing to give the Met Police and Fire Brigade the resources they need to do their jobs, The Mayors proposal would see the share of council tax increase overall by 5.01% or £14.21 a year in cash terms.

4.13 Despite the four terror attacks on London - the country's capital - and the devastating fire at Grenfell Tower in the last year, the Government confirmed that it is proposing another year of real-term cuts to the funding of the Met. The Met has had to make more than £600 million of savings over recent years, and must find several hundreds of millions more of savings by 2021/22.

4.14 The Mayor's share of council tax is split into two – money that goes to the Metropolitan Police, known as the Policing Precept, and money that goes to fund other services, known as the non-Policing Precept.

4.15 The Government announced that they would not increase funding for the Metropolitan Police, but that the Mayor could increase his Policing Precept by a maximum of £12 a year before having to hold a council tax referendum.

4.16 Reluctantly, as a result of Government cuts, the Mayor is inclined to increase his share of council tax that goes to the Police by the maximum amount that does not require a referendum. This is the equivalent of 23p a week, a 5.8% Policing Precept increase.

4.17 The Mayor also intends to increase his non-Policing Precept by 2.99%, again the maximum permitted by the Government. This is the equivalent of £2.21 a year or just over 4p a week.

4.18 Overall, this means that the Mayor's overall precept for an average Band D taxpayer will increase from £280.02 to £294.23.

4.19 The draft 2018/2019 budget will cover the entire Greater London Authority Group – including Transport for London, the London Legacy Development Corporation, the Metropolitan Police service and the London Fire Brigade. Its plans include:

- A freeze on all TfL fares during the Mayor's first administration, while protecting concessions and extending the new Hopper bus fare.
- Continuing investment in skills, and supporting new and innovative businesses to invest in London.
- Further investment in London's cultural and creative offering, and in particular the Cultural and Educational District (CED) in the Queen Elizabeth Olympic Park.
- Tackling London's filthy air, amongst other measures, the Mayor has introduced in central London the Toxicity-Charge (T-Charge), will introduce the Ultra-Low Emission Zone (ULEZ) in 2019 and is consulting on expanding the ULEZ up to the North and South circular roads in 2021.
- Measures to turn around London's housing crisis from the dreadful situation Sadiq Khan inherited from his predecessor. He is investing £3.15 billion to support 90,000 new genuinely affordable homes in the capital and ripping up old planning rules to get London building, while protecting the Green Belt.
- Record investment in modernizing our transport infrastructure, with the new Elizabeth line scheduled to begin operating through central London by the end of 2018.
- Continuing to work with London's businesses, investors and innovators to ensure London's key sectors are protected and Londoners' economic opportunities are maximized during the negotiations to leave the European Union.
- Building on the existing budget for the Mayor's environment programme, which includes £10m earmarked for energy efficiency activity and measures to tackle fuel poverty. Over the next three years, £750k is being allocated to help reduce plastic bottle waste and increase access to tap water.

4.20 The Mayors consolidated budget is set out in table 8 below and the budget will be agreed on 22 February 2018.

Table 8 – Mayors Consolidated Budget

Component council tax requirements	Approved	Proposed	Plan	Plan	Plan
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	£m	**£m**	**£m**	**£m**	**£m**
GLA (Mayor)*	65.9	67.4	68.9	70.5	72.0
GLA (Assembly)	2.6	2.6	2.6	2.6	2.6
MOPAC	592.0	639.0	664.8	691.7	719.6
LFEPA/LFC	138.2	147.5	154.9	162.7	170.9
TfL	6.0	6.0	6.0	6.0	6.0
LLDC	0.0	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0	0.0
Consolidated council tax requirement	**804.8**	**862.5**	**897.3**	**933.5**	**971.1**
Total Band D council tax payable in:					
32 London Boroughs	**£280.02**	**£294.23**	**£300.09**	**£306.07**	**£312.16**

4.21 This overall resultant council tax increase is set out in table 9 below.

Table 9– Local Taxation increase and the GLA Tax increase

Band D	2018/19 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,257.18	2.99%	38.24	0.74
Adult Social Care Levy	85.55	2.00%	25.58	0.49
Greater London Authority	294.23	5.07%	14.21	0.27
Total	**1,636.96**	**5.01%**	**78.03**	**1.50**

4.22 The overall increase on the total bill for the residents of Croydon is **5.01%.**

5 External Financial Environment

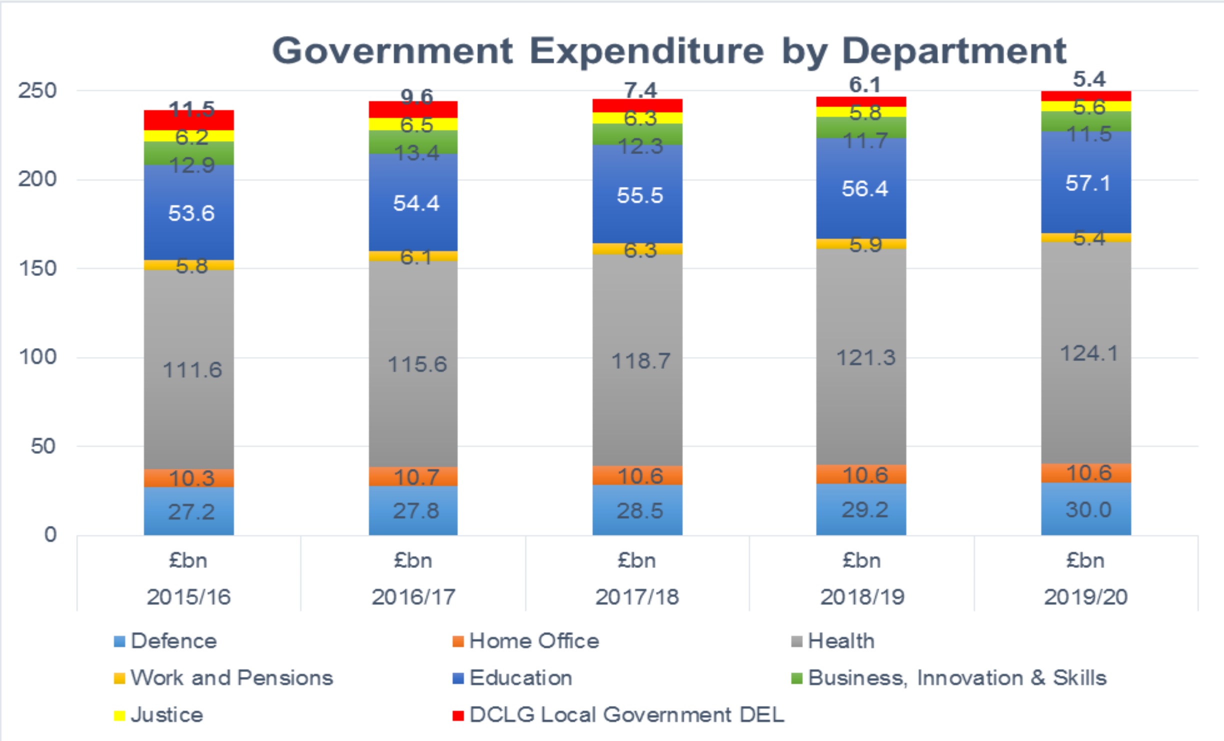
Spending Review 2015 and settlement 2018/19

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

5.2 The key announcements made at the Provisional Finance Settlement in December 2017 and confirmed in the final settlement published in February 2018 are listed in paragraph 7.2 later in the report.

5.3 Graph 2 below shows the funding amounts for the main government departments. It is important to note that the figures for local government do not include the business rates element of funding and are therefore not a true reflection of the change in funding.

Graph 2 Published Funding Amounts for Selected Government Departments



6 Economic Projections – Autumn Budget 2017

6.1 The Office of Budget Responsibility (OBR) updated its economic projections for the 2017 Autumn Budget. The projections for inflation (CPI & RPI), council tax receipts and business rates income are set out below.

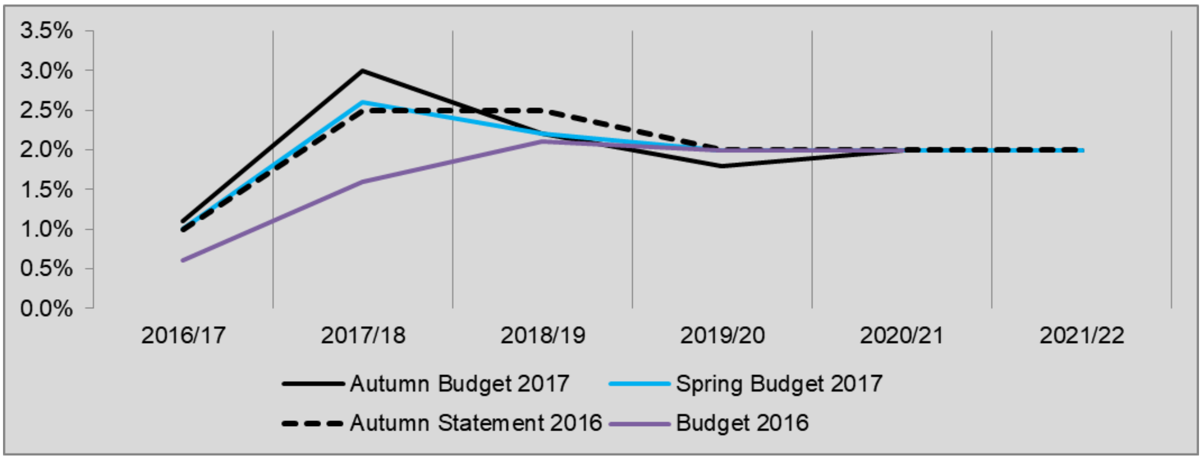
Inflation - CPI

6.2 Table 10 below shows the Budget 2017 forecasts for CPI against those published in previous announcements. Figures show very little overall change, with an increase of 0.4% in projected CPI in 2017/18 and then unchanged CPI for three of the next four years.

Table 10 CPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	1.1%	3.0%	2.2%	1.8%	2.0%	2.0%
Spring Budget 2017	1.0%	2.6%	2.2%	2.0%	2.0%	2.0%
Autumn Statement 2016	1.0%	2.5%	2.5%	2.0%	2.0%	2.0%
Budget 2016	0.6%	1.6%	2.1%	2.0%	2.0%	-

Graph 3 - CPI Inflation Forecasts



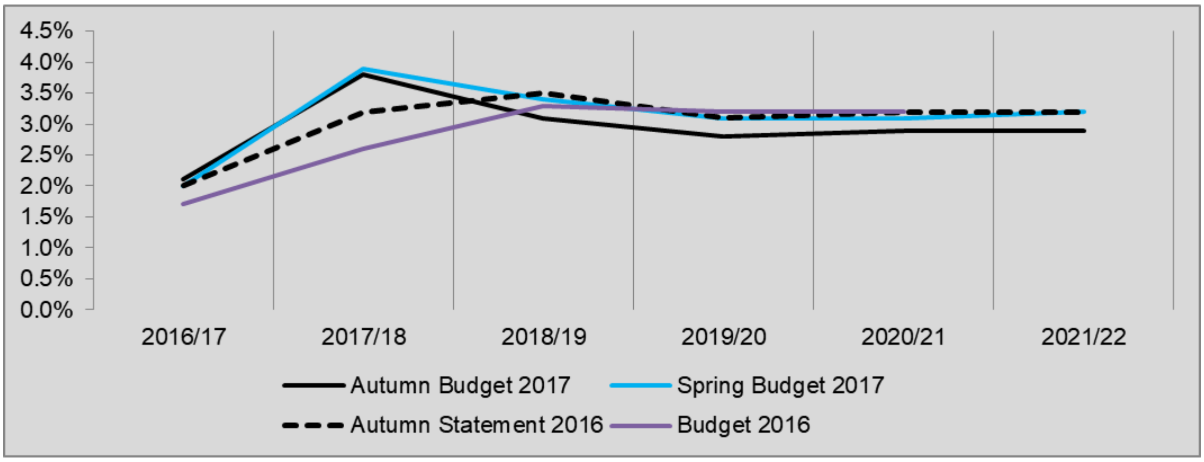
Inflation - RPI

6.3 The table 11 below shows the Budget 2017 forecasts for RPI against those published in previous announcements. The table shows a decrease in the level of RPI projected for 2017/18, from 3.9% to 3.8%; and, subsequently, projections reduced by between 0.2% and 0.3% for the period up to 2021/22.

Table 11 RPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	2.1%	3.8%	3.1%	2.8%	2.9%	2.9%
Spring Budget 2017	2.0%	3.9%	3.4%	3.1%	3.1%	3.2%
Autumn Statement 2016	2.0%	3.2%	3.5%	3.1%	3.2%	3.2%
Budget 2016	1.7%	2.6%	3.3%	3.2%	3.2%	-

Graph 4 RPI Inflation Forecasts



Projected receipts from council tax

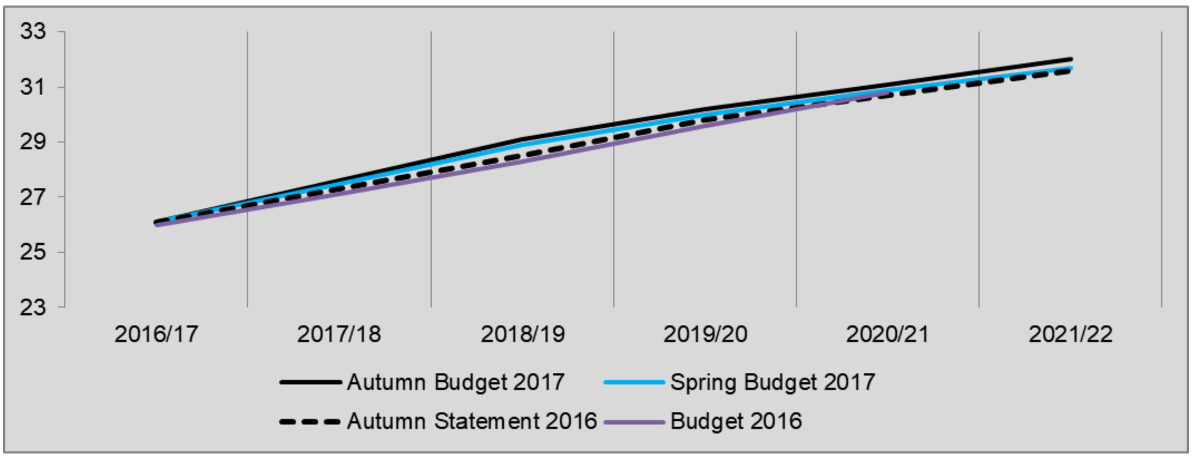
6.4 Table 12 below shows the forecast projected receipts from Council Tax for England. For Autumn Budget 2017, the updated figures show increases of between £0.1bn and £0.3bn per annum between 2017/18 and 2021/22 compared to the Budget in March.

6.5 The assumed level of increase in the tax base falls from 1.8% in 2017/18 to 1.0% in 2021/22. This compares to an estimated assumed growth of 2.1% per annum made by DCLG at Final Settlement 2017/18 in February 2017. Increases in council tax are assumed at 2.4% for 2019/20 and 1.9% in 2020/21 and 1.9% in 2021/22.

Table 12 Projected receipts from Council Tax (£bn)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	26.1	27.6	29.1	30.2	31.1	32.0
Spring Budget 2017	26.1	27.5	28.9	30.0	30.9	31.7
Autumn Statement 2016	26.1	27.3	28.5	29.8	30.7	31.6
Budget 2016	26.0	27.1	28.3	29.6	30.8	-

Graph 5 - Projected Receipts from Council Tax (£bn)



Projected receipts from business rates

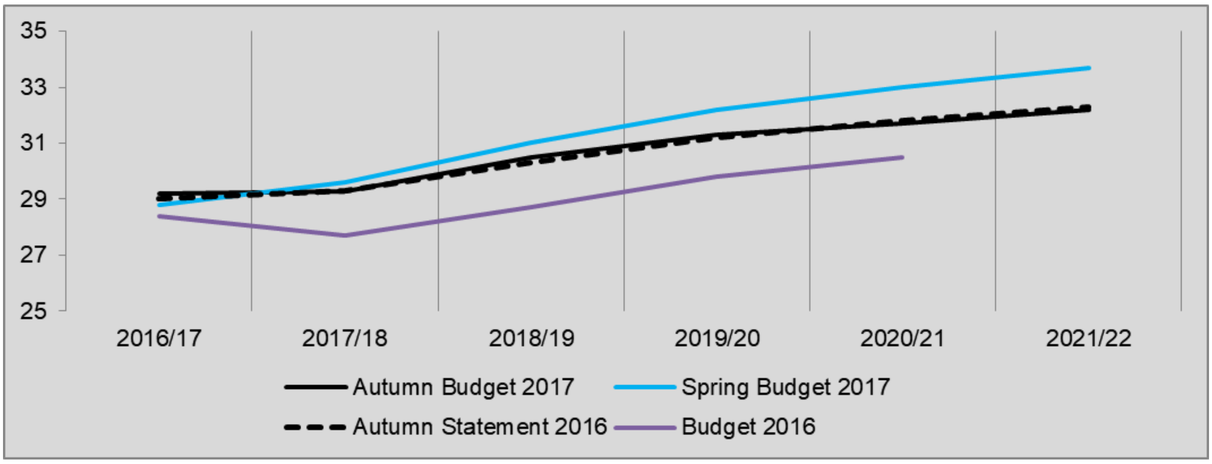
6.6 The table 13 below shows the Budget 2017 forecast projected receipts from business rates against those published in previous announcements. For Autumn Budget 2017, income for 2016/17 is shown to be £0.4bn higher. However, there are decreases in receipts for business rates projected by between £0.3bn in 2017/18 to £1.5bn in 2021/22.

6.7 The OBR explained that the use of CPI instead of RPI could reduce income by up to £0.3bn in 2018/19 and by £0.5bn per annum from 2019/20 onwards. The OBR also stated that their forecast allows for the erosion of income from reductions to the 2017 Valuations, but added that they will need to update assumptions on the impact of this over the coming years.

Table 13 Projected receipts from business rates (£bn)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	29.2	29.3	30.5	31.3	31.7	32.2
Spring Budget 2017	28.8	29.6	31.0	32.2	33.0	33.7
Autumn Statement 2016	29.0	29.3	30.3	31.2	31.8	32.3
Budget 2016	28.4	27.7	28.7	29.8	30.5	-

Graph 6 - Projected receipts from business rates (£bn)



7 Local Government Finance Settlement 2018/19 – Nationally

7.1 The Local Government Finance Settlement was published on 6 February 2018. The settlement provided allocations for 2018/19 and indicative allocations for 2019/20.

7.2 The main announcements were:

- The publication of the consultation paper “Fair funding review: a review of relative needs and resources”, a technical consultation on relative need, with the intention being that the new needs formulae will be introduced in 2020/21.
- The roll out of 75% business rates retention across all areas in 2020/21, alongside a reset of the business rates baseline.
- An increase to the referendum limit for Council Tax from 2% to 3% for 2018/19.
- A further ten business rate pilot areas were announced for 2018/19; there were in addition to the London pilot that was previously announced at the 2017 Autumn Budget.
- Inclusion of the additional Improved Better Care Funding, previously announced at the March 2017 Budget.
- An additional £31m in Rural Services Delivery Grant for 2018/19
- Additional funding of £150m for Adult Social Care

Overall Funding: Core Spending Power

7.3 The Core Spending Power figures include the SFA; Council Tax; the Improved Better Care Fund; NHB; Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant. Table 14 below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows an increase of 1.9% for 2018/19 and an overall increase for the period 2015/16 to 2019/20 of 1.8 %.

Table 14 Core Spending Power figures for England 2015/16 to 2019/20

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
Settlement Funding Assessment	21,415	18,767	16,782	15,824	14,773
Council Tax	22,036	23,247	24,666	26,600	28,047
Improved Better Care Fund			1,115	1,499	1,837
New Homes Bonus	1,200	1,485	1,252	946	900
Rural Services Delivery Grant	16	81	65	81	65
Transition Grant		150	150		
Adult Social Care Support Grant			241	150	
Core Spending Power	**44,666**	**43,729**	**44,271**	**45,100**	**45,623**
Change %		**-2.1%**	**1.2%**	**1.9%**	**1.2%**
Cumulative change %		**-2.1%**	**-0.9%**	**1.0%**	**1.8%**

7.4 Table 15 below shows the change in figures from those published at the 2017/18 final settlement.

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Table 15 Change in Core Spending Power figures for England 2018/19 to 2019/20

	2018-19	2019-20
	£m	£m
Settlement Funding Assessment	225.2	189.1
Council Tax	518.2	418.4
Improved Better Care Fund	674.0	337.0
New Homes Bonus	8.2	
Rural Services Delivery Grant	31.0	
Adult Social Care Support Grant	150.0	
Core Spending Power	**1,606.6**	**944.6**

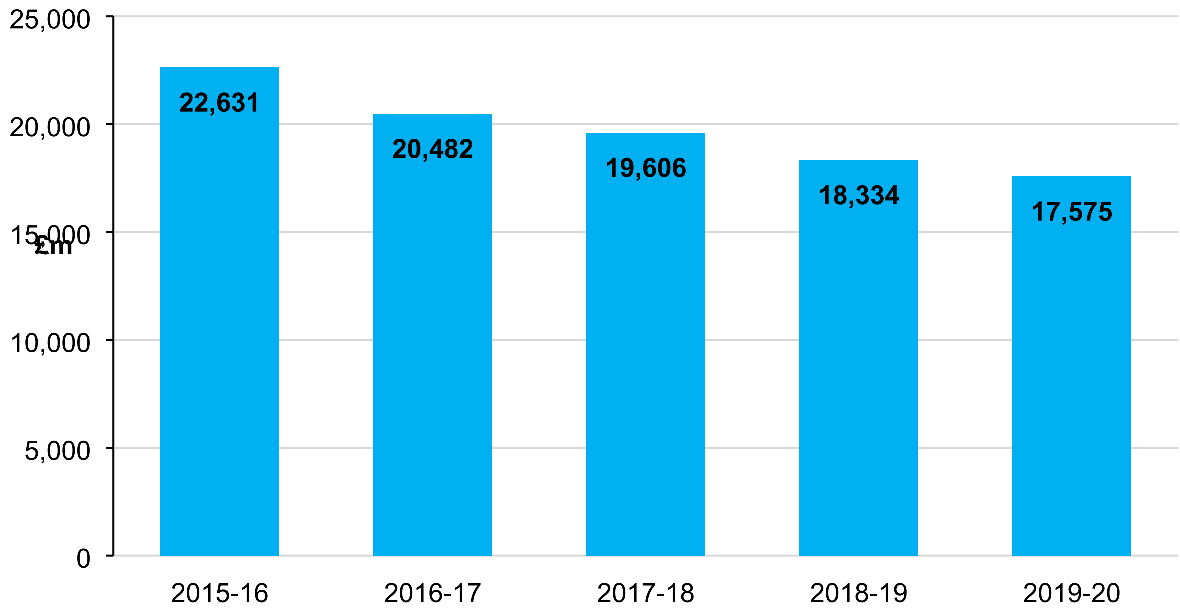
7.5 The table above shows:

- The increase in the Settlement Funding Assessment compared to the assumptions made at the start of the four year settlement period, due to the higher actual and forecast inflationary increases, and the inclusion of funding amounts previously not included within the Core Spending Power figures. These amounts related to funding to compensate authorities for previous years' capped business rate increases and the £153m in negative RSG (2019/20) that affects 168 authorities (not Croydon).
- An increase to Council Tax amounts due to the higher referendum limit of 3% for 2018/19 and 2019/20.
- The inclusion of the previously announced (March 2017) additional Improved Better Care Funding.
- Minor increases to the RSDG (+£31m) and New Homes Bonus (+£8m) for 2018/19.
- Increase to Rural Services Grant and the one year Adult Social Care Support Grant.

Core Spending Power: Excluding Council Tax

7.6 The graph below shows the level of central government funding to local government between 2015/16 and 2019/20 excluding Council Tax. It shows a reduction of £5.1bn from £22.6bn to £17.6bn, a reduction of 22%.

Graph 7 – Local Government Funding 2015/16 to 2019/20



Social Care Precept

7.7 The introduction of a social care precept was originally announced at SR2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.

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

7.9 To ensure that councils are using income from the precept for adult social care, councils are required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (section 151 officer).

7.10 In 2017/18 Croydon increased its Social Care Precept by 3% and the recommendation for 2018/19 is to increase it by 2%, leaving a balance of 1% to be levied next year.

Council Tax

7.11 For 2018/19, there will continue to be differential limits that will trigger the need for a council tax referendum.

7.12 For upper tier authorities wishing to use the social care precept at the maximum, a referendum will be triggered where council tax is increased by 3% (plus the planned Social Care Precept) or more above the authority's relevant basic amount of council tax for 2017/18.

7.13 Police and Crime Commissioners will be allowed increases of less than 3% or up to and including £12, whichever is higher.

7.14 For the Greater London Authority, a referendum will be triggered where council tax is increased by 3% or more above the authority's relevant basic amount of council tax for 2017/18.

New Homes Bonus

7.15 In December 2016 a number of changes were announced to the New Homes Bonus Scheme, these included:

Funding reduced from 6 years to 5 years' worth of payments in 2017/18

Funding will then reduce to 4 years' worth for 2018/19 onwards

A reduction in funding for the scheme over the period 2017/18 to 2019/20, with the amounts being:

- 2017/18 £1,493m
- 2018/19 £938m
- 2019/20 £900m

A deadweight (initially set for individuals authorities at 0.4% growth) with only growth above this level rewarded

The potential for further restrictions on the scheme, including limiting the properties that are eligible to be counted within the scheme and increases the level of the deadweight.

7.16 For 2018/19, there was an £8m increase in funding to £946m, the deadweight remained at 0.4% and no further restrictions on property eligibility were introduced.

Four Year Settlements

7.17 As announced at the 2017/18 local government finance settlement, 97% of authorities (including Croydon) accepted the government's four-year fixed settlement offer. In response to a question in Parliament, the Minister said that those authorities not accepting the offer would therefore still be subject to an annual settlement.

Fair Funding Review

7.18 The government has published the consultation paper "Fair funding review: a review of relative needs and resources", technical consultation on relative need. The consultation closes on 12 March 2018 and Croydon will be submitting a response.

7.19 The paper is at a high level and only discusses the principles of the design of the system. It does not include any exemplifications, showing potential funding allocations. The paper only discusses the relative need aspect of the funding formulae. Future papers concerning transitional arrangements (damping) and how the system will take into account the resources that can be raised locally are promised within the paper.

Business Rates Retention: Future Changes

7.20 The Secretary of State announced that local business rates retention would move from 50% to 75% in 2020/21. This is understood to mean all authorities would be at 75%, rather than the 75% being an average.

7.21 The Secretary of State also confirmed that a reset of the business rates retention system will take place in 2020/21. This will see NNDR Baselines adjusted to better reflect how much local authorities are actually collecting in business rates (the current ones are based on the amount collected in 2010/11 and 2011/12). It remains to be seen (i) how DCLG will determine the new baselines i.e. what data and which years are chosen and (ii) how much of the growth since 2013/14 is taken i.e. Full vs. Partial Reset (although this could of course be put back within Baseline Need – but even then it would cause a significant re-distribution of resources).

Business Rates Pilots

7.22 The following Business Rates Pilot areas were confirmed for 2017/18:

- London (GLA)
- Liverpool City Region
- Greater Manchester
- West of England
- Cornwall
- West Midlands

7.23 In September 2017, the government invited all the remaining 50% Business Rates Retention areas to apply for pilot status in 2018/19. Following a competitive process (with particular focus on two tier and rural areas), the following 10 areas were announced as being successful in their application:

- Berkshire
- Derbyshire
- Devon
- Gloucestershire
- Kent & Medway
- Leeds City Region
- Lincolnshire
- Solent
- Suffolk
- Surrey

7.24 These areas are in addition to London (London Boroughs, including Croydon), which was previously announced at the 2017 Autumn Budget.

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7.25 Whilst the initial offer for the new pilot areas was for one year only, it remains to be seen if pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean a new pilot area would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then to 75% in 2020/21. Therefore, allowing them to remain at 100% for 2019/20, whilst having a cost attached for DCLG/ the Treasury (in terms of government losing a share of any growth), would seem a more sensible/stable approach.

8 Local Government Finance Settlement 2018/19 – Croydon

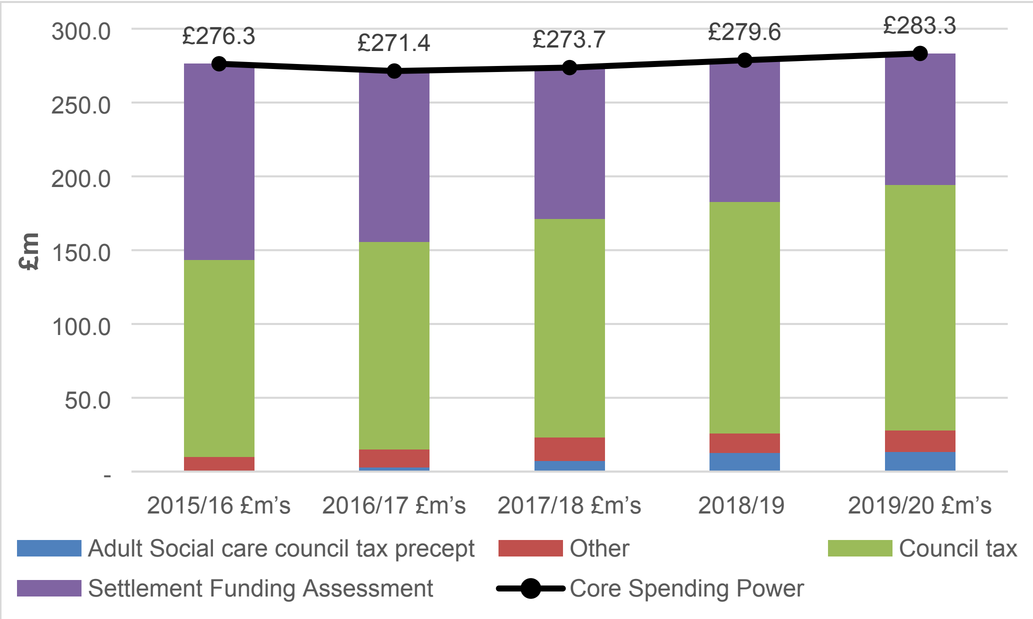
8.1 The published Core Spending Power figures for Croydon are shown in the table and graph below. The funding per head reduces in real terms from £726 per person in 2015 to £631 in 2020. This is a reduction of 13% or £95 per head.

8.2 If funding rates were held at the same rate per head from 2015/16 to 2019/20 then Croydon would receive an additional £6.9m of funding in 2019/20. If funding was held at the same rate per head in real terms over the period Croydon would an extra £40m in 2019/20.

Table 16 Croydon's Settlement Funding Assessment allocations 2015/16 to 2019/20

	2015/16 £m's	**2016/17 £m's**	**2017/18 £m's**	**2018/19 £m**	**2019/20 £m's**
Settlement Funding Assessment	133.00	115.54	102.61	96.01	88.93
Council tax	133.41	140.73	147.73	156.77	166.36
Adult Social care council tax precept	-	2.76	7.33	12.57	13.34
Improved Better Care Fund	-	-	5.51	7.09	8.28
Transition Grant	-	0.42	0.42	-	-
Adult Social Care Support Grant		-	1.41	0.90	-
NHB	9.87	11.91	8.68	6.25	6.36
Core Spending Power	276.27	271.36	273.69	279.59	283.27
Population	380,368				399,552
Core funding per Head	726.34				708.97
Core spending power real terms		266.44	260.11	256.53	252.29
Core funding per Head - real terms	723.77				631.42

Graph 8 Croydon's Core Spending Power 2015/16 to 2019/20



8.3 Table 16 above shows an increase in funding for Croydon over the period of £7m in cash terms or 2.5% (a real terms decline). However, it is important to note that this includes assumptions by Ministry of Housing Communities and Local Government (MHCLG), including forecast increased council tax revenues over the period of £46.3m. Excluding Council Tax revenues see a cash reduction in funding over the period of £39.3m or 27.5%.

Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

Council Tax

8.4 The Council Tax referendum limit has now increased to 3% for 2018/19 and potentially 2019/20. Croydon's Core Spending Power amounts for Council Tax income include MHCLG's assumptions on base growth and maximum increases in the rate (i.e. the allowed 3.0% increase per annum plus the 3% per for the social care precept in 2018/19).

New Homes Bonus

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

8.6 For Croydon, this means a significant reduction in grant income. The amount received through the scheme in 2016/17 was £11.9m. This fell to £8.7m in 2017/18 and has fallen again to £6.3m for 2018/19. A reduction of £5.6m over two years.

Improved Better Care Fund

8.7 The additional funding announced at the March 2017 Budget has seen an increase to Croydon's allocation over the period 2017/18 to 2019/20. For 2018/19, Croydon's allocation increased from £3.1m to £7.1m. For 2019/20, the allocation increased from £6.3m to £8.3m.

London Pilot

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

Business Rates Retention Changes

8.9 The move to 100% business rates retention was intended to be revenue neutral for local authorities (at the outset), with increased business rates revenues equalling lost revenue grants. Therefore, the intention to move to 75% business rates retention in 2020/21 (instead of the original plan to move to 100% business rates by 2020) does not have an adverse impact on Croydon's resources projection. However, should Croydon experience a period of business rates growth post 2020, the reduced share of the growth that will be retained (compared to 100% scheme) would see lower resources received locally (although this also applies to Croydon receiving a lower proportion of any reduction to its business rates income).

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

(i) A reduced business rates baseline for Croydon, therefore allowing it to retain higher amounts of business rates income and / or

(ii) An increase to Baseline Need, as existing national business rates growth is fed back into the system across all authorities.

8.11 There are a number of variables that will ultimately determine if (and to what extent) Croydon will gain from the Reset. However, given there is the potential even for Croydon to lose, forecasts are based on it being revenue neutral at this stage.

Fair Funding Review

8.12 On 19 December 2017, the MHCLG published a technical consultation on relative need - Fair Funding Review

8.13 Currently Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

8.14 Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

8.15 Over the past year, the Department for Communities and Local Government (DCLG) now MHCLG has worked in close collaboration with local authorities and their representatives on the design of the review, including through a joint Local Government Association (LGA) and DCLG chaired technical working group.

8.16 The consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities and looks at three areas:

- The structure of formulas for service specific cost drivers
- The assessment of relative resources
- Transitioning to the new funding distribution

8.17 The review will:

- **set new baseline funding allocations** for local authorities,
- deliver an **up-to-date assessment of the relative needs of local authorities**. The Government has been clear that there will continue to be redistribution of business rates between local authorities to take account of relative needs; the review will determine what the redistribution should be,
- **examine the relative resources of local authorities**. The Government will take a fresh look at how council tax income should be taken into account when redistributing business rates at local government finance settlements, and will also consider other potential sources of income available to councils,
- focus initially on the **services currently funded through the local government finance settlement**, and
- be **developed through close collaboration with local government** to seek views on the right approach. Alongside on-going engagement with the sector and formal consultation, we plan to publish a series of technical papers to ensure that local authorities are well sighted on our progress, as outlined in

- This will include careful consideration of transitional arrangements to ensure any changes in funding are introduced in a manageable way.

8.18 The focus of the review can broadly be divided into three closely related strands of work:

i) relative needs,
ii) relative resources, and
iii) transitional arrangements.

8.19 The Government proposes to base the assessment of local authorities' relative needs on a relatively small number of forward looking cost drivers with a transparent process for establishing the weightings between them.

8.20 The consultation closes on 12 March 2018 and Croydon will be submitting a response

8.21 The government is working towards an implementation date of 2020/21

8.22 Table 17 below shows the settlement funding assessment per head for each London Borough and shows Croydon ranked as 21st lowest, receiving £247.25 per head in 2018/19 compared to neighbouring Lambeth who will receive £457.57 per head. The inner London average funding per head is £394.93. If Croydon were funded at the inner London average per head we would receive an additional £56m (these average figures exclude the City of London due to their uniqueness).

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Table 17 – Settlement Funding Assessment per Head

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

8.23 Alongside the response to the Fair Funding Review detailed above we are continuing to lobby the Government for fair funding in Croydon in relation to two specific service areas. These are Universal Credit and UASC funding.

8.24 As a result of work undertaken by Croydon, changes to the national policy for Universal Credit have been announced. However, these changes only take effect from 1 April 2018. As a pilot authority we have incurred costs in excess of **£3m** and will be seeing reimbursement from Government for these costs we have incurred. We are awaiting a response from government of this issue.

8.25 The Home Office are continuing to fund UASC at a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. The Home office are committed to reviewing rates of funding before April but we are not aware of the impact on Croydon at this stage and we are continuing to work with the Home Office to agree a fair funding rate for Croydon.

9 Homelessness Reduction Act

9.1 The Homelessness Reduction Act 2017 comes into force from April 2018. It introduces a number of new statutory duties on local authorities to assist people who are homeless or threatened with homelessness. These new duties will significantly increase demand on housing and support services within the Gateway and Welfare directorate, parts of which will have to be redesigned in order to meet the new duties. It will require ICT development to report outcomes, pathways and personal housing plans. Whilst implementation of these changes are statutory requirements, it does give the Council an opportunity to strengthen the offer to residents currently assisted by the Gateway and Welfare directorate with regard to increasing independence, financial resilience/stability, reducing homelessness, access to training, employment and customers taking ownership of their housing outcomes. The report elsewhere on this agenda provides further details.

9.2 The new Act means that local authorities now have a statutory responsibility to prevent and relieve homelessness for anyone who is eligible (i.e. has a legal right to remain in the UK) and is homeless or threatened with homelessness. The Homelessness Reduction Act commences on 1 April 2018. From 2017/18, Croydon has been allocated £1.2 million over 3 years by central government in order to tackle the change in legislation. This is less than the £2.2 million we estimate is required for implementation and service delivery. We will seek to use the Flexible Homelessness Grant to cover the gap in insufficient funding for the Homelessness Reduction Act.

10.0 Public Health grant

10.1 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015. Funding for 2018/19 has been cut by £0.563m to £21.349m and is expected to reduce by a further £0.5m by the end of the current spending review period (2019/20). This is in spite of a growing population and growing need, e.g. a significant increase in the birth rate over the last few years.

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

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

11.0 Dedicated Schools Grant (DSG)

11.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. In March 2016 the DfE announced Fair Funding proposals and in the two consultations that followed set out the intentions for funding going forward. The intention was to implement the National Funding Formula (NFF) by December 2016 however it has been delayed with the government announcing in May 2017 that the NFF would be in place from April 2018. The NFF has created an additional block to the funding Central Services School Block. The grant is now therefore made up of 4 blocks: a Schools block, a High Needs block, an Early Years block and the Central Services Schools Block (CSSB).

11.2 The DSG allocation for Croydon for 2018/19 is **£337.82m** of which £6.18m relates to the new CSSB. The DSG allocation has increased by £10.03m compared to 2017/18 allocation of £327.79m. The allocation will be reduced by recoupment for academy funding. This is currently estimated to be in excess of £150m but will be subject to change throughout the financial year if more schools convert to academies. The education budget for 2018/19 was presented at Children and Young Peoples Scrutiny Committee on the 6th February 2018.

11.3 The CSSB is made up of two parts. Historic commitments and central services carried out by the local authority. The statutory element of these services was previously funded through the retained duties element of the Education Services Grant (ESG). Funding for the retained duties element is protected for 2018-19 and 2019-20.

11.4 Full details of the DSG breakdown for 2018/19 are contained in Appendix G.

Schools Block

11.5 The Schools Block 2018/19 allocation is £243.87m (before recoupment), which is an increase of £2.1m since 2017/18 due to an increase in pupil numbers of 240 to 50,777.

11.6 The minimum funding guarantee (MFG) will continue to be applied, hence no school or academy will see a reduction of more than minus 1.5% per pupil compared to its 2017/18 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.

11.7 In 2017/18 Croydon's funding rate for the Schools block was £4,794.79 per pupil. In 2018/19 the NFF has used a similar allocation methodology, but rather than one rate for all pupils funding has been split to be one rate for primary pupils and one for secondary pupils. The rates per pupil are £4,238.50 for primary pupils and £5,317.93 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 24th out of 32 London boroughs. This is the same ranking position as 2017/18. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

High Needs

11.8 The High Needs 2018/19 allocation is £58.97m, which is an increase of £0.15m since 2017/18. This allocation is based on the October 2017 census, with further adjustments to be made for January 2018 census.

11.9 At Q1 2017/18, the High needs block forecast overspend was £7.8m (including previous years overspends). Based on the Q1 forecast, on the 6th November 2017, Schools Forum agreed to transfer funding of 0.5% in 2018/19 from the Schools Block to fund the 2017/18 High Needs forecast overspend. 0.5% equates to £1.137m. With a Q3 2017/18 High Needs forecast cumulative overspend of £7.992m, the schools block £1.137m transfer reduces the forecast to £6.855m (this is cumulative and includes previous years overspends).

11.10 The High Needs Block continues to face increased demand without any corresponding increase in per pupil funding. Despite Croydon's strong response to the NFF consultation the funding for High Needs in 2018/19 continues to be funded based on 45% historic spend. The allocation does not factor in that Croydon has seen the number of EHCP's increase from 1800 to 2500 in 2017/18.

11.11 Work is ongoing to review the High Needs provision within the borough, reduce costs and ensure council systems and processes are fit for purpose. This includes the creation of more in borough places, with a focus on targeting funds so children and families are supported earlier, resulting in their needs being met more effectively.

Early Years

11.12 The Early Years 2018/19 indicative allocation is £28.8m an increase of £1.6m since 2017/18 due to an increase in pupil numbers. The final allocation will be adjusted following the January census. The Early years block 2018/19 allocation for Croydon is based on a rate of £5.13 per child hour. Based on the indicative 2018/19 allocation, the following components of the draft budget for 2018/19 was agreed by schools forum on 15th January 2018:

- The nationally set hourly basic rate for 2 and 3 year olds of £5.66
- Increase in rate for 3 and 4 year olds in 2018/19 to £4.50 (£4.30 in 2017/18)

11.13 The 2018/19 draft budget for Schools Block, High Needs Block and Early Years was agreed by schools forum on the 15th January 2018. The Schools Block funding formula was submitted to the DfE on the 19th January 2018 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2018.

12 The Council Tax Support Scheme and discretionary council tax reduction for Care Leavers

12.1 The Council Tax support (CTS) scheme offers support to residents with the payment of their Council Tax and no amendments are proposed to the current CouncilTax Support Scheme for 2018/19. Separate from the Council Tax Support Scheme and pursuant to S13A(1(c) fo the Local Government Finance Act 1992, the Council has agreed that in 2018/19 discretionary council tax relief will be offered to a new class of residents, and will be reducing the council tax bill for Care leavers and their households to zero until the Care Leavers' 25th birthday. The Council was responding to a Children's Society campaign that has identified a range of disadvantages care leavers uniquely experience. In particular care leavers are a vulnerable group for council tax debt. The Council agrees with the campaign's principal sentiments that young people's transition out of care and into adulthood is extremely difficult and that managing money for the first time without support from family leaves care leavers at real risk of falling into debt.

12.2 Care Leavers Relief will be available from the start of the 2018/2019 financial year. The discretionary scheme is proposed to cover all care leavers and their household within the Borough who have a liability for council tax, not just those who have been supported by Croydon Council. We understand that our scheme will be the most generous scheme in England and shows Croydon Council's commitment. The implications of CTS expenditure are built into the Council's Council tax base for 2018/19.

12.3 Demand continues to be monitored in both Revenues and Benefits although it is not possible to be able to identify how many contacts directly relate to the Council's council Tax Support Scheme (CTS), discretionary council tax relief or any of the other benefit changes under welfare reform. The value of CTS discounts provided to residents remains broadly unchanged between years, with the value of CTS as a percentage of the total value of council tax collectable reducing from 15.4% to 14.3% between December 2016 to December 2017. This reduction is as a result of more up to date earnings data being made available to the Council.

13.0 Capital Budget 2018/21

13.1 The Capital Programme for 2018/21 reflects the investment priorities of the administration. It remains focused on supporting the delivery of our statutory responsibility in relation to school places whilst also investing in district centres and community facilities across Croydon.

13.2 Tables 18 and 19 show the draft capital budget by programme and funding streams. The potential slippage from 2017/18 will be reviewed at the end of the financial year and reported to Cabinet in July.

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Table 18 – Capital Programme

Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total 2018/19 to 2020/21
	£000's	£000's	£000's	£000's
Disabled Facilities Grant	2,400	2,400	2,400	7,200
Education - Major Maintenance	3,020	2,000	2,000	7,020
Education - Fire Safety Works	2,000	1,000		3,000
Education - Other education schemes	2,118	6,833		8,951
Education - Primary Permanent Expansion	11,639	896		12,535
Education - SEN	16,750	8,612	969	26,331
Bereavement services	1,360			1,360
People sub total	**39,287**	**21,741**	**5,369**	**66,397**
Fiveways junction		3,000	2,000	5,000
Highways	6,407	5,816	13,464	25,687
Leisure centres equipment upgrade	1,315	1,004		2,319
South Norwood regeneration	500			500
Libraries investment	685			685
New Addington wellbeing centre	200	6,500	6,500	13,200
Walking and cycling strategy	1,381	750	750	2,881
Parking investment	600	153		753
Safety - digital upgrade of CCTV	500	500		1,000
Fieldway Cluster	4,000			4,000
Affordable Housing LLP	30,090	7,273		37,363
Brick by Brick programme including Fairfield Halls	164,839	30,000	20,000	214,839
Feasibility - district centres and regeneration	330	330	330	990
Waste and recycling services	9,766			9,766
Blackhorse Rd Bridge	1,755			1,755
New Addington Leisure Centre	24,386		-	24,386
Growth Zone Programme	4,000	27,000	90,000	121,000
TFL - LIP	2,462	2,462	2,000	6,924
Community ward budgets	576	576	576	1,728
Devolution initiatives	782	912	912	2,606
Empty Homes Grants	500	500	500	1,500
Place sub total	**255,074**	**86,776**	**137,032**	**478,882**
Asset strategy	2,150			2,150
Corporate Property Maintenance Programme	2,000	2,000	2,000	6,000
ICT - People	3,400			3,400
ICT - Infrastructure and transformation	7,500	4,500	1,500	13,500
ICT - Finance and HR system	4,055	412		4,467
Resources sub - total	**19,105**	**6,912**	**3,500**	**29,517**

Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total 2018/19 to 2020/21
General Fund Total	**313,466**	**115,429**	**145,901**	**574,796**
Description	**Budget 2018/19**	**Budget 2019/20**	**Budget 2020/21**	**Total 2018/19 to 2020/21**
	£000's	**£000's**	**£000's**	**£000's**
Special Transfer Payments	180	180	180	540
Asset management ICT database	434			434
Fire safety programme	5,000	5,000		10000
Repair and Improvements	26,771	26,771	26,771	80313
HRA Total	**32,385**	**31,951**	**26,951**	**91,287**
TOTAL CAPITAL EXPENDITURE	**345,851**	**147,380**	**172,852**	**666,083**

Table 19: Funding for the capital programme

Funding	**Budget 2018/19 £000's**	**Budget 2019/20 £000's**	**Budget 2020/21 £000's**	**Total 2018/19 to 2020/21 £000's**
Capital receipts		2,500		2,500
School Condition Funding (Education)	3,770		-	3,770
Basic Needs (Education)		6,833		6,833
EFA Invest to Save (Education)	969	969	969	2,907
TFL LIP and other funding	2,663	2,462	2,000	7,125
NHS		5,000		5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	1,200	1,200	1,200	3,600
Disabled Facilities Grants	2,400	2,400		4,800
S106	260			260
Borrowing - Revolving Investment Fund	194,929	37,273	20,000	252,202
Borrowing - Growth Zone	4,000	27,000	90,000	121,000
Borrowing – General	96,475	22,992	24,932	144,399
GENERAL FUND	**313,466**	**115,429**	**145,901**	**574,796**
Major Repairs Allowance	21,209	21,209	21,209	63,627
HRA - Revenue Contribution	3,718	3,718	3,718	11,154
HRA - Use Of Reserves	7,458	7,024	2,024	16,506
HRA FUNDING	**32,385**	**31,951**	**26,951**	91,287
TOTAL FUNDING	**345,851**	**147,380**	**172,852**	**666,083**
UNDER/OVER FUNDING OF PROGRAMME	**0**	**0**	**0**	**0**

13.3 Schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative.

13.4 There are a number of key projects supported in the 2018/19 programme, including:

13.4.1 Continued investment in the primary school estate to provide additional places to meet the growing demand and carry out fire safety works of **£57.8m** from 2018/19 to 2020/21. We will be receiving £6.833m funding from the DfE to contribute towards the need to increase the number of places in secondary schools from 19/20.

13.4.2 Investment in Croydon's libraries, including fit out costs for South Norwood library. The programme includes an indicative investment into libraries following the termination of the libraries' service provider, Carillion.

Significant investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the opportunities presented by the Croydon Growth Zone. Following cuts to TFL funding, the council will need to increase its borrowing to maintain the highways network. We have included additional borrowing to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.

13.4.3 Significant investment in a new well-being centre in New Addington, which includes £5m of funding from the NHS. This will provide much needed investment to the area, alongside the New Addington Leisure Centre. This, together with the Leisure Centre, the Fieldway Cluster, public realm and other expenditure, will mean that, since 2014 and through to 2021, there will have invested nearly £50 million in New Addington (added to which there is the capital expenditure from the HRA).

13.4.4 Improvements to the Council's ICT infrastructure to provide a fit for purpose service to staff and residents. This includes a £3.4m upgrade of the ICT software to support and drive efficiencies in the Housing, Adults and Children's' services.

13.4.5 A commitment to transforming the cultural offer of the borough, with the £30m investment in Fairfield Halls. This is being funded by £14m Coast to Capital funding in 2017/18 and by using the Revolving Investment Fund as detailed below and a small amount of direct council borrowing. The C2C funding is included in the 2017/18 capital programme, with the development costs reflected within the overall Brick by Brick programme and an additional amount funded directly by the Council.

13.4.6 Onside Youth Zone project has been reprofiled, with the council expecting to spend £3m completing this work by January 2019.

Revolving Investment Funding (RIF) for Housing and other development

13.5 Cabinet previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder both to the development company Brick by Brick and the Housing LLPs. The figures shown in the table above are shown on a net basis; the Housing LLPs will also use income strip sales to refinance debt and Brick by Brick development costs exceed the borrowing requirements as the company will increasingly recover its costs through sales receipts.

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

Growth Zone

13.7 The Croydon Growth Zone, which is a tax increment funded model to harness business rates growth to fund borrowing, will allow for a loan to be taken out fund a series of key infrastructure projects. The loan will take out from April 2018, which will enable the council to undertake a series of projects to enable growth by providing an improved public realm and better transport facilities within the Growth Zone. In order to maximise the impact for Croydon residents and compliment the Growth Zone, a small number of strategic additional capital projects are included in the programme which expand beyond the Growth Zone. Table 19 above sets out the indicative cash flow profile of the Growth Zone, which broadly speaking will be broken down into the following projects. Table 20 below provides more information on the nature of the projects which will be funded; this was reported to Cabinet in more detail in December 2017. This breakdown is indicative and will be updated and approved by Cabinet at the appropriate stages:

Table 20 Indicative breakdown of Growth Zone projects

Project	2018/19 (£'000s)	2019/20 (£'000s)	2020/21 (£'000s)
Buses	100	3,000	4,000
Cycling	460	3,000	4,000
Corridors	230	5,000	10,000
Energy	50	1,000	15,000
Highways	895	3,000	20,000
Public Realm	1,200	5,000	15,000
Rail	90	2,000	5,000
Social Infrastructure	250	1,000	5,000
Smart City	700	2,000	2,000
Trams	25	2,000	10,000
TOTAL	**4,000**	**27,000**	**90,000**

Section 106 and Community Infrastructure Levy (CIL)

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

13.9 The Council manages, monitors and recovers Section 106 income. In the 2017/18 year up to quarter 3, a total income of £744,061 has been received.

13.10 The Council's Section 106 balance as at 31/12/2017 was £9.599m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement. Set out below in table 21 is the Council's detailed Section 106 balance sheet.

Table 21 – S106 breakdown of funds

Section 106	**Balance £'000**
Housing	3,135
Transport	2,349
Education	1,035
Open Spaces	1,362
Other	1,718
TOTAL	**9,599**

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

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

13.13 At the end of 2016/17 the borough's CIL closing balance was £7.587m. This is a combined total for the borough's CIL, Local Meaningful Proportion and the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2017/18 as at 31/12/17 was £9.599m, including the 5% administration fee.

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

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

13.16 In addition to allocations in 2017/18, and based on current CIL balances and forecast CIL receipts, it has been assumed that £6.8m of CIL money will be available to fund the capital programme. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report.

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

13.18 The CIL Local Meaningful Proportion as at 31/12/17 was £2.517m. The capital programme has assigned the Local Meaningful Proportion will be detailed in due course. However, this has not been included in the Capital Programme or its funding at this stage.

Housing Programme

13.19 In the past housing investment has been undertaken using HRA funds and Council borrowing. Future housing new builds will now be undertaken by Brick by Brick, the Council's independent development company. Brick by Brick is expected to deliver a total of 189 affordable rent units by 2020, which will transfer to the Croydon Affordable Homes LLP. Brick by Brick will be investing more than £400m over the next 2-3 years to deliver a total of 1,320 new homes in Croydon. Alongside this housing building programme, we will be continuing to invest in housing improvements.

13.20 To enable the increase of the provision of affordable housing in the borough, the Council intends to enter in to three separate limited liability partnerships (LLPs) with a local charity to develop units across the borough and street purchased properties as affordable rented homes. The LLPs will be able to utilise the Council's retained right to buy receipts, which it is unable to due to the limited resources in the housing revenue account, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. These proposals will, as a result of the Council's initiative and support, enable 340 affordable rent properties to be created in the borough without public subsidy.

Repair and Improvement of council stock

13.21 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard, and this was achieved in the Council's own stock by 31 March 2011. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, and the council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's direction that social landlords should comply with the decent home standard with ongoing effect. The council must also invest in other maintenance and improvement works in order to maximise the life of the assets.

13.22 The proposed repair and improvement programme for 2017/18 will remain at circa £27m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. Additional works of £10m to respond to the need for fire safety works after the tragic events of Grenfell have been included in the 2017/18 and 2018/19 capital programme. The costs of this is being funded out of reserves and we continue to lobby central government for the funding.

Capital Allowance (HRA)

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

13.24 The Capital Allowance for 2017/18 was set at £10m. It is recommended that the Capital Allowance for 2018/19 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

14 Housing Revenue Account (HRA)

14.1 The Housing Revenue Account (HRA) is the main business account for the housing service. It remains a ring-fenced account funded primarily from tenants' rents. The services provided to tenants, including responsive repairs, management services and caretaking as examples, are resourced from this account.

14.2 Long-term financial planning is undertaken through the HRA 30-year business plan which is updated annually to reflect actual expenditure and refresh the assumptions which underpin the financial projections.

14.3 The Welfare Reform and Work Bill legislates that council's must reduce rents by 1% per annum from 2016/17 for 4 years. The reduction in rents has meant that the HRA needs to make corresponding reductions in expenditure of at least £13m over this period. The budget for 2018/2019 has been balanced, and was reported to the Tenants and Leaseholders Panel on the 17th January

2018.

14.4 A draft budget for the HRA for 2018/2019 can be found in the Budget Book in Appendix B.

14.5 Changes have had to be made to the planned levels of investment included on the capital programme, most notably the removal of HRA resources committed to building new social housing. All investment in new-build is now to be undertaken by the council's Development Company, Brick by Brick, which is planning new affordable housing as part of its proposed schemes. It is anticipated that additional borrowing of £11.4m will need to take place over the next 10 years to continue to fund planned capital works and maintain a balanced position.

14.6 There is a national borrowing cap for the HRA. The 2017 autumn budget announced that this cap is expected to be lifted for areas of high need. Local authorities will be invited to bid for increases in their caps from 2019-20, up to a total of £1 billion by the end of 2021-22. The council expects to reach its borrowing cap in the next 12/18 months on the delivery of the core stock investment programme. Depending on the government's criteria for "high need", this opportunity to bid for an increase in the head room could support the delivery of additional new affordable housing above that already planned.

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

14.8 However, assumptions about these policy changes and the current legislation, % reduction in rental income, have been incorporated into the 30 year business plan. These are explained below:

Disposal of "high value" properties

14.9 The government's policy to fund its extension of the right to buy scheme to housing association tenants by requiring councils to its sell "higher value" housing stock is yet to be introduced; the "high value void levy". The government has announced, in the 2017 autumn budget, a £200 million largescale regional pilot of the Right to Buy for housing association tenants in the Midlands. If the policy were introduced, councils would be required to make levy payments to central government, based on assumptions about receipts from void sales. It is therefore possible that actual receipts will fall short of the payments due. Where this is the case, local authorities would need to fund the payments from the HRA. The previous Secretary of State for Communities and Local Government has confirmed that the high value void levy will not be introduced until at least April 2019, which has removed any financial impact for 2018/2019. In addition to the above, councils in London would have to replace the loss of its high value social housing on a two for one basis. It is assumed that this requirement could be met by activity undertaken by 'Brick by Brick', the council's Development company.

Right to Buy

14.20 The government has set out that Local Authorities can only retain the receipts from right to buy (RTB) sales if they use them to create new stock by match funding the purchase of this new supply on a 70:30 basis. Therefore for every £30 retained the council needs to source a further £70 from elsewhere. If these criteria cannot be met, the receipts will need to be repaid to Government with interest. The current HRA business plan assumes there will be 130 right to buy sales per year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement. Section 12 on the Capital Budget 2018/21 sets out how the council's plans to invest in social housing using the retained RTB receipts.

Changes in Rent

14.21 The Welfare Reform and Work Act requires all registered providers of social housing in England to reduce rents by 1% a year for four years. This commenced in 2016/17, making 2018/19 year 3 of the 4 year cycle. Rents for new tenants must also reflect the 1% per annum reduction. Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.

14.22 Social rents in Croydon are currently approximately 35-40% of the private sector equivalent. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent. In the last 12 months, average market rents for Croydon have increased by 9% for 1 bed properties, 2.5% for 2 beds, and just 0.3% for properties with 3 bedrooms. The affordability of council rents in comparison to the private sector has therefore improved in the last year, as shown in table 22 below.

Table 22 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2017/18	Average weekly Council rent 2018/19	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£86	£85	£219	39%
2 bed	£104	£103	£293	35%
3 bed	£126	£125	£356	35%

Service Charges

14.23 It is proposed that service charges remain at 2017/18 levels in 2018/19, with the intention that a review of the costs of provision and the allocation of those costs across Croydon properties to be reviewed in relation to the costs of providing these services before any changes are made to 2019/20 charges.

14.24 The charges for 2018/19 will therefore be:

Table 23 –2018/19 Tenant Service Charges

	2017/18	2018/19	Change
Tenant Service Charges			
Caretaking	£10.27pw	£10.27pw	£0.00pw
Grounds Maintenance	£2.05pw	£2.05pw	£0.00pw

Heating charges

14.25 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will remain the same as 2017/18 in line with RPI.

Garages and parking spaces

14.26 Rents for garages and parking spaces were increased by 2% in 2017/18 and it is proposed that no increase will be applied for 2018/19:

Table 24 – 2018/19 Parking and Garage Charges

	2017/18	2018/19	Change
Parking Spaces			
Tenants	£7.18pw	£7.18pw	£0.00pw
Non-Tenants	£10.25pw	£10.25pw	£0.00pw
Garages			
Avg. Rent*	£13.10pw	£13.10pw	£0.00pw

HRA Savings

14.27 In order to balance the HRA budget position in the medium-term (particularly the impact of the 1% rent reduction), the council has identified a range of management savings to ensure that it continues to drive value for money from the services that it provides. A summary of these savings is shown in table 25 below:-

Table 25 – 2018/19 HRA Savings Proposals

2018/19 Management Savings	£000s
Staff Savings - restructuring to standardise service	443
Cost Efficiencies	454
Responsive Repairs	200
Central budget review and consolidation	381
TOTAL	**1,478**

APPENDIX 6.1

14.28 The cost efficiencies identified above include savings made from restructuring to make savings on staff costs as well as identifying where efficiencies can be made on running costs. A new compliance team has be created, funded from part of the savings made, to ensure that Croydon complies with recommendations made by the London Fire Brigade in the wake of the fire at Grenfell Tower.

15 **Treasury Management**

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

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

16.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to his advice throughout the year in the preparation of the budget for 2017/18. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Executive Director for Resources. This is his statement which meets the Section 25 requirement of the Act.

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

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

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

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

16.5 With regard to the Housing Revenue Account, It is important for Members to understand that the continued 1% reduction for the next 2 years through government legislation would result in a significant reduction in income to the Housing Revenue Account and would make the 30 year business plan unsustainable based on the current expenditure plans. There is a great deal of uncertainty around other changes covered in the report that will impact on the HRA and therefore the focus has been on ensuring the 2018/19 budget is balanced and working on options within the control of the council to reduce expenditure in future years.

Growth and Savings in service expenditure

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

Local Taxation

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

The Level of Reserves and Balances

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

16.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice to all Member is that an appropriate level of General Fund Balances is between 3 and 5% for the medium term which is cash terms is between £8m and £13.3m. The current level of General Fund Balances is £10.7m although based on the current forecast outturn for 2017/18 this is expected to fall by £1.2m, it still fits within an acceptable range. In determining the level of reserves and balances key factors include:

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

16.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £20m at the end of 2017/18. This is a position that needs to be kept under review. The increased flexibility on the use of capital receipts allows the authority to use these to support transformation projects and therefore provides capacity that would previously have to be funded from earmarked reserves.

16.11 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures. The Council has set plans to deliver efficiencies of £32m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2018/20 financial period.

16.12 Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding and there has been overspends in social care each year since 2010. Despite this the council has managed to maintain balances at an appropriate level. This remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members. I recommend for 2018/19 the contingency budget is increased to £2m to reflect both the track record and significant challenges being faced going forward. I am pleased to say that this has been incorporated into the budget with a general £1m contingency and a £1m contingency specifically for the People Department, given its pressures. At £2m., this is still less than 1% of the council's budget.

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

16.14 Table 26 shows the schools reserves position.

Table 26 Reserves (Schools)

Reserves	Balances as at 31/03/17 £m	Estimated 31/3/18 £m
Local Maintained School balances	3.305	2.100
Total	**3.305**	**2.100**

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

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

17.0 Summary and Conclusions

17.1 As all Members are aware, setting a budget for 2018/19 that is robust, balanced and deliverable has been challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.

17.2 This budget report is based on the current financial outturn projections for 2017/18. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

17.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2018/19.**

18.0 Financial Considerations

18.1 The report contains the financial implications of the options to deliver a balanced budget for 2018/19, the current position for the following financial year 2019/20 and the draft capital programme for 2018/21.

19.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

Budget and Council Tax Setting

19.1 The Solicitor to the Council comments that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2018 but it may not be set before the GLA has issued the precep.

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

19.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Proposed Thresholds for 2018-19 have been published and provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if the Council tax is to be increased by 6% or more. This consists of a 3% threshold for general spending purposes plus a maximum 3% “social care precept”. The expressed intention is that these local authorities would then be able to raise council tax by a total of 6% over and above the “standard” threshold of 2% by 2019/20. However, those that raise the social care precept by 3% in 2017/18 and in 2018/19 will be unable to raise it further in 2019/20.

19.4 For the coming financial year, and for which this Council Tax is being set, such principles have not yet been approved. However, as noted in the recommendations, in accordance with the statutory requirements, the Council Tax recommended is not considered excessive such that no referendum is required.

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

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

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

Discretionary Council tax reduction for Care Leavers Scheme:

19.8 The Local Government Finance Act 2012 introduced a new section 13A into the 1992 Act covering both the new council tax reduction schemes and the former discretionary power to grant relief. Section 13A(1)(c) provides that the amount of council tax which a person is liable to pay in respect of any chargeable dwelling may be reduced to such extent as the billing authority for the area in which the dwelling is situated thinks fit. This may include the power to reduce an amount to nil. Whilst the power under 13A (1)(c) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination, where it does apply to a class of case there must be a scheme governing the application of this discretionary reduction.

19.9 In addition, S13A(2) which requires authorities to make a scheme referred to in subsection 13A(1)(a)- namely a Council Tax Reduction Scheme – also requires, by virtue of para. 2(7) of Sched. 1A to the 1992 Act (inserted by Schedule. 4 to the 2012 Act) that a council tax reduction scheme "must state the procedure by which a person can apply to the authority for a reduction under section 13A(1)(c)".

19.10 Discretionary relief is applicable both to those who have been awarded a reduction under a council tax reduction scheme and those who have not ("may be reduced to such extent (or if the amount has been reduced under paragraph(a) . . ., such further extent)": s.13A(1)(c)). However, as Council tax reduction schemes must stipulate the procedure for applying for a reduction (or further reduction) under section 13A(1)(c), it follows that authorities must consider every such application on its merits.

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

20.0 HUMAN RESOURCES IMPACT

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

20.2 Table 27 below indicates the indicative net level of reduction in full time equivalent posts by departments in the period 01 April 2017 to 31 March 2020 (excluding any TUPE transfer proposals where redundancies do not apply). Many of these proposals are still subject to consultation and the actual numbers of redundancies will not necessarily correlate identically because (a) vacant posts may be deleted instead if staff turnover allows reducing the impact on our permanent workforce whilst reducing the cost to taxpayers of any potential redundancy and, (b) some staff will be redeployed to newly created posts during the same time period to mitigate the risk of compulsory.

Table 27 – Indicative net reduction on posts per department

INDICATIVE NET REDUCTION IN POSTS PER DEPARTMENT	FTE
People	(0.00)
Place	(0.00)
Resources	(11.3)
Chief Executives Department	**(8.00)**
TOTAL	**(19.3)**

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

Pay Policy Statement

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

20.5 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2018/19 on:

20.5.1 The remuneration of its senior staff including chief officers

20.5.2 The remuneration of its lowest paid employees

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

20.6 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 27th February 2018.

(Approved by: Sue Moorman – Director of Human Resources)

21 EQUALITIES CONSIDERATIONS

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

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

22.2 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.

22.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.

22.4 In developing its detailed budget proposals for 2018/20 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.

22.5 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

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

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

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

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

23.0 ENVIRONMENTAL IMPACT

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

24.0 CRIME AND DISORDER REDUCTION IMPACT

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

25.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

26.0 OPTIONS CONSIDERED AND REJECTED

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

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Background documents: none