

REPORT TO:	SCRUTINY & OVERVIEW COMMITTEE 12th DECEMBER 2017
SUBJECT:	PRE-DECISION SCRUTINY: PROPOSED GENERAL FUND REVENUE BUDGET 2018-19
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)
CABINET MEMBER:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY AND RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)

ORIGIN OF ITEM:	This item is contained in the Committee's work programme
BRIEF FOR THE COMMITTEE:	To scrutinise the proposed 2018/19 Council Budget.

1.0 INTRODUCTION AND BACKGROUND

- 1.1 This report sets out the context and challenges faced by the council in setting a balanced budget for the two financial years 2018 to 2020, and gives an update on the key issues from the Chancellor's budget on the 22 November 2017.
- 1.2 This report looks at the changes and challenges faced by local government and particularly Croydon in terms of its continued reduction in funding and the financial resources available to deliver the key services for the authority.
- 1.3 The report highlights the key areas of spend and it also identifies the main areas where there are pressures on services. The draft savings plans for 2018/20 are then set out in appendix 2. The report also gives details of the forecast financial performance of the Council for 2017/18.
- 1.4 This report is in advance of the final budget report and budget setting decision being made by Council in February 2018.

2.0 The 2017 BUDGET

2.1. The Chancellor of the Exchequer made his 2017 Budget to the House of Commons on the 22 November 2017. The Council's briefing document on the budget is attached at appendix 1 to this report.

2.2 There were disappointingly few announcements in the statement that will impact local authorities and specifically Croydon. The announcements that will impact are as follows:-

Housing

2.3 The Chancellor announced a number of measures and investments for housing including £2bn for the Affordable Homes Programme, £34m to develop construction skills and £44bn of capital funding over the next five years to support the target of 300,000 net additional homes per year by mid 2020's and the lifting of the HRA borrowing cap. More details are contained in appendix 1 to this report.

2.4 The key impact of the housing announcements for Croydon is the potential lifting of the HRA borrowing cap for areas with highest need. We are yet to see the criteria government will apply to allocate the additional £1bn headroom, which will have to be bid for. £1bn is only 3% of the total level of the borrowing cap nationally.

Local Housing Allowance

2.5 The Chancellor announced that the Government will increase the Targeted Affordability fund by £125m over the next two years in areas of greatest pressure. This may ease the rate of migration of housing benefit claimants to Croydon from inner London and other areas with higher rents.

Empty Properties

2.6 Legislation to be changed to allow local authorities to charge 100% council tax premium on empty properties. Due to the need to change legislation there will be no immediate impact however in due course this could generate in the region of £100k additional income, based on the current volume of empty homes.

Planning and home ownership

2.7 There were a number of planning consultations announced including consultation on policies to increase density in urban areas, support for the conversion of empty space above high street shops and the speeding up of some development processes.

2.8 A further £10bn has been made available for help to buy and it is hoped that this will be enabling for Croydon residents and in turn free up some of the rented accommodation in the borough.

Education and Learning

2.9 Additional funding was announced for Maths, Computer science, the new T levels and teacher development and training. However, at this stage there has been no announcement on the specific details and therefore we do not know if there will be additional funds for Croydon.

Business Rates

- 2.10 It was announced that the Government will be providing a further £2.3bn of funding over the next five years to support small businesses. This includes switching indexation from RPI to CPI. There was no detail of how or whether local authorities will be protected from the impact of this. Confirmation of the London Pilot for 100% business rates retention in London was also announced, with local government being compensated for any loss of income.

Universal Credit

- 2.11 A £1.5bn package to address concerns about the delivery of universal credit and a £8m fund to trial innovative approaches to help individuals on universal credit to earn more. With Croydon having been a Universal Credit pilot we have played a significant role in lobbying the government for this funding and changes to the scheme.

Other Announcements

- 2.12 There were a number of other announcements around the environment, wages and the NHS. These will all have minimal direct impact for Croydon and are detailed further in appendix 1 to this report.

Areas not mentioned in the budget

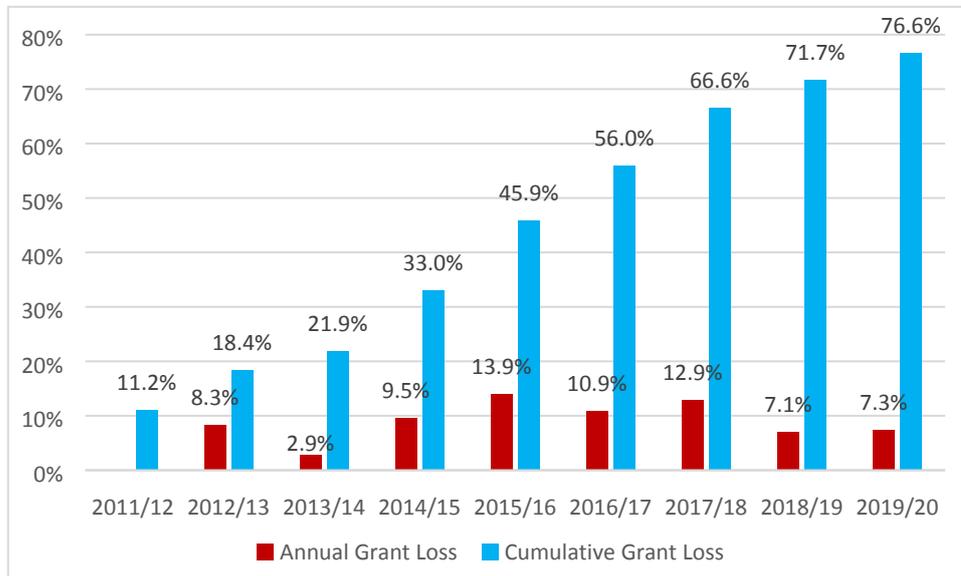
- 2.13 As mentioned above there were a number of key items that we would have hoped would have been mentioned in the budget but were not. These include :-
- 2.14 Adult Social Care – There was no additional funding for adult social care and the adult social care green paper has been moved back to summer 2018.
- 2.15 Children’s Social Care – There was no additional funding announced for children’s social care services.
- 2.16 Fire Safety – There was no commitment to fund essential fire safety works.
- 2.17 Local Government Funding – There was no change to the funding formula for local government.
- 2.18 Welfare Benefits reform, notably Local Housing Allowance – Apart from limited help on universal credit, there were no changes on welfare benefits and the freeze on working age benefits was confirmed
- 2.19 Public sector pay - There was no change to the policy on public sector pay (except for nurses) and no commitment to fund pay pressures.

3.0 2018/20 Budget

- 3.1 Funding for Local Government has been reduced significantly since 2011 and it is set to continue to reduce until at least 2020.

3.2 For Croydon it is anticipated that there will be a 76.6% cumulative reduction in funding during the period 2010 to 2020. Graph 1 below shows the loss of grant funding since the start of austerity until the end of the current comprehensive spending review period in 2020.

Graph 1: Croydon's Grant Reductions 2011/20



3.3 With ever decreasing funding there is a need to continue reviewing our services and delivering efficiencies across the organisation, alongside managing the growing demand for some services.

3.4 Graph 2 below details the overall funding received over the last 8 years and the projections to 2019/20. It shows that our share of funding from central government is declining and is a decreasing proportion of our overall funding. Council tax and Business rates therefore becomes key to the future sustainability of our budget. Table 1 below gives detail of council tax as a proportion of our overall funding.

Graph 2: Funding 2010/20

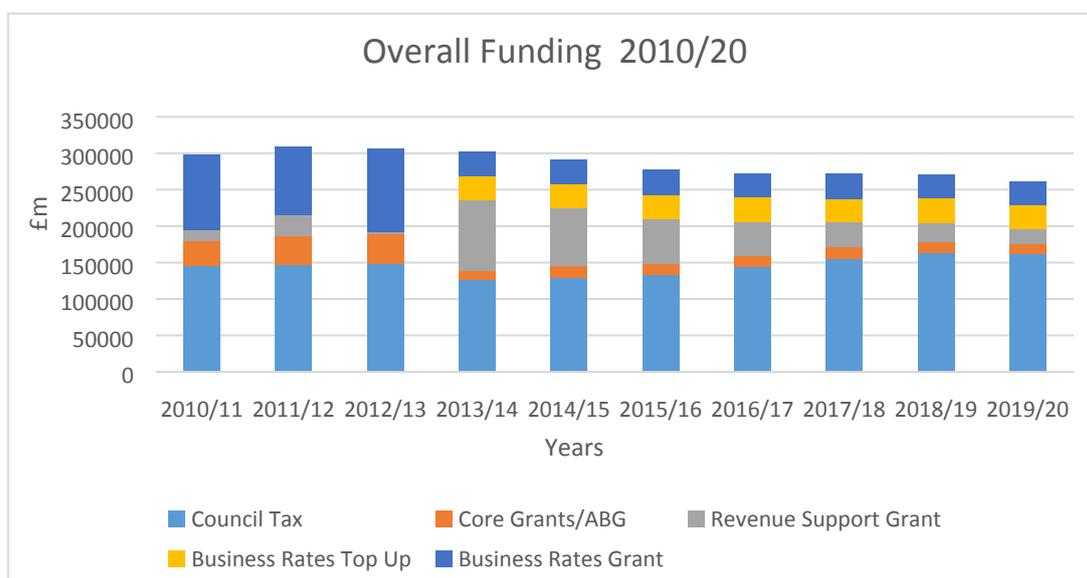


Table 1 – Council Tax as a proportion of our overall funding

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
55.11%	53.73%	55.48%	43.07%	46.34%	49.78%	55.19%	59.97%	63.20%	65.74%

3.5 The 2018/19 budget will be based on a number of key assumptions, including grant reductions, demographic growth, inflation increases and increases to the council tax base. It also contains a number of service specific savings and efficiencies as well as growth. This is the third year of the four year funding settlement that was made available as part of the December 2015 Spending Review for the period 2016/17 to 2019/20.

3.6 As shown in graph 1 there continues to be a reduction in grant funding in 2018/19. This has partially been offset by additional Improved Better Care funding for Adult Social Care, resulting in a net pressure of £3m for Croydon.

3.7 The budget also contains an assumption for inflationary cost increases on our contracts and pay. Negotiations are continuing to take place and the final pay settlement remains unresolved which creates a level of uncertainty for setting the budget. Based on indications from the negotiations the budget contains a 2% assumption which equates to an additional cost of £2.5m.

3.8 The main other demands on the Council’s budget continue to arise from services within the People Department, as detailed below:-

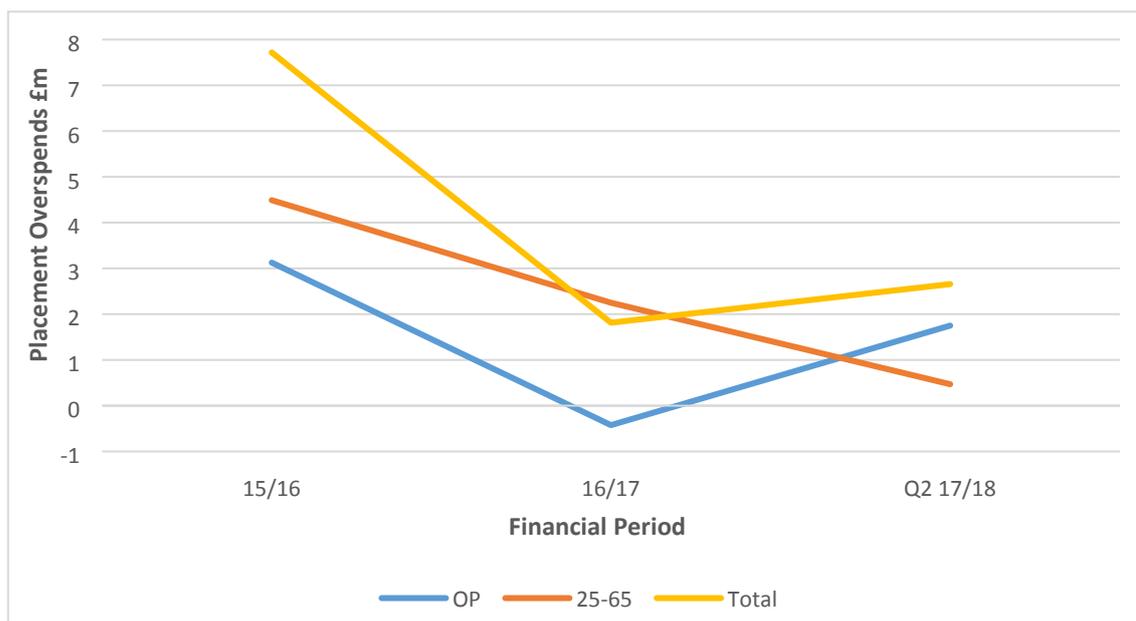
People Department – Demand and issues

3.9 The projected People department overspend in 2017/18 is **£4.694m** excluding the exceptional items detailed in paragraph 3.10 below. The main areas of overspend continue to derive from demand led services; Adult Social Care, Children’s Social Care and the 0-25 SEND service. These pressures are a continuation of pressures experienced in previous years, although the scale has been reduced by a combination of improved demand management, and growth allocated in the 2017/18 budget.

3.10 The exceptional items as reported to Cabinet in the quarter 2 financial monitoring report relate to UASC and NRPF, both of which we are continuing to lobby the government to fund. The UASC pressure is £3.3m and there is an unachievable £1m savings target for No Recourse to Public Funds. The UASC increase is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act. In addition to these exceptional items Croydon also funds in excess of £4m of other costs relating to NRPF across Adults, Children's and Gateway services from our own resources.

3.11 **Adult Social Care** has continued to see increases in demand for services above budget and is projecting an overspend of £1.9m in 2017/18. This is as a result of rising demand and increased complexity of cases, especially within the 25 to 65 year old service. In the last six months there has been a 6% increase in the number of care packages and an 8% increase in the number of contacts and referrals to the Council. Along with an increase of 14% in social care assessments. Graph 3 below shows the overspend for the Older People and 25-65 service.

Graph 3: Adult Placement overspend for Older People service and the 25 to 65 service.

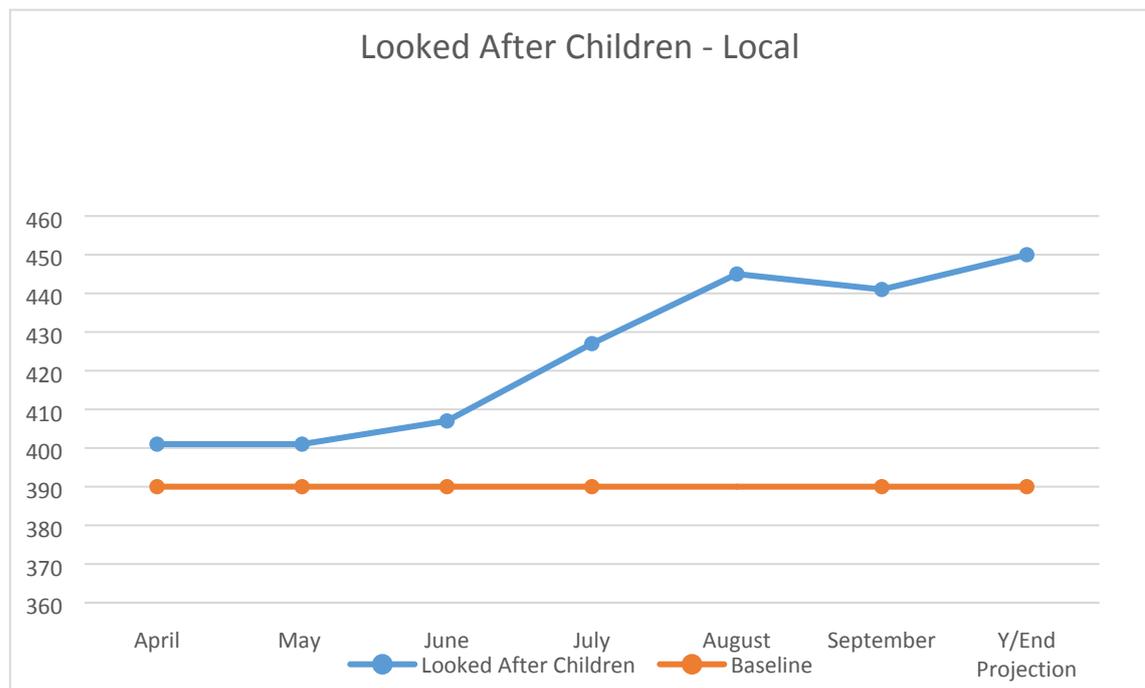


3.12 **Children's Social Care** continues to experience rising demand and we are continuing to experience an increase in the numbers of looked after children and children in need. The division is projecting an overspend of £5.845m in the current financial year.

3.13 The numbers of looked after children are far greater than budget and have been rising significantly in the first half of the year. The budget was set based on 390 cases which at the start of this year this was accurate, however since then demand has grown rapidly to 441 in September as shown in graph 4 below and

is forecast to continue to increase at a significant rate during the remainder of the financial year.

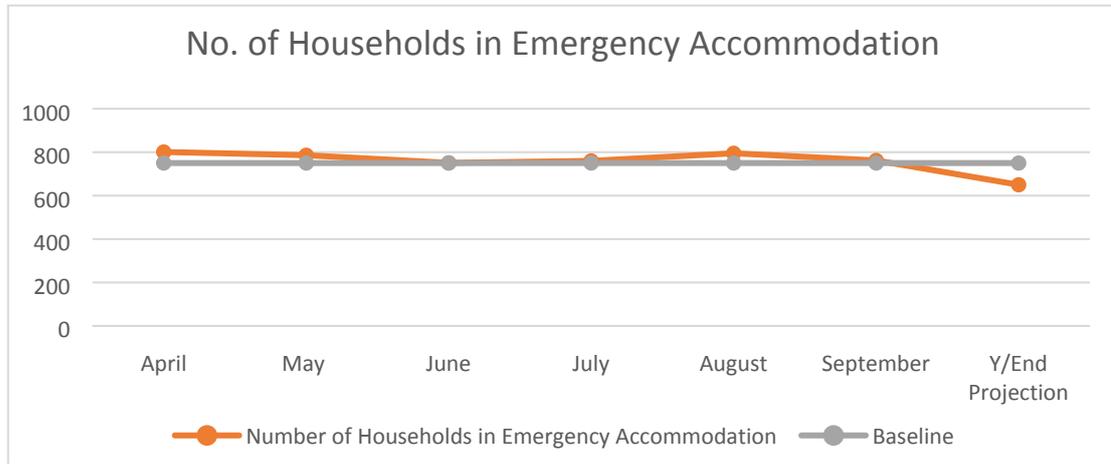
Graph 4: Looked after children case numbers compared to budget



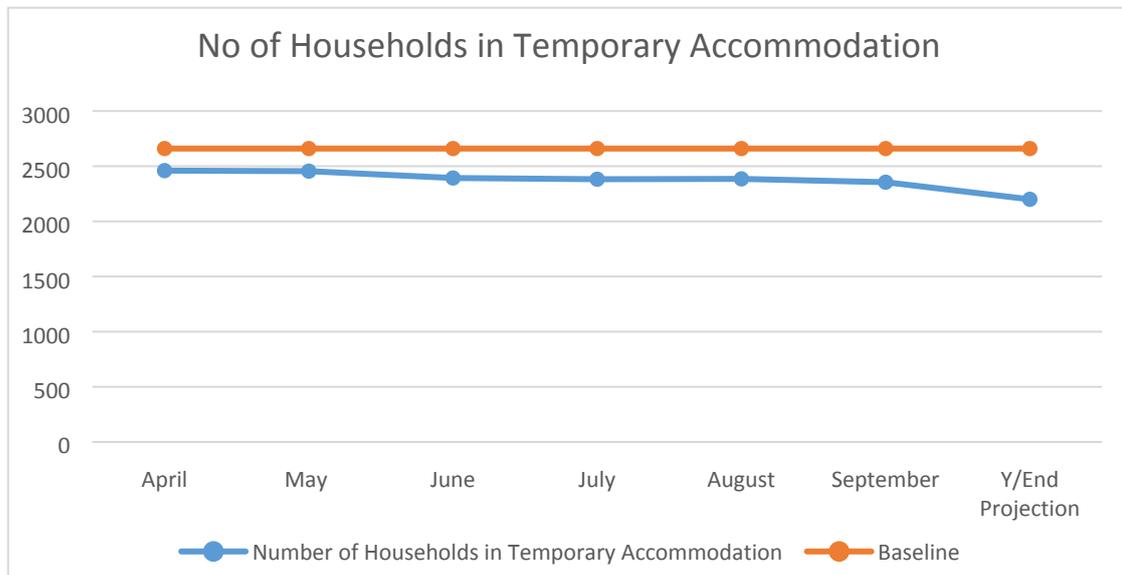
- 3.14 In the first half of this financial year the number of children in need cases was lower than the budgeted number. However, since the results of the Children’s Social Care Ofsted Inspection demand has increased and is expected to increase for the remainder of the year. To manage this and other areas of increased demand and to implement other recommendations from the Ofsted inspection £3m of transformation funding has been allocated to Children’s Services in year.
- 3.15 **Gateway and welfare services** continue to focus on managing demand for homelessness services and helping residents with prevention measures. At the start of the financial year there were 825 households in emergency accommodation and half way through the year this has fallen to 762 and is expected to continue to fall to 650 by the end of the year, this is shown in graph 5 below. The number of Households in temporary accommodation has reduced from 2,460 at the start of the year to 2,355 in September, and is predicted to fall to 2,200 by the end of the year. This is shown in graph 6 below.
- 3.16 The Homelessness Reduction Act is expected to drive an increase in people qualifying for homelessness support in 2018/19. This will be covered by New Burdens funding from DCLG and the second year of the Flexible Homelessness Support Grant from Department of Work and Pensions (DWP).
- 3.17 The council has continued to lobby for changes in relation to universal credit and the unfair way in which customers that reside in emergency and temporary accommodation are affected. Whilst we have recently been advised our lobbying has been successful this will not change until April 2018. The consequence of which mean our collection rates will continue to fall, moving

from over 90% to just over 50%, until housing support reverts back to housing benefit. Over the coming months the council will assess the financial impacts in regard to its bad debt provision and seek financial support from the DWP. It is estimated that the impact of universal credit, in terms of bad debts and discretionary housing payments amounts to some £3m in 2017/18.

Graph 5: number of households in emergency accommodation



Graph 6: number of households in temporary accommodation



Budget Growth

3.18 In preparing the 2018/19 budget the major areas of demand listed above have been recognised and indicative additional growth has been allocated to mitigate against further in year overspends. Children's service have been allocated

indicative growth of £10m to cover costs associated with placements, additional staff resources for social work and business support staff and for legal costs.

- 3.19 Adults Social Care services have also been allocated indicative growth of £6m to fund costs associated with rising demand and complexity of placements, the 0-25 SEND service increased demand, mental health and government legislation around Deprivation of Liberty.
- 3.20 It should also be noted that we are awaiting the finance settlement which is due later this month, which could impact on Croydon. Whilst we wait for the announcement work continues to review both savings and growth options and set a balanced budget.
- 3.21 To help achieve a greater level of certainty we accepted the four year funding settlement and had to produce and approve an efficiency strategy. This strategy was approved in the Autumn 2016 Financial Review Cabinet Report. The efficiency strategy sets out the key principles that we will target to deliver savings and includes;
- 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
- 3.22 Table 2 below details the efficiency programme by category for the four year period of the funding settlement. Year 3 of the funding settlement period, 2018/19 will be approved at Cabinet in February 2018 as part of the budget setting process. Details of these options by department are contained in appendix 2 to this report.

Table 2 - Efficiency programme

	16/17	£m	17/18	£m	18/19	£m	19/20	£m	16/20	£m
							Illustrative			

Getting the most out of our assets	-2.000	-1.500	-0.572	-1.368	-5.440
Better commissioning and contract management	-1.281	-6.722	-6.676	-0.563	-15.242
Managing Demand	-0.935	-2.497	-0.440	-0.430	-4.302
Prevention and early intervention	-2.026	-0.222	-4.158	-5.045	-11.451
Integration of health and social care	-1.259	0.000	0.000	0.000	-1.259
Delivering growth	-0.750	0.000	0.000	-3.370	-4.120
Commercial approach	-5.403	-4.365	-1.382	-1.806	-12.956
Digital	-1.036	-0.662	-0.321	-0.232	-2.251
Efficiency	-1.586	-2.016	-1.768	-1.761	-7.131
	-16.276	-17.984	-15.317	-14.575	-64.151

3.23 The total efficiencies over the 4 year efficiency plan are forecast to be £64.151m, with better commissioning, prevention and early intervention and a commercial approach making up a substantial element of the total programme.

3.24 The savings set out will help achieve a balanced budget for the period 2018/20. Given we don't yet have the local government settlement this cannot be assumed to be the final position for the budget in February 2018.

4.0 2017/18 Financial Forecast

4.1 The revenue outturn forecast at the end of the second quarter of 2017/18 is **£797k**, this is before exceptional items of **£4.3m**, resulting in a total overspend of **£5.097m**.

4.2 This total overspend is made up of Departmental over spends of **£3.840m** and exceptional items of **£4.3m**, these exceptional costs relate Unaccompanied Asylum Seeking Children (UASC) and the impact of the failure of Central Government to implement the provisions of the Immigration Act. These costs are offset by non-departmental underspends of **£3.043m**. Further detail is shown in table 3 below.

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

Department	Quarter 2 Forecast Variance £'000s
People	4,694
Place	0
Resources	396
Chief Executives	750
Council wide recruitment freeze - (except Children's improvement posts/ HRA funded/ capital funded & transformation funded posts)	(2,000)
Departmental Overspend	3,840

Corporate Items	(3,043)
Sub Total	797
Exceptional Items	4,300
Total Projected Over-spend	5,097

4.3 The 2017/18 budget was set with the inclusion of growth to help manage known pressures as well as ambitious savings targets. Despite this growth there continues to be increasing demand for the services provided by the people department in the key areas of, adult and children's social care and gateway and welfare services.

4.4 As in previous years we have continued to implement a number of programmes and projects aimed at reducing both demand and cost and is anticipated that the greatest impact of these programmes will continue to be within the People Department.

4.5 Alongside these programmes there continues to be monthly People Department governance boards that focus on the areas of highest risk and the actions being implemented to manage them. The other departments are also continuing to review spend and deliver efficiencies in the short term to help bring the budget back in line. As in previous years one of these measures is a review of agency works over the Christmas Period.

4.6 We have also implemented a recruitment freeze for the remainder of the financial year for all but the most essential posts, and those posts funded from other resources, i.e. Capital, Transformation and HRA. It is anticipated that this freeze will generate savings of £2m

4.7 The findings from the recent Children's Social Care Ofsted inspection have put increased pressure on our financial resources. £3m has been allocated from earmarked reserves to support the targeted improvement work in 2017/18 and further investment as detailed in para 3.17 will be made in the budget for 2018/19.

4.8 This year to date Children's Social Care Assessments have increased by 16%, and the number of children with a child protection plan has increased by 10%.

5.0 Mitigation Actions

5.1 As previously reported to cabinet there are a number of actions in place to manage spend this financial year and in future years.

In the short term, there are a range of immediate actions in the people department, including:-

- Improved commissioning, contract management and brokerage including a new framework for independent foster care placements.
- A further review of the use of and cost of agency staff, with a reduction in the use of agency staff over the two week Christmas period.
- A council wide recruitment freeze for all but essential posts.

- A recruitment and retention strategy for social workers is in place and achieving results with 6 social workers having converted from agency to permanent posts since July this year, and a further 5 currently converting
- The transformation of adult social care continues, which includes a detailed review of high cost care packages alongside the implementation of the Outcome Based Commissioning (OBC) programme for over 65's with health partners.
- The successful Gateway programme continues to deliver savings and support the most vulnerable residents to become more independent.
- The continuation and further growth of the Family Link workers team to assist families.
- Boosting the supply of affordable housing by committing to purchase a further 250 street properties.

6 2017/20 Budget

- 6.1 In order to help understand the makeup of the council's revenue budget, table 4 below provides a detailed analysis of funding and expenditure by service over the period 2017/19, as calculations currently stand, although there are still discussions going on regarding options. This clearly shows the balance between central government grant and locally raised income (Council Tax and Business Rates).
- 6.2 Table 4 shows that the most significant reductions have been made in the Place and Resources Departments and that growth is being allocated to the People department to manage the growing demand for services.

Table 4: Detailed budgets 2017/19

Funding	2017/18 Budget £'000	2018/19 Budget £'000
Revenue Support Grant	32,577	25,527
Business Rates Top up and income	67,262	TBC
Council Tax	158,711	TBC
Core Grants - Education Support services/New Home Bonus/ Council Tax and Admin Support	16,317	TBC
Total	274,867	TBC

PEOPLE		
Early Intervention and Family Support Service	8,356	8,747
Children in Need Service	9,455	10,601
Looked After Children	19,876	28,196
Safeguarding and Looked After Children Quality Assurance	2,951	3,751
School improvement places and admission	2,533	2,601
0-25 Send Service	10,210	12,290
25-65 Disability	40,907	42,590
Older People	31,837	34,095
Disability including Commissioning and Brokerage	4,746	4,474
Safeguarding and Quality Assurance - Adults	2,543	2,693
Mental Health	6,892	7,311
Temporary Accommodation/Housing Needs	5,051	5,009
Enablement and Welfare	5,989	5,609
Gateway and Welfare Improvements	2,907	2,905
Bereavement and Registrars	-1,282	-1,313
People Total	152,971	169,559
PLACE		
Regulatory Services	803	1,265
Parking and Highways	-4,356	-4,943
Streets and Waste Collection	11,590	6,574
Waste Disposal	13,699	15,023
Leisure Services and Green Spaces	4,738	4,369
Planning, development and Regeneration	2,618	2,591
Adult Learning (CALAT)	-756	-849
Museums and Culture	3,693	3,754
Place Total	32,029	27,785
RESOURCES		
Customer and Corporate Services	28,281	26,972

Commissioning and Improvement	1,145	665
SEN Transport	6,925	9,542
Human Resources	1,418	1,371
Governance	3,429	3,307
Legal	-1,003	-1,320
Finance Investment and Risk	6,013	5,506
Public Health (Expenditure £20.698m)	0	0
Resources Total	46,208	46,043
CHIEF EXECUTIVE	2,812	2,666
Corporate items		
Pensions Deficit	8,097	8,097
Concessionary Fares	15,598	15,598
Levies	1,446	1,446
Interest Payable on Borrowing	14,237	15,237
Carbon Credits	255	255
Contingency	1,000	1,000
Doubtful Debt	180	180
N I Changes	1,434	0
Apprentice Levy	600	600
Contracts review	-2,000	-2,000
Utilities	0	1,000
Corporate Items	40,847	41,413
Total Expenditure	274,867	287,466

7.0 Education Funding

- 7.1 The Government has confirmed the implementation of the National Funding Formula (NFF) from 2018/19 financial year with a commitment to ensuring that no school will be worse off as a result. The NFF methodology divides the funding for education into four blocks rather than 3 (Schools Block; Early Years Block; High Needs Block and the new block for Central Services). The Department for Education (DfE) intend for the full implementation of the NFF for Schools Block and High Needs funding to be in place for 2020/21.
- 7.2 2017/18 School funding is currently allocated via The Dedicated Schools Grant (DSG), from 2018/19 the new NFF factors will determine an amount per pupil which will be allocated to each school via the DSG.
- 7.3 NFF funds all aspects of education that relates directly to children. It is split into blocks, a Schools Block, a High Needs block and an Early Years block. The new additional block to the NFF is the Central Services block, which replaces the previous ESG funding and funds historic and prudential borrowing costs.
- 7.4 The DSG allocation for Croydon for 2017/18 is £327.79m (£312.58m in 2016/17). The DSG is reduced by recoupment for academy funding. This is currently estimated to be £126m but will be subject to change throughout the year as schools convert to academies. The increase in 2017/18 is mainly due

to an increase in pupil numbers and the transition to the implementation of the National Funding Formula.

- 7.5 In previous years, ESG was allocated to Local Authorities to fund services to schools, such as admissions, exclusions, appeals, historic and prudential borrowing costs. For 2017/18 funding changed and the majority of funds for admissions, exclusion and appeals services are being transferred directly to schools with the expectation that they would purchase these services from the Local Authority themselves. To ensure funding is sustainable in future years Croydon will continue to review and reduce non-statutory services provided to schools.
- 7.6 The government has also announced a further £140 million 'Strategic School Improvement Fund' for academies and maintained schools "most in need of support to drive up standards, use their resources effectively and deliver more good school places". There is an application process and criteria which applicants must fulfil in order to apply for this funding. Croydon will be working with one of our secondary maintained school to make an application for these funds.
- 7.7 The 2018/19 school and high needs funding is due to be announced in mid-December along with provisional early years figures and this will be reported in detail to the February Children and Young Peoples Scrutiny subcommittee. Early indications are that funding for Croydon will be £4,239 per primary child and £5,318 per secondary (funded in 2017/18 at £4,794 per pupil). The indicative allocation for Croydon is £307.4m. This does not include the early years funding as in previous years due to the implementation of their own funding formula.

8.0 Risks

- 8.1 As always there is a level of risk associated with the assumptions made within the budget and the period 2018/20 is no different. At this stage the Local Government Finance Settlement for 2018/19 is still to be announced and some of the announcements in the budget last month are still to be fully developed. These national uncertainties are in addition to local risks, with the key ones listed below :
- 8.2 **Adults and Children's Social Care and Health.** The lack of additional funding for these services are continuing to be a pressure nationally and in Croydon we are continuing to experience rising demand and complexity of need. While a number of measures have been put in place to manage these demands there still continues to be a growing level of overspend in these services. Growth has been allocated based on known costs and expected future impacts. There is always the ongoing risk that growth may be greater than anticipated and work will need to be ongoing to review and manage budgets.
- 8.3 The recent Children's Social Care Ofsted inspection has resulted in a rise in demand for services and therefore an increase in costs. This is alongside the cost to implement our improvement plan. Investment in this essential service area is being made but there remains a risk that the £10m investment from 2018/19 detailed earlier in this report may still not be sufficient.

- 8.4 **Demand Growth.** The budget assumptions for future years contain a level of growth based on current demand and anticipated expectations. As with all models there is a level of uncertainty and if demand were to be greater than modelled this will have an impact on the budget. Demand for services will continue to be managed closely and the projects that have been developed as part of the Managing Demand Programme will continue to be developed and embedded within services. This includes the Think Family approach, which focuses on a number of key areas of spend/ demand pressures.
- 8.5 **Universal Credit and Welfare Reform.** 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. While these changes are welcomed news there continues to be the risk that these changes may not be fully funded and could continue to have a financial impact on the Council.
- 8.6 **UASC and Immigration.** Funding for UASC Immigration remains a risk, and we are continuing to make a concerted drive for fairer funding for Croydon. The Leader of the Council and the Cabinet Member for Finance and Treasury met with the Immigration Minister on the 16th November and follow up discussions are taking place between council officers and the Home Office to ask for a reinstatement of our Gateway funding which would increase our funding by £2m in 2017/18. We have also highlighted a number of other areas where prioritisation by the Home Office could result in a saving to Croydon, including prioritising unresolved appeals for families with no recourse to public funds and a co-ordinated approach to enforcement action with individuals where appeal rights are exhausted. Until the agreement is reached to fund these services these remain a financial risk to Croydon.
- 8.7 **DSG High Needs Funding.** As detailed in section 7 of this report schools funding is changing in 2018/19 as a result of the National Funding Formula being implemented. This is welcomed news but does not wholly address the issue of under resourcing for the High Needs block. In recent years funding has been provided at a lower level than need and this has resulted in an overspend. A review of high needs provision is taking place in the borough and the increase in the number of in borough school places will help reduce costs. However there remains a risk that funding is not sufficient to meet demand resulting in an annual deficit.
- 8.8 **Legislative Changes.** There continues to be a risk that the Government could make other policy changes that could impact on Croydon over the period of this budget. These changes if they occur will need to be managed as they arise.

9.0 Summary

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

10.0 CONSULTATION

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

11.0 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

12.0 COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER

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

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

13.0 HUMAN RESOURCES IMPACT

13.1 In addition to a previous Council-wide voluntary severance scheme, a recruitment 'pause' and the review of long term agency/interim resource there will be other savings packages and action plans that need to be developed in response to the report that are likely to have significant HR impact. These can vary from posts not being filled or deleted, through to possible redundancies. Where that is the case, the Council's existing policies and procedures must be observed and HR advice must be sought.

Approved by– Sue Moorman Director of Human Resources

14.0 EQUALITIES IMPACT

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

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

Serving one of the most diverse boroughs in outer-London the Council's aim is to make the borough a place where people want to live and work - a place where everyone has fair and equal opportunities and life chances.

14.2 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.

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

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

14.4 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.

14.5 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 to reduce expenditure to meet Government cuts in grant funding and to deliver a balanced budget that meets the specific needs of all residents, including those groups that share a “protected characteristic”. Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to protected groups. It will be guided by the broad principles of equality and inclusion that recognise the need to:

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

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

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