

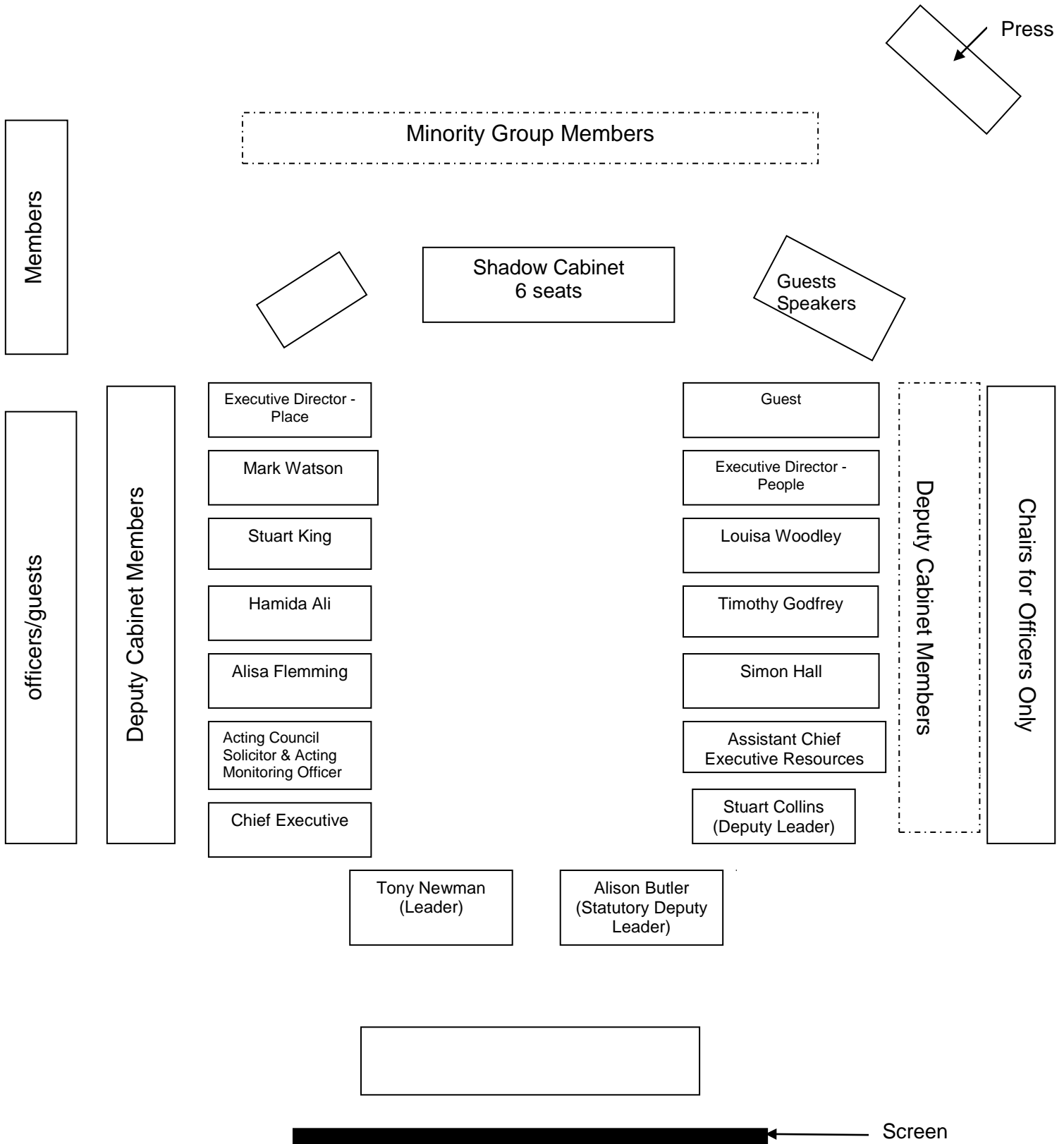


**CABINET  
AGENDA**  
for meeting on  
20 February  
2017 at 6.30pm

# CABINET – February 2017 - SEATING PLAN

PUBLIC SEATING – PUBLIC GALLERY (70 max)

MEMBERS SEATING – UNDER THE PUBLIC GALLERY (20 MAX)



**To Croydon Cabinet Members:**

Councillor Tony Newman, Leader of the Council  
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration & Planning  
Councillor Stuart Collins, Deputy Leader and Cabinet Member for Clean, Green, Croydon  
Councillor Mark Watson, Cabinet Member for Economy and Jobs  
Councillor Alisa Flemming, Cabinet Member for Children, Young People & Learning  
Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice  
Councillor Stuart King, Cabinet Member for Transport and Environment  
Councillor Simon Hall, Cabinet Member for Finance and Treasury  
Councillor Timothy Godfrey, Cabinet Member for Culture, Leisure and Sport  
Councillor Louisa Woodley, Cabinet Member for Families, Health and Social Care

Invited participants: All other Members of the Council

A meeting of the **CABINET (Council Tax)** which you are hereby summoned to attend, will be held on **20 FEBRUARY 2017 at 6.30PM in THE COUNCIL CHAMBER**, The Town Hall, Katharine Street, Croydon, CR0 1NX.

Jacqueline Harris-Baker  
Acting Council Solicitor and Acting  
Monitoring Officer  
Bernard Weatherill House, 8 Mint Walk,  
Croydon CR0 1EA

Jim Simpson  
Democratic services manager  
Tel.020 8726 6000 Ext.62326  
10 February 2017

Members of the public are welcome to attend this meeting. If you require any assistance, please contact Jim Simpson as detailed above. The meeting webcast can be viewed here: <http://www.croydon.public-i.tv/core/portal/home>

The agenda papers are available on the Council website [www.croydon.gov.uk](http://www.croydon.gov.uk)

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Group Meetings at 5.45 p.m. as follows:

Cabinet – Room F9, Town Hall

Shadow Cabinet – Room 2.20, Town Hall

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## **AGENDA - PART A**

- 1. Apologies for Absence**
- 2. Part A Minutes of the Cabinet meeting held on 23 January 2017 (page 1)**
- 3. Disclosure of Interest**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality in excess of £50. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form (copies will be available at the meeting) and handing it to the Business Manager at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests

- 4. Urgent Business (If any)**

To receive notice from the Chair of any business not on the agenda which should, by reason of special circumstances, be considered as a matter of urgency (the Chair's decision on such matters is final).

- 5. Exempt Items**

To confirm the allocation of business between Part A and Part B of the agenda.

### **CABINET MEMBERS: COUNCILLORS TONY NEWMAN, SIMON HALL AND ALISON BUTLER**

- 6. Budget 2017/20**

- 6.1 General Fund and HRA Budget 2017/20 (page 7)**

Officer: Richard Simpson

Key decision: Council Tax recommendations in 1.1 are reserved to Council

Recommendations in 1.2: Housing rents and charges are key executive decisions

**CABINET MEMBER: COUNCILLOR AND SIMON HALL**

**6.2 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018 (page 97)**

Officer: Richard Simpson

Key decision: no, reserved to Council

**CABINET MEMBERS: COUNCILLORS TONY NEWMAN AND SIMON HALL**

**6.3 Quarter 3 financial performance report 2016-17 (page 133)**

Officer: Richard Simpson

Key decision: no

**CABINET MEMBERS: COUNCILLORS HAMIDA ALI AND TIMOTHY GODFREY**

**7. Making Events happen (page 149)**

Officers: Shifa Mustafa, Andy Opie

Key decision: no

**CABINET MEMBERS: COUNCILLORS ALISON BUTLER & SIMON HALL**

**8. Brick by Brick Development Company - Business Plan (page 177)**

Officers: Shifa Mustafa, Colm Lacey

Key decision: no

**CABINET MEMBER: COUNCILLOR HAMIDA ALI**

**9. Impacts of Welfare Reform (page 197)**

Officer: Mark Fowler

Key decision: no

**10. Croydon LSP Congress Economic Summit held on 23 November 2016 (page 221)**

Officers: Jo Negrini, Sarah Ireland

Key decision: no

**CABINET MEMBER: COUNCILLOR SIMON HALL**

**11 Investing in our Borough (page 229)**

Officers: Richard Simpson, Sarah Ireland, Genine Whitehorne

Key decision: no

**AGENDA – PART B – none**



## CABINET

Meeting held on Monday 23 January 2017 at 6.30 pm in THE COUNCIL CHAMBER, The Town Hall, Katharine Street, Croydon, CR0 1NX.

### MINUTES - PART A

Present: Councillor Tony Newman, Leader of the Council;  
Councillor Alison Butler, Deputy Leader (Statutory);  
Councillor Stuart Collins, Deputy Leader;  
Councillors Hamida Ali, Alisa Flemming, Timothy Godfrey,  
Simon Hall, Stuart King, Mark Watson and Louisa Woodley.

Other Majority Group Members in attendance:  
Councillors Canning, Fitzsimons, Hay-Justice, Henson, B. Khan,  
S. Khan, Mansell, Prince, Ryan, Wood and Young.

Shadow Cabinet Members in attendance: Councillors Cummings,  
Gatland, Hale, Hopley, T. Pollard and Thomas.

Other Minority Group Member in attendance: Councillor Bird.

Also Present: Jeff Boothe, Croydon Borough Commander,  
Metropolitan Police (attended for agenda item 6).

Scott Edgell, General Manager, Veolia (attended for agenda item 8)

Absent: Cabinet: none

Apologies: None.

Note:  
The meeting webcast can be accessed on [www.croydon.gov.uk](http://www.croydon.gov.uk)

#### **A1/17 Part A Minutes of the Cabinet meeting held on 12 December 2016**

The Part A minutes of the Cabinet meeting held on 12 December 2016 were received. The Leader of the Council signed the minutes as a correct record.

#### **A2/17 Disclosure of Interest**

There were no disclosures of interest.

#### **A3/17 Urgent Business (if any)**

There was no urgent business.

#### **A4/17 Exempt Items**

RESOLVED that the allocation of business in the agenda be confirmed, as published.

**A5/17 Welcome to the new Borough Commander, Jeff Boothe**

The Leader of the Council, Councillor Tony Newman, welcomed and introduced the new Borough Commander, Jeff Boothe.

**A6/17 Provisional Local Government Finance Settlement 2017/18**

Amended sections 4.4 and 4.5 to the agenda item were tabled at the meeting

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

1. Note the Provisional Local Government Finance Settlement and its impact on Croydon
2. Note the response to the provisional settlement – at appendix 1 to the report.

**A7/17 Don't mess with Croydon campaign update**

A new street hoover was on display at the meeting

At the start of the agenda item Councillor Stuart Collins gave a presentation updating on the campaign. Then

Scott Edgell, General Manager, Veolia, then provided an update on the key recent and planned improvements to the service. Both presentations are available on the meeting webcast.

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

1. Note the progress to date for the Don't Mess With Croydon Take Pride campaign.
2. Agree the approach to the next phase of the Don't Mess With Croydon Take Pride campaign.
3. Note the planned transitional improvements to the environmental service in advance of the new South London Waste Partnership contract March 2018



4. Delegate to the executive director of Place, in consultation with the Cabinet Member for Clean Green Croydon the decision to implement the proposed service change improvements contained within the report and any further improvements following the behaviour Insight project.

**A8/17 Corporate Plan performance – April to September 2016**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

1. Note the latest performance for the period April to September 2016 as detailed at Appendix 1 of the report
2. Note the achievements, progress and work to date, as detailed in this report, of delivery against the promises set out in the 2015-18 Corporate Plan.
3. Note the areas of challenge (where the Council is responsible for performance) and the work underway / proposed to address these areas as detailed in Appendix 1 of the report.

**A9/17 Education Quality and Standards**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

1. Note the report, commend the continued improvement in the percentage of schools judged good or better by OFSTED, and also notes that this paper will form a subject of Children and Young People's Scrutiny Committee on 7 February 2017.
2. Agree the framework for the revised School Improvement Plan as set out in Appendix 7 of the report.

## **A10/17 Education Estates Report**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED

### **School Place Planning**

1.1 to agree Croydon's School Place Supply Strategy (tables 1, 2 & 3) for the next 3 academic years – 2017/18 to 2019/20 and the funding (where applicable) to deliver these additional places.

1.2 to agree to the publication of the statutory notice and that statutory consultation can take place on the proposed permanent expansion of Beckmead and St Nicholas special schools. It is proposed that, if agreed, consultation will take place in March/April 2017. Following the outcome of the proposed consultation, a decision whether or not to expand should be made by Cabinet in May 2017.

1.3 to note the proposed additional places planned at Red Gates Primary School – 8 additional places in September 2017 and 8 additional places in 2018 and that to deliver these places statutory consultation is not required.

1.4 to note the amalgamation of four Pupil Referral Units (PRUs) - Coningsby, Phil Edwards, Moving On and Cotelands into one PRU - Saffron Valley Collegiate.- from 9 November 2016.

### **School Maintenance**

1.5 to approve the proposed two year Schools' Maintenance Plan for 2017/18 and 2018/19, attached in Appendix 2 (printed separately).

1.6 to agree that this Plan will be reviewed annually.

### **School Admissions**

1.7 to recommend that full Council agrees the proposed Admission Arrangements for Community Schools for the 2018/19 academic year as set out in Appendix 4 to this report (printed separately).

1.8 to agree the co-ordinated scheme for the 2018/19 academic year as set out in Appendix 5 to this report (printed separately) and note the Published Admission Numbers for Community Schools for the 2018/19 academic year.

1.9 to agree the secondary and primary Fair Access protocols and agree the protocols can come into effect from 20 February 2017 – Appendix 6 (printed separately).

## **Accessibility Strategy**

1.10 to agree that consultation should take place on the draft accessibility strategy for disabled pupils (Appendix 7 printed separately) with stakeholders including parents/carers, pupils, school staff and governors and specialist organisations.

1.11 to agree that following consultation referred to in 1.10 above, to delegate to the Executive Director, in consultation with the Cabinet Member for Children, Young People and Learning, consideration of the consultation responses and to agree the final accessibility strategy.

### **A11/17 Developing options to regionalise adoption**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

1. Agree, in principle, to join a London Regional Adoption Agency, subject to detailed financial analysis and business case; and
2. Authorise the Executive Director People, in consultation with the Cabinet Member for Children, Young People and Learning, to progress arrangements relating to the development and Implementation of the London Regional Adoption Agency model.

### **A12/17 London Councils Grants Scheme 2017/18**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED

In order to meet the deadline of 1 February 2017 for setting the London Councils Grants Scheme budget by two-thirds of constituent Council's, to agree the recommendation of the London Councils Leaders Committee to:

- (a) Approve the London Councils Grants Scheme budget for 2017/18 of £8.899m; and
- (b) Agree Croydon Council's 2017/18 contribution to the London Councils Grants Scheme budget amounting to £335,088.

**A13/17 Scrutiny stage 1: recommendations from the Children and Young people sub-committee meeting on 6 December 2016, Streets, Environment and Homes Sub-Committee meeting on 22 November 2016**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to

receive the recommendations arising from the meetings of the Children and Young People Sub-Committee (6 December 2016), the Streets, Environment and Homes Sub-Committee (22 November 2016) and to provide a substantive response within two months (i.e. at the next available Cabinet meeting on 20 March 2017)

**A14/17 Investing in our Borough**

NOTED: that the Leader of the Council had delegated to the Cabinet the power to make the decisions set out below:

RESOLVED to note

1. The contracts over £500,000 in value anticipated to be awarded by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury or, where the nominated Cabinet Member is the Cabinet Member for Finance and Treasury, in consultation with the Leader.
2. The list of delegated award decisions detailed in section 4.2 of this report made by the Director of Strategy Communities and Commissioning, between 10th November 2016 – 22nd January 2017.

The meeting ended at 8.35pm

Part B minutes - none

<b>REPORT TO:</b>	<b>CABINET 20 FEBRUARY 2017</b>
<b>AGENDA ITEM:</b>	<b>6.1</b>
<b>SUBJECT:</b>	<b>GENERAL FUND &amp; HRA BUDGET 2017/20</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON EXECUTIVE DIRECTOR OF RESOURCES (SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>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</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>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 2017/18 and also proposals that would deliver a balanced budget for 2018/20.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The report details the revenue and capital budgets for the General Fund for 2017/18, including the total Council Tax increase of 4.3%, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2017/18.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE</b>	
<p>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 2017.</p> <p>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 5<sup>th</sup> working day after it is made, unless the decision is referred to the Scrutiny &amp; Overview Committee by the requisite number of Councillors.</p>	

## 1.0 RECOMMENDATIONS

### 1.1 The Cabinet recommend to full Council:

- I. A **1.99%** increase in the Council Tax for Croydon Services
- II. A **3%** increase in the Adult Social Care precept (a charge Central Government has assumed all Councils will levy in it's spending power calculations).
- III. Note the GLA increase of 1.5% (the increase is solely associated with the Police budget).

With reference to the principles for 2017/18 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 5.4 of this report.

- IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 4.3% in the overall council tax bill for Croydon.
- V. The three year revenue budget assumptions as detailed in this report and the associated appendices :-
  - Appendix A the programme of revenue savings and growth by department for 2017/20.
  - Appendix B The Council's detailed budget book for 2017/18
- VI. The Capital Programme as set out in section 12, table 22 and 23 of this report.
- VII. The continuation of the Council's existing Council Tax Support Scheme in 2017/18 as detailed in section 10.4 of this report.
- 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 2017/18, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.
- II. Garage and Parking space rents will increase by 2 % per week.

- III. The service charges for caretaking, grounds maintenance and bulk refuse collection will increase by 2% per week as detailed in section 11.

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 2016/17 as at Quarter 3 and the current projected outturn forecast of £0.732m as set out in the report at item 6.3 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 2017/20 took place at the Scrutiny and Overview Committee on the 13<sup>th</sup> December 2016 with no recommendations made by the Scrutiny and Overview Committee.
- V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

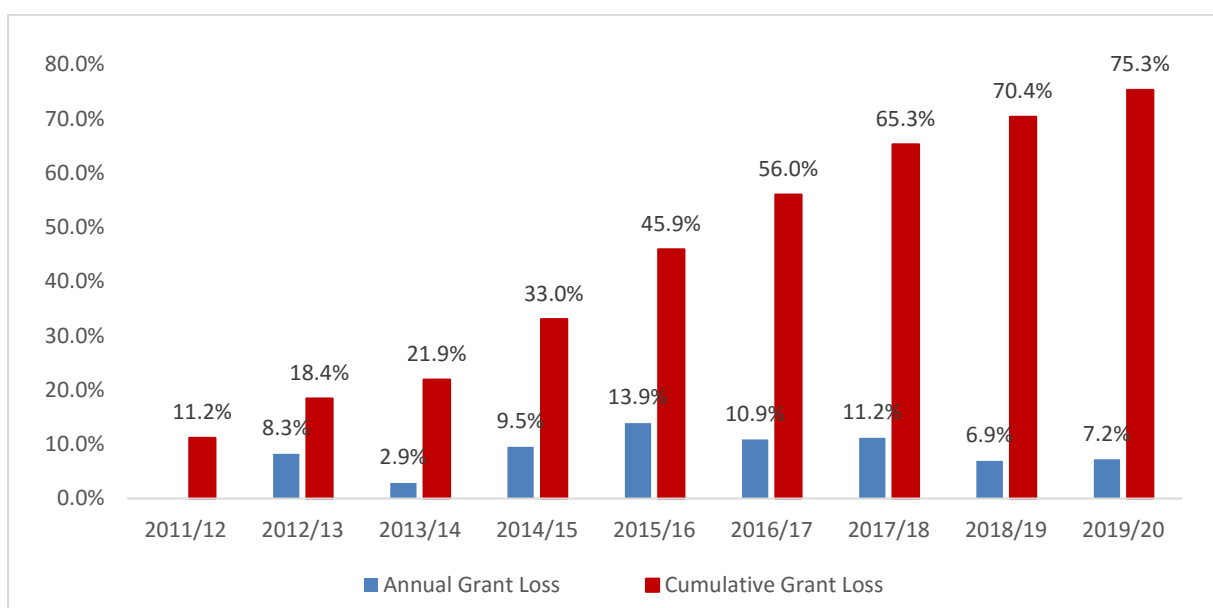
**2.0 EXECUTIVE SUMMARY**

- 2.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2017/20. The report also sets out the current savings plans and approach to transformation of the council over the next 3 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 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 of over £53.3m projected over the period 2017/20. To address previous and this funding gap the Council initiated the Croydon Challenge programme in 2014 to drive through the transformation of Council services. The programme has 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 16 and 17 which show the investment and savings by department. With the most significant savings within the Resources department for the third successive year.

2.5 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 grants 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 welfare reform.

**Graph 1: Croydon's Grant Reductions 2011/20**



2.6 As reported to this cabinet in January there were a number of key changes to Local Government Funding contained within the 2017/18 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 (such as welfare reform) are not being reflected in the funding that Croydon receives. The announcement on 15th December, together with associated announcements around the same time, have exacerbated this position.

2.7 In addition, the Government has increased the amount it assumes that councils will collect from residents to fund national adult social care responsibilities through its adult social care precept. It has also assumed a high level of increase for local taxation.



2.8 The key change announced in the Provisional Finance Settlement in December was the transfer of funds nationally from New Homes Bonus (NHB) to a 'new' Adult Social Care Support (ASC) Grant. £241.1m was transferred nationally. No new money has been introduced as part of this, rather this is a reallocation between two unring fenced pots of money. For Croydon this resulted in a net loss of £1.9m for 2017/18 compared to our previous assumptions, making us the 7<sup>th</sup> biggest loser in the Country. This change in funding arrangements also saw London lose a net £10.6m compared to previous assumptions and one third of councils with social care responsibilities being net loser. Table 1 below sets out the biggest net losers in cash terms from this change nationally.

**Table 1 Local Government Funding changes in Local Government Settlement**

Local authority	2017-18 ASC grant £m	NHB proposed for 2017-18 £m	NHB revised for 2017-18 £m	Difference £m	Overall £m
Tower Hamlets LBC	1.5	29.0	24.2	-4.8	-3.4
Salford MBC	1.3	11.2	7.5	-3.6	-2.3
Westminster City Council	1.3	13.4	9.9	-3.5	-2.2
Milton Keynes Council	0.9	12.5	9.5	-3.0	-2.1
Islington LBC	1.3	15.5	12.2	-3.3	-2.1
Southwark LBC	1.6	16.7	13.1	-3.6	-2.0
<b>Croydon LBC</b>	<b>1.4</b>	<b>12.0</b>	<b>8.7</b>	<b>-3.3</b>	<b>-1.9</b>
Bristol City Council	2.0	13.8	10.3	-3.5	-1.5
Birmingham	5.6	21.9	15.0	-6.9	-1.3
Medway	1.0	7.6	5.4	-2.2	-1.2

2.9 At a national level this change sees a significant transfer of resources to county councils from district councils which is moving funds to where responsibility for social care sits. However in unitary authorities, such as London, the transfer sees a net reduction to an area which has responsibility for social care at a time of rising need. Indeed, one in three local authorities with social care responsibilities are net losers as a result of these changes. At the same time the winners and losers in London does not appear to bear any relationship to where the pressure on the social care system sits.

2.10 At the Cabinet meeting on the 10<sup>th</sup> October 2016 (min A101/16) the Council agreed to accept the four year funding settlement and submitted its efficiency plan accordingly which set out the key principles and programmes that will be delivered to achieve a balanced budget.

2.11 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”.

- 2.12 At the time of writing this report the Final Local Government Financial Settlement debate has not taken place and it is expected to occur during the week commencing 20<sup>th</sup> February 2017. It is not anticipated that there will be any changes, and if there are these will be reported to the meeting of Council on the 27<sup>th</sup> February 2017.
- 2.13 It is incredibly disappointing that the government has changed its plans and moved the goal posts which have resulted in Croydon seeing a further **£1.9m** reduction compared to our previous assumptions at a time when we are seeing a rising demand for services in areas that provide support to our most vulnerable clients. These areas include adult and children's social care and temporary accommodation.
- 2.14 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.
- 2.15 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 56% cumulative reduction in government funding up to 2016/17 in cash terms. This equates to 74% in real terms.
- 2.16 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2017. 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 27<sup>th</sup> February 2017.
- 2.17 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 3% increase based on the Adult Social Care Levy as set by the Chancellor. The GLA are proposing a 1.5% increase in their element of the charge and that is due to be agreed by the GLA on the 20<sup>th</sup> February 2017. The overall headline increase is 4.3%. The effect of this increase on Band D is set out in table 2 below.

**Table 2 – Local Taxation & GLA Taxation increase (Band D comparison)**

<b>Band D</b>	<b>2017/18</b>	<b>Increase</b>	<b>Annual Increase</b>	<b>Weekly Increase</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>£</b>
Croydon	1,218.94	1.99	24.24	0.47
Adult Social Care Levy	59.97	3.00	36.54	0.70
Greater London Authority	280.02	1.46	4.02	0.08
<b>Total</b>	<b>1,558.93</b>	<b>4.34</b>	<b>64.80</b>	<b>1.25</b>

- 2.18 On the 13<sup>th</sup> December 2016 Scrutiny and Overview Committee met and received a report on budget options for 2017/20 from the Executive Director of Resources (Section 151 Officer). These budget options are now included within the proposed final budget detailed within this report at appendix A.

### 3 External Financial Environment

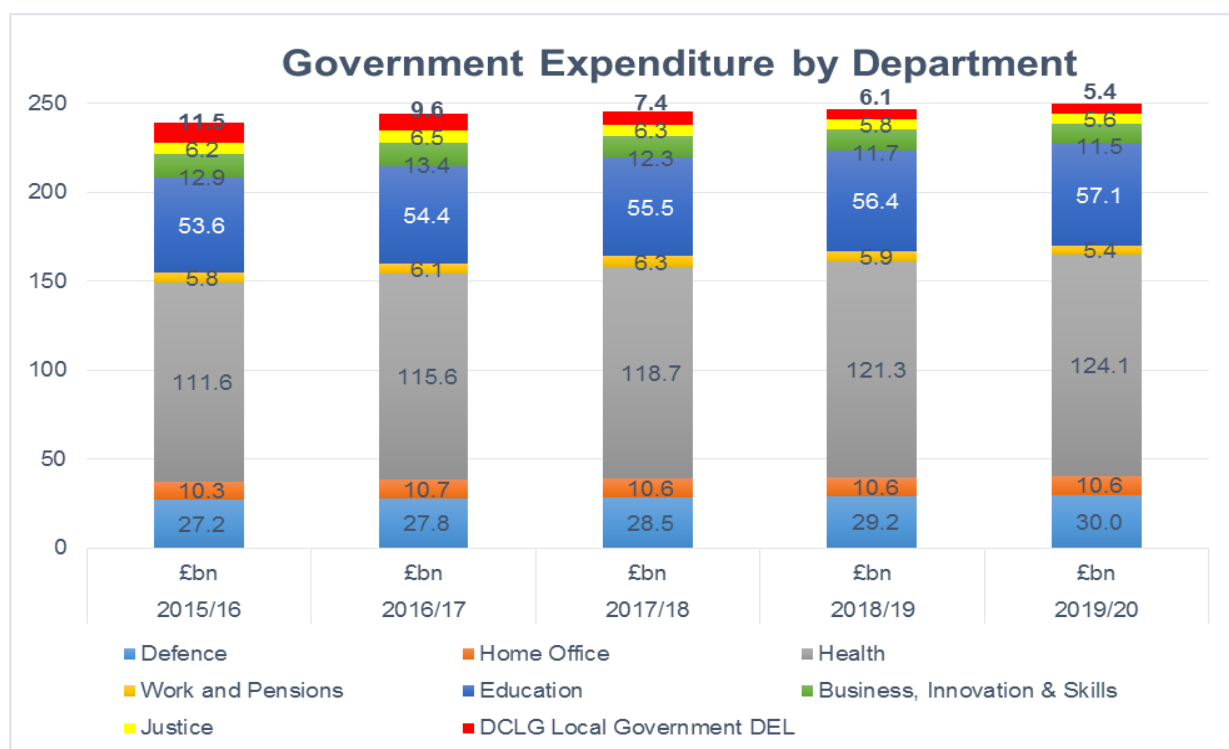
#### Spending Review 2015 and settlement 2017/18

- 3.1 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.
- 3.2 The provisional local government funding settlement 2017/18 announced a number of key changes as detailed in section 4.4 of this report, that have had a significant impact both nationally and in Croydon.
- 3.3 The funding amounts for the main government department were published as part of the spending review 2015 and were reported to cabinet in February 2016, they are shown again for info in table 3 and graph 2 below. 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.

**Table 3 - Published Funding Amounts for Selected Government Departments**

	2015/16	2016/17	2017/18	2018/19	2019/20	% Change
	£'bn	£'bn	£'bn	£'bn	£'bn	
Defence	27.2	27.8	28.5	29.2	30	10%
Home Office	10.3	10.7	10.6	10.6	10.6	3%
Health	111.6	115.6	118.7	121.3	124.1	11%
Work and Pensions	5.8	6.1	6.3	5.9	5.4	-7%
Education	53.6	54.4	55.5	56.4	57.1	7%
Business, Innovation & Skills	12.9	13.4	12.3	11.7	11.5	-11%
Justice	6.2	6.5	6.3	5.8	5.6	-10%
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4	-53%

## Graph 2 Published Funding Amounts for Selected Government Departments



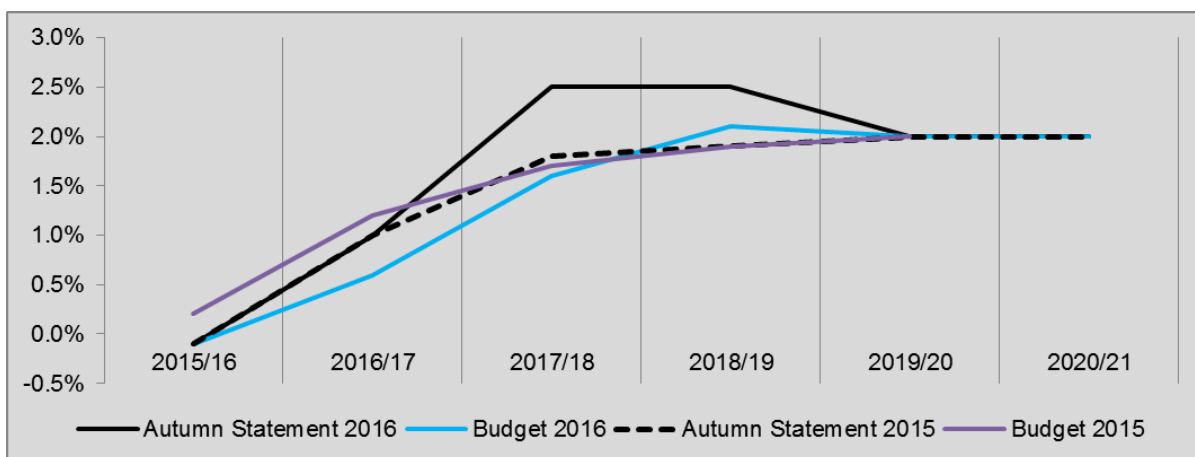
## 4 Inflation

- 4.1 The Office of Budget Responsibility (OBR) updated its forecast CPI and RPI inflation forecasts for the 2016 Autumn Statement.
- 4.2 Table 4 and graph 3 shows the CPI inflation forecasts published against those published in previous announcements. The table shows increases to the level of CPI projected from 0.6% to 1.0% in 2016/17, from 1.6% to 2.5% in 2017/18 and from 2.1% to 2.5% in 2018/19.

**Table 4 CPI Inflation Forecasts**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	-0.10%	1.00%	2.50%	2.50%	2.00%	2.00%
Budget 2016	-0.10%	0.60%	1.60%	2.10%	2.00%	2.00%
Autumn Statement 2015	-0.10%	1.00%	1.80%	1.90%	2.00%	2.00%
Budget 2015	0.20%	1.20%	1.70%	1.90%	2.00%	-

### **Graph 3 CPI Inflation Forecasts**



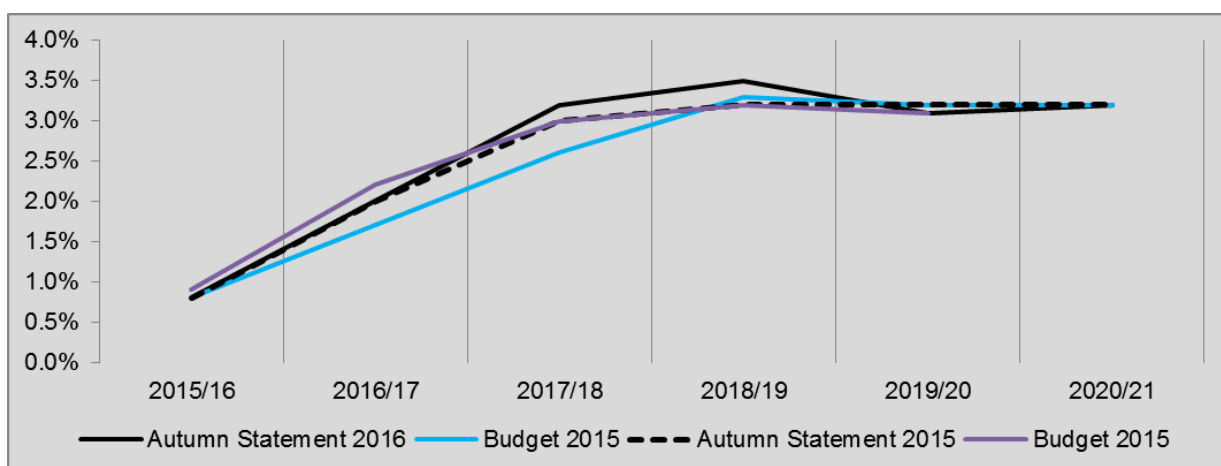
### **Inflation - RPI**

4.3 Table 5 and graph 4 below shows the RPI inflation forecasts published against those published in previous announcements. The table shows increases in the level of RPI projected for the next three years from 1.7% to 2.0% in 2016/17, from 2.6% to 3.2% in 2017/18 and from 3.3% to 3.5% in 2018/19.

**Table 5 RPI Inflation Forecasts**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Autumn Statement 2016	0.80%	2.00%	3.20%	3.50%	3.10%	3.20%
Budget 2016	0.80%	1.70%	2.60%	3.30%	3.20%	3.20%
Autumn Statement 2015	0.80%	2.00%	3.00%	3.20%	3.20%	3.20%
Budget 2015	0.90%	2.20%	3.00%	3.20%	3.10%	-

#### **Graph 4 RPI Inflation Forecasts**



#### **Provisional Local Government Finance Settlement 2017/18 – Nationally**

- 4.4 The Provisional Local Government Finance Settlement was published on 15 December 2016. The settlement provided provisional allocations for 2017/18 and indicative allocations for 2018/19 and 2019/20.

The main issues were as follows:

- No changes to overall funding provided by DCLG.
- The terms of the Social Care Precept changed.
- Changes to the New Homes bonus scheme were announced.
- A move of £241m from the New Homes Bonus scheme to Adult Social Care for 2017/18.
- 97% of authorities, including, Croydon accepted the government's offer of a four-year fixed settlement.

#### **Overall Funding: Core Spending Power**

- 4.5 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 (new for 2017/18). Table 6 below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows a reduction of 1.1% for 2017/18 and an overall increase for the period 2015/16 to 2019/20 of 0.4%.

**Table 6 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	21,250	18,601	16,632	15,599	14,584
Council Tax	22,036	23,247	24,623	26,082	27,629
Improved Better Care Fund	-	-	105	825	1,500
New Homes Bonus	1,200	1,485	1,252	938	900
Rural Services Delivery Grant	16	81	65	50	65
Transition Grant	-	150	150	-	-
Adult Social Care Support Grant	-	-	241	-	-
<b>Core Spending Power</b>	<b>44,501</b>	<b>43,564</b>	<b>43,069</b>	<b>43,494</b>	<b>44,678</b>
<b>Change %</b>		<b>-2.10%</b>	<b>-1.10%</b>	<b>1.00%</b>	<b>2.70%</b>
<b>Cumulative change %</b>		<b>-2.10%</b>	<b>-3.20%</b>	<b>-2.30%</b>	<b>0.40%</b>
<b>Real Terms Change %</b>		<b>-2.22%</b>	<b>-3.67%</b>	<b>0.98%</b>	<b>3.15%</b>
<b>Real Terms cumulative Change %</b>		<b>-2.22%</b>	<b>-5.89%</b>	<b>-4.92%</b>	<b>-1.77%</b>

4.6 Table 7 below shows the change in figures from those published at the 2016/17 final settlement.

**Table 7 Change in Core Spending Power figures for England 2017/18 to 2019/20**

	2017-18	2018-19	2019-20
	£m	£m	£m
Settlement Funding Assessment	+9	+40	+85
Council Tax	+164	+229	+276
Improved Better Care Fund	0	0	0
New Homes Bonus	-241	0	0
Rural Services Delivery Grant	0	0	0
Transition Grant	0	0	0
Adult Social Care Support Grant	+241	0	0
<b>Core Spending Power</b>	<b>+172</b>	<b>+269</b>	<b>+360</b>

4.7 Table 7 shows:

- An increase to the Settlement Funding Assessment and Council Tax amounts, and
- The move in resources from New Homes Bonus to Adult Social Care Support Grant.

**Change to forecast SFA amounts**

4.8 The increase in the SFA amounts shown in table 7 above of £9m in 2017/18, £40m in 2018/19 and £85m in 2019/20 is within the Business Rates Retention element. This increase is due to inflation being higher than forecast for 2017/18 and being forecast to be higher than previously assumed for 2018/19 and 2019/20. This means that there is no real terms change.

### **Change to forecast Council Tax income**

4.9 The increase in forecast Council Tax revenues (from Table 7 above) of £164m in 2017/18, £229m in 2018/19 and £276m in 2019/20 is due to assumptions around council taxbase and the rate of increase in council tax charges. For 2017/18, the £164m increase is a result of:

- A forecast higher taxbase +£110m
- There will be increases in council tax in line with the referendum limit of 1.99%, instead of the previous assumption of 1.75% +£54m

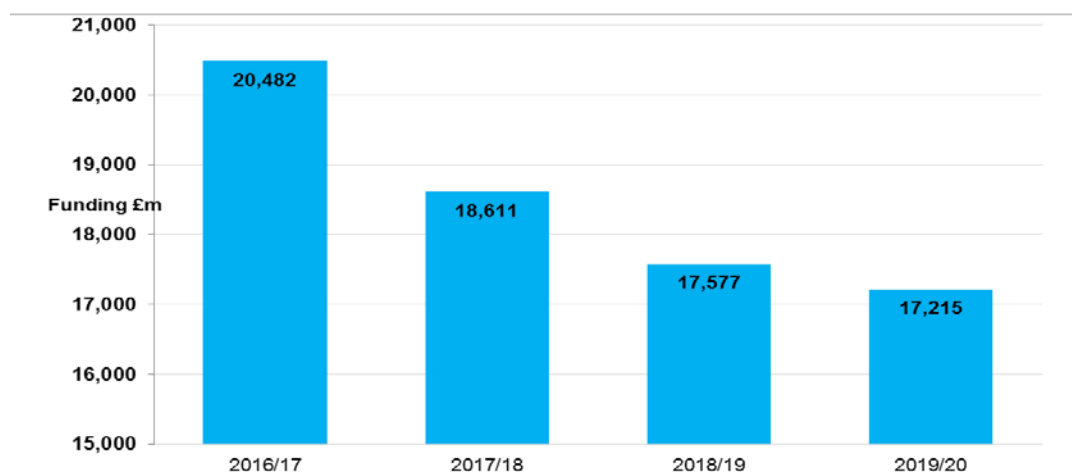
### **Adult Social Care Support Grant: +£241m in 2017/18**

4.10 This is a new funding stream announced for 2017/18. Funding for this has been taken from previously announced New Homes Bonus allocations (see section 4.19). Funding has been allocated based on the adult social care relative needs formula.

### **Overall Funding: Excluding Council Tax**

4.11 Graph 5 below shows the level of central government funding to local government between 2016/17 and 2019/20 excluding Council Tax. It shows a reduction of £3.3bn from £20.5bn to £17.2bn, a reduction of 16%.

**Graph 5 – Local Government Funding 2016/17 to 2019/20**





## **Social Care Precept**

- 4.12 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.
- 4.13 The provisional 2017/18 local government finance settlement has amended the use of this additional precept. It has announced that it can be applied at 3% per annum for the next two years, up to 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore if an authority chooses 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.
- 4.14 To ensure that councils are using income from the precept for adult social care, councils will be 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). Councils wishing to use the extra freedom to raise their precept by 3% instead of 2% in 2017/18 must also show how they plan to use this extra money to improve social care. The government intend to provide further guidance to adult social care authorities on the conditions of the scheme in the near future.

## **Council Tax**

- 4.15 For 2017/18, there will continue to be differential limits that will trigger the need for a council tax referendum.
- 4.16 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 5% or more above the authority's relevant basic amount of council tax for 2016/17.
- 4.17 Police and Crime Commissioners whose Band D precept is in the lowest quartile of that category will continue to be allowed increases of less than 2% or up to and including £5, whichever is higher.
- 4.18 For the Greater London Authority, a referendum will be triggered where council tax is increased by 2% or more above the authority's relevant basic amount of council tax for 2016/17.

## **New Homes Bonus**

- 4.19 The New Homes Bonus scheme was subject to a consultation paper in December 2015. This paper outlined a number of potential changes to the scheme, including a change in the scheme's funding. This change moved from having an open-ended funding amount (based on the number of new homes) to a finite amount that could not be exceeded. The funding for the scheme over the period 2017/18 to 2019/20 was also announced, these amounts being:

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

4.20 The individual authority amounts that were shown in the Core Spending Power figures for this period were only indicative, based on the proportion of the 2016/17 allocations.

4.21 The New Homes Bonus allocations for 2017/18 have been announced, reflecting the outcome of the consultation. The Core Spending Power figures for 2017/18 include these allocations and the New Homes Bonus returned element of the funding.

4.22 The government has made/proposed the following changes to the scheme:

- Funding is reduced by £241m in 2017/18 (funding remains at pre-announced levels for 2018/19 and 2019/20).
- Funding will be 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
- From 2018/19, the government will consider withholding payments from local authorities that are not *"planning effectively, by making positive decisions on planning applications and delivering housing growth"*.
- A consultation is planned regarding withholding payments for homes that are built following an appeal.

### **Other Specific Grants**

4.23 The allocations of the three grants below remain unchanged from the amounts announced for the 2016/17 local government finance settlement.

- Improved Better Care Fund - £105m in 2017/18
- Rural Services Grant - £65m in 2017/18
- Transition Grant - £150m in 2017/18

### **Four Year Settlements**

4.24 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.

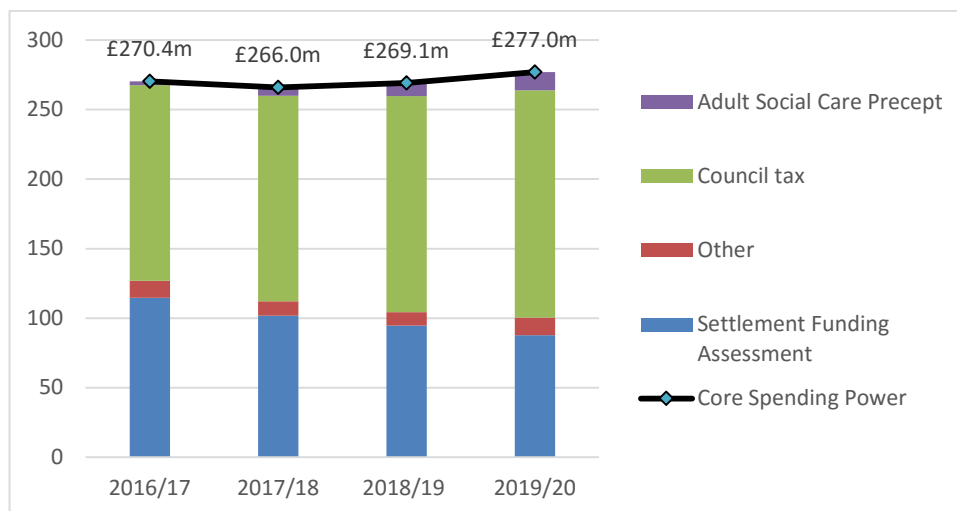
## **5 Provisional Local Government Finance Settlement 2017/20 – Croydon**

5.1 The published Core Spending Power figures for Croydon are shown in table 8 and graph 6 below. The funding per head reduces from £723.77 per person in 2015 to £617.36 in 2020. This is a reduction of 15% or £106 per head. If funding rates were held at the same rate per head from 2015/16 to 2019/20 then we would receive an additional £12m of funding in 2019/20. If funding was held at the same rate per head in real terms over the period we would an extra £43m in 2019/20.

**Table 8 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's	2019/20 £m's
Settlement Funding Assessment	132.0	114.6	101.7	94.7	87.8
Council tax	133.4	140.7	147.9	155.5	163.5
Adult Social care council tax precept	0.0	2.8	5.9	9.3	13.2
Improved Better Care Fund	0.0	0.0	0.0	3.1	6.3
Transition Grant	0.0	0.4	0.4	0.0	0.0
The 2017/18 Adult Social Care Support Grant	0.0	0.0	1.4	0.0	0.0
NHB	9.9	11.9	8.7	6.5	6.2
<b>Core Spending Power</b>	<b>275.3</b>	<b>270.4</b>	<b>266.0</b>	<b>269.1</b>	<b>277.0</b>
<b>Population</b>	<b>380,368</b>				<b>399,552</b>
<b>Core funding per Head</b>	<b>£723.77</b>				<b>£693.28</b>
<b>Core spending power real terms</b>		<b>265.5</b>	<b>252.8</b>	<b>246.9</b>	<b>246.7</b>
<b>Core funding per Head - real terms</b>	<b>£723.77</b>				<b>£617.36</b>

**Graph 6 Croydon's Settlement Funding Assessment allocations 2016/17 to 2019/20**



5.2 Table 8 shows an increase in funding over the period of 0.6% in cash terms (a real terms decline). However, it is important to note that this includes assumptions by DCLG. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the DCLG's figures are relevant to Croydon is discussed below.

### Council Tax

5.3 The amounts for Council Tax income include DCLG's assumptions on base growth and maximum increases in the rate (i.e. the allowed 2.0% increase per annum plus the 2% per annum for the social care precept).

- 5.4 The Council Tax referendum limit remains at 2%. However, local authorities with social care responsibilities will continue to be able to charge an additional levy for adult social care. The Spending Review set this levy at a maximum of 2% per annum for a 4 year period, until 2019/20. The recent funding Settlement has allowed a greater level of flexibility around this levy and is now allowing Councils with social care responsibilities the flexibility to charge up to 3% per annum with a maximum increase of 6% over the period 2017/18 to 2019/20, providing the increase is used to fund adult social care. While overall there is no increase this does allow councils the opportunity to create additional income sooner.
- 5.5 There is no Council Tax Freeze Grant offering for the period 2017/18 to 2019/20.
- 5.6 The government produced national and local indicative council tax income levels for the period 2017/18 to 2019/20; with income increasing from £23.2bn in 2016/17 to £27.6bn in 2019/20. These figures assume:
- 5.7 An allowance for an increase in council tax in line with CPI for the period, using the OBR estimates. The government indicates it has used an average of 2% per annum for the period (excluding the additional 3% for social care);
- 5.8 An assumption of growth in the tax base which is based on the average levels of growth between 2013/14 and 2015/16, of 2.1% per annum. However, the increases used by the government are higher than those forecast by the Office of Budget Responsibility in March 2016, which was an average increase of 1.0% across the period 2017/20.
- 5.9 The equivalent government figures for Croydon are Council Tax income increasing from £140.7m in 2016/17 to £163.5m in 2019/20. However, as indicated above, these figures are only based on national assumptions regarding council tax and tax base growth.

### **New Homes Bonus**

- 5.10 The Settlement included a number of planned changes to the New Homes Bonus scheme from 2017/18. The number of years the scheme is to be based on will now reduce from 6 to 5 in 2017/18 and to 4 years from 2018/19 onwards. The scheme will also now only award growth in homes above 0.4% per annum.
- 5.11 For Croydon, this means a significant reduction in grant income. We had previously estimated New Homes Bonus of £12m in 2017/18 and these changes to the scheme will result in a £3.3m reduction to £8.7m. The estimated impact for Croydon in future years is a £1m reduction against current assumptions.
- 5.12 For future years, new indicative allocations for Croydon of £6.6m (2018/19) and £6.2m (2019/20) were published. This is a reduction of £1m against previous assumptions. However, these amounts could still alter. The figures also do not take into account future new homes growth locally (they are based on previous years' growth).

## **Adult Social Care Support Grant**

- 5.13 The settlement announced a new one off Adult Social Care Support grant of £241.1m in 2017/18. With £37.3m being allocated to London. This grant is being funded from savings achieved as a result of changes to the New Homes Bonus. This new grant is not as a result of new money being made available.
- 5.14 It is estimated that London will lose £10.6m as a result of this funding 'switch', with 12 London Boroughs gaining slightly and 21 becoming worse off. Croydon is a net loser by £1.9m as a result of this funding 'switch'.
- 5.15 Croydon will receive £1.4m in 2017/18 from this newly announced one year only Adult Social Support Grant. This will help us fund a service that is experiencing increasing demands and rising costs in 2017/18 but we are concerned that this is a one year only grant and would welcome a greater level of certainty for the future.

## **Other Grants**

- 5.16 Funding for the remaining funding streams i.e. Improved Better Care Fund & Transition Grant will be received by Croydon at the amounts previously announced in 2016/17.
- 5.17 As shown in table 9 Croydon is ranked 21 in London on a settlement per head basis. If the funding were at the level of the lowest inner London borough, Croydon would receive an additional £26m in 2017/18. If the funding were at the level of the average inner London borough, Croydon would receive an additional £97m in 2017/18.

**Table 9 – Settlement Funding Assessment per Head**

Authority	Population 2015	Settlement Funding assessment - per head					Rank 2015/20 Average
		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	
City of London	8,760	3,187.32	2,956.32	2,785.91	2,695.62	2,605.03	1
Hackney	269,009	696.32	634.77	589.56	565.09	541.36	2
Westminster	242,299	636.04	580.14	538.88	516.79	494.66	3
Southwark	308,901	640.71	581.16	537.38	513.66	490.53	4
Tower Hamlets	295,236	636.37	578.28	535.52	512.45	489.78	5
Islington	227,692	637.82	575.08	528.94	503.90	479.45	6
Camden	241,059	642.20	574.72	524.98	498.05	471.42	7
Hammersmith & Fulham	179,410	588.82	529.86	486.39	462.91	439.64	8
Lambeth	324,431	585.81	528.35	486.11	463.16	440.83	9
Newham	332,817	568.78	518.84	482.17	462.29	443.09	10
Kensington & Chelsea	157,711	576.68	506.02	453.70	425.48	396.80	11
Lewisham	297,325	546.84	493.37	454.11	432.72	412.10	12
Greenwich	274,803	521.76	471.35	434.35	414.18	394.78	13
Haringey	272,864	516.04	461.85	422.03	400.32	379.24	14
Barking & Dagenham	201,979	489.33	443.09	409.17	390.68	372.94	15
Brent	324,012	471.20	422.30	386.35	366.77	347.72	16
Waltham Forest	271,170	449.53	400.82	365.01	345.46	326.48	17
Wandsworth	314,544	401.26	364.33	337.11	322.46	307.92	18
Enfield	328,433	394.46	348.40	314.55	296.01	278.05	19
Ealing	343,059	393.93	346.69	311.94	292.92	274.39	20
Croydon	379,031	348.30	302.26	268.38	249.78	231.67	21
Sutton	200,145	339.30	290.19	254.01	234.12	214.65	22
Hounslow	268,770	325.93	283.52	252.29	235.18	218.44	23
Redbridge	296,793	316.55	276.14	246.40	230.10	214.22	24
Merton	204,565	317.41	271.31	237.31	218.68	200.29	25
Hillingdon	297,735	285.22	244.00	213.65	196.96	180.67	26
Barnet	379,691	282.69	238.61	206.11	188.25	170.69	27
Harrow	247,130	280.57	235.69	202.61	184.42	166.57	28
Bexley	242,142	271.02	229.04	198.14	181.12	164.51	29
Havering	249,085	254.24	210.84	178.88	161.22	144.01	30
Kingston upon Thames	173,525	232.27	185.29	150.57	131.47	112.45	31
Bromley	324,857	214.47	173.93	144.01	127.53	111.26	32
Richmond upon Thames	194,730	227.24	169.43	125.99	111.74	77.36	33

## Expenditure Pressures

- 5.18 As well as reduced funding levels the council also faces pressures on its expenditure as has previously been reported to Cabinet. Demand pressures resulting from demographic and population change, impact from national legislation and policy, eg welfare reform, and inflationary pressures are not factored into the government's calculation of spending power. Section 6 sets out the latest estimate of these pressures for Croydon over the medium term. The above table does not reflect that some of the funding is for new responsibilities. In addition, there are pressures created from reductions in other funding streams, such as public health, Education Services Grant, Home Office funding for Unaccompanied Asylum Seeking Children and CALAT.

## 6 2017/20 GENERAL FUND REVENUE BUDGET

- 6.1 2017/18 is the second year of the four year funding agreement and to coincide with this we have set a balanced budget for the next three years (the remainder of the settlement period) based on known funding levels.
- 6.2 The next section sets out the key areas of change in the London Borough of Croydon budget for 2017/20, with a key focus on the next financial year 2017/18. Table 10 below gives a summary of the high level budget movements

**Table 10 – Budget Gap**

	2017/18 £m	2018/19 £m	2019/20 £m	2017/20 £m
Cut in Grant	11.08	9.44	6.24	26.76
Inflation	2.90	2.90	2.90	8.70
Removal of Council Tax surplus	0.60	3.10	0.00	3.70
Departmental & Corporate Growth	16.43	2.21	2.69	21.33
<b>Gross Budget Gap</b>	<b>31.01</b>	<b>17.65</b>	<b>11.83</b>	<b>60.49</b>
Council tax	-7.33	-2.90	-1.47	-11.70
CT Base Increases	-4.20	-2.90	-2.50	-9.60
Savings Options	-19.48	-11.85	-7.87	-39.20
<b>Net Budget Gap</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Local Taxation / Collection Fund

- 6.3 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.
- 6.4 **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. It is anticipated that there will be an increases in the Council tax base of 2.9% compared to the 2016-17 base, which will enable a further £4.200m of expenditure to be supported in the 2017-18 general fund budget. The Council tax base is adjusted for collection rates, which are proposed to be 97.0% for 2017-18.

**Table 11 - Increase in Council Tax Base**

Year	Council Tax base (units)	Band D equivalent * £	Council Tax funding £m
2016-17	117,795	1,218.13	143,490
2017-18	121,243	1,218.13	147,690
<b>Change</b>	<b>3,448</b>	<b>0</b>	<b>4,200</b>

\*for the purpose of demonstrating the tax base increase remains unchanged, the Band D Council tax rate used in table 11 is the 2016/17 amount.

## Projected Collection Fund Surplus

- 6.5 It is anticipated that a surplus of £3.651m will be available for release into the 2017/18 general fund budget. This figure is now a combination of the forecast surplus / deficit position for both Council Tax and Business Rates, as set out below.
- 6.6 Council Tax - Croydon's share of the anticipated council tax surplus for 2017/18 is £5.829m. There has been a council tax surplus in the last 3 years as a result of tax base growth and improved collection rates.
- 6.7 Business rate localisation since 2013/14 has led to some added risks for the council particularly in relation to valuation appeals from businesses that can go back a number of years. The council has to provide for these within the collection fund even though these may go back a long time before the current financial year. A deficit is projected for 2017/18, of which Croydon's share is £2.178m.
- 6.8 Any difference between the projected surplus and final surplus for 2017/18 will be carried forward within the collection fund, for consideration in 2018/19's general fund budget.



## Local Taxation Change for 2017/18

- 6.9 The council tax change for the Croydon element of the charge for 2017/18 is recommended to be **4.99%** in accordance with Appendix E of the report.
- 6.10 This decision includes a 3% 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 12 below.

**Table 12 – Local Taxation for 2017/18**

	2017/18 £	Increase £
Croydon Band D per year	1,218.94	24.24
Adult Social Care Levy per year	59.97	36.54
Band D per year	1,278.91	60.78

- 6.11 Table 13 gives details of the increases to the Croydon element of the council tax over the last 4 years and the increase being recommended for 2017/18.

**Table 13 – Croydon Council percentage increase since 2013/14**

	2013/14	2014/15	2015/16	2016/17	2017/18
Croydon Council Percentage change	1.85%	0%	0%	1.99%	1.99%

## Greater London Authority Precept 2017/18

- 6.12 On 25<sup>th</sup> January 2017 the Mayor published his final draft budget and announced his intention to increase the Band D council tax by £4.02 to £280.02. This results in an increase of **1.5%** in the precept. The Mayor will present his final budget to the London Assembly on 20th February 2017. Details of the Mayor's budget are shown in table 14 below.

**Table 14- Detail of Mayor's Budget – Components of Council tax**

Components of Council Tax Requirements	Approved 2016/17 £m	Proposed 2017/18 £m	Proposed 2018/19 £m	Proposed 2019/20 £m	Proposed 2020/21 £m
GLA Mayor	60.8	65.0	69.3	73.6	78.0
GLA Assembly	2.6	2.6	2.6	2.6	2.6
Mayors Office for Policing and Crime	566.7	589.5	601.2	613.3	625.6
London Fire and Emergency Planning Authority	138.2	138.2	138.2	138.2	138.2
Transport for London	6.0	6.0	6.0	6.0	6.0
London Legacy Development Corporation	0.0	0.0	0.0	0.0	0.0
Old Oak and Park Royal Development Corporation	0.0	0.0	0.0	0.0	0.0
Consolidated Council Tax Requirement	774.3	801.3	817.4	833.7	850.4
<b>Band D – London Boroughs</b>	276.0	280.2	280.2	280.2	280.2

6.13 This overall resultant council tax increase is set out in 15 below.

**Table 15 – Local Taxation increase and the GLA Tax increase**

Band D	2017/18 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,218.94	1.99	24.24	0.47
Adult Social Care Levy	59.97	3.00	36.54	0.70
Greater London Authority	280.02	1.46	4.02	0.08
<b>Total</b>	<b>1,558.93</b>	<b>4.34</b>	<b>64.80</b>	<b>1.25</b>

6.14 The overall increase on the total bill for the residents of Croydon is **4.3%**.

**Growth areas in the 2017/18 budget**

6.15 There are a number of other changes to expenditure assumptions that have to be factored into the budget assumptions. The major ones are set out below;

6.16 **Inflation assumptions for Pay** – At the time of setting the budget the pay award for 2017/18 has not been agreed and we have assumed a 1% increase for 2017/18. **This has a cost of £1.172m**

- 6.17 **Contracts** – 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 £1.888m.**
- 6.18 **Adult Social Care** - 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
- 6.19 The Inflation Strategy has considered these factors and sets out the Council's approach to setting inflation for the next 3 years 2017/2020.
- 6.20 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 2017/18 inflation has been set at 1.5% for Third Party Services and at 1% for Council Delivered Services and Teams.
- 6.21 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 2016/17.
- 6.22 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2017/18 by RPI. **This will generate additional income of £0.137m**
- 6.23 The current figures for Inflation for December were 1.6% for CPI and 2.5% 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.
- 6.24 **Pensions** the tri-annual actuarial review is due to be completed for commencement in April 2017. Draft figures assumed in the budget model are for the employer's contribution rate to increase by 0% per annum in 2017/18 and 2018/19 and by 1% in 2019/20 which will see it increase from 15.1% to 16.1% of pensionable pay. **This has a cost of an estimated £1m.**

- 6.25 **Interest Payable** – the size of the capital programme drives the changes in the interest budget. The programme is set out in section 12. As a result of the borrowing planned for 2017/20 the interest payable budget will increase by £1.0m in 2017/18, and £1.5m in both 2018/19 and 2019/20, although it is anticipated that a review of our debt strategy will yield interest payable savings of £0.5m in 2017/18.
- 6.26 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 will allow 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 during the period 2017/2018. It is not expected that this facility will be impacted by the UK Government invoking Article 50 to leave the European Union.
- 6.27 **Concessionary Fares** – London Councils' TEC 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 2017/18 is estimated to be £15.598m. **This is a decrease of £0.553m.**

### **Departmental Growth**

- 6.28 The Council continues to experience budgetary pressures on services, many of the pressures being demand led. Appendix A sets out all the growth included in the 2017/20 budget assumptions. The approach has been to ensure that the significant recurring departmental pressures identified in the 2016/17 Financial Performance reports to Cabinet are included as growth in 2017/18 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration. **The total funding for 2017/20 department growth is £14.729m**, and Corporate Growth is £6.6m. Table 16 below gives details at a summary level of the growth identified for each department;-

**Table 16 – Summary of Growth Options by Department**

Department	2017/18	2018/19	2019/20	2017/20 Total £m
	£m	£m	£m	
People	11.899	0.556	0.192	12.648
Place	0.650	0.000	0.000	0.650
Resources	1.281	0.150	0.000	1.431
<b>TOTAL</b>	<b>13.830</b>	<b>0.706</b>	<b>0.192</b>	<b>14.729</b>

6.29 To achieve these levels, notably the 2018/19 and 2019/20, there will need to be highly successful delivery on demand management, behavioural change, successful switch to prevention and innovation.

6.30 The 2017/18 budget will also see the continued prioritisation of the reserve set aside to support the administration’s priorities.

6.31 To date, £1m of this reserve has been allocated to specific initiatives. In 2017/18 the reserve will continue to support key administration priorities. Updates will be reported to Cabinet on a regular basis.

## **7. Savings and managing demand**

7.1 In order to present a balanced budget for 2017/20 significant savings are required as has been set out in the earlier elements of this report. The approach is underpinned by the efficiency strategy that was approved by cabinet in October 2016 (A101/16).

7.2 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 are :-

- 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

These are all in addition to the continuing programme of seeking savings and improving productivity, which is integral to all areas of working in the Council.

### **Getting the most out of our assets**

7.3 Savings of over £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). The major savings to date have come from;

- 7.3.1 The leasing of the 11<sup>th</sup> and 12<sup>th</sup> floor of Bernard Wetherhill House (“BWH”)
- 7.3.2 The sale of Janette Wallace House
- 7.3.4 The ending of a number of property leases
- 7.4 40 sites have also been transferred to Brick by Brick to develop housing. This is expected to result in a significant capital receipt for the council which can either be used for transformation or to fund capital expenditure.
- 7.5 There will be continued focus over the next 18 months in identifying further asset opportunities this will include;
  - 7.5.1 Further opportunities to lease parts of BWH
  - 7.5.2 Reduction in running costs linked to managing demand
  - 7.5.3 A service based asset review in parts of the business to release or make better use of our operational assets.

### **Better Commissioning and Contract Management**

- 7.6 The council uses third parties to deliver a number of our services. Therefore getting best value both in terms of delivery and cost is crucial. This has involved two key measures:
  - 7.6.1 Introduction of a ‘Make or Buy’ framework, to ensure that we have services delivered by the right parties (i.e. split between in-house, partnerships and third party)
  - 7.6.2 Enhanced contract management focus, including the professionalisation of contract management, notably on the major contracts and the separation between operational management and contract management.
- 7.7. There have been a number of areas where savings been made over the last 12 months including £2m from the new approach to Facilities Management.
- 7.8 A corporate contract review has commenced, the focus of this will be to test the Council’s contract management framework and proposed developments for driving a more commercial approach to contract management by reviewing contract performance and cost for all tier 1 contracts (contracts with a value of over £1m per annum).
- 7.9 Savings are already anticipated from a number of future commissioning opportunities over the next 3 years. It is expected these will deliver at a minimum £6m. The key ones are;
  - Waste Collection and Street Cleansing
  - Leisure
  - Internal and external audit

## Managing Demand and Early Intervention and Prevention

- 7.10 The focus of this is to look at what drives demand for services and then look at ways that the demand, notably for expensive services, can be reduced, whilst maintaining or enhancing the outcomes for residents. The work done in creating the 'Gateway' service and on the 'Top 50 families' are examples of this, which have already delivered tangible benefits. The programme going forward will deliver options in the medium and longer term. In the short term a range of immediate actions are in place, including:-
- 7.10.1 The application of the successful Gateway approach to the 'front door' of adult social care which is likely to bring both cost savings and service improvement.
- 7.10.2 Introduction of Family Link workers to assist families
- 7.10.3 The development of a recruitment and retention strategy for social workers has been commissioned to reduce the use of agency social workers
- 7.10.4 The transformation of adult social care continues, which includes some detailed reviews of high cost care packages to ensure individual needs are being met in the most effective way.
- 7.10.5 High profile enforcement and prosecution of fly-tipping and other anti-social behaviours
- 7.11 Over the recent months departments have been analysing and working up the opportunity areas to gain a better understanding of the activities and projects required to deliver financial benefits over the next four financial years.
- 7.12 This approach has identified a number of opportunity areas and these include:
- 7.12.1 **Gateway extension and Family approach:** Across all parts of the People Department, including at the front door, supporting families at risk or in need, looking at all aspects of their assets, needs and aspirations, to avoid crises and increase independence and empower those families.
- 7.12.2 **Adults Social Care:** Embedding an asset based approach at all points of contact with the council, and in commissioned Information Advice and Guidance services. Redesign brokerage controls and processes to increase our commercial focus, and develop strategic domiciliary care, residential and nursing provider relationships that include increased telecare options. Greater personalisation.
- 7.12.3 **Early Intervention & Children's Social Care:** Use 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.

- 7.12.4 **Temporary and Emergency Accommodation:** Redesign communications to embed consistent messages to residents at all points of contact. Develop initiatives to target prevention and early intervention. Implement a supply side strategy based on cost modelling and supported by process redesign
- 7.12.5 **Public Health:** Develop an outcomes framework against which contracts will then be reviewed to determine value for money, delivery against outcomes and alignment to wider council strategic priorities. Use behaviour change approaches across the council to deliver improved public health outcomes for residents.
- 7.12.6 **Place:** Divert or increase resources to prevention and increase efficiency within teams. Increase income from licensing and trade waste. Work with staff, residents, landlords and partners to encourage greater pride of place, to increase recycling, reduce flytips and divert waste from landfill.
- 7.12.7 **Travel:** Design and implement an adults transport policy to increase independence.
- 7.12.8 **Buildings:** Deliver a service led asset review to establish building requirements, to identify the most effective whole council approach to use of space (aligned to outcomes as well as value for money) and to deliver the recommendations of the review. Reduce Facilities Management and variable costs through a behaviour change initiatives.
- 7.12.9 **Back Office Support Services:** Design and implement a new operating model for back office based on easy access to services (self-serve). Implement a more mature approach to risk based decision making across the organisation, enabled by training/behaviour change, improved record collection, reporting, and inspection regimes.
- 7.12.10 **Income and Debt:** Streamline policy and processes to maximise income and debt collection. Implement a centralised approach for customers with multiple debts, and design services to improve customer financial resilience.
- 7.13 The approaches outlined above are designed to be complimentary to existing activities and projects in the council, and through delivering the approaches above it is estimated that benefits of between £17m and £30m will be achieved over the next 4 years, of which between £11m and £19m in the next 2 financial years.
- 7.14 As reported to Cabinet in July the council will be taking advantage of the flexibility to use capital receipts to fund a number of the projects above.

### **Integration of Health and Social Care**

- 7.15 As previously reported to Cabinet the Council and CCG have been working in partnership to achieve integration both in commissioning and at the point of service delivery, to provide better outcomes for residents at lower cost for the Council and the CCG.



- 7.16 Recently this has been exemplified in the Better Care Fund (BCF) programme and through the establishment of multi-disciplinary health and social care teams, including the Transforming Adult Community Services (TACS) model.
- 7.17 To realise further benefits of integration, the Council has been working with the CCG and committed to a process looking at the whole of the health and social care system for older people. Instead of simply redesigning services and customer journeys, the Council and CCG decided to go back to first principles and ask Croydon people what outcomes they are seeking from the whole system, resulting in the Outcomes Based Commissioning project for over 65's.
- 7.18 Commissioning for outcomes rather than activity allows services to be delivered in a personalised way, and designed to focus on wellbeing. It enables providers to truly transform care, as it removes existing payment mechanisms that can be barriers to integration. It rewards both value for money and delivery of better outcomes
- 7.19 A shared vision has been developed between the Council and Croydon Clinical Commissioning Group for all partners (statutory, voluntary and community) to come together to provide high quality, safe, seamless care to the older people of Croydon that supports them to stay well and independent. People will have a co-ordinated, personalised experience that meets their needs in the context of their family circumstances.
- 7.20 Outcomes Based Commissioning focuses on measuring and rewarding outcomes rather than inputs. Measuring outcomes and aligning incentives will enable the Commissioners to monitor performance across the whole health and care economy and, when combined with appropriate contractual and payment mechanisms, will allow providers to work together to deliver whole person integrated care and achieve a common set of goals
- 7.21 The project is progressing and it is hoped that there will be a go live date of April 2017, although there are already some pilot initiatives. This new model of provision will result in improved service delivery and financial savings to both the Council and CCG. Over the coming years, we would seek to build on this in other areas of health and social care.

### **Sustainability and Transformation Plan**

- 7.22 In December 2015, the NHS shared planning guidance 2016/17 – 2020/21 outlined a new approach to help ensure that health and care services are built around the needs of local populations. To do this, every health and care system in England will produce a multi-year Sustainability and Transformation Plan (STP), showing how local services will evolve and become sustainable over the next five years – ultimately delivering the Five Year Forward View vision of better health, better patient care and improved NHS efficiency.

- 7.23 To deliver plans that are based on the needs of local populations, local health and care systems came together in January 2016 to form 44 STP 'footprints'. Croydon is part of the South West London Strategic Planning Group and is working with the health and care organisations in the group to develop a STP which will help drive genuine and sustainable transformation in patient experience and health outcomes of the longer-term.
- 7.24 The footprints should be locally defined, based on natural communities, existing working relationships, patient flows and take account of the scale needed to deliver the services, transformation and public health programmes required, along with how they best fit with other footprints.

### **Delivering Growth**

- 7.25 The delivery of economic growth remains a key part of our efficiency strategy. Growth can support this strategy in a number of ways;
  - 7.25.1 Increase prosperity and reduce dependency on the council and its services
  - 7.25.2 Lead to increased income whether from business rates or from service income such as planning and parking
  - 7.25.3 Increase council tax income from the delivery of new homes
- 7.26 The Council was successful in agreeing the 'Growth Zone' with Central Government. During the next four years, 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.
- 7.27 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:
  - 7.27.1 Fairfield – 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.
  - 7.27.2 New Addington Leisure Centre – provide enhanced facilities for a community with substantial need, whilst allowing the removal of subsidy from an £18m new centre.
- 7.28 In order to take advantage of the opportunities offered from business rates income a new discretionary business rates policy was presented to this Cabinet in December for agreement. The key objectives of the policy are to increase or safeguard the number of jobs in the borough by;
  - 7.28.1 Supporting inward investment from large companies bringing significant numbers of new jobs to the borough;
  - 7.28.2 Supporting smaller businesses to locate in the area and helping them through difficult periods to become sustainable in the longer term;

- 7.28.3 Bringing empty space back into use to support the economy.
- 7.28.4 From the range of proposals in this area the savings should be over £5m in the period of this strategy.

### **Commercial approach**

- 7.29 There have been a number of areas of the council where a more commercial approach is now taken and the aim is to do more of this where it works.
- 7.30 The overall objective is to ‘To become an innovative and entrepreneurial authority by generating extra revenue through trading and business improvement.’
- 7.31 This includes ensuring that charges are set to cover cost where possible and also the creation of companies to deliver returns back to the council and support the achievement of key objectives. The two key areas where this has been done to date are;
- Traded services with schools – Octavo
  - Housing development company – Brick by Brick
- 7.32 It is also vitally important in this challenging financial period for the council to make use of its balance sheet and also its access to finance and the low current interest environment. This drives the idea for the Revolving Investment Fund (RIF) where the council borrow at low rates and lend at commercial rates based on a viable business case. The main focus of the RIF over the next 24 months will be to act as debt and equity funder to Brick by Brick.
- 7.33 It is anticipated that a range of projects in this area will save over £5m over the period.

### **Digital**

- 7.34 Projects under way have delivered or will deliver some £4 million of savings. We continue to build on our digital by design approach, wherever possible providing services on-line to improve access whilst reducing service costs. The digital and enabling project continues to work with services to develop opportunities. This approach is underpinned by a digital inclusion program which ensures all our community can benefit from digital opportunities, not just for council services but for their wider benefits.
- 7.35 The strategy has been built on a foundation of outcome thinking, and instead of looking at what services we provide, we have looked at why we provide them and how all our resources contribute to the local area and our community. We have reviewed our service offer against the strategic objectives and understood the level of need and unit costs. By operating in this way the strategy will contribute significantly to the savings required to deliver a balanced budget over the next 3 financial years.

7.36 Alongside the council wide approach from the efficiency strategy there has been scrutiny of both the budget and net spend for each department. Table 17 below gives details at a summary level of the savings identified for each department. Appendix A provides the detail of the 2017/20 savings and growth items by service and also narrative on each. The decisions on savings reflect the policy priorities of the administration.

**Table 17 – Summary of Savings Options by Department**

Department	2017/18	2018/19	2019/20	2017/20 Total £m
	£m	£m	£m	
People	(5.917)	(4.065)	(1.498)	(11.480)
Place	(1.650)	(4.900)	(3.370)	(9.920)
Resources	(11.917)	(2.882)	(3.000)	(17.799)
<b>TOTAL</b>	<b>(19.484)</b>	<b>(11.847)</b>	<b>(7.868)</b>	<b>(39.199)</b>

## 8.0 Public Health grant

8.1 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 1<sup>st</sup> October 2015. Funding for 2017/18 has been cut by £0.554m to £21,912m and is expected to reduce by a further £1m by the end of the current spending review period (2019/20). To £21.364m in 2018/19 and £20.814m in 2019/20.

8.2 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.

## 9.0 Dedicated Schools Grant (DSG)

9.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. This is split into 3 blocks: a Schools block, a High Needs block and an Early Years block. There are currently live proposals to transform schools funding and the Department for Education (DFE) are in the process of consulting on a new National Funding Formula that is expected to be implemented from April 2018.

- 9.2 The DSG allocation for Croydon for 2017/18 is **£324.69m** (£311.94m 2016/17). The DSG allocation will be reduced by recouplement for academy funding. This is currently estimated to be £140m but will be subject to change throughout the financial year if more schools convert to academies. Most of the increase has been added to the funding blocks for Early Years and High Needs where pupil numbers have been re-baselined and more funding has been targeted at disadvantaged children and increases to free childcare for eligible 3 and 4 year olds. The funding within the Schools block for 2017/18 equates to £4,794.79 per pupil, which is broadly equivalent to the 2016/17 rate.
- 9.3 DSG does not fund the statutory functions of the Local Authority which are contained within the Local Education Authority Central Functions sub-block of the Children's Services Block within Formula Grant and are funded through the Education Services Grant (ESG). The government have announced their intention to abolish the general funding element of the ESG but have introduced transitional measures to cover the period April to August 2017 at which point a new permanent arrangement is expected to be in place. As a consequence, Croydon's ESG allocation for 2017/18 is **£1.58m** as things stand, which represents a £1.5m reduction year-on-year.
- 9.4 Full details of the DSG breakdown for 2017/18 are contained in Appendix G.

### **Homelessness and Housing Pressures**

- 10.1 Croydon continues to face rising demand for temporary and emergency accommodation along with rising numbers of homeless people sleeping in the borough. We have successfully bid and recently received funding for homelessness of over £400k. This will be used to undertake a lot of work with partners, in supporting a more immediate approach to street homelessness, which we're committed to.
- 10.2 We have also recently received a further £1m of funding for early identification and intervention.
- 10.3 Alongside this we are continuing to ensure that we maintain a supply of accommodation and as reported to Cabinet previously we have invested a further £15m in the Real Letting scheme and are continuing to look at efficient ways of working with other Housing suppliers.

### **THE COUNCIL TAX SUPPORT SCHEME**

- 10.4 There are no proposed changes to the Council Tax support (CTS) scheme, which offers support to residents with the payment of their Council Tax . The implications of CTS expenditure are built into the Council's Council tax base for 2017/18.

- 10.5 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) 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 17.1% to 15.4% between December 2015 to December 2016. This reduction is as a result of more up to date earnings data being made available to the Council.

### **RISKS**

- 10.6 As previously reported to this cabinet there are a number of risks associated with the delivery of this budget these are detailed below:
- Business Rates Retention
  - Dedicated Schools Grant
  - Brexit impact
  - Welfare reform
  - Demographic Pressures
  - Demand Growth
  - UASC
  - Delivery of savings options
  - Temporary Accommodation
  - Possible additional responsibilities

### **HOUSING REVENUE ACCOUNT (HRA)**

- 11.1 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.
- 11.2 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 under-pinning financial projections.
- 11.3 As part of recent housing reform, Croydon's HRA took on an additional debt of £223.13m which is scheduled to be repaid over the next 30 years. The 'valuation' was based on 30 year subsidy calculations for Croydon, discounted to a current value. The Council borrowed money to make a one off payment to Government. This loan is financed and repaid from the HRA. This was based on the presumption on rent increases.
- 11.4 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 2017/18 has been balanced, and was reported to the Tenants and Leaseholders Panel on the 18<sup>th</sup> January 2017.

- 11.5 A draft budget for the HRA for 2017/18 can be found in the Budget Book in Appendix B.
- 11.6 One of the main changes required to make the cost reductions identified above has been a reduction to the planned levels of investment included on the HRA capital programme, most notably the removal of HRA resources committed to building new social housing. A budget was allocated for this in 2016/17, although no programme is in place and no money has been spent in the current year. It is intended that plans for new affordable housing will transfer to the Council's Development Company, Brick by Brick, as part of its proposed development schemes. Some other programmes have also been reduced which has allowed for a reduction in the revenue contribution required to fund capital investment. Over the next 10 years, it is anticipated that additional borrowing of £11.4m will be required to continue to fund planned capital works and maintain a balanced budget position.
- 11.7 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.
- 11.8 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**

- 11.9 The government has proposed an extension of the right to buy scheme to housing association tenants. The funding for this measure is intended to come from the proceeds of selling "higher value" council houses as they become available. The initial indications are that "higher value" homes would be those that are in the top third of values for their size and area, although precise details have yet to be released. Payments will be made to central government in the form of a levy which would be 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 Housing Minister has recently written to councils to confirm that the national roll-out of this policy has been delayed until April 2018 at the earliest to ensure that there is sufficient time to consult. This has removed any financial impact for 2017/18. In addition to the above, Councils in London would have to replace the loss of social housing through this mechanism 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.

#### **Pay to Stay**

- 11.10 In November the Government announced that it would no longer be pursuing its policy of compulsory Pay to Stay. It had previously proposed that Councils would be required to charge market, or near market, rents for tenants where the household income exceeded £40,000 per annum in London

(£31,000pa outside of London). Additional income could be retained by housing associations but would be payable to the Treasury by councils. The Government announced that this policy will no longer be compulsory but that local authorities would retain the power to implement something similar at their own discretion. This has removed any potentially adverse financial consequences for Croydon and there are no plans to exercise this discretionary power.

### **Right to Buy**

- 11.11 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 and match fund 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 (such as HRA, local authority or third party funds). 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. Options are currently being explored as to where the match funding could be sourced to boost investment in housing supply.

### **Changes in Rent**

- 11.12 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 2017/18 year 2 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.
- 11.13 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 18 below.



**Table 18 – Comparison of rents in Croydon**

Property Type	Average weekly Council rent 2016/17	Average weekly Council rent 2017/18	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£87	£86	£218	39%
2 bed	£105	£104	£292	36%
3 bed	£127	£126	£357	35%

### Service Charges

11.14 In 2016/17 service charges covering caretaking, grounds maintenance and bulk refuse collection were not subject to any increase. The council is proposing an increase of 2% for tenant service charges in 2017/18. This is in line with RPI and reflects the fact that charges have not risen for two years during which time there have been inflationary increases to salaries and other costs associated with the provision of these services.

11.15 The charges for 2017/18 will therefore be:

**Table 19 – 2017/18 Tenant Service Charges**

	2016/17	2017/18	Change
Caretaking	£9.98pw	£10.18pw	£0.20pw
Grounds Maintenance	£2.05pw	£2.09pw	£0.04pw

### Heating Charges

11.16 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 increase by 2% in line with RPI.

### Garages and Parking Spaces

11.17 Rents for garages and parking spaces were increased by 2% in 2016/17 and it is proposed that the same increase will be applied for 2017/18. This has the following impact:

**Table 20 – 2017/18 Parking and Garage Charges**

	2016/17	2017/18	Change
<b>Parking Spaces</b>			
Tenants	£7pw	£7.14pw	£0.14pw
Non-Tenants	£10pw	£10.20pw	£0.20pw
<b>Garages</b>			
Avg. Rent*	£12.84pw	£13.10pw	£0.26pw

\*Garage rents vary within a range of £12.73 to £20.01 in 2016/17 (although £12.73 is the most common charge). All will be subject to the 2% increase.

## HRA Savings

- 11.18 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 21 below:-

**Table 21 – 2017/18 HRA Savings Proposals**

<b>2017/18 Management Savings</b>	<b>£000s</b>
Staff Savings (vacant posts)	212
Cost Efficiencies	416
Additional Income (traffic management)	180
<b>TOTAL</b>	<b>808</b>

- 11.19 The cost efficiencies identified above include reductions across a range of budgets that have been identified as under-spending in recent financial years. It also includes an initiative to identify efficiency options as part of a data benchmarking exercise undertaken with House Mark.

## 12.0 CAPITAL BUDGET 2017/20

- 12.1 The Capital Programme for 2017/20 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.
- 12.2 Tables 22 and 23 show the draft Capital budget by programme and funding streams, the potential slippage from 2016/17 will be reviewed at the end of the financial year and reported to Cabinet in July.

**Table 22 – Capital Programme**

Description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Total 2017/18 to 2019/20
	£000's	£000's	£000's	£000's
Corporate Property Maintenance Programme	2,000	2,000	2,000	6,000
Disabled Facilities Grant	1,600	1,600	1,600	4,800
Education - Major Maintenance	2,000	2,000	2,000	6,000
Education - Miscellaneous	4,383	-	-	4,383
Education - Primary Perm Expansion	43,698	5,866	380	49,944
Education - Secondary Schools	150	-	-	150
Education - SEN	13,500	12,603	-	26,103
Onside Youth Zone	2,117	-	-	2,117
Burial Land	1,300	-	-	1,300
Cremators	-	1,250	-	1,250
Empty Homes Grants	500	500	500	1,500
ICT	1,500	1,500	1,500	4,500
ICT Refresh	1,500	9,051	2,353	12,904
Finance and HR system	1,126	2,557	-	3,683
Waste and Recycling	160	160	-	320
New Waste contract Vehicles	1,094	7,016	-	8,110
Fairfield Halls - Council	1,500	3,500	-	5,000
Fairfield Halls - Brick by Brick	3,600	26,400	-	30,000
Brick by Brick programme (RIF)	269,117	54,160	5,400	328,677
College Green	14,000	-	-	14,000
Highways	5,000	5,000	5,000	15,000
New Addington Regeneration	8,500	7,429	-	15,929
Ashburton Library	1,155	-	-	1,155
Growth Zone Programme	2,000	2,000	3,000	7,000
TFL - LIP	4,154	4,154	4,154	12,462
Community Ward Budgets	120	120	120	360
CIL local meaningful proportion	1,000	-	-	1,000
<b>General Fund Total</b>	<b>386,774</b>	<b>148,866</b>	<b>28,007</b>	<b>563,647</b>

Description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Total 2017/18 to 2019/20
	£000's	£000's	£000's	£000's
Special Transfer Payments	180	180	180	540
Larger Homes	100	100	100	300
<b>Sub-Total</b>	<b>280</b>	<b>280</b>	<b>280</b>	<b>840</b>
Repair and Improvements	26,771	26,771	26,771	80,313
<b>HRA Total</b>	<b>27,051</b>	<b>27,051</b>	<b>27,051</b>	<b>81,153</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>413,825</b>	<b>175,917</b>	<b>55,058</b>	<b>644,800</b>

**Table 23 - Funding for the capital programme**

<b>Funding</b>	<b>Budget 2017/18 £000's</b>	<b>Budget 2018/19 £000's</b>	<b>Budget 2019/20 £000's</b>	<b>Total 17/18 - 1920 £000's</b>
Capital Receipts	20,644	8,356	12,500	41,500
School Condition Funding	2,104	2,000	-	4,104
S106 funding (Education)	738	18	-	756
TFL	4,154	4,154	4,154	12,462
Coast to Capital LEP	14,000	-	-	14,000
CIL	6,000	-	-	6,000
CIL local meaningful proportion	1,000			1,000
Better Care Fund	900	900	900	2,700
Borrowing - Brick by Brick (RIF)	272,717	80,560	5,400	358,677
Growth Zone - Borrowing	2,000	2,000	3,000	7,000
Borrowing	62,517	50,878	2,053	115,448
<b>GENERAL FUND</b>	<b>386,774</b>	<b>148,866</b>	<b>28,007</b>	<b>563,647</b>
Major Repairs Allowance	17,903	17,903	17,903	53,709
HRA - Revenue Contribution	2,697	4,227	4,227	11,151
HRA - Use Of Reserves	6,451	4,921	4,921	16,293
<b>HRA FUNDING</b>	<b>27,051</b>	<b>27,051</b>	<b>27,051</b>	<b>81,153</b>
<b>TOTAL FUNDING</b>	<b>413,825</b>	<b>175,917</b>	<b>55,058</b>	<b>644,800</b>
<b>UNDER/OVER FUNDING OF PROGRAMME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

12.3 Schemes funded from external grants will only be undertaken once the funding is secure.

12.4 Some of the key projects supported in the 2017/20 programme are:

12.4.1 Continued investment in the primary school estate to provide additional places to meet the growing demand, including **£49.9m** on schools expansions from 2017/18 to 2019/20.

- 12.4.2 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 Revolving Investment Fund and opportunities presented by the Croydon Growth Zone.
- 12.4.3 Significant investment in a new leisure centre in New Addington.
- 12.4.4 Improvements to the councils ICT infrastructure to provide a fit for purpose service to staff and residents.
- 12.4.5 Investment in Fairfield Halls estimated at £35m, both through Brick by Brick and by the Council directly.

### **Revolving Investment Funding (RIF)**

- 12.5 Cabinet has previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder to Brick by Brick. The level of expected investment for Housing and other schemes over the next 3 years is set out above at £244m.
- 12.6 The fund 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.

### **Section 106 and Community Infrastructure Levy (CIL)**

- 12.7 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.
- 12.8 The Council manages, monitors and recovers Section 106 income. In the 2016/17 year up to quarter 3, £357,871 of a total income of £530,778 was directly related to the Council's recovery processes.
- 12.9 The Council's Section 106 balance as at 26/01/2017 was £10.925m. 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 24 is the Council's detailed Section 106 balance sheet.

**Table 24 – S106 breakdown of funds**

<b>Section 106 – Head of Term</b>	<b>Balance</b>
Air Quality	£37,236
Business Centre	£10,000
Culture	£40,052
Education	£1,089,960
Environmental Improvements	£44,058
Footways & Pedestrian	£65,066
Health	£865,745
Highways	£188,453
Housing	£3,195,659
Libraries	£132,252
Management Costs	£112,330
Parking	£76,624
Public Art	£15,000
Public Realm Improvements	£87,151
Open Space	£1,649,529
Renewable Energy	£121,080
Bus Improvements	£334,272
Equality Programme	£21,975
Skyline	£19,159
Sustainable Transport	£2,212,260
TFL Tramlink	£57,100
Tree Planting & Maintenance	£14,283
Vision 2020	£68
Wettern Tree Gardens	£14,674
West Croydon Station Capacity Enhancements	£222,782
East Croydon Station Capacity Enhancements	£298,658
<b>TOTAL</b>	<b>£10,925,426</b>

- 12.10 In terms of future Section 106 assignment, affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively looking at how the remainder of the Section 106 moneys can be used to benefit the people of Croydon
- 12.11 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.
- 12.12 At the end of 2015/16 the borough's CIL closing balance was £5.079m. This is a combined total for the borough's CIL and Local Meaningful Proportion, but excludes the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2016/17 as at 02/12/16 was £2.785m. This figure is yet to have the 5% administration fee deducted.

- 12.13 Therefore, the total borough CIL balance as at 2/12/16 was £7.864m.
- 12.14 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).
- 12.15 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.
- 12.16 Since the Council started collecting borough CIL, it was agreed that borough CIL would not be assigned until the Council knew the outcome of Croydon's Growth Zone (GZ) application. This was sensible and prudent due to the outcome of Croydon's GZ application having such an impact on the availability of infrastructure funding in the borough. Post the success of Croydon's GZ being approved by the Council, Mayor of London, Treasury and DCLG, this report assigns £6m of borough CIL to the Capital Programme to offset the Council's borrowing exposure. 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.
- 12.17 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.
- 12.18 The CIL Local Meaningful Proportion as at 02/12/16 was £1m. The assignment of the Local Meaningful Proportion will be detailed in due course.

### **Housing Programme**

- 12.19 In the past housing investment has been undertaken using HRA funds and Council borrowing. It is now anticipated that future housing new builds are undertaken by Brick by Brick, the Council's independent development company. Alongside this housing building programme we will be continuing to invest in housing improvements.
- 12.20 The proposed housing improvements programme reflects the priorities detailed in the Housing Strategy and aims to improving the condition of the existing housing stock.

### **Repair and Improvement of council stock**

- 12.21 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.

- 12.22 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**.

### **Capital Allowance (HRA)**

- 12.23 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.
- 12.24 The Capital Allowance for 2016/17 was set at £10m. It is recommended that the Capital Allowance for 2017/18 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.

### **Treasury Management**

- 12.25 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.

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

- 13.1 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.
- 13.2 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.

- 13.3 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.
- 13.4 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.
- 13.5 With regard to the Housing Revenue Account, It is important for Members to understand that a 1% reduction for the next 3 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 2017/18 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**
- 13.6 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**

- 13.7 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 are no plans for further Council tax freeze grants and there has been the creation of the option to increase council tax by up to 3% to cover the expected increases in costs in relation to Adult Social Care. 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**

- 13.8 The level of reserves and balances are principally the responsibility of the s151 officer. 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.
- 13.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice remains to all Member is that 5% should now been seen as an appropriate level of General Fund balances for the medium term. Given the reduction in the budget this should happen by default if we retain balances at the current level. 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.
- 13.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. Table 25 below sets out the projected position on earmarked reserves at the 31<sup>st</sup> March 2017. 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.

**Table 25 -Earmarked Reserves Projected at 31<sup>st</sup> March 2017**

Description	£'000's
<b>Corporate Items:</b>	
Croydon Challenge transformation	3,645
Community Priority Reserve	1,099
Revolving Investment Fund	1,100
Corporate Transition Funding	300
<b>Total Corporate Items</b>	<b>6,144</b>
<b>People</b>	<b>2,588</b>
<b>Place</b>	<b>21,201</b>
<b>Resources</b>	<b>732</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>30,635</b>

- 13.11 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 £39m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2017/20 financial period.
- 13.12 The Authority has now achieved an overall balanced budget for an established period of time and I believe that although it will be demanding on the organisation to achieve this again, it will be achieved in 2017/18. However, this remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members.
- 13.13 In order to recognise that there will always remain a level of unidentifiable risk a £1.0m contingency budget will again be included in the budget.
- 13.14 The level of General Fund balances currently represent 3.8% of net operating expenditure and therefore just short of the Financial Strategy target. However based on the expected reductions in budget, the 5% target will be hit with no changes to the balance within the Financial Strategy period. HRA reserves are currently held to fund investment in Housing Supply, and overall revenue balances within the HRA are being maintained at 3% in line with the Financial Strategy. These amounts are detailed in table 26 below.

**Table 26 – General Fund and HRA Balances**

	Balance as at 31/03/16 £m	Forecast balance as at 31/03/17 £m	Forecast at 31/03/17 %
GF balances	10.677	10.677	3.8%
HRA balances	2.397	2.397	3%

13.15 Table 27 shows the schools reserves position.

**Table 27 Reserves (Schools)**

Reserves	Balances as at 31/03/16 £m	Estimated 31/3/17 £m
Local Maintained School balances	7.339	4.893
<b>Total</b>	<b>7.339</b>	<b>4.893</b>

13.16 The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If 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 schools.

13.17 The Section 151 officer has a responsibility to ensure Croydon's 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.

## **14.0 SUMMARY AND CONCLUSIONS**

14.1 As all Members are aware, setting a budget for 2017/18 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.

14.2 This budget report is based on the current financial outturn projections for 2016/17. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

14.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2017/18.**

## **15.0 FINANCIAL CONSIDERATIONS**

15.1 The report contains the financial implications of the options to deliver a balanced budget for 2017/18, the current position for the following financial years 2018/20 and the draft capital programme for 2017/18.

## **16.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

### **Budget and Council Tax Setting**

- 16.1 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 11<sup>th</sup> March 2017 but it may not be set before the GLA has issued the precept on 1<sup>st</sup> March.
- 16.2 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.
- 16.3 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 2017-18 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 5% or more. This consists of a 2% 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 3% in 2017/18 and in 2018/19 will be unable to raise it further in 2019/20.
- 16.4 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.
- 16.5 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.
- 16.6 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.
- 16.7 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.

(Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer).

## 17.0 HUMAN RESOURCES IMPACT

- 17.1 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.
- 17.2 Table 28 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 28 – Indicative net reduction on posts per department**

INDICATIVE NET REDUCTION IN POSTS PER DEPARTMENT	FTE
People	(3.00)
Place	(1.00)
Resources	(55.1)
<b>TOTAL</b>	<b>(59.1)</b>

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

### **Pay Policy Statement**

- 17.4 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.
- 17.5 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 2017/18 on:
- 17.5.1 The remuneration of its senior staff including chief officers
- 17.5.2 The remuneration of its lowest paid employees
- 17.5.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers
- 17.6 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 27<sup>th</sup> February 2017.

(Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR)

## **18 EQUALITIES CONSIDERATIONS**

- 18.1 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.
- 18.2 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.
- 18.3 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.
- 18.4 In developing its detailed budget proposals for 2017/20 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”.
- 18.5 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.

18.6 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.

18.7 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.

18.8 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.

## **19.0 ENVIRONMENTAL IMPACT**

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

## **20.0 CRIME AND DISORDER REDUCTION IMPACT**

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

## **21.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

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

## **22.0 OPTIONS CONSIDERED AND REJECTED**

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



**REPORT AUTHOR AND CONTACT: RICHARD SIMPSON, EXECUTIVE  
DIRECTOR OF RESOURCES (S151 OFFICER)**

**Background documents: none**

## PLACE DEPARTMENT BUDGET OPTIONS

## APPENDIX A

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Steve Iles	Streets	Revenue Investment in Street Cleaning service, in addition to capital investment in technology and equipment	0.00	Growth	0.650	0.000	0.000	0.650
Steve Iles	Streets	Savings as a result of the investment in street cleaning service and equipment	0.00	Saving	-0.650	0.000	0.000	(0.650)
Steve Iles	Streets	Generating additional trade waste income	0.00	Saving	(0.200)	0.000	0.000	(0.200)
Steve Iles	Streets	Re-procurement of the Leisure Contract - Fusion (contract expires Oct 17)	0.00	Saving	0.000	(0.900)	0.000	(0.900)
Steve Iles	Streets	South London Waste Partnership - Procurement of Joint Waste Collection and Environmental Services	0.00	Saving	0.000	(4.000)	0.000	(4.000)
Andy Opie	Safety	Fixed Penalty Notices - increase in number of higher value notices issued in connection with Fly Tipping and Housing Enforcement.	0.00	Saving	(0.045)	0.000	0.000	(0.045)
Andy Opie	Safety	Surrey Street waste cost review	0.00	Saving	(0.020)	0.000	0.000	(0.020)
Andy Opie	Safety	Staff savings through restructure of CCTV Team and other associated costs	-1.00	Saving	(0.065)	0.000	0.000	(0.065)
Andy Opie	Safety	Additional P&D and Permit Income from New CPZ (Controlled Parking Zone) schemes. Efficiencies delivered through implementation of postal tracking software.	0.00	Saving	(0.094)	0.000	0.000	(0.094)
Colm Lacy	Development	Projected dividend from Brick by Brick	0.00	Saving	0.000	0.000	(3.370)	(3.370)
Heather Cheeseborough	Planning	Additional Income from Planning Fees	0.00	Saving	(0.500)	0.000	0.000	(0.500)
Heather Cheeseborough	Planning	Building Control Trading Account - cost recovery review / shared services savings	0.00	Saving	(0.076)	0.000	0.000	(0.076)
		<b>PLACE - TOTAL OPTIONS</b>	<b>(1.00)</b>		<b>(1.000)</b>	<b>(4.900)</b>	<b>(3.370)</b>	<b>(9.270)</b>

## PEOPLE DEPARTMENT BUDGET OPTIONS

## APPENDIX A

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Pratima Solanki	Adults	Cost increases due to growth in the complexity of physical disability clients and volume of learning disability clients, as well as increased staffing requirements across social care to meet demand.	0.00	Growth	2.890	0.000	0.000	2.890
Pratima Solanki	Adults	Market Management - anticipated increase in the cost of nursing care beds across providers in Croydon.	0.00	Growth	0.100	0.000	0.000	0.100
Pratima Solanki	Adults	Identified growth required to effectively implement and manage Outcome Based Commissioning.	0.00	Growth	0.366	0.017	0.038	0.422
Pratima Solanki	Adults	Increase in the volume of transitions clients being managed (by an average of 16 additional clients per quarter).	0.00	Growth	1.000	0.400	0.000	1.400
Pratima Solanki	Adults	0-25 SEND Service - increase in the cost of Children with Disabilities and NRPF cases.	0.00	Growth	0.300	0.000	0.000	0.300
Pratima Solanki	Adults	Increase in demand for depreciation of liberty safeguarding services.	0.00	Growth	0.250	0.000	0.000	0.250
Pratima Solanki	Adults	Shared Lives - Increased use of shared lives schemes which will reduce care package costs.	0.00	Savings	(0.050)	0.000	0.000	(0.050)
Pratima Solanki	Adults	Supported Housing -Adult element - Increased use of supported housing scheme which will reduce care package costs.	0.00	Savings	(0.042)	0.000	0.000	(0.042)
Pratima Solanki	Adults	Learning Disabilities Respite Review – Review of respite services to provide a personalised offer , following current service user consultation.	0.00	Savings	(0.130)	0.000	0.000	(0.130)
Pratima Solanki	Adults	Mental Health - savings across package costs and commissioned contracts.	0.00	Savings	(0.384)	0.000	0.000	(0.384)
Pratima Solanki	Adults	Day Services Review - More efficient use of in-house day care facilities.	0.00	Savings	(0.300)	0.000	0.000	(0.300)
Pratima Solanki	Adults	Income from partners - Funding to be raised via negotiations with partners.	0.00	Savings	(0.750)	(0.500)	0.000	(1.250)
Pratima Solanki	Adults	Phase two review of day services	0.00	Savings	0.000	(0.300)	0.000	(0.300)
Pratima Solanki	Adults	Managing Demand - Encouraging cultural and behavioural change to better manage demand.	0.00	Savings	(0.478)	(0.686)	(0.809)	(1.973)
Ian Lewis	Children	Increase in the cost of external placements for looked after children. Additional staff required to meet the rapidly growing demand in supervised contact and assessment cases.	0.00	Growth	3.806	0.000	0.000	3.806
Ian Lewis	Children	Leaving care - reduction in subsistence payments (Gateway) - More efficient process to enable young people to access benefits	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Ian Lewis	Children	Looked after Children over 16 transitioning to Semi Independent Accommodation - Where appropriate for all LAC, transitioning 16 year olds into semi-independent accommodation.	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Ian Lewis	Children	Bring SGO(Special Guardianship Order) assessments in-house - We currently spot purchase SGO assessments.	0.00	Savings	(0.150)	0.000	0.000	(0.150)
Ian Lewis	Children	2.5% savings on contract & off contract spend. • Implementation of new Frameworks for Fostering and semi-independent • Tactical negotiations with off framework providers (residential, leaving care) & re-modelling of supervised contact & assessment • Reducing the number of high cost complex placements through successful transfers to lower level of support	0.00	Savings	(0.166)	(0.155)	(0.143)	(0.464)
Ian Lewis	Children	Review of existing placements and developing provision to enable children to stay at home, as opposed to high cost placements. If this activity is successful, additional savings will be added to the budget planning	0.00	Savings	(0.250)	0.000	0.000	(0.250)
Ian Lewis	Children	Restructure of phase two implemented, full effect realised in 18/19.	0.00	Savings	(0.450)	0.000	0.000	(0.450)
Ian Lewis	Children	Implementation of the Immigration Act should remove commitment to support care leavers who have exhausted their appeal to stay in the UK. The current spend is £2.5m, we have modelled a phased reduction of this spend over the next two years. This could deliver earlier, however we have currently modelled on achieving the full effect by 19/20. All young people will require an assessment to ensure that their human rights are adequately met before they are moved to alternative arrangements.	0.00	Savings	(1.000)	(1.500)	0.000	(2.500)
Ian Lewis	Children	Children in Need staffing - Post implementation of the new operating model, there will be reduction in staff spend. A 5% reduction in Care Planning & Assessment for 18/19 & 19/20 has been assumed. This will be achieved through a reduction in the numbers of agency staffing. Ahead of implementation of the structure, the focus will be on reducing the reliance of agency staff.	0.00	Savings	0.000	(0.291)	(0.277)	(0.568)
Ian Lewis	Children	Managing Demand - contact review	0.00	Savings	0.000	(0.203)	(0.269)	(0.472)
Jane Doyle	Universal Services	Minor growth associated with CALAT.	0.00	Growth	0.010	0.000	0.000	0.010
Jane Doyle	Universal Services	Growth in costs of operating Upper Norwood Library.	0.00	Growth	0.034	0.000	0.000	0.034
Jane Doyle	Universal Services	Charging for exclusions	0.00	Savings	(0.010)	0.000	0.000	(0.010)
Jane Doyle	Universal Services	Charging for admissions appeals	0.00	Savings	(0.005)	0.000	0.000	(0.005)
Jane Doyle	Universal Services	Charging for academisation	0.00	Savings	(0.060)	0.000	0.000	(0.060)
Jane Doyle	Universal Services	Octavo contract savings	0.00	Savings	(0.095)	0.000	0.000	(0.095)
Jane Doyle	Universal Services	Restructure Savings	(2.00)	Savings	(0.098)	0.000	0.000	(0.098)
Jane Doyle	Universal Services	Libraries savings	0.00	Savings	(0.100)	0.000	0.000	(0.100)

## PEOPLE DEPARTMENT BUDGET OPTIONS

## APPENDIX A

Mark Fowler	Gateway Services	Increased demand for Emergency Accommodation, alongside a corresponding need for additional supply of Temporary Accommodation.	0.00	Growth	3.143	0.139	0.154	3.436
Mark Fowler	Gateway Services	Fundamental review of commissioned services for young people	0.00	Savings	(0.120)	(0.280)	0.000	(0.400)
Mark Fowler	Gateway Services	Bereavement - replacement of organ music with a digital music system	0.00	Savings	(0.015)	0.000	0.000	(0.015)
Mark Fowler	Gateway Services	Supported Housing - increased use of supported housing scheme which will reduce care package costs.	0.00	Savings	(0.033)	0.000	0.000	(0.033)
Mark Fowler	Gateway Services	NRPF - introduction of new immigration regs to stop costs in totality - need to understand enforcement and timing	0.00	Savings	0.000	(0.050)	0.000	(0.050)
Mark Fowler	Gateway Services	NRPF - review of the framework for booking accommodation to obtain lower rates by negotiating contracts rather than separate bookings	0.00	Savings	(0.136)	0.000	0.000	(0.136)
Mark Fowler	Gateway Services	No Recourse to Public funds (NRPF) - reduction in legal costs as a result of putting in place a more robust mechanism for Judicial review.	0.00	Savings	(0.100)	0.000	0.000	(0.100)
Mark Fowler	Gateway Services	Registrars - increased income from registration fees and wedding ceremonies	0.00	Savings	(0.125)	0.000	0.000	(0.125)
Mark Fowler	Gateway Services	Review of the travel service to identify errors and duplication in the provision Blue Badges	0.00	Savings	(0.050)	0.000	0.000	(0.050)
Mark Fowler	Gateway Services	Leaving care - saving from management post - merge income maximisation team with Gateway	(1.00)	Savings	(0.050)	0.000	0.000	(0.050)
Mark Fowler	Gateway Services	Bereavement Services - Increased income from funeral services	0.00	Savings	(0.170)	0.000	0.000	(0.170)
Barbara Peacock	People Wide	Accommodation review - transfer from registered charities to registered providers	0.00	Savings	(0.150)	(0.100)	0.000	(0.250)
Barbara Peacock	People Wide	Accommodation review -improvement procurement and management of Private Rented Sector	0.00	Savings	(0.250)	0.000	0.000	(0.250)
		<b>PEOPLE - TOTAL OPTIONS</b>	<b>(3.00)</b>		<b>5.982</b>	<b>(3.509)</b>	<b>(1.306)</b>	<b>1.168</b>

**RESOURCES DEPARTMENT BUDGET OPTIONS**
**APPENDIX A**

Director	Division	Options	FTE	Type of Option	17/18 £m	18/19 £m	19/20 £m	TOTAL 17/20 £m
Graham Cadle	C &CS	Revenues Services - Creation of in-house bailiff service	0.0	Savings	(0.200)	0.000	0.000	(0.200)
Graham Cadle	C &CS	Business support - to cover the reduction in recharges to other services	0.0	Growth	0.500	0.000	0.000	0.500
Graham Cadle	C &CS	Revenues Services - Improved collection processes for corporate debt	0.0	Savings	(0.020)	0.000	0.000	(0.020)
Graham Cadle	C &CS	Demand Management - increased income across a number of services, but predominantly council tax through improved processes and utilisation of a number of techniques - improved customer messaging, customer and debt analysis, collection centre of excellence and ease of payment	0.0	Savings	(0.300)	(0.450)	(0.450)	(1.200)
Graham Cadle	C &CS	Business Support - Deployment of new technology and expansion of scanning	0.0	Savings	(0.063)	0.000	0.000	(0.063)
Graham Cadle	C &CS	Further automation and reduction in service menu and self-serve. Would include initiatives such as reduced PA support and improved business process reengineering	0.0	Savings	0.000	(0.290)	0.000	(0.290)
Graham Cadle	C &CS	Further channel shift across a number of services Investment in technology	0.0	Savings	(0.084)	(0.132)	0.000	(0.216)
Graham Cadle	C &CS	Revenues & Benefits - Process review and introduction of automation technology	-2.0	Savings	(0.015)	(0.044)	0.000	(0.059)
Graham Cadle	C &CS	ICT Services - consolidation and reduction in licencing and software costs. A further review of options for the 5 year capita contract point is underway and may provide more options in early 2017	0.0	Savings	(0.100)	(0.075)	0.000	(0.175)
Graham Cadle	C &CS	ICT Services - Reduction in infrastructure requirements as a consequence of reduced staffing numbers - Integrations and Consolidation of ICT Applications - Reduction in costs for major contracts and licencing	0.0	Savings	(0.273)	0.000	0.000	(0.273)
Graham Cadle	C &CS	Strategy & Development - Implementing of Digital Advertising scheme across the borough. Current contract let delayed - expected guaranteed income level not met.	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Graham Cadle	C &CS	Facilities Management - Reprocurement of the Contract	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Graham Cadle	C &CS	Introduction of Oracle Cloud	0.0	Savings	0.000	(0.100)	(0.200)	(0.300)
Richard Simpson	ALL	Managing Demand - New Operating Model Resources - to reduce demand	-30.0	Savings	0.000	0.000	(1.000)	(1.000)
Richard Simpson	Legal	Managing Demand - Legal Spend	0.0	Savings	(0.300)	(0.300)	0.000	(0.600)
Richard Simpson	Legal	New Operating Model	-1.0	Savings	(0.050)	0.000	0.000	(0.050)
Graham Cadle	C &CS	Unachievable 4% turnover rate for services.	0.0	Growth	0.080	0.000	0.000	0.080
Simon Maddocks	Governance	Saving on external audit fees	0.0	Savings	(0.025)	0.000	0.000	(0.025)
Simon Maddocks	Governance	New Internal audit contract	0.0	Savings	0.000	(0.075)	0.000	(0.075)
Simon Maddocks	Governance	Reduction in Investigation Team Leader post	-0.6	Savings	0.000	(0.030)	0.000	(0.030)

Simon Maddocks	Governance	Reshaping election services	0.0	Savings	(0.050)	(0.100)	0.000	(0.150)
Lisa Taylor	Finance, Investment and Risk	Reduction in historic pension payments	0.0	Savings	(0.091)	0.000	0.000	(0.091)
Lisa Taylor	Finance, Investment and Risk	Deletion of Vacant post	-1.0	Savings	(0.045)	0.000	0.000	(0.045)
Lisa Taylor	Finance, Investment and Risk	Further transformation of team and processes	-6.0	Savings	0.000	(0.250)	0.000	(0.250)
Lisa Taylor	Finance, Investment and Risk	Delete Vacant Risk Officer post	-1.0	Savings	(0.050)	0.000	0.000	(0.050)
Lisa Taylor	Finance, Investment and Risk	Asset Management - Increased income for improved space utilisation in BWH and other office space	0.0	Savings	(1.000)	0.000	0.000	(1.000)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Building costs	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Service Asset Strategy	0.0	Savings	0.000	(0.500)	(0.500)	(1.000)
Lisa Taylor	Finance, Investment and Risk	Staff Savings	-2.5	Savings	(0.048)	(0.030)	0.000	(0.078)
Lisa Taylor	Finance, Investment and Risk	Revolving Investment Fund – Interest earned on a range of projects funded by the fund	0.0	Savings	(2.000)	0.000	0.000	(2.000)
Lisa Taylor	Finance, Investment and Risk	Pensions Pre Payment - upfront payment of deficit contribution to pension fund	0.0	Savings	(1.000)	0.000	0.000	(1.000)
Lisa Taylor	Finance, Investment and Risk	Debt and PFI Review - review of options for debt re-financing	0.0	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Increase in Coroners contribution	0.0	Growth	0.160	0.000	0.000	0.160
Richard Simpson	HR	Council wide learning and development	0.0	Growth	0.041	0.000	0.000	0.041
Richard Simpson	HR	Review of staffing structure and Trade Union Facility time	-3.0	Savings	(0.010)	0.000	0.000	(0.010)
Richard Simpson	HR	Redesigned Occupational Health Service	-1.0	Savings	(0.050)	(0.050)	0.000	(0.100)
Sarah Ireland	C & I	Growth in transport service for Adults	0.0	Growth	0.500	0.150	0.000	0.650
Sarah Ireland	C & I	Review of all tier 1 contracts to identify options for savings.	0.0	Savings	(2.000)	0.000	0.000	(2.000)

Sarah Ireland	C & I	Managing Demand Transport - SEN	0.0	Savings	(1.583)	(0.256)	(0.400)	(2.239)
Sarah Ireland	C & I	Agency Contract savings	-2.0	Savings	(0.300)	0.000	0.000	(0.300)
Sarah Ireland	C & I	Integration of adults and children transport services	-5.0	Savings	(0.150)	0.000	0.000	(0.150)
Sarah Ireland	C & I	Additional income from trading travel training model	0.0	Savings	(0.025)	(0.050)	(0.050)	(0.125)
Sarah Ireland	C & I	Additional income from trading - equipment services	0.0	Savings	0.000	(0.150)	(0.250)	(0.400)
Sarah Ireland	C & I	Saving in transport service for Adults	0.0	Savings	0.000	0.000	(0.150)	(0.150)
Sarah Ireland	C & I	Redesign of mayoral transport service	0.0	Savings	(0.025)	0.000	0.000	(0.025)
Richard Simpson	Strategy and Partnerships	Review of Voluntary Sector Funding	0.0	Savings	(0.060)	0.000	0.000	(0.060)
		<b>RESOURCES - TOTAL OPTIONS</b>	<b>(55.1)</b>		<b>(10.636)</b>	<b>(2.732)</b>	<b>(3.000)</b>	<b>(16.368)</b>

**SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL**

SERVICE DEPARTMENT	2017/18 Budget £'m	Estimated 2018/19 Budget £'m	Estimated 2019/20 Budget £'m
People	191.859	189.323	191.279
Place	46.871	41.965	39.791
Resources	34.143	32.250	30.621
Corporate Items	8.387	8.387	9.387
<b>NET EXPENDITURE</b>	<b>281.260</b>	<b>271.925</b>	<b>271.078</b>
Contribution to provisions for Doubtful Debts	0.180	0.180	0.180
Interest (Net)	14.083	15.583	17.083
Deferred Charges	(4.540)	(4.540)	(4.540)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(2.100)	(2.100)	(2.100)
Capital Asset Charges Adjustment	(16.460)	(16.460)	(16.460)
Risk Contingency	1.000	1.000	1.000
Core Grants	(16.319)	(12.999)	(15.584)
Levies	1.446	1.446	1.446
Demand Led Service Growth	0.000	0.706	0.192
Budget Gap Carried Forward	0.000	0.000	0.000
Budget Gap	0.000	0.000	0.000
<b>TOTAL ADJUSTED BUDGET REQUIREMENT</b>	<b>258.550</b>	<b>254.741</b>	<b>252.295</b>
<b>Financed by:</b>			
Revenue Support Grant	32.577	25.526	18.664
Business Rates Top Up Grant	31.956	31.956	31.956
Business Rates Income	35.306	35.306	35.306
Collection Fund Surplus/Deficit	3.652	0.000	0.000
<b>Croydon Tax Element</b>	<b>155.059</b>	<b>161.953</b>	<b>166.369</b>
Greater London Authority Precept Element	33.950	33.950	33.950
<b>TOTAL COUNCIL TAX REQUIREMENT</b>	<b>189.009</b>	<b>195.903</b>	<b>200.319</b>



**COUNCIL TAX 2017/18 INCREASES**

Band	2016/17 Croydon Council Tax £	2016/17 Croydon Adult Social Care Levy £	2016/17 Croydon Tax £	2016/17 GLA Precept £	2016/17 Overall Tax
A	796.47	15.62	812.09	184.00	996.09
B	929.21	18.22	947.43	214.67	1,162.10
C	1,061.96	20.83	1,082.79	245.33	1,328.12
<b>D</b>	<b>1,194.70</b>	<b>23.43</b>	<b>1,218.13</b>	<b>276.00</b>	<b>1,494.13</b>
E	1,460.19	28.64	1,488.83	337.33	1,826.16
F	1,725.68	33.84	1,759.52	398.67	2,158.19
G	1,991.17	39.05	2,030.22	460.00	2,490.22
H	2,389.40	46.86	2,436.26	552.00	2,988.26

2017/18 Croydon Council Tax £	2017/18 Croydon Adult Social Care Levy £	112.06 Croydon Tax £	2017/18 GLA Precept Draft £	2017/18 Overall Tax £
812.63	39.98	<b>852.61</b>	186.68	1,039.29
948.06	46.64	<b>994.70</b>	217.79	1,212.49
1,083.50	53.31	<b>1,136.81</b>	248.91	1,385.72
<b>1,218.94</b>	<b>59.97</b>	<b>1,278.91</b>	<b>280.02</b>	<b>1,558.93</b>
1,489.82	73.30	<b>1,563.12</b>	342.25	1,905.37
1,760.69	86.62	<b>1,847.31</b>	404.47	2,251.78
2,031.57	99.95	<b>2,131.52</b>	466.70	2,598.22
2,437.88	119.94	<b>2,557.82</b>	560.04	3,117.86

Band D % Change			
Croydon Council Tax	Croydon Adult Social Care Levy	GLA Precept	Overall Increase
1.99%	3.00%	1.46%	4.34%
£24.24	£36.54	£4.02	£64.80

2017/18 BAND	Annual increase £	Weekly Increase £
A	43.20	0.83
B	50.39	0.97
C	57.60	1.11
<b>D</b>	<b>64.80</b>	<b>1.25</b>
E	79.21	1.52
F	93.59	1.80
G	108.00	2.08
H	129.60	2.49

OVERALL CHANGE
<b>4.34%</b>

**RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2017/18**

The Cabinet has considered a report in respect of the level of Council Tax for 2017/18 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. The Cabinet also had copies of the draft Budget Book for 2017/18.

In summary, the Cabinet recommends to the Council a 2017/18 Council Tax at Band D for Croydon purposes of £1,218.94, in addition a 3% increase for the Adult Social Care Levy £59.97 GLA Precept of £280.02, giving an overall Band D charge, £1558.93, a 1.99% increase for Croydon Council, a 3% increase for the adult social care levy and a 1.5% increase for the GLA.

Following detailed consideration, the Cabinet recommends that the Council should:

- (1) Approve the 2017/18 Revenue Budget of £258.550m, a decrease in budget requirement of 0.56%
- (2) Approve the 2017/18 Council Tax Requirement of £155.059m.

**Appendix E**

**Agenda Item 6.1 Cabinet Report 20th February 2017**

<b>Calculation of Council Tax Requirement</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)			
(i)	expenditure on Croydon's services, local precepts and levies		943,078	
(ii)	allowance for contingencies		1,000	
(iii)	transfer to General Reserves		0	
(iv)	transfer to Earmarked Reserves		0	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		0	
				944,078
	<i>Less</i>			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		669,211	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,		3,652	
(iii)	Income from Government			
	Core Grants	16,317		
	Business Rates Top Up Grant	31,956		
	Business Rates Income	35,306		
	Revenue Support Grant	32,577	116,156	789,019
	<i>Equals</i>			
(C)	The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.* This is (A) above less(B) above (as per Section 31A(4) of the Act)			155,059
<b>Calculation of basic amount of council tax</b>				
(C)	Council Tax Requirement			155,059
	<i>Divided by</i>			
(D)	The Council's Tax base			121,243
	<i>Equals</i>			
(E)	The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			£1,278.91
	* The exact figure is			
				£155,058,885.13

(F) The tax for different bands calculated as follows (as per Section 36(1) of the Act):

<b>Council Tax for Croydon for 2017/18</b>	
Band A	6/9 x £1,278.91 = £852.61
Band B	7/9 x £1,278.91 = £994.70
Band C	8/9 x £1,278.91 = £1,136.81
<b>Band D</b>	<b>9/9 x £1,278.91 = £1,278.91</b>
Band E	11/9 x £1,278.91 = £1,563.12
Band F	13/9 x £1,278.91 = £1,847.31
Band G	15/9 x £1,278.91 = £2,131.52
Band H	18/9 x £1,278.91 = £2,557.82

(G) to which is added the following precept (issued by the Mayor of London, in exercise of the powers conferred on him by sections 82, 83, 85, 86, 88 to 90, 92 and 93 of the Greater London Authority Act 1999 (“the 1999 Act”) and sections 40, 47 and 48 of the Local Government Finance Act 1992 (“1992 Act”))

<b>GLA Precept for 2017/18</b>	
Band A	186.68
Band B	217.79
Band C	248.91
<b>Band D</b>	<b>280.02</b>
Band E	342.25
Band F	404.47
Band G	466.70
Band H	560.04

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2017/18 for each of the categories of dwellings shown below:-

<b>Total Council Tax For 2017/18</b>	
Band A	1,039.29
Band B	1,212.49
Band C	1,385.72
<b>Band D</b>	<b>1,558.93</b>
Band E	1,905.37
Band F	2,251.78
Band G	2,598.22
Band H	3,117.86

**Appendix F**

**Response to the Provisional Local Government Finance Settlement 2017/18 – London Borough of Croydon**

1. The London Borough of Croydon welcomes the opportunity to comment on the Government's consultation on the provisional Local Government Finance Settlement (LGFS) 2017-18.

We are particularly disappointed that no new funding has been provided by Government to address the funding pressures local government is facing. In particular, London is facing a cumulative funding gap in adult social care of £800 million over the Spending Review period, and increased flexibility to raise Council Tax to fund social care in the next two years is a short term measure that does nothing to address the overall problem by 2020: even if all boroughs fully utilised the new social care precept flexibility, the money available for adult social care would only increase by around 1% over the next three years – at a time when London's population of older people will rise by more than 6% and when overall spending power for councils is showing real terms decline.

2. As well as the adult social care funding crisis, we are facing equally significant pressures in children's social care and a rapidly growing crisis in temporary accommodation, during a time of rapid population growth and increased demand on services due to demographic changes and welfare reform. The provisional settlement does little to alleviate these pressures.
3. This response outlines a number of concerns that the London Borough of Croydon has regarding the provisional settlement including the:
  - timing of the settlement;
  - the inadequacy of funding for adult social care;
  - cuts to New Homes Bonus when London is facing a housing crisis;
4. This response sets out our general comments about the settlement followed by direct replies to the questions posed in The Provisional 2017-18 local government finance settlement: confirming the offer to councils.

**Timing of the Settlement**

5. We would again like to raise concerns about the timing of the local government finance settlement. For the last five years the settlement has been delivered at the latest possible date before the Parliamentary recess. While this may be helpful for central government, it does little to provide local authorities with the level of certainty and funding assurance needed when formulating their

budgets, and setting Council Tax levels, for the following financial year. It is imperative that local authorities have confirmation of funding allocations as early as possible so that robust plans can be formulated and implemented. This is particularly important at a time of rapidly reducing resources. Councils typically begin preparations for the financial year during the preceding summer. While much of this preparation can be undertaken based on information from previous years and the multi-year agreements, final budget setting cannot be completed until the final figures are received from central government. This is particularly so given that the settlement typically contains a number of significant surprises that need to be taken into account, for example the cuts to New Homes Bonus in 2017-18. We are particularly concerned that the specific conditions of the additional social care precept flexibility scheme have not been set out alongside the settlement.

6. We welcome the return to the process of holding a technical consultation this year prior to the provisional settlement (although it would have been helpful had this been held earlier in the year than September/October); however, in future we ask that the provisional settlement is announced by no later than the end of November each year.

### **Adult social care funding**

#### **Inadequate funding**

7. Given the extremely tough financial context for local government, it is hugely disappointing that the Government has found no new money for adult social care, and even more frustrating that it has chosen to present this as finding an additional £900 million to address social care pressures.
8. While the increased flexibility to raise funding through the social care precept, and front load it, is some recognition by Government of the urgent need to tackle the immediate and significant pressures facing social care, it clearly does not go far enough. Given the weight of cross-party and cross-sector consensus on the issue of funding for adult social care, we support the call for an urgent national review of adult social care funding.

#### **Adult Social Care Support Grant**

9. We are disappointed that the £241 million being moved from New Homes Bonus (NHB) to fund the one-off Adult Social Care Support Grant in 2017-18 has been presented by the Government as new funding, and as a solution to the social care funding crisis. The switch will see the London Borough of Croydon lose overall by at least £1.9 million compared with the illustrative NHB funding allocations for 2017-18 set out in last year's settlement. It is illogical that a funding grant designed to benefit social care authorities will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. Indeed, the LGA has provided data showing that one in three authorities who provide adult social care services are net losers. The changing of the formula for NHB is effectively retrospective legislation, as the housing was built at a time when the six year period was in place. This move

will also see money designed to incentivise new homes taken away from councils at a time when the Government has made boosting housebuilding a clear priority.

10. From an administrative perspective, the decision to fund a contribution to addressing the ASC crisis by dampening a funding mechanism designed to help address the housing crisis illustrates the problem with this short term piecemeal approach to finance policy - as it is effectively a decision to top slice a top slice (the NHB is being top sliced to fund ASC, but is itself majority funded by a top slice of RSG). Given that spending patterns suggest that much of RSG is spent on ASC anyway, it is reasonable to question the efficiency of the system that has emerged. The overall quantum of money available to local government is being reduced overall, at a time of increased population and demand pressures and this transfer from one distribution mechanism to another, and then a further transfer again to meet the use that it was likely to have been spent on originally. This is clearly not an efficient or transparent way to allocate funds.

### **Reforms to the New Homes Bonus**

11. The London Borough of Croydon are disappointed that the overall funding for NHB is being cut by reducing the number of years funding is awarded from 6 to 5 (in 2017-18) and then to 4 from 2018-19, and reducing the annual amounts awarded from 2017-18 onwards. We are also disappointed that Government's contribution to the overall funding for NHB has fallen from £210 million in 2016-17 to just £93 million – meaning more is required to be top-sliced from RSG. The cuts to NHB are a direct result of insufficient funding in the Spending Review to address the funding pressures facing local government in adult social care – with savings being used to fund the “improved” Better Care Fund and ASC Support Grant (in 2017-18). Had sufficient funding been found within SR15, savings from this valuable and important funding stream would not be required.
12. London is facing a housing crisis with 280,000 new homes needed by 2021 to keep pace with the anticipated increase in population. London boroughs face unique challenges to deliver the necessary housing growth required in the capital, including a lack of suitable sites, high land values and affordability issues. With such extreme pressure on housing supply, London Councils believes the incentive to increase house building will be significantly diminished by the lower financial reward from the New Home Bonus. Furthermore, the Government has provided no evidence that it has assessed the potentially negative impact of these proposals.
13. It is also disappointing that the sector had to wait until late December for the Government's response to a consultation that closed mid-March. Increasing the deadweight threshold for tax base growth from the previously preferred option of 0.25% to 0.4% is a significant new change that will impact the amount of NHB London boroughs were expecting in 2017-18 at short notice. London Councils disagrees with the Government's contention that introducing reforms from 2017-18 gives local authorities sufficient time to deal with the changes to

funding, because the lead in time for housing development projects is much greater than the present financial year. There are significant risks this will impact negatively on planned developments. Reducing the length of risk destabilising existing investment and medium term financial plans, which will already have NHB funding allocations locked in based on the 6 year time period.

14. We strongly disagree with the Government's plans to consider withholding or reducing NHB payments related to homes that are built following an appeal. This risks incentivising the approval of permissions for poor quality and or inappropriate residential development, as rejecting residential applications would carry a financial risk associated with losses on appeal. Given that the planning process is quasi-judicial, and given the complexity of the issues involved, this proposal risks undermining the operation of the planning system. It is also worth noting that any reduction in NHB payments with a time lag between the appeal outcome and any adjustment to payments will only add to uncertainty and obstruct long-term planning that is needed to enable delivery of housing.

### **Consultation Questions**

#### **Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?**

15. We agree that the basis is consistent with 2016-17. It seems sensible that central funding should be allocated in a way that ensures councils delivering the same set of services receive the same percentage change in Settlement Core Funding for those sets of services. However, we remain concerned at the failure to make any adjustments for changing circumstances of councils, even the basic and simple to calculate and justify one of population growth. In addition, we would once again raise the issue of the shift of need from Inner London to some Outer London boroughs such as Croydon, which we have previously raised. The fact that Croydon has received some one-off funding for, for example, homelessness-related matters, shows the extent of growing need in the borough.

#### **Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?**

16. Notwithstanding the fact that we disagree with the reduction in funding for New Homes Bonus, if the Government does decide to proceed with these measures, we believe it should consider transitional arrangements to mitigate their impact on local authorities. We have planned on the basis that NHB payments would continue for six years, so any reduction in this will introduce instability and impact on our future medium term financial plans. The proposed changes will lead to a significant reduction in funding allocations for Croydon and thus undermine delivery plans. It will be important to ensure any significant changes are smoothed to enable boroughs to manage change.



**Question 3: Do you agree with the Government’s proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?**

17. Regarding the returning of any surplus to authorities, we would argue that any top-slice or “holdback” should be returned to authorities in proportion to that by which it was deducted in the first place. The Government has not clarified how it will redistribute the NHB surplus and we urge it to do so in the final settlement.

**Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?**

18. As set out in paragraph 11, the London Borough of Croydon believes the Government should have ensured there was enough funding in Spending Review 2015 for local government to deliver adult social care and to the NHS in terms of health provision which is now impacting on adult social care costs, and given the evidence of the funding shortfall as a result of not doing so, Government should have found new money to address social care funding pressures rather than reallocated existing NHB funding and pushed the burden onto Council Tax payers. As such, we disagree with the general proposal. This results in less money for Croydon an authority with significant pressure on adult social care rather than more.
19. We have particular concerns about the accuracy of the needs assessment within the ASC Relative Needs Formula, data for which has not been updated since 2013-14 and some of which still uses data from the 2001 Census.

**Question 5: Do you agree with the Government’s proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?**

20. We disagree with the safety net hold back. This penalises local authorities through no fault of their own because of the complex system the Government has established. Since 2013 the Government has top-sliced £275 million to fund the safety net because of lower than expected business rates growth. The overriding factor behind this is the effect of outstanding and future rating appeals. Local authorities should not be financially penalised, via what is effectively a cut to RSG, for the increase in the safety net holdback because not enough assurance has been built into the system around the effect of appeals – which are entirely outside the control of local government.

**Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?**

21. We cannot agree without further information. There is still insufficient information or exemplification of how this has been calculated.

**Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?**

22. We disagree with the additional funding in the settlement for rural areas, which is effectively being topsliced from RSG – funding that would have benefited all authorities – to benefit only some in rural areas. This funding stream raises questions about the funding of urban areas, particularly as historic funding has failed to reflect fully the pressures on London, most notably in terms of its underestimated population and the failure to properly recognise the impact of daytime visitors.
23. We believe that if the Government is minded to further recognise some of the financial pressure on rural authorities, it is not unreasonable to expect further consideration to be given to the unique pressures faced by urban authorities, and particularly those that pertain in London and, in particular, our borough.

**Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.**

24. We disagree with the statement within the Equality Statement that “The impact of this re-cycling of funding [NHB funding] could be expected to provide additional funding for areas with higher social care needs which we might expect will include areas with greater numbers of elderly or disabled residents”. As set out in paragraph 22, it is clear that the switch from NHB to ASC support grant will mean a number of boroughs have less funding than they would have previously. The new ASC support grant - designed to benefit social care authorities - will have the perverse impact of reducing the amount of funding available for social care for many of those authorities. This will clearly not benefit the elderly or disabled residents in these affected areas.

**Agenda item 6.1 Cabinet Report 20th February 2017**

**DEDICATED SCHOOLS GRANT (DSG)**

**Table 1 – 2017/18 DSG Funding Breakdown**

<b>DSG Funding Blocks</b>	<b>Total (£m)</b>
Individual Schools (before recoupment)	241.77
High Needs	55.72
Early Years	27.20
<b>Total DSG funded services</b>	<b>324.69</b>

**2017/18 DSG allocation for Croydon**

The 2017/18 the total DSG settlement for Croydon (including academies) is £324.69m. Academy recoupment is estimated to be £140m in 2017/18, reducing the DSG total to £185m. Academy recoupment currently stands at £139.6m in 2016/17 within the existing Schools block. This total will be subject to change depending on the number of new schools that convert to academies during the year

The funding per pupil within the Schools block is £4,794.79 for 2017/18. The starting rate in 2016/17 was £4,855.90, but once transfers between blocks (which are now permanent) have been reflected it is broadly equivalent to the 2017/18 level. Croydon remains one of the ten lowest funded local authorities in London on a per pupil basis (24<sup>th</sup> out of 32).

The latest pupil numbers used to calculate the DSG funding are 49,810 for the Schools block and 4,023 within Early Years. These numbers are based on the October 2016 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2017 will be used to update Croydon's DSG allocation with more accurate Early Years pupil numbers during 2017/18.

The £27.20m shown above for the Early Years block includes an indicative Early Years pupil premium of £0.494m. The rates for 2017/18 pupil premiums have been maintained at the 2016/17 levels.

**Agenda item 6.1 Cabinet Report 20<sup>th</sup> February 2017****Appendix H****Croydon Council****Pay Policy Statement 2017-18****1. Introduction**

- 1.1. 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.
- 1.2. 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 2017-18 on:
  - The remuneration of its senior staff including Chief Officers
  - The remuneration of its lowest paid employees
  - The relationship between the remuneration of its Chief Officers and the remuneration of staff who are not Chief Officers
- 1.3. Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and termination payments.
- 1.4. Following the decision of the Annual Council meeting on 03 June 2014, the Appointments Committee has delegated responsibility for approving appointments in accordance with the threshold specified in statutory guidance issued by the Secretary of State under section 40 of the Localism Act 2011. The statutory guidance is that elected Members should be given an opportunity to vote before a salary package upon appointment above a specified threshold is offered; and a severance package beyond a specified threshold is approved for staff leaving the Council’s employment. For both these purposes, the specified threshold is currently £99,999 as set by Government.
- 1.5. Once approved, all remuneration paid to officers will comply with this policy for the 2017-18 financial year. The statement will be reviewed in accordance with legislation prevailing at the time.
- 1.6. The provisions of the Localism Act do not apply to schools that are excluded from this statement.
- 1.7. In accordance with Part 3 of the Constitution – Responsibilities for Functions the Chief Executive’s Scheme of Authorisations provides delegated authority to the Director of Human Resources for pay and terms and conditions for staff other than the Chief Executive and employees covered by the Joint National Council

for Chief Officers. Grading and conditions of service for these staff are approved by the Appointments Committee. Reference paragraph 4.2.8 and 4.2.9 of Part 3 of the Constitution Responsibilities for Functions – see extracts below:

*“.....the Chief Executive’s delegation is subject to:*

*4.2.8 “the approval of the Director of Human Resources to the grading and conditions of service of staff (other than those based in schools or subject to the conditions of service of the Chief Officers and Chief Executives J.N.C*

*4.2.9 the approval of the Appointments Committee to grading and conditions of service of staff employed subject to the conditions of service of the Chief Officers and Chief Executives J.N.C”*

## **2. Pay structure**

- 2.1. The Council uses a combination of locally and nationally determined pay structures for its workforce.
- a) The pay structures, including basic pay, for the Chief Executive and Head of Paid Service, Executive Directors, Directors and posts at Croydon Special Range (CSR) level are determined locally.
  - b) The basic pay for teachers, youth workers, and young people/community service managers is in accordance with nationally negotiated pay structures.
  - c) To reflect market and industry specific factors, staff in the in-house bailiff service have locally determined pay arrangements which includes an element of performance pay.
  - d) For the majority of other staff, the Council uses a locally determined grading structure aligned to the outer London pay spine of the Greater London Provincial Council.
- 2.2. Pay allowances other than basic pay are the subject of local or nationally negotiated rates having been determined from time to time in accordance with the collective bargaining arrangements and/or as determined by the Council.
- 2.3. Other than for the Chief Executive and Head of Paid Service, Executive Directors and Directors, the Council adheres to national pay bargaining and will normally apply a nationally negotiated cost of living pay award for staff covered by the relevant negotiating body (also see paragraph 3.5).

## **3. Remuneration**

- 3.1. For the purpose of this pay policy statement, Chief Officers include:
- a) Tier 1: The Chief Executive and Head of Paid Service; Executive Directors; Directors; and
  - b) Tier 2: Heads of service and certain senior staff in Croydon Special Range graded posts who report to Directors

- 3.2. Current remuneration for tiers 1 and 2 staff are:
- a) The Chief Executive and Head of Paid Service who is currently paid a spot salary of £185,000; there is no incremental progression for this post. The salary was agreed for a fixed period of two years by resolution of the Council in July 2016 and is therefore due for review in July 2018.
  - b) Executive Directors and Directors are paid on spot salaries as set out in Appendix A without provision for incremental progression (see paragraph 3.9 for provisions relating to new appointments).
  - c) Heads of service and senior staff reporting to Directors are placed on a salary following evaluation of their post using the Hay job evaluation scheme (for CSR graded posts) or the Greater London Provincial Council job evaluation schemes (for posts graded 16 and 17). Annual increments may be awarded, subject to the postholder's rating in their annual appraisal. See paragraph 3.5 for proposed changes.

The grading structures for tiers 1 and 2 are shown in Appendix A.

- 3.3. The pay of the Chief Executive and Head of Paid Service is determined by reference to market rates. In establishing market rates, the Council will compare remuneration data from other comparable local authorities. This allows closer benchmarking where possible to take account of factors such as population size, social demographics, budgetary responsibilities, economic and regeneration activity.
- 3.4. The spot salaries for Executive Directors and Directors are subject to review every two years. There has been no change in the salaries between April 2015 and April 2017. An increase of 2% on the spot salaries has been applied for 2017-19. This would mean a 2% increase over 4 years which is well below inflation and below the increases received by the rest of the workforce. The next review is due with effect from 01 April 2019. Subject to the approval of the Appointments Committee referred to in paragraph 1.4 above, salaries may be reviewed earlier when recruiting to a post or to maintain parity with the salary of a related post being recruited to (see paragraph 3.9 for the remuneration for new appointments).
- 3.5. It is proposed, subject to consultation with staff, to introduce revised pay arrangements during 2017/18 for staff on Croydon Special Range grades, mirroring the principles that apply to pay for Tier 1 including: spot pay with fixed pay reference points replacing CSRA and CSRB grades; the spot pay as an inclusive salary with no eligibility for other allowances other than those mentioned in 3.6(a) and 3.6(d) below); no incremental progression; and salaries subject to local review every two years rather than being linked to national pay awards.

#### Additional remuneration elements

- 3.6. The Council does not apply any bonuses or performance payments to its Tier 1 or Tier 2 staff. In addition to basic pay elements of "additional pay", other than those that constitute re-imbursment of expenses incurred during the fulfilment of duties, are set out below:

- a) In order to recruit or retain employees in a post at its designated grade or spot point consideration will be given to the use of market supplements as approved by the Director of Human Resources and Chief Executive with such payments being subject to periodic review. Market supplements will, when added to basic pay, not normally exceed 10% of base pay and in any event will not exceed the next pay reference point. Any market supplement for the Chief Executive will be determined by the Appointments Committee will be limited so as not to exceed the ratio in paragraph 5.2 between the salary of the chief executive and head of paid service and the lowest paid employee.
- b) A compulsory car allowance may be made to authorised car users at all levels of the workforce other than to Tier 1. The compulsory car allowance applies to employees where driving a car is an integral feature of the employee's post and the employee is unable to carry out their post without providing and using their own car. The amount of the allowance depends on the engine size and emissions of the employee's car as shown in Appendix A.
- c) Returning Officer fees: the Council is required by the Representation of the People Act 1983 to appoint an officer to act as the Electoral Registration Officer (ERO) for any constituency or part of a constituency within its area to be responsible for the preparation and maintenance of the electoral register and to act as the Returning Officer (RO) for all elections. Such duties attract a fee payable to the individual, paid for by the Government except in relation to local elections. The fees are set by central government for national elections and referenda and for local elections fees are prescribed by and agreed on an annual basis by the Chief Executives' London Committee, which reports into the London Councils network. The Council's Electoral Registration Officer and Returning Officer is the Chief Executive and Head of Paid Service, as agreed by resolution of the Council or as delegated to a committee.

In her capacity as the Council's Electoral Registration Officer and the Council's Returning Officer, the Chief Executive and Head of Paid Service may appoint deputy Electoral Registration Officers and a deputy Returning Officer. Fees for carrying out such duties are payable to appointed individuals.

- d) From time to time consideration will be given to making additional payments, as approved by the Director of Human Resources, to Chief Officers who undertake additional and/or higher level responsibilities for example when covering the duties of a vacant Chief Officer post. Such payments are subject to periodic review.

#### Remuneration on appointment

- 3.7. Where employees are appointed to a grade rather than a spot salary, it is the Council's policy to appoint all employees on the bottom spinal point of the grade unless there are exceptional circumstances as authorised by the relevant Director and approved by the Director of Human Resources.

- 3.8. In exceptional circumstances and subject to approval of the Director of Human Resources, where it is necessary for a newly appointed employee to relocate and move home to take up appointment a contribution towards certain relocation expenses may be made. A copy of the scheme, which applies to the Chief Executive and Head of Paid Service, Chief Officers and other employees is attached as Appendix B.
- 3.9. New Executive Director and Director appointments will be made at the salaries stated for the respective post as set out in Appendix A. Should it be deemed necessary for a new appointment to be made on a salary higher than that set out for the post in Appendix A and the new salary exceeds the threshold referred to in paragraph 1.4 above, the new salary will be subject to the approval of the Appointments Committee.

#### Redundancy payments and payments on leaving

- 3.10. The Council has a single redundancy scheme which applies to all employees including Chief Officers (see Appendix C). The Council does not make any other payments to employees on termination of their employment other than those, where there is a statutory or contractual requirement to do so, such as payment for accrued and untaken annual leave.
- 3.11. Subject to paragraph 1.4 above, in exceptional circumstances other severance payments may be made subject to agreement of the Chief Executive and Head of Paid Service and the Director of Human Resources and as allowed for in the Council's scheme of delegation. Such payment will take account of the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee.
- 3.12. The Appointments Committee has decided, in accordance with delegations agreed by Full Council, that it will consider only those future severance packages where there are non-contractual and/or non-statutory elements to the proposed severance package which would mean that the severance package exceeds the specified threshold as a result of those elements. In those instances, the Committee will vote in respect of the non-contractual and/or non-statutory elements of such packages. For these purposes the specified threshold set, from time to time, by statutory guidance, is £99,999.

#### Re-employment of officers previously made redundant and retirement

- 3.13. Where an officer who has previously been made redundant from the Council applies for employment with the Council, their application will be treated on its own merits, the financial merits and wider interests of the Council and will have regard to any agreement under which the officer left their previous employment. Where an officer leaves the Council's employment through voluntary severance or voluntary redundancy arrangements, they will not be allowed to work for the Council in any capacity, including engagement via employment agencies or as a consultant, for a period of at least one year after leaving.
- 3.14. At the time of drafting this pay policy statement, the Government is proposing legislation that will: limit exit payments to £95,000 in the public sector; and require public sector employees earning more £80,000 to repay some or all of an exit



payment if they return to public sector employment within twelve months. The Council will seek recovery of exit payments from previous employees and in so doing apply limits to exit payments in accordance with the legislation as an when it is introduced.

- 3.15. The Council permits flexible retirement, as permitted by the Local Government Pension Scheme Regulations where by an employee can receive a salary and be in receipt of a pension for doing the same job. Such retirement is on the basis that there is no cost to the Council. The pension of employees retiring before their normal retirement age is subject to an actuarial reduction as allowed for under the Local Government Pension Scheme Regulations, to reflect the financial impact on the pension fund by the employee's early retirement.

#### **4. Remuneration of lowest paid employees**

- 4.1. The definition of "lowest paid employee" is for local determination. The Council has agreed that the lowest paid employee will be those workers employed under a contract of employment on full-time equivalent hours, in accordance with the minimum grade of the Council's agreed grading structure. Workers, such as apprentices, who are engaged on fixed term training contracts, are excluded from this definition.

- 4.2. The Council is a London Living Wage employer and will pay the London Living Wage as its minimum rate of pay to employees, other than those engaged specifically on apprentice or similar training contracts. The Council will apply increases in the London Living Wage with effect from the 01 April following announcement of the increase. With effect from 01 April 2017 the full-time equivalent annual pay of the lowest paid employee will £18,302 which equates to an hourly rate of pay of £9.75 (the current London Living Wage).

#### **5. The relationship between the pay of Chief Officers and that of other staff**

- 5.1. The Council does not set the pay of individuals or groups of individuals by reference to a simple multiple of the pay of another individual or group. The use of simple pay multiples cannot capture the complexities and dynamics of a highly varied workforce. The Council sets pay as outlined above by reference to the evaluated level of responsibilities of the post or at a rate determined by a national pay body.

- 5.2. Although there is no requirement under the Localism Act, the Council has decided to publish its pay multiples to aid transparency and future benchmarking:

- The multiple for 2017-18 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:10.1.
- The multiple between the lowest paid employee and the median chief officer is a ratio of 1:6.4
- The multiple between the median pay and the chief executive and head of paid service's pay is a ratio of 1:5.9.
- The multiple between the median pay and the average chief officers' pay is a ratio of 1:4.

- 5.3. As part of its overall and ongoing monitoring of alignment with external pay, both within and outside the sector, the Council will use available benchmarking information as appropriate.

## 6. Non-permanent staffing resources

- 6.1. To maintain flexibility in delivering services the Council supplements its employee workforce with workers who are not Council employees or on the Council payroll. This non-permanent resource includes consultants, who are procured under a Contract for (Consultancy) Services, and interims who are procured through the Councils managed service provider (the London Group Recruitment Partnership) or other approved third party providers including through the Council's neutral vendor framework.
- 6.2. In managing its non-permanent staffing resource, the Council seeks to ensure that: the Council and the wider public sector achieve value for money; tax and national insurance liabilities are managed appropriately; and contractual relationships between the Council, workers and thirds parties are properly reflected. In this regard, it is the Council's policy not to engage directly with self-employed individuals, or wholly owned one person limited companies in all but the rarest of exceptions. Where such arrangements are used, the Council seeks to limit them to a maximum duration of 24 months.
- 6.3. Where it is necessary to engage a worker at Tier 1 or Tier 2 temporarily as an interim or consultant, the remuneration paid to the individual will generally fall within the following rates. The higher rates of pay, compared to those paid to directly employed staff, are in recompense of interims and consultants not receiving all of the same conditions of employment, most notably regarding leave, pension, redundancy and notice.

Grade of post	Day rate range £ (payable to the individual)
Croydon Special Range	£400 - £525
Director	£525 - £775
Executive Director	£775 - £900
Chief Executive	£1200 - £1500

## 7. Publication

- 7.1. Upon approval by the full Council this statement will be published on the Council's website. In addition, the Council's Annual Statement of Accounts will include a note setting out the remuneration paid to each member of the corporate leadership team (the Chief Executive and Head of Paid Service and those reporting directly to her) including the total amount paid to each individual by way of: salary, including fees and allowances; performance related pay; expense allowances; compensation for loss of office; benefits in kind and employers pension contributions. The Annual Statement of Accounts is published on the Council's website.
- 7.2. The Annual Statement of Accounts will also report on termination payments for all employees in keeping with international financial reporting standards. This will

show the number of termination payments, within specific financial bands, made to employees during the year.

End

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**Pay structure for Tier 1 and Tier 2****Tier 1: 01 April 2017 to 31 March 2019**

<b>Post</b>	<b>Spot Salary</b>
Chief Executive	£185,000
Executive Director of Resources, Executive Director of Place, Executive Director of People	£153,000
Director of Commissioning & Improvement, Director of Adult Social Care & All-Age Disability	£127,500
Director of Strategy & Partnerships, Director of Customer & Corporate Services, Director of District Centres & Regeneration, Director of Development, Director of Public Health, Director of Early Help & Children Social Care	£117,300
Director of Finance, Investment & Risk, Director of Economic Growth, Director of Planning & Strategic Transport, Director of Education & Youth Engagement, Director of Gateway & Welfare, Director of Housing Need	£107,000
Director of Law & Monitoring Officer, Director of Governance, Director of Human Resources, Director of Safety, Director of Streets	£96,900

**Tier 2: current (2017-18)**

<b>Grade</b>	<b>Scp</b>	<b>Salary</b>
Croydon Special Range A	1	£59,337
	2	£61,356
	3	£63,372
	4	£65,379
	5	£67,404
Croydon Special Range B	6	£74,904
	7	£77,367
	8	£79,830
	9	£82,290

**Tier 2: proposed subject to consultation (2017-18)**

<b>Post</b>	<b>Reference Point</b>	<b>Spot Salary (indicative)</b>
Tier 2 (including heads of service)	T5	£82,250
	T4	£75,000
	T3	£68,000
	T2	£62,250
	T1	£55,000

**Car allowances and mileage payments**

	<b><u>451 - 999cc</u></b>	<b><u>1000 - 1199cc</u></b>	<b><u>1200 - 1450cc</u></b>
<b><u>Compulsory car users</u></b>		Only payable for cars within DVLA bandings A-E for CO2 emissions	
Lump sum per annum	£846	£963	£1,239
per mile first 8,500	36.9p	40.9p	50.5p
per mile after 8,500	13.7p	14.4p	16.4p

	<b><u>451 - 999cc</u></b>	<b><u>1000 - 1199cc</u></b>	<b><u>1200 - 1450cc</u></b>
<b><u>Other users</u></b>		Only payable for cars within DVLA bandings A-E for CO2 emissions	
per mile first 8,500	46.9p	52.2p	65.0p
per mile after 8,500	13.7p	14.4p	16.4p

**CROYDON COUNCIL****RELOCATION SCHEME****Introduction**

These guidelines may be used to overcome a skills shortage or as a recruitment and retention tool. The Council's approach to attracting, recruiting, developing and retaining talent sometimes needs to be supported to enable the placement of someone with known abilities and expertise into a specific role.

The decision to apply this scheme should be agreed before an offer of employment has been accepted and should preferably be displayed in the job advertisement. An "in principle" offer of assistance, subject to meeting the requirements of the scheme, must be contained in the offer of employment letter. An offer of a relocation package cannot be made after employment commences.

There is no automatic entitlement to help with relocation or the amount paid. Payment is subject to approval in all cases by the relevant tier 1 manager, production of receipts and the amount of budget available within the service. No central relocation budget exists, so payments must be made from the relevant department's own budget.

Relocation assistance will not exceed £8,000, will not normally be provided to employees already employed by the Council (including those on fixed term or temporary contracts) and can be paid once only. Any subsequent moves will not attract a payment.

**Eligibility**

The following criteria must be met to be eligible for a relocation payment;

- The applicant lives more than 90 minutes travelling distance away from the new workplace and is relocating to a location within that limit.
- all owners or joint owners of the residence are moving, if claiming fees connected with the sale and purchase of a property
- the applicant is moving within 6 months of starting their employment with the Council
- the applicant is not benefiting from relocation assistance from another source (e.g. their partner's employer)
- the applicant is moving to work solely for Croydon

**Conditions**

The recipient must sign an agreement to remain in Croydon Council's employment for a minimum of three years. If they leave voluntarily or are dismissed on grounds of misconduct or capability within three years, repayment will be due, charged at 1/36 of the total amount of expenses paid per uncompleted month of service.

Two quotes must be obtained for removal and storage expenses for which the lower amount may be reimbursed. Records of payments made will be recorded on the employee's personal file and retained by the manager who signs the agreement.

The employee is responsible for:

- taking steps to sell their property (if applicable) and obtaining accommodation within reasonable travelling distance (90 minutes) within 6 months of their start date with Croydon Council.
- seeking approval for any relocation expenses prior to incurring the expense.
- signing the three year agreement
- providing a full breakdown of costs and comprehensive receipts for all expenses claimed for under the scheme. Bank statements or credit card receipts cannot be accepted.
- providing at least two quotes if claiming for removal expenses.

The manager is responsible for:

- obtaining approval of the Director of Human Resources and their Director and the correct financial authorisation (including departmental expenditure panel if relevant), before offering a relocation package
- subject to the eligibility criteria, informing the successful candidate of the relocation scheme when offering the appointment
- ensuring that finances are available to fund a relocation package
- agreeing with the employee the types of expenses they are able to cover and the maximum amount to be paid
- reviewing the situation if positive steps are not being taken by the candidate/employee to sell and/or buy a new property within 6 months of starting their employment.
- ensuring an agreement is signed by the employee and storing a copy on their personal HR file
- keeping a copy of the agreement, a full breakdown of costs, receipts and quotes.
- arranging for payment(s) to be paid into the employee's bank account before the end of the tax year following their appointment date and that taxable payments are paid via Payroll

- ensuring that records of all payments are kept on the employee's personal HR file
- arranging the recovery of expenses if the employee leaves within three years, including writing to them to confirm the outstanding amount due and informing them if it will be taken out of their final salary or pension contributions.

## Tax

Relocation expenses up to £8,000 per move are currently tax free as long as they are provided by the employer before the end of the tax year following the date of appointment (including VAT on expenses), but some payments are taxable. The following expenses may or may not be included in the agreed package.

- Payment for rent where it is necessary to temporarily maintain two homes , up to a maximum of 6 months\*
- Travelling costs where two homes are temporarily maintained, up to a maximum of 6 months (either standard class train fares or casual car user mileage rates)
- Legal and Estate Agents fees connected with the sale and purchase of property
- Removal and storage of household furniture and effects
- Disconnection and reconnection of utilities\*
- Reinstallation of domestic appliances such as cookers and washing machines\*
- Charges incurred for ending a rental agreement early \*
- Deposit for rented accommodation \*
- Two days paid removal leave in addition to normal leave entitlement\*
- Refund of unexpired season tickets\*
- Shipping costs, if moving from abroad
- Survey Fees\*
- Unplanned costs such as school uniforms, carpets, curtains, \*
- Redirection of mail\*

\*subject to tax and NI contributions

As the tax position may change, it is advisable to check with the HMRC before finalising any arrangements under this guidance.



## **EARLY RETIREMENT & REDUNDANCY SCHEME (incl. Efficiency of the Service)**

*Council approved 1981.*

*Amended by Corporate Services Committee on 11 October 2006; effective from 1<sup>st</sup> December 2006*

*Amended 010410: legislative changes*

*Amended 010411: Employee Based Cost Review (EBCR)*

### **1. SCOPE AND PURPOSE OF SCHEME**

- 1.1. This scheme is without prejudice to the Council's and the trade unions' general policy of opposition to redundancies. It outlines the approach the Council may use when making staffing reductions through redundancy, early retirement on the grounds of redundancy, and early retirement on the grounds of efficiency of the service.
- 1.2. The scheme covers all categories of staff except teachers and lecturers for whom a separate scheme exists.
- 1.3. The scheme sets out the normal level of payments made to employees. Certain payments in the scheme are enhanced by the Council exercising its discretion, as allowed for in legislation. The exercise of the Council's discretion is subject to a decision in each case, and the Council reserves the right to apply different payments in particular cases. The Council also reserves the right to withdraw or suspend the scheme at any time.

### **2. GENERAL**

- 2.1. Where redundancies as defined in the Employment Rights Act 1996 are contemplated the Council may choose to seek volunteers for early retirement or redundancy from the staff. Should the number of volunteers for early retirement or redundancy exceed the required number of post reductions the Council will consult staff representatives about the method of selection.

### **3. EARLY RETIREMENT BY REASON OF REDUNDANCY (only for employees aged 55 and over)**

- 3.1. Employees aged 55 or more who are made redundant (including those who volunteer under paragraph 2.1) will be eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).
- 3.2. In addition to immediate payment of pension benefits, employees with 2 years continuous service will also be entitled to a redundancy payment. The redundancy payment will be calculated as set out in section 4.

- 3.3. The granting of any augmentation in respect of redundancy and early retirement in the interests of the efficiency of the service is at the Council's discretion to compensate officers for the loss of position and future expectations as a result of the Council's actions. It is not in respect of past service, which is covered by pension entitlement arising from contributions made into the Pension Fund.
- 3.4. The costs of the early payment of benefits are charged to departmental budgets rather than the Pension Fund.

#### **4. REDUNDANCY**

- 4.1. Employees who are made redundant will receive a redundancy payment based on length of continuous service and age as laid down in the Employment Rights Act. The details of the statutory redundancy payments vary with age and length of service and a ready reckoner is set out in Appendix 1.
- 4.2. Continuous local government service (and certain related service) will be used where this exceeds service with the London Borough of Croydon and in calculating the redundancy payment the weekly pay used for calculating redundancy payments will be as follows:
- a) In cases of compulsory redundancy, by reducing by 50% the amount by which an employee's actual weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £450.
  - b) In cases of voluntary redundancy, by reducing by 25% the amount by which an employee's weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £475.

#### **5. EARLY RETIREMENT IN THE INTERESTS OF THE EFFICIENCY OF THE SERVICE**

- 5.1. The Council will consider applications from staff, supported by their Directors, for early retirement on the grounds of the efficiency of the service. Each case will be decided on its merits by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) in consultation with the Director of Human Resources and the relevant departmental Director. They will use their discretion based on the following criteria:
- (a) staff suffering ill-health of a nature not covered by the ill-health provisions of the Pension scheme
  - (b) a change in the organisation of an establishment or department which does not give rise to redundancy
  - (c) staff who are unable to meet the changed requirements of their post
- 5.2. Employees aged 55 or over, who retire on the grounds of efficiency of the service are eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

5.3. In these cases there is no entitlement to a redundancy payment.

**6. COMPLYING WITH LEGISLATION**

6.1 The Council will only apply the above policy in a manner which is compatible with the law (inc. legislation, subordinate legislation and case law) and anything in this policy which is incompatible with the law shall be disregarded or applied only to the extent that doing so would not be contrary to the law as it is understood when the policy is applied in any particular case.

End

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**“Ready Reckoner” For Statutory Redundancy Pay**

**Figures in grid show the number of weeks pay due**

Continuous Service (Years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
18 <sup>1</sup>	1																		
19	1	1½																	
20	1	1½	2																
21	1	1½	2	2½															
22	1	1½	2	2½	3														
23	1½	2	2½	3	3½	4													
24	2	2½	3	3½	4	4½	5												
25	2	3	3½	4	4½	5	5½	6											
26	2	3	4	4½	5	5½	6	6½	7										
27	2	3	4	5	5½	6	6½	7	7½	8									
28	2	3	4	5	6	6½	7	7½	8	8½	9								
29	2	3	4	5	6	7	7½	8	8½	9	9½	10							
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11						
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12					
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13				
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14			
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15		
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½

<sup>1</sup> It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore the table starts from age 18.

Continuous Service (Years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61*	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

\* The same figures should be used when calculating the redundancy payment for a person aged 61 and above.

**Notes:**

Statutory redundancy payments are based on length of continuous service (up to max of 20 yrs) and age as follows:

- for each completed year of service up to age 21 inclusive: half a week's pay
- for each completed year of service from age 22-40 inclusive: one week's pay.
- for each completed year of service from age 41 inclusive: one and a half week's pay.



**For General Release**

<b>REPORT TO:</b>	<b>Cabinet 20th February 2017</b>
<b>AGENDA ITEM NO:</b>	<b>6.2</b>
<b>SUBJECT:</b>	<b>Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement &amp; Annual Investment Strategy 2017/2018</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson Executive Director of Resources (Section 151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Cllr Simon Hall , Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>

**CORPORATE PRIORITY/POLICY CONTEXT:**

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

## FINANCIAL IMPACT:

This report sets out the Council's Treasury Management objectives, which are to manage the Council's cash flows, borrowing and investments minimising the level of risk exposure; maximising investment yield returns; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in 2017/2018 and the capital borrowing needs of the Council for 2017/2018:-

	<u>£m</u>	<u>Total £m</u>
<b>1. In Year Borrowing Requirement (Net)</b>	349	<u>349</u>
<b>2. Total Interest Payable on Debt</b>		
- chargeable to Housing Revenue Account (HRA)	12	
- chargeable to General Fund (GF)	20	
		32
In addition the report details the investment activities and the estimated level of income earned. <b>Investment Income</b> net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:-	<u>(0.750)</u>	<u>(0.750)</u>

## KEY DECISION REFERENCE NO.:

This is not an executive key decision – this is reserved to the full Council for decision as part of the budget and policy framework.

## 1. RECOMMENDATIONS

- 1.0. The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.  
  
The Cabinet is asked to recommend to Full Council that it approve:
- 1.1. The Treasury Management Strategy Statement 2017/2018 as set out in this report including the recommendations that:
  - 1.1.1. The Council takes up the balance of its 2016/2017 borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.6.
  - 1.1.2. That for the reasons detailed in paragraph 3.11, opportunities for debt rescheduling are reviewed throughout the year by the Executive Director of Resources and Section 151 Officer and that, he be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury and in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2016-2020.
  - 1.1.3. That delegated authority be given to the Executive Director of Resources and Section 151 Officer, in consultation with the Cabinet Member for Finance and Treasury, to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.



- 1.2. The Annual Investment Strategy as set out in paragraph 3.14 of this report.
- 1.3. That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.7 and as detailed in **Appendix C** be as follows:

<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>£1,234.442m</b>	<b>£1,365.442m</b>	<b>£1,372.442m</b>

The Prudential Indicators as set out in **Appendix C** of this report.

- 1.4. The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in **Appendix D** of this report.
- 1.5. The Council's authorised counterparty lending list as at 31<sup>st</sup> December 2016 as set out in **Appendix E** of this report and the rating criteria set for inclusion onto this list.

## 2. EXECUTIVE SUMMARY

2.1. The Council defines its treasury management activities as:

***“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”***

2.2. The CIPFA Code of Practice on Treasury Management in the Public Services (updated 2011) was approved and adopted by the Council on 10 February 2013 (Minute A31/13 refers).

2.3. The Code recommends that the Council approve before the commencement of each financial year:

1. A Treasury Management Strategy for borrowing;
2. An Annual Investment Strategy setting out the Council’s policies for managing its investments; and
3. A statement on the Council’s policy for its annual Minimum Revenue Provision (MRP) (repayment of debt).

2.4. The Local Government Act 2003 requires the Council to have regard to CIPFA’s Prudential Code for Capital Finance in Local Authorities, 2011, to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which incorporates these indicators, also details the expected treasury activities for the year 2017/2018, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.

2.5. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its expenditure requirement for each financial year to include the revenue costs that flow from capital financing decisions.

## 3. DETAIL OF THE REPORT

3.0 The strategy for 2017/2018 covers two main areas:

### **Capital issues**

- The capital plans and borrowing need (paragraphs 3.1 and 3.2);
- The minimum revenue provision (MRP) policy (paragraph 3.3);.

### **Treasury management issues**

- Policy on use of external service providers paragraph 3.4);
- The Current Treasury Position (paragraph 3.5);
- Borrowing Requirement (paragraph 3.6);
- Treasury indicators which limit the treasury risk and activities of the Council (paragraph 3.7);
- Prospects for Interest Rates (paragraph 3.8) ;

- The Borrowing Strategy (paragraph 3.9);
- The policy on borrowing in advance of need (paragraph 3.10);
- Debt Rescheduling and Repayment (paragraph 3.11);
- Sources of Finance (paragraph 3.12);

### **Annual Investment Strategy**

- The investment policy (paragraph 3.13);
- The Annual Investment Strategy (paragraph 3.14);
- Treasury Limits (paragraph 3.15) and
- Prudential Indicators (paragraph 3.16).

## **CAPITAL ISSUES**

### **3.1. Capital Expenditure and borrowing need**

3.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

#### **Capital expenditure**

3.1.2 In order to fulfil its ambitions for Croydon the Council has an extensive capital programme. This includes funding for: a Revolving Investment Fund (RIF), set up to fulfil the Council's Growth Promise and initially be principally focused on the delivery of development and regeneration on Council Land; a Development company also focused on regeneration in the borough, primarily homes; and a Growth Zone, which invests in priority infrastructure to help deliver sustainable economic growth in Croydon. The RIF, Growth Zone and Development company are expected to create their own revenue streams in order to repay the debt taken out to finance the expenditure.

3.1.3 Members are asked to note the capital expenditure forecasts given in the table below:

**Table 1: Capital Expenditure Forecasts (2016 / 2020)**

<b>Capital expenditure £m</b>	<b>2016/2017 Estimate</b>	<b>2017/2018 Estimate</b>	<b>2018/2019 Estimate</b>	<b>2019/2020 Estimate</b>
<b>Non-HRA</b>	127.746	386.774	148.866	28.007
<b>HRA</b>	25.724	27.051	27.051	27.051
<b>Total</b>	<b>153.470</b>	<b>413.825</b>	<b>175.917</b>	<b>55.058</b>

3.1.4 This financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

3.1.5 The Council's financing need is funded from various capital and revenue resources plus borrowing.

### 3.2 The Council's borrowing need (the Capital Financing Requirement)

3.2.1 The Council's Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

3.2.2 The Council's estimated CFR is detailed in the table below:

**Table 2: Estimated Capital Financing Requirement 2016 / 2020**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
	Forecast	Estimate	Estimate	Estimate
Capital expenditure	153.470	413.825	175.917	55.058
Less amount funded from resources	(98.748)	(58.598)	(37.345)	(39.71)
<b>Gross In Year Borrowing Requirement (CFR)</b>	<b>54.722</b>	<b>355.227</b>	<b>138.572</b>	<b>15.348</b>
Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(5.547)	(5.993)	(7.134)	(7.895)
<b>In Year Borrowing Requirement (Net)</b>	<b>49.175</b>	<b>349.234</b>	<b>131.438</b>	<b>7.453</b>
2. Add previous years' outstanding borrowing requirement (not taken in that year)	0.00	0.0	0.0	0.0
3. Borrowing – to replace maturing debt	12.5	26.0	11.0	10.0
4. Less loans taken up in-year	(59)	0.0	0.0	0.0
<b>In Year Borrowing Requirement outstanding</b>	<b>2.675</b>	<b>375.234</b>	<b>142.438</b>	<b>17.453</b>

### 3.3 Minimum Revenue Provision

3.3.1 Minimum Revenue Provision (MRP), often referred to as a 'provision for the repayment of debt', is a charge to revenue in relation to capital expenditure financed from borrowing or through credit arrangements.

3.3.2 The annual MRP charge was previously determined under Regulation but is now determined under Guidance ('the Guidance') issued by the Secretary of State in February 2008. There is now a statutory duty, embodied within Statutory Instrument 2008 No.414 s 4, which lays down that:

***'A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.'***

3.3.3 MRP only applies to the General Fund. There is no requirement to make a MRP charge for the Housing Revenue Account (HRA).

3.3.4 Along with the above duty, the Government issued guidance in February 2008 which requires that a statement on the Council's policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate.

3.3.5 The Executive Director of Resources is responsible for ensuring that accounting policies and the MRP policy complies with the statutory Guidance in determining a prudent level of MRP.

3.3.6 As part of the mid-year review of the 2015/2016 Minimum Revenue Provision Statement, the Council's General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Council's MRP Policy Statement for 2017/2018 also adopts these revisions and is attached at Appendix D.

## **TREASURY MANAGEMENT ISSUES**

### **3.4 Treasury management consultants**

3.4.1 The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

### **3.5 The Current Treasury Position**

3.5.1 The Council's Treasury position as at 31st December 2016 comprised:

**Table 3: Borrowing by the Council as at 31 December 2016**

		<b>Principal £m</b>	<b>Average Rate %</b>
<b>Fixed Rate Funding</b>	- PWLB <sup>1</sup>	614.926	3.85
	- Other <sup>2</sup>	0.315	3.50
	- LOBO <sup>3</sup>	79.500	3.91
	- Local Authorities <sup>4</sup>	52.500	1.10
	- Amber Green LEEF 2LLP	3.575	1.80
	- European Investment Bank	44.745	2.0
<b>Variable Rate Funding</b>	- LOBO <sup>3</sup>	60.000	4.23
Internal Loans – Trust Funds		0.006	0.23
<b>Total External Debt as 31/12/2016</b>		<b><u>855.567</u></b>	<b><u>3.60</u></b>
<b><u>Additional</u></b>			
GF borrowing requirement outstanding for 2016/2017		2.675	
HRA borrowing requirement outstanding for 2016/2017		0	
<b>Estimated Debt as at 31/03/2017</b>		<b><u>858.242</u></b>	<b><u>3.60</u></b>

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

2. Other relates to 3 ½% Irredeemable Stock which was issued by this Authority in the past.

3. Lender's Option Borrower's Option (LOBOs) loans are commercial debts with options for the lender to vary the rate at pre-set intervals. If the option is exercised, then the Council can either accept the new rate or repay the loan with no penalty.

4. As an alternative to borrowing from the Government, several local authorities have come to the market offering loans at competitive rates.

3.5.2 The Council's debt maturity profile is included in **Appendix A**.

**Table 4: Temporary Investments as at 31 December 2016**

	<b>Principal £m</b>	<b>Average Rate %</b>
<b>Temporary investments outstanding as at 31/12/2016</b>	<b>127.96</b>	<b>0.47</b>
<b>Estimated temporary investments outstanding as at 31/03/2017</b>	<b><u>95.00</u></b>	<b><u>0.53</u></b>

### 3.6 The Borrowing Strategy and Borrowing Requirement

3.6.1 The Council's capital expenditure plans are set out in Sections 3.1.1, 3.1.2 and 3.1.3. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The

strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

- 3.6.2 The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

**Table 5: Borrowing and the Capital Financing Requirement 2016 / 2020**

£m	2015/2016 Actual	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
<b>External Debt</b>					
Debt at 1 April	766.670	808.633	858.242	1,192.242	1,165.242
Expected change in Debt	41.963	49.609	334	131	7
Actual gross debt at 31 March	808.633	858.242	1,192.242	1,323.242	1,330.242
The Capital Financing Requirement	<b>880.713</b>	<b>939.34</b>	<b>1,288.58</b>	<b>1,420.01</b>	<b>1,427.47</b>
Under/(over) borrowing	72.08	81.098	96.338	96.768	97.228

**Note:** this calculation does not allow for the impact of internal borrowing which has the effect of reducing real borrowing (see Table 2, above).

- 3.6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/2018 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 3.6.4 The Executive Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### **3.7 Treasury Indicators: limits to borrowing activity**

- 3.7.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

**Table 5: The operational boundary for 2016 / 2020**

Operational boundary £m	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
Debt	858.242	1,192.242	1,323.242	1,330.242
Other long term liabilities	2.2	2.2	2.2	2.2
Total	860.442	1,094.442	1,325.442	1,332.442

3.7.2 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

3.7.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.7.4 The Council is asked to approve the following authorised limit:

**Table 6: The Authorised Limit for External Debt 2016 / 2020**

Authorised Limit £m	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
Debt	898.242	1,232.242	1,363.242	1,370.242
Other long term liabilities	2.2	2.2	2.2	2.2
Total	900.442	1,234.442	1,365.442	1,372.442

### 3.8 The Prospects for Interest Rates

3.8.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their and our central view.

**Table 7: Interest Rate Forecast December 2016 to March 2020**

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%



3.8.2 Commentary on interest rate forecasts and the economy has been provided by Capital Asset Services in **Appendix G**.

### **3.9 The Borrowing strategy**

3.9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2017/2018 treasury operations. The Executive Director of Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.9.2 Any decisions will be reported to Cabinet at the next available opportunity.

### **3.10 Policy on borrowing in advance of need**

3.10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

### **3.11 Debt rescheduling and repayment**

3.11.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.11.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term

rates on investments are likely to be lower than rates paid on current debt. The forecasts underpinning this strategy assume that cash balances will be used to repay maturing debt, at least for the short-term, i.e. the next three-year period.

3.11.4 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

### **3.12 Sources of finance**

3.12.1 The Council's main source of finance is borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed up to 50 years at both fixed and variable rates. The Council has qualified for borrowing from the PWLB at the 'certainty rate' which is the prevailing PWLB interest rate on the date of borrowing less a discount of 0.20%. This discounted rate applies for funding of capital schemes through prudential borrowing and for the refinancing of maturing long term debt. With long-term PWLB rates currently low, this 'certainty rate' now makes funding through the PWLB an attractive option. In order to reduce the risk that loans will mature when interest rates are peaking, debt is taken on in portions that mature over a spread of years. This is described as the debt maturity profile. New loans will be taken to fit into gaps in the Authority's existing debt maturity profile.

3.12.2 The Council continues to source cheaper alternatives to the PWLB in order to finance the borrowing requirement for future years. Other than the PWLB, the Council currently uses other UK local authorities willing to offer loans up to 5 years and the European Investment Bank, both of which provide financing below the PWLB certainty rate. The Council has also found and will make use of commercial lenders willing to lend at rates below the PWLB certainty rate and continues to look at options such as Local Authority Bonds and the Municipal Bond Agency. The Government is currently consulting on making debt available at a discounted rate to support investment in infrastructure. This option will be considered alongside those others listed here.

3.12.3 Long-term borrowing to support Borough regeneration will service the capital financing requirements of the Council's arms-length development company, Brick by Brick. Onwards lending will be at a margin to the cost of borrowing and interest payments together with repayment of principal will prime additional investment. Investment in the Borough's Growth Zone should generate additional business rates that can be applied to service debt funding.

## **ANNUAL INVESTMENT STRATEGY**

### **3.13 Investment policy**

3.13.1 The Council's investment policy has regard to the Department for Communities and Local Government (DCLG)'s Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return. In accordance with the above guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

- 3.13.2 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 3.13.3 Investment instruments identified for use in the financial year are listed in **Appendix B** under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.
- 3.13.4 The Council may wish, from time to time, to take advantage of financial derivative instruments in order to better manage risks, such as exposure to interest rate movements. Local authorities, including the Council, have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). However, previous legislation was understood to prevent the use of such tools where they were not embedded in other instruments. The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in their annual strategy.
- 3.13.5 The Council will only use financial derivatives (such as swaps, forwards, futures and options) either on a standalone, or embedded basis, where it can be clearly demonstrated that as part of the prudent management of the Council's financial affairs the use of financial derivatives will have the effect of reducing the level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. This will be determined in liaison with the Council's external advisors. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit if applicable.
- 3.13.6 At all times the Council will comply with CIPFA advice and guidance on the use of financial derivatives and have regard to CIPFA publications on risk management.

### **3.14 Annual Investment Strategy**

- 3.14.1 The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B**.
- a. **Specified Investments** - All investments shall consist of investments under one year as follows:
- Debt Management Agency Deposits Facility (DMADF).
  - Term deposits with UK Government or with UK local authorities.
  - Term deposits with credit - rated deposit takers (banks and building societies).
  - Certificate of Deposits.
  - AAA rated Money Market Funds.

- Bonds issued by multinational development banks.
  - Enhanced AAA rated Money Market Funds.
  - UK Government Gilts.
  - UK Government Treasury Bills.
- b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:
- Term deposits with credit - rated deposit takers (banks and building societies).
  - Term deposits with UK local authorities.
  - Certificate of Deposits (CD).
  - Callable deposits with credit rated deposit takers (banks and building societies).
  - Forward deposits with credit rated banks and building societies.
  - Bonds issued by multinational development banks.
  - Enhanced AAA rated Money Market Funds.
  - UK Government Gilts.
  - Property Funds.
  - Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.
  - Investment grade Corporate Bonds issued by Corporate Institutions.
  - AAA rated Covered Bonds.
  - Investment in the equity of any company wholly owned by Croydon Council.

3.14.2 Investment Income Gross - Based on cash flow forecasts for 2016/2017, the Council anticipates its average cash balances for the year to be £180.0m, which includes the £210.1m of new borrowing to be undertaken in 2016/2017. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.750m for 2017/2018.

3.14.3 All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.

3.14.4 The Executive Director of Resources will be responsible for managing all investments within the limits as set out in **Appendix E** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2011 Edition.

3.14.5 Capita Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2015. This is attached at **Appendix E** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Capita Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to

invest with any counterparty. These include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Capita Asset Services summarise these different views in forming an overall picture of the credit-worthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.

- 3.14.6 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counterparties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in **Appendix B**. In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.
- 3.14.7 Of the two part-nationalised UK banks, the UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 72.9% makes it the majority shareholder in that bank. As such, whilst the government announced plans to sell off its stake in that bank, the size of the current equity stake makes it unlikely that the sale process will materially dilute the government's holding in RBS in the near future. The RBS Group will therefore be retained as an approved investment counterparty till such time as the situation changes. Further, as the Council banks with the National Westminster Bank PLC which is part of the RBS PLC Group, the investment limit for this counterparty will remain at £25m. The UK government's stake in the other part-nationalised bank, Lloyds Banking Group PLC, currently stands below 11% with plans to sell this stake within the coming months to bring the bank back into private ownership. For investment purposes, the Council's treasury advisers have recommended that Lloyds Banking Group should now be evaluated on a stand-alone basis and should only be included onto an approved counterparty list if the bank meets the minimum rating criteria set. At present, the bank's ratings exclude it from the Council's approved lending list but like other entities this can change over time.
- 3.14.8 With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.
- 3.14.9 In 2014/2015, the Council had invested £20m in the Real Lettings Property Fund Limited Partnership. The property fund, which has a 7-year life, offers investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum based on the letting of the properties on 5-year lease terms. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. An additional £10m was advanced to

the Fund on 9 September 2015. Returns generated by the investment will serve to boost the Council's overall income in the future.

- 3.14.10 In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moodys and Standard & Poor's.
- 3.14.11 In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government.
- 3.14.12 As at 31st December 2016, short-term investment interest rates (1-3 months) were between 0.20% and 0.40% with longer term rates (up to 1 year) between 0.45% and 0.8%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Capita Asset Services' recommended maximum investment durations for the counterparty concerned.
- 3.14.13 With the introduction of the Markets in Financial Instruments Directive II from June 2017 this local authority will be classified as a retail investor. It will thence be for each counterparty to decide whether to assess the Council as a professional investor. Guidance from the Financial Conduct Authority on this process is awaited. The implications of not being reclassified are profound.

### 3.15 Treasury Limits

- 3.15.1 Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2017/2018 to 2019/2020 and are termed:
1. The '**Operational Boundary for External Debt**'. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
  2. The '**Authorised Borrowing Limit**'. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Executive Director of Resources.
- 3.15.2 The Executive Director of Resources will be responsible for setting the Council's Affordable Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.
- 3.15.3 The Council's affordable borrowing limit has been estimated to be **£900.442m** for **2016/2017**, **£1,234.442m** in **2017/2018**, **£1,365.442m** in **2018/2019** and **£1,372.442m** in **2019/2020** as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic

Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £40m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

### 3.16 Prudential Indicators

3.16.1 The Prudential Indicators for 2017/2018 to 2019/2020 are attached in **Appendix C** in accordance with the Prudential Code for Capital Finance in Local Authorities 2011 Edition.

3.16.2 The Executive Director of Resources is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.

3.16.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The updated 2011 Code was adopted on 26 February 2013 by Full Council (Minute A31/13).

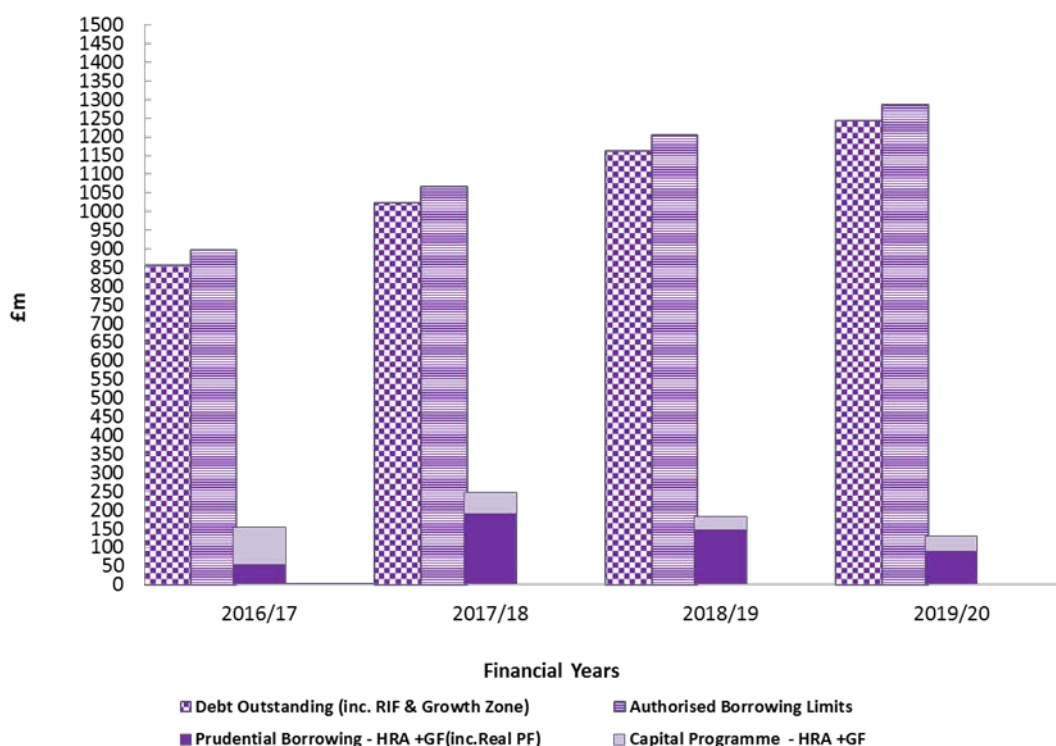
3.16.4 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.

3.16.5 The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:

1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. (**see Appendix C**).
2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £14.32 per Band D council taxpayer in 2017/2018. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.
3. The external debt indicators illustrate the calculation of the affordable borrowing limit.
4. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year, for reasons of limiting exposure to risk and guaranteeing adequate liquidity. The final indicator sets a profile for the maturing of new debt.

3.16.6 These main indicators are featured below as follows:

**Chart 1: Comparison of Debt against Prudential Limits 2016 / 2020**



### 3.17 Conclusion

3.17.1 The Council's treasury advisers forecast that the bank rate, currently at 0.25%, will increase only after the UK formally leaves the European Union. The longer term (25 years) PWLB interest rates, which currently are 2.9%, are expected to increase to around 3.00% in the second half of 2017.

3.17.2 Temporary investment rates are currently between 0.40 and 0.60% for short dates and between 0.54% and 1.0% for longer periods. It is anticipated that investment rates will increase gradually next year in line with bank rate expectations.

3.17.3 A glossary of terms associated with this report is attached in **Appendix F**.

## 4 CONSULTATION

4.1 Full consultation in respect of the contents of this report has taken place with the Council's treasury management advisers Capita Asset Services in preparing this report.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt with within this report.

There are no additional financial considerations other than those identified in this report.

### 5.2 The effect of the decision

Approval to this report will ensure that the Council meets both its legal and financial management requirements in respect of Treasury Management.



### **5.3 Risks**

There are no further risks issues other than those already detailed in this report.

### **5.4 Options**

These are fully dealt with in this report.

### **5.5 Future savings/efficiencies**

This report sets out the Treasury Strategy and identifies that new loans and debt restructuring will only be undertaken on advice from our treasury management advisers.

Approved by: Richard Simpson, Executive Director of Resources.

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Acting Council Solicitor comments that there are no additional legal considerations beyond those detailed in the body of the report.

Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no immediate HR considerations that arise from the recommendations of this strategy for Croydon Council staff or workers, other than the formation of a Development Company; HR advice will be given separately in relation to the specific people issues that will arise from that proposal.

Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR.

## **8. EQUALITIES IMPACT**

- 8.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

- 8.2 The Council's Capital and Revenue Budget 2017/2018 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

## **9. ENVIRONMENTAL IMPACT**

- 9.1 There are no Environment and Design impacts arising from this report.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

**10.1** There are no Crime and Disorder reduction impacts arising from this report.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

**11.1** The recommendations proposed are in accordance with the Treasury Management in the Public Services Code of Practice 2011 Edition and the Prudential Code for Capital Finance in Local Authorities 2011.

## **12. OPTIONS CONSIDERED AND REJECTED**

**12.1** Consideration and evaluation of alternative options are dealt with within this report.

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**CONTACT OFFICER:** Nigel Cook, Head of Pensions and Treasury Ext 625526

### **BACKGROUND DOCUMENTS:**

CIPFA's Prudential Code for Capital Finance in Local Authorities – Fully Revised Second Edition 2009 and updated 2011 Edition.

CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – Fully Revised Second Edition 2009 and updated 2011 Edition.

DCLG's Guidance on Local Government Investments March 2004.

### **Appendices**

**Appendix A:** Long-term debt profile

**Appendix B:** Specified and non-specified investments

**Appendix C:** Prudential Indicators

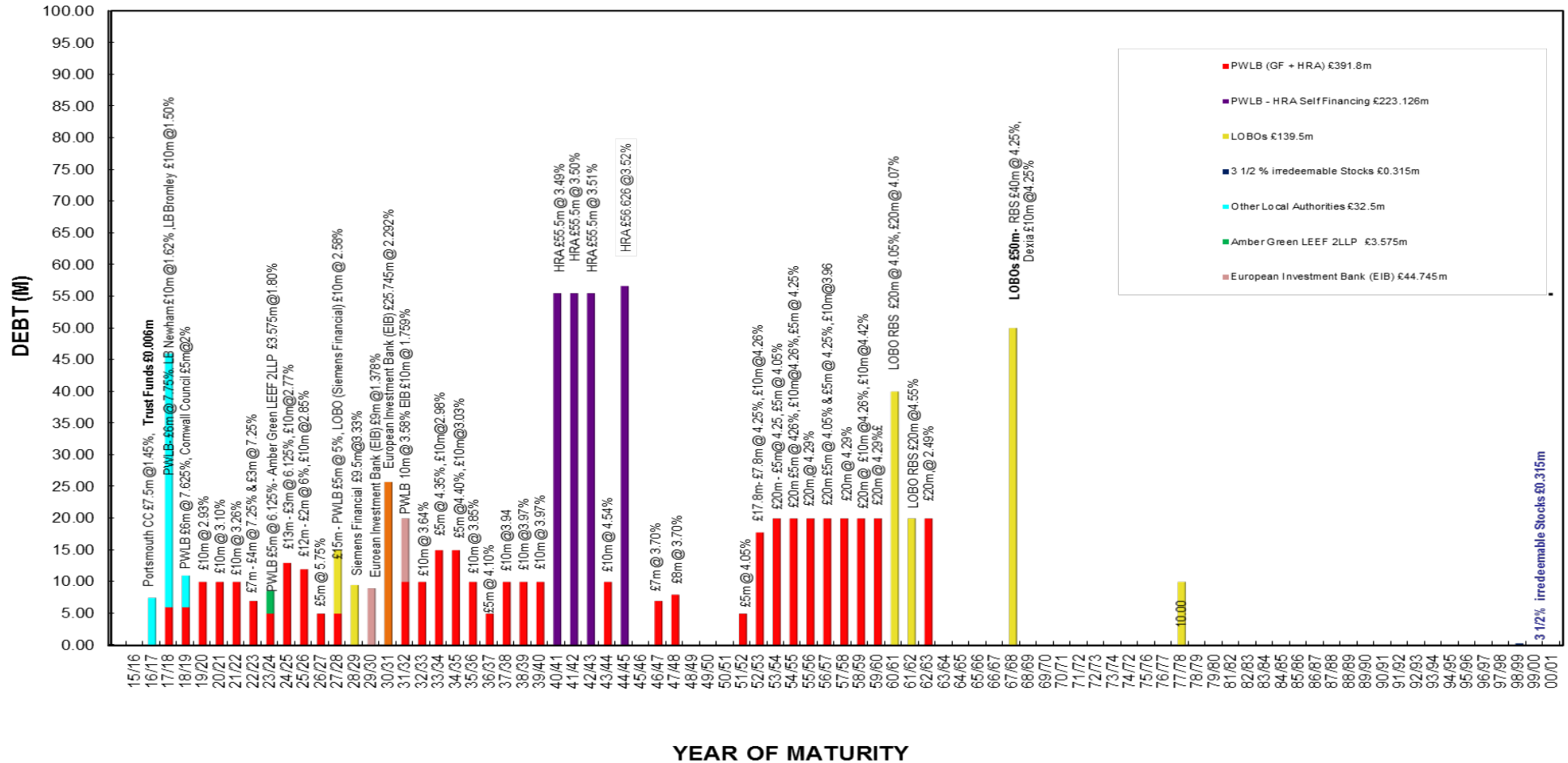
**Appendix D:** Minimum Revenue Provision Policy

**Appendix E:** Authorised Lending List

**Appendix F:** Glossary

**Appendix G:** Commentary on Interest Rate Forecasts

## London Borough of Croydon Long Term Debt Profile as at 31 December 2016 £835.567m



**LOCAL GOVERNMENT INVESTMENTS (ENGLAND)**  
**SPECIFIED AND NON-SPECIFIED INVESTMENTS**

- a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:
- Debt Management Agency Deposits Facility (DMADF) which is currently available for investments up to six months.
  - Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to one year.
  - Term deposits with credit - rated deposit takers (banks and building societies) including callable deposits, with maturities up to one year.
  - Certificate of Deposits issued by credit - rated deposit takers (banks and building societies) up to one year.
  - AAA rated Money Market Funds (i.e. a collective investment scheme as defined in SI. 2004 No 534).
  - Bonds issued by multinational development banks (as defined in SI 2004 No 534) with maturities under 12 months. The Council currently does not invest in this type of investment. It is recommended, however, that these can now be used and held until maturity, after consulting and taking advice from the treasury management consultants.
  - Enhanced AAA rated Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.
  - UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market.
  - UK Government Treasury Bills which are debt instruments issued by the Government's Debt Management Office through weekly auctions. The bills are issued with maturities of one, three and six months.

- b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:
- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
  - Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.
  - Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.
  - Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.
  - Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
  - Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.

- If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.
- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.
- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment. The Council currently has invested in one property fund; the Real Lettings Property Fund Limited Partnership – see 3.5.13. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.
- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's

authorised lending list, after consulting and taking advice from the treasury management consultants.

- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Investment in equity of any company wholly owned by Croydon Council.

**PRUDENTIAL INDICATORS FOR 2016/17 – 2019/2020**

PRUDENTIAL INDICATORS	2016/17 Forecast Outturn £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
<b>1. Prudential Indicators for Capital Expenditure</b>				
1.1. Capital Expenditure				
- General Fund	127.746	386.774	148.866	28.007
- HRA	25.724	27.051	27.051	27.051
<b>Total</b>	<b>153.470</b>	<b>413.825</b>	<b>175.917</b>	<b>55.058</b>
1.2. In year Capital Financing Requirement (see Table 2)				
- General Fund - gross of MRP costs	54.722	355.227	138.572	15.348
- HRA	0.000	0.000	0.000	0.000
<b>Total in year Capital Financing Requirement</b>	<b>54.722</b>	<b>355.227</b>	<b>138.572</b>	<b>15.348</b>
1.3. Capital Financing Requirement as at 31 <sup>st</sup> March – <b>balance sheet figures</b>				
- General Fund (net of MRP costs)	600.653	949.887	1,081.325	1,088.778
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
<b>Total</b>	<b>939.341</b>	<b>1,288.575</b>	<b>1,420.013</b>	<b>1,427.466</b>
<b>2. Prudential Indicators for Affordability</b>				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	10.0%	13.0%	14.00%	14.0%
- HRA	16.00%	16.00%	16.00 <sup>2</sup>	16.00%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£4.00	£14.32	£11.00	£3.00
- Cumulative increase (includes MRP costs).		£33.00	£64.00	£82.00
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
<b>3. Prudential Indicators for Long External Debt</b>				
3.1. Debt brought forward 1 <sup>st</sup> April	808.633	858.242	1,192.242	1,323.242
Debt carried forward 31 <sup>st</sup> March (includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	858.242	1,192.242	1,323.242	1,330.242
<b>Additional Borrowing</b>	<b>49.609</b>	<b>334</b>	<b>131</b>	<b>7</b>



**APPENDIX C**

PRUDENTIAL INDICATORS	2016/17 Forecast Outturn £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
3.2. Operational boundary for external debt (excludes revenue borrowing) Borrowing	858.242	1,192.242	1,323.242	1,330.242
Other long term liabilities	2.2	2.2	2.2	2.2
3.3. Total operational debt (excludes revenue borrowing)	858.242	1,192.242	1,323.242	1,330.242
Add margin for cashflow contingency	40.000	40.000	40.000	40.000
Authorised limit for external debt (includes revenue borrowing)	898.242	1,232.242	1,363.242	1,370.242
Other long term liabilities	2.2	2.2	2.2	2.2
<b>Authorised Borrowing Limit</b>	<b>900.442</b>	<b>1,234.442</b>	<b>1,365.442</b>	<b>1,372.442</b>
<b>4. Prudential Indicators for Treasury Management</b>				
4.1. Borrowing limits - upper limit for fixed interest rate exposure expressed as:- Net principal re fixed rate borrowing / investments	900.442	1,234.442	1,365.442	1,372.442
4.2. Borrowing limits - upper limit for variable rate exposure expressed as :- Net principal re variable rate borrowing / investments	20%	20%	20%	20%
4.3. Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	30%	30%	30%
4.4. Maturity structure of new fixed rate borrowing, if taken, during 2016/17		Lower limit		Upper limit
- Under 12 months		0		20%
- 12 months to 24 months		0		20%
- 24 months to 5 years		0		30%
- 5 years to 10 years		0		30%
- 10 years and above		0		100%

**MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2017/2018**

The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/09, and will continue to assess their MRP for 2017/18 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.

The Council's MRP Policy Statement for 2017/2018 is to be as follows:

1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adapt **Option 1 - the Regulatory Method** by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.
2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31<sup>st</sup> March 2016, the MRP policy will be to adopt **Option 3 – Asset Life Method – Annuity method from the Guidance**. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.
3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.
5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.
6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).
7. The Council's cash investment in the Real Lettings Property Fund LP under a 7 year life arrangement is due to be returned in full at maturity with interest paid annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

## **APPENDIX D**

8. Loans borrowed from Amber Green LEEF 2LLP or an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

**LONDON BOROUGH OF CROYDON**  
**Authorised Lending List as at 31/12/16 (Ratings as per FITCH)**

**LIST A**

<b>Name</b>	<b>Credit Limit £</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>	<b>Viability Rating</b>	<b>Support Rating</b>	<b>Sovereign Rating</b>
Royal Bank Of Canada <b>(Canada)</b>	20,000,000	AA	F1+	aa	2	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc <b>(Part Nationalised) (UK)</b>	25,000,000	BBB+	F2	bbb+	5	AA+
Debt Management Account <b>(UK Government Body)</b>	No Limits					AA+

**LIST B**

<b>Name</b>	<b>Credit Limit £</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>	<b>Viability Rating</b>	<b>Support Rating</b>	<b>Sovereign Rating</b>
Australia & New Zealand Banking Group <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
HSBC Bank PLC <b>(UK)</b>	10,000,000	AA-	F1+	a+	1	AA+
National Australia Bank <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Svenska Handelsbanken AB <b>(Sweden)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Toronto-Dominion Bank <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA

**LENDING LIST CRITERIA**

**LIST A**

**LIMITS TO INDIVIDUAL ORGANISATIONS**

Maximum Investment Limit - £20m apart from the limits on the institutions noted below.

**CREDIT RATINGS**

FITCH Rating in each of the following categories:

- F1+ on Short Term Rating
- AA or above Long Term Rating
- aa- or above Viability Rating
- 5 or above for Support Rating
- AA+ or above Sovereign Rating

**APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

ALL NON – UK BANKS that meet the FITCH ratings set out above.  
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.  
UK BANKS that meet the FITCH ratings set out above.  
AAA RATED MONEY MARKET FUNDS - £15M LIMIT  
DEBT MANAGEMENT OFFICE – NO LIMIT

**APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS**

PART NATIONALISED UK BANKS – Limits as noted below:  
ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

**LIST B**

**LIMITS TO INDIVIDUAL ORGANISATIONS**

Maximum Investment Limit - £10m

**CREDIT RATINGS**

FITCH Rating in each of the following categories:

- F1+ on Short Term Rating
- AA- or above on Long Term Rating
- a+ or above Viability Rating
- 5 or above for Support Rating
- AA+ or above Sovereign Rating

**APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

ALL NON – UK BANKS that meet the FITCH ratings set out above.  
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.  
UK BANKS that meet the FITCH ratings set out above  
ALL UK LOCAL AUTHORITIES

**GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2017/2018**

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported  - Unsupported	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants.  Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

## APPENDIX F

G7	The Group of Seven (G7) is an informal bloc of seven industrialised democracies – the USA, Canada, France, Germany, Italy, Japan and the UK that meets annually to discuss issues such as global economic governance, international security and energy policy.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan with no penalty.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Net Revenue Stream (NRS)	<p>The NRS for the General Fund is the “Amount to be met from Government Grant and Council Tax contributions”, as shown in the consolidated revenue account. This represents the budget requirement for the Council.</p> <p>The NRS for the Housing Revenue Account is the amount to be met from net rent income as shown in the HRA accounts.</p>
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
Public Works Loan Board (PWLB)	Part of the Government’s Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

**COMMENTARY FOR INTEREST RATE FORECASTS AND THE ECONOMY PROVIDED BY OUR TREASURY ADVISOR CAPITA ASSET SERVICES**

The Bank of England's Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.



The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
- The Italian constitutional referendum in December resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government;
  - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
  - There will be a Dutch general election in March;
  - This will be followed by the French presidential election in April/May 2017;
  - Next there is the French National Assembly election in June 2017; and finally in the annual calendar,
  - The German Federal election, in August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats.
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

## Investment and borrowing rates

- Investment returns are likely to remain low during 2017/2018 and beyond.
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4<sup>th</sup> August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

<b>REPORT TO:</b>	<b>CABINET 20 FEBRUARY 2017</b>
<b>AGENDA ITEM:</b>	<b>6.3</b>
<b>SUBJECT:</b>	<b>QUARTER 3 FINANCIAL PERFORMANCE 2016/17</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>CLLR TONY NEWMAN LEADER OF THE COUNCIL CLLR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY</b>
<b>WARDS:</b>	<b>ALL</b>

**CORPORATE PRIORITY/POLICY CONTEXT:**

The recommendations in the report will help to ensure effective management, governance and delivery of the Council's medium term financial strategy and ensure a sound financial delivery of the 2016/17 in-year budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.

**AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:**

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 -2018, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.

**FINANCIAL IMPACT**

The reduced financial settlement and ongoing demand pressures on a range of statutory services is resulting in pressures to the Council's budget, and resulting in a minor forecast over-spend at Quarter 3.

**FORWARD PLAN KEY DECISION REFERENCE NO.**

Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

**1 RECOMMENDATIONS**

Cabinet is recommended :-

- i) Note the current revenue outturn forecast at the end of the third quarter of 2016/17 of **£0.732m** over budget, (0.26% of net expenditure) and the actions put in place to reduce the overspend;
- ii) Note the HRA position of a **£0.290m** forecast underspend against budget;

- iii) Note the capital outturn projection of **£90.23m** forecast under spend against budget;
- iv) Approve the virements set out in Section 5

## 2. EXECUTIVE SUMMARY

- 2.1 This report updates the Council's financial outlook at the end of the third quarter of 2016/17, which remains against a context of a series of adverse national funding and legislative changes affecting Local Government finance.
- 2.2 Financial pressures have been identified within the People department, largely as a result of a continued growth in demand for both Children and Adult social care placements and pressures relating to homelessness. It is worthy of note that the LGA and London Councils have both acknowledged the pressures on these areas, as has Central Government.
- 2.3 The Council's overall forecast revenue over spend of **£0.732m** is made up of Departmental over spends of **£10.314m**; offset by non-departmental underspends of **£9.582m** as shown in Table 1 below:

**Table 1 – Summary of forecast revenue outturn position at Quarter 2:**

Department	Forecast Variance Quarter 3 £'000s	Forecast Variance Quarter 2 £'000s
People	10,171	9,553
Place	(192)	(427)
Resources	335	194
<b>Departmental Overspend</b>	<b>10,314</b>	<b>9,320</b>
<b>Non-departmental items</b>		
Additional Grant Income	(5,008)	(3,708)
Interest Receivable	(1,506)	(1,506)
Interest Payable / MRP	(1,782)	(1,782)
Contingency	(1,000)	(1,000)
Other minor variances	(286)	(404)
<b>Total Non-Department Items</b>	<b>(9,582)</b>	<b>(8,400)</b>
<b>Total Projected Over-spend</b>	<b>732</b>	<b>920</b>

Details of major variances are provided in Table 2, Section 3 of this report, with further information about all projected outturn variances available in Appendix 1 to this report.

### 3. GENERAL FUND 2016/17 REVENUE SUMMARY

3.1 The projected outturn position at the third quarter of 2016/17 is showing the effect of anticipated saving and recovery plans that will be implemented during the year. Details of major variances are set out in Table 2 below:

**Table 2 – Major Variances over £500k**

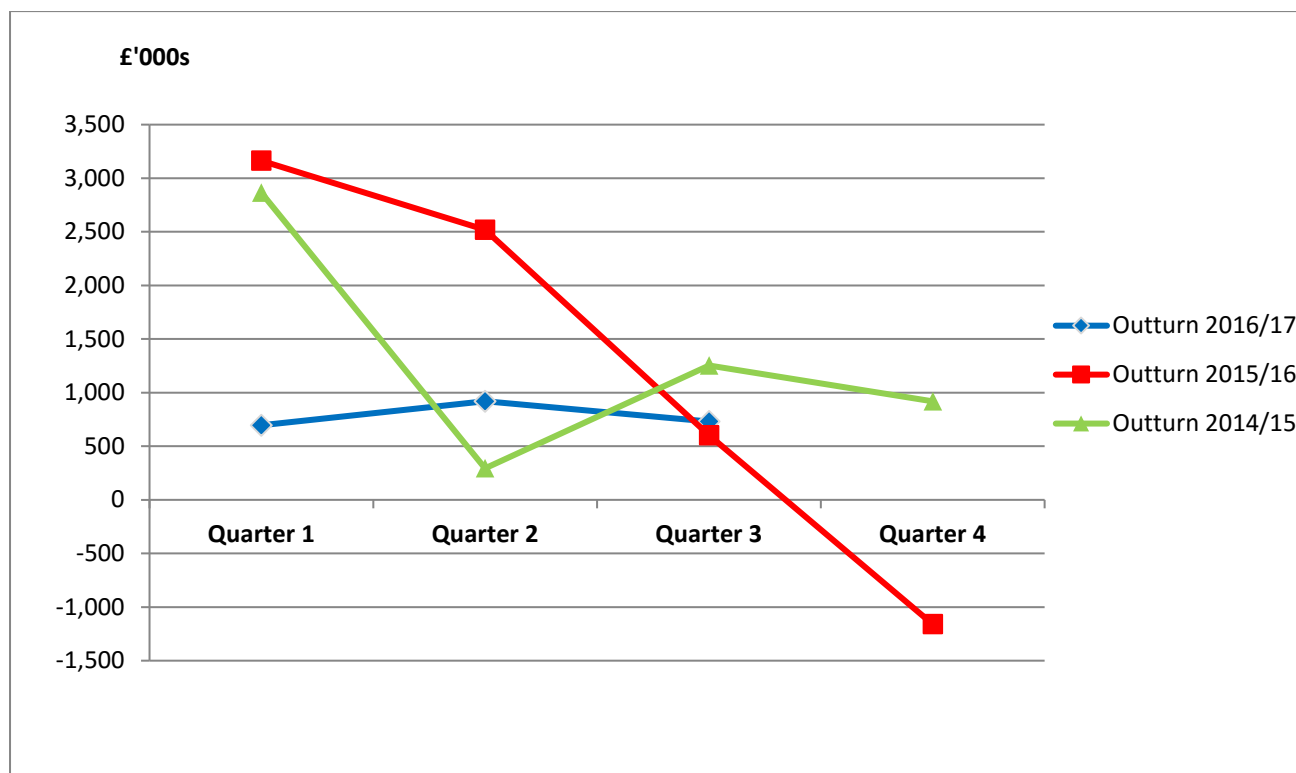
Department	Major Variances over £500k	Quarter 3 £'000	Quarter 2 £'000	2015-16 outturn £'000
<b>PEOPLE</b>				
<b>Children's Social Care</b>	Looked after Children and transitions placement costs, agency staffing and contract and assessment overspends within the Children In Need Service	4,309	4,800	3,974
<b>Gateway &amp; Welfare and Housing Need</b>	Emergency Accommodation costs	1,932	1,778	1,855
<b>Adult Social Care</b>	Care Package and staffing overspends within the disability service, including Ordinary Residence costs	3,452	2,891	3,552
	People Department Variances below £500k, the majority of which relates to legal fees	478	(84)	324
<b>PEOPLE Total</b>		<b>10,171</b>	<b>9,553</b>	<b>9,705</b>
<b>PLACE</b>				
<b>Planning</b>	Additional Planning Income	(906)	(783)	(744)
	Place Department Variances below £500k	714	356	529
<b>PLACE Total</b>		<b>(192)</b>	<b>(427)</b>	<b>(215)</b>
<b>RESOURCES</b>				
<b>Finance and Assets</b>	(Prior year) Underspends on Business Rates charges across the corporate estates following successful appeal challenges.	0	0	(777)
	Resources Department Variances below £500k	335	194	(186)
<b>RESOURCES Total</b>		<b>335</b>	<b>194</b>	<b>(963)</b>
<b>NON DEPARTMENTAL ITEMS</b>				
	Contingency	(1,000)	(1,000)	(1,000)
	Interest Payable / MRP	(1,782)	(1,782)	(6,159)
	Interest Receivable	(1,506)	(1,506)	
	Additional Grant Income	(5,008)	(3,708)	(2,529)
	Other variances below £500k	(286)	(404)	-
<b>NON-DEPARTMENTAL BUDGETS TOTAL</b>		<b>(9,582)</b>	<b>(8,400)</b>	<b>(9,688)</b>
<b>TOTAL VARIANCE</b>		<b>732</b>	<b>920</b>	<b>(1,161)</b>

- 3.2 The projected People department overspend in 2016/17 is **£10.171m** and continues to be made of up of pressures in Adult Social Care, Children's Social Care, Homelessness and Gateway & Welfare services.
- 3.3 The 2016/17 budget was set with the inclusion of growth to help manage pressures as well as significant savings targets. Despite this growth there continues to be increasing demand for the services provided by the department in the key areas of, adult and children's social care and temporary accommodation.
- 3.4 These pressures are mainly demand related, and are a continuation of pressures experienced in previous years, although the scale has been limited by a combination of improved demand management, and growth awarded in the 2016/17 budget.
- 3.5 The Council has a programme to manage demand and it is anticipated that the greatest impact of this will be within the People Department. This programme will deliver options in the medium and longer term. In the short term a range of immediate actions are in place, including:-
- A new framework around purchasing foster care has just come into place.
  - Improved commissioning, contract management and brokerage.
  - A further review of the use of and cost of agency staff.
  - The development of a recruitment and retention strategy for social workers has been commissioned.
  - The transformation of adult social care continues, which includes some detailed reviews of high cost care packages to ensure individual needs are being met in the most effective way.
  - The application of the successful Gateway approach to the 'front door' of adult social care which is likely to bring both cost savings and service improvement.
  - Introduction of Family Link workers to assist families.

#### **4. GENERAL FUND REVENUE SUMMARY POSITION 2016/17**

- 4.1 Graph 1 below shows the forecast variance for 2016/17 compared to previous years. The Council continues to manage its finances through the rigorous monitoring and control of spending within the framework of the Financial Strategy, which explains the improving positions in the later quarters of the year.

Graph 1 – Forecast Variances



4.2 The Council is continuing to monitor the expenditure within the People department and the monthly governance boards are key to this process as they focus on the areas of highest risk. Key actions being implemented in 2016/17 in the People department are detailed in para. 3.5 of this report and the other departments are continuing to look at short term options to bring the budget in line.

## 5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

5.1 The following virements requested during Quarter 3 require the approval of cabinet, due to their size.

FR035 – A transfer of £1,104,000 from People and Place departments, in order to centralise the Community Fund budgets within the Resources department.

FR036 – A transfer of £9,403,300 to realign Facilities Management budgets into the Resources division, from with People and Place, following the new contractual arrangements for these services.

## 6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The current forecast for the HRA is for an estimated underspend of £0.290m. The key variances being reported at Quarter 3 are summarised in Table 3 below:

**Table 3 – 2016/17 Main variances within the HRA**

Department	Major Variances	Quarter 3 £'000	Quarter 2 £'000
HRA – PEOPLE	Movement driven by addition of £500k for Discretionary Housing Payments to tenants in receipt of housing benefits. Income recovery estimates for major works have been revised downwards.	10	(1,100)
HRA - PLACE	Staff underspends reflected along with PMI procurement savings.	(300)	(7)
<b>TOTAL HRA PROJECTED VARIANCE</b>		<b>(290)</b>	<b>(1,107)</b>

- 6.2 Longer term budget planning for the HRA is currently taking place and includes reviewing the impact of the Housing and Planning Act to understand and model the impact of future rent reductions and the other new initiatives including High Value Voids and Pay to Stay.
- 6.3 The HRA business plan includes £15m investment this year in the new build programme which will now be delivered through Brick by Brick. Due to the change in delivery provider the programme has slipped to enable the development of a bigger programme with a more joined up approach to creating a sustainable mix of developments in the Borough, with a larger supply of affordable housing than would otherwise have been the case, as well as capital receipts and other financial benefits for the Council's General Fund.

## 7. FORECAST CAPITAL OUTTURN POSITION

- 7.1 The high level Capital programme for 2016/17 is shown in Table 4 below. Full details of all projects are shown in Appendix 2. Forecast expenditure of £153,470k is projected for 2016/17.

**Table 4 – 2016/17 Capital Programme**

Original 2016/17 Budget	Department	Slippage from 2015/16	Re-profiling / Increases in Schemes	Revised Budget 2016/17	Actuals April-Dec 2016	Forecast Outturn	Forecast Variance	forecast slippage into 2017/18
£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
108,741	PEOPLE	21,807	1,248	131,796	47,351	73,864	(57,932)	(58,912)
25,384	PLACE	7,450	16,534	49,368	12,830	34,525	(14,843)	(14,409)
8,439	RESOURCES	9,295	1,839	19,573	6,731	19,356	(217)	(217)
<b>142,564</b>	<b>GENERAL FUND TOTAL</b>	<b>38,552</b>	<b>19,621</b>	<b>200,737</b>	<b>66,912</b>	<b>127,745</b>	<b>(72,992)</b>	<b>(73,538)</b>
<b>33,621</b>	<b>HOUSING REVENUE ACCOUNT</b>	<b>9,339</b>	<b>0</b>	<b>42,960</b>	<b>11,967</b>	<b>25,724</b>	<b>(17,236)</b>	<b>(3,331)</b>
<b>176,185</b>	<b>CAPITAL PROGRAMME TOTAL</b>	<b>47,891</b>	<b>19,621</b>	<b>243,697</b>	<b>78,879</b>	<b>153,470</b>	<b>(90,228)</b>	<b>(76,869)</b>



- 7.2 The capital programme is funded from a number of different sources, including capital receipts, external grants and borrowing. Table 5 below details the funding for the original 2016/17 budget, the revised programme and for the forecast outturn.

**Table 5 – Sources of capital funding**

<b>Funding</b>	<b>Original Budget 2016/17 £000's</b>	<b>Revised Budget 2016/17 £000's</b>	<b>Forecast Outturn 2016/17 £000's</b>
Capital Receipts	13,500	13,500	0
Education Funding Agency	39,093	58,341	60,272
Transport for London	3,336	5,497	5,497
Better Care Fund (Disabled Facilities Grant)	900	1,739	2,427
Section 106	0	1,767	1,066
Other grants and contributions	3,058	10,570	9,309
Borrowing	82,676	109,323	49,174
<b>GENERAL FUND</b>	<b>142,564</b>	<b>200,737</b>	<b>127,745</b>
Major Repairs Allowance	17,301	17,301	17,301
HRA - Revenue Contribution	8,523	8,523	8,423
HRA - Use Of Reserves	1,606	10,945	0
HRA - Unsupported Borrowing	6,191	6,191	0
<b>HRA FUNDING</b>	<b>33,621</b>	<b>42,960</b>	<b>25,724</b>
<b>TOTAL FUNDING</b>	<b>176,184</b>	<b>243,697</b>	<b>153,470</b>

- 7.3 Section 106 funding is received from developers to mitigate the impact of developments. A breakdown of how this funding is being used is shown in Table 6 below.

**Table 6 – Breakdown of Section 106 expenditure**

<b>Section 106 expenditure</b>	<b>Forecast outturn £'000s</b>
Public Realm	946
<b>Parks and Open Spaces</b>	<b>120</b>
<b>Total Section 106</b>	<b>1,066</b>

- 7.5 Key variances within the Quarter 3 position include a £56.5m under-spend across the Education programme, following a re-profiling of projects to 2017/18 and 2018/19.
- 7.6 The HRA capital programme is also showing an under spend of £17.974m, as the new build programme is now being undertaken by Brick by Brick as detailed in section 6.3.

## 8. FINANCIAL MANAGEMENT

- 8.1 The Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 7 below:

**Table 7 - Council Tax and Business Rates collection**

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %	Variance at Q3 – prior year position %	Target Collection – 2016-17 %	Actual Collection – 2015-16 %
Council Tax	81.70	81.18	-0.52	-0.92	96.75	96.45
Business Rates	84.01	82.20	-1.81	-0.31	98.75	97.74

## **Council Tax**

- 8.2 Council tax collection has fallen behind in December compared to the November position: we are now 0.52% below target compared to 0.40% at the end of November. This is entirely owing to having one less working day in December this year, compared to both December last year and November. There are two more working days in January so we are confident that this drop is temporary and collection will increase again by the end of next month.
- 8.3 The debit continues to increase through adding additional properties and council tax support adjustments, £209k this month, bringing the YTD total to £2.536 million. However we are monitoring this closely and have ensured that we are as proactive as possible in getting these new accounts / debts into payment to mitigate the ongoing increase at this late stage in the year.
- 8.4 The instalment profile remains positive with the forecast position for the end of the year set to exceed last year's performance and achieve the year's target of 96.75%. The service is monitoring this closely to ensure performance remains on track.

## **Business Rates**

- 8.5 NNDR collection has reduced in December, extending the shortfall to target by 0.62%, to 1.81%. This is attributable to two main factors: firstly, having less working days in December compared to last year and last month, and secondly, due to the pattern of payments made by the larger payers.
- 8.6 Specifically, a number of the higher value businesses made their January payment early last year so that it was received within December, but this did not happen this year. However, these companies are all up to date by their January instalment date, and so there will have no impact on the full year collection position. This accounts for 0.43% of the 0.62% movement referred to above.
- 8.7 The in-year performance trajectory is on track to exceed achieve the year's collection target of 98.75%, although some volatility cannot be ruled out due to the impact some large payers have on the overall collection position.

## **9. CONSULTATION**

- 9.1 All departments have been consulted during the preparation of this report.

## **10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 10.1 This report sets out the current financial position of the Council, and actions being taken to address the projected overspend.

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

## **11. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER**

- 11.1 The Acting 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 for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer.

## **12. HUMAN RESOURCES IMPACT**

- 12.1 The items from the savings packages and action plans included in the original budget and this report or those that need to be developed in response to the report are likely to have a HR impact. These can vary from posts not being re-filled or deleted through restructures proposals leading 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: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR

## **13 EQUALITIES IMPACT -**

- 13.1 The key service areas that currently have over spend in budgets are Looked after Children, Adult Care Placements and Temporary Accommodation. All of these are areas that provide services to customers from equality groups that share protected characteristics; such as younger people (Looked after Children), people with a disability (Children with special educational needs), older people and BME groups. There are a number of known equality and inclusion issues in the above mentioned service areas such as an over-representation of BME young people in looked after children, over-representation of BME groups and other vulnerable groups such victims of domestic abuse, homeless young people, pregnant women and young children in in temporary accommodation, young children with a disability who have a special educational needs and their carers, vulnerable older people with complex needs etc. The mitigating actions, on these specific services are unlikely to affect these groups more than the population as a whole. In fact, a number of those will affect these groups less.
- 13.2 In addition, there are policy changes made by Government that will impact on the in-year budget. The Council will work to ensure key services to Croydon residents are protected wherever possible. However, it is likely that some of the areas affected will be a reduction in Home Office funding for Unaccompanied Asylum Seeking Children, a cut to the Public Health Grant and the Youth Justice Board grant and changes as a result of the Welfare and Housing Act. There is a likelihood that these cuts will have a more significant adverse impact on some groups that share a protected characteristic such as age, race and disability. Changes to the Welfare and Housing Act are also likely to have an adverse negative impact on the more vulnerable customers.
- 13.3 In order to ensure that our vulnerable customers that share a "protected characteristic" are not disproportionately affected by the actions proposed to reduce in year budget over spend we will ensure that the delivery of the cost reduction initiatives are informed by a robust equality analysis of the likely detrimental impact it could have on all services users and in particular those that share a "protected characteristic".

13.4 If the equality analysis suggests that the cost reductions initiatives are likely to disproportionately impact on particular group of customers, appropriate mitigating actions will be considered. This will enable the Council to ensure that it delivers the following objectives that are set out in our Equality and Inclusion Policy:

- To increase the rate of employment for disabled people, young people, over 50s and lone parents who are furthest away from the job market
- To increase the support offered to people who find themselves in a position where they are accepted as homeless especially those from BME backgrounds and women
- To reduce the rate of child poverty especially in the six most deprived wards
- To improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked After Children, particularly at Key Stage 2 including those living in six most deprived wards
- To increase the percentage of domestic violence sanctions
- To increase the reporting and detection of the child sexual offences monitored
- To reduce the number of young people who enter the youth justice system
- To reduce social isolation among disabled people and older people
- To improve the proportion of people from different backgrounds who get on well together
- To reduce differences in life expectancy between communities

## **14. ENVIRONMENTAL IMPACT**

14.1 There are no direct implications contained in this report.

## **15. CRIME AND DISORDER REDUCTION IMPACT**

15.1 There are no direct implications contained in this report.

## **16. REASONS FOR RECOMMENDATION /PROPOSED DECISION**

16.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position.

## **17. OPTIONS CONSIDERED AND REJECTED**

17.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position. The alternative would be to over-spend and draw down on balances, which would not be prudent.

### **CONTACT OFFICER:**

**Richard Simpson** Executive Director Resources (Section 151 Officer). Tel number 020 8726 6000 ext. 61848

**BACKGROUND PAPERS – none**

PEOPLE DEPARTMENT

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
Children's Social Care	<b>Looked After Children</b> - overspends on external placement costs, principally due to new cases. This increase has stabilised in Q3 with minor change to the volumes of clients.	2,543	2,397
	<b>Children In Need</b> – the pressure in this area is driven by the sharp increase in contact and assessment cases (up c.80% year-on-year). This has driven the need for additional agency staff, with a further increase in Q3.	2,041	1,495
	<b>Directorate</b> – the increased demand driving the budget pressures identified above has a knock-on effect to the overall cost of legal fees for Children's social care	499	198
	<b>Safeguarding</b> – additional agency staffing, particularly minute takers within the CPU	362	416
	<b>EISS</b> – a number of staff vacancies have been held to offset pressures elsewhere in the department. Funds have also been released from the Troubled Families Reserve.	(1,119)	(551)
	Other Minor Variances < £100k	(17)	(11)
	<b>Sub-total Children's Social Care</b>	<b>4,309</b>	<b>4,800</b>
Universal Services	<b>School Improvement</b> – impact of historic pension costs (exercise underway to review status of all existing pensions).	9	42
	<b>Sub-total Universal Services</b>	<b>9</b>	<b>42</b>
People Directorate	Provision for further growth in People department legal fees.	423	9
	<b>Sub-total People Directorate</b>	<b>423</b>	<b>9</b>
Gateway & Welfare	Demand for Emergency Accommodation is driving increased spend on Bed & Breakfast provision, although this has stabilised at 971 rooms per week in Q3. Adverse movement in the quarter reflects temporary staff required to bridge the service during a planned re-organisation.	1,932	<b>1,778</b>
	<b>Sub-total Gateway &amp; Welfare</b>	<b>1,932</b>	<b>1,778</b>
Adult Social Care & All Age Disability	<b>25 – 65 Disability Service</b> -- increase in complexity of physical disability cases and number of learning disability cases. Improvement this month relates to a large, one-off Ordinary Residence settlement with LB Sutton.	1,732	2,600
	<b>0-25 Service</b> – the transitions service is carrying 16 extra clients (9 with backdated costs) which has remained flat in Q3. Additional costs have arisen due to a detailed review of Children with Disabilities clients (74 clients in total).	1,059	856
	<b>Older People Social Care</b> - staff overspends have been driven by the need for additional Occupational Therapy capacity and agency locums. Winter pressures controlled by maximising block contract residential places to 98% occupancy (see below).	540	785
	<b>Older People Commissioning and Brokerage</b> – containment of winter pressures has driven increases to Extra Care, as well as conversion of residential beds to nursing (which have higher unit costs).	1,363	48
	<b>Directorate</b> – agency costs associated with running the Centralised Duty Team (10 additional staff) as well as delayed delivery of joint QIPP efficiency savings (£210k) in Q3.	430	309

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
	<b>Disability Commissioning &amp; Brokerage</b> – procurement savings on Supporting People contracts. A number of vacancies have been held throughout the year.	(977)	(565)
	<b>Adults Transformation</b> – there has been an underspend on the TRASC project delivering transformation across Adult Social Care	(849)	(880)
	<b>Day and Employment Services</b> – differences have been revealed between the budget estimates for the in-sourcing of Croydon Day Opportunities	268	374
	Other Minor Variances < £100k	(114)	220
	<b>Sub-total Adult Social Care &amp; All Age Disability</b>	<b>3,452</b>	<b>2,891</b>
<b>Housing Need</b>	Additional private-lease agreements and guaranteed rent schemes have been sought boost Temporary Accommodation supply. These costs have been largely offset by reduced ETA repair requirements, improved ETA rent collection, and funding for Housing Renewal OT services.	45	33
	<b>Sub-total Housing Need</b>	<b>45</b>	<b>33</b>
	<b>Total Forecast Variance – People Department</b>	<b>10,171</b>	<b>9,553</b>

## PLACE DEPARTMENT

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
<b>Place</b>	Other Minor Variances < £100k	(42)	(115)
<b>Directorate</b>	<b>Sub-total Place Directorate</b>	<b>(42)</b>	<b>(115)</b>
<b>Streets</b>	Street cleaning expenditure identified in relation to the previous year	550	0
	Facilities Management security and cleaning budget pressures	146	146
	Savings delivered in bin lease expenditure upon completion of contract	(157)	0
	Other Minor Variances < £100k	(1)	105
	<b>Sub-total Streets</b>	<b>542</b>	<b>251</b>
<b>Safety</b>	A £140k pressure on Pay & Display income (due to the cost of the cashless app and cash collection charges), and a £159k pressure due to statutory increases in licensing not being implemented by Government and lower Street Trading income.	300	299
	Other Minor Variances < £100k	(199)	(92)
	<b>Sub-total Safety</b>	<b>101</b>	<b>207</b>
<b>Planning</b>	Planning fee income is forecast to achieve £2.8m.	(906)	(783)
	Other Minor Variances < £100k	0	0
	<b>Sub-total Planning</b>	<b>(906)</b>	<b>(783)</b>
<b>Development</b>	Other Minor Variances < £100k	(1)	(1)
	<b>Sub-total Development</b>	<b>(1)</b>	<b>(1)</b>
<b>Regeneration</b>	Other Minor Variances < £100k	114	14
	<b>Sub-total District Centres, Regeneration &amp; Development</b>	<b>114</b>	<b>14</b>
	<b>Total Forecast Variance – Place Department</b>	<b>(192)</b>	<b>(427)</b>

## RESOURCES DEPARTMENT

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
Finance & Assets including Democratic & Legal Services and Coroners	Delayed rental of Bernard Weatherill House against forecast	260	412
	Agency staff within Finance – covering vacancies and maternity leave	143	141
	Additional Legal income	(860)	(331)
	Other Minor Variances < £100k	(7)	(178)
	<b>Sub-total Finance &amp; Assets</b>	<b>(464)</b>	<b>44</b>
Customer Transformation	Shortfall on advertising income	100	100
	Other Minor Variances < £100k	57	50
	<b>Sub-total Customer Transformation</b>	<b>157</b>	<b>150</b>
Strategies, Communities & Commissioning	Other Minor Variances < £100k	0	0
Human Resources	Other Minor Variances < £100k	47	0
	<b>Sub-total Human Resources</b>	<b>47</b>	<b>0</b>
All services	Shortfall in Business Support internal recharges of staffing	595	0
	<b>Total Forecast Variance – Resources</b>	<b>335</b>	<b>194</b>

## NON DEPARTMENTAL ITEMS

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
Non-departmental	Use of contingency budget	(1,000)	(1,000)
	Minimum Revenue Position and Interest borrowing costs lower than projected, due to slippage within the capital programme	(1,782)	(1,782)
	Interest receivable higher than anticipated – due to Real Lettings and Box Park	(1,506)	(1,506)
	Additional government grant anticipated – New Homes Bonus, S31 Grants and NNDR safety net payment re: 2015-16	(5,008)	(3,708)
	Other under-spends under £100k	(286)	(404)
	<b>Total Forecast Variance – Non-departmental</b>	<b>(9,582)</b>	<b>(8,400)</b>
	<b>Total Overspend</b>	<b>732</b>	<b>920</b>

Original 2016/17 Budget	Project	Slippage from 2015/16	Re- profiling / Increases in Schemes	Revised Budget 2016/17	Actuals April- Dec 2016	Forecast Outturn	Forecast Variance
£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>PEOPLE DEPT</b>							
30	Bereavement Services	19	0	49	0	49	0
1,600	Disabled Facilities Grant	839	0	2,439	752	2,427	(12)
0	Adults Social Care ICT	128	1,248	1,376	225	1,314	(62)
317	Education - Academies Programme	159	0	476	1,439	1,458	982
0	Education – DDA	199	0	199	26	97	(102)
2,356	Education - Fixed Term Expansions	1,753	0	4,109	1,015	2,061	(2,048)
2,234	Education - Major Maintenance	437	0	2,671	1,962	2,598	(73)
1,300	Education - Miscellaneous	2,828	0	4,128	53	1,344	(2,784)
74,111	Education - Permanent Expansion	14,464	0	88,575	27,767	44,496	(44,079)
8,499	Education - Secondary Estate	0	0	8,499	6,902	7,094	(1,405)
16,294	Education - SEN	981	0	17,275	7,017	10,195	(7,080)
2,000	Onside Youth Zone	0	0	2,000	731	731	(1,269)
<b>108,741</b>	<b>People sub-total</b>	<b>21,807</b>	<b>1,248</b>	<b>131,796</b>	<b>47,351</b>	<b>73,864</b>	<b>(57,932)</b>

<b>PLACE DEPT</b>							
0	East Croydon Station Bridge	1,200	0	1,200	900	1,200	0
500	Empty Homes Grants	418	0	918	439	918	0
4,000	Fairfield Halls	0	2,346	6,346	833	2,500	(3,846)
0	Feasibility Fund	3	0	3	0	0	(3)
5,000	Highways	158	0	5,158	3,038	5,158	0
0	Measures to mitigate travellers in parks and open spaces	187	0	187	0	94	(93)
7,830	New Addington Leisure Centre	304	0	8,134	445	1,500	(6,634)
400	Old Ashburton Library	20	0	420	5	142	(278)
0	Parking	34	0	34	50	50	16
0	Public Realm	1,621	8,319	9,940	4,323	9,940	0
0	Purley MSCP	0	200	200	5	250	50
0	Salt Barn	728	0	728	116	200	(528)



Original 2016/17 Budget	Project	Slippage from 2015/16	Re- profiling / Increases in Schemes	Revised Budget 2016/17	Actuals April- Dec 2016	Forecast Outturn	Forecast Variance
£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
0	Section 106 Schemes	857	(36)	821	54	* 120	(701)
3,336	TFL - LIP	0	2,161	5,497	2,378	5,497	0
2,158	Thornton Heath Public Realm	203	0	2,361	174	1,500	(861)
2,160	Waste and Recycling Investment	1,717	0	3,877	0	2,371	(1,506)
0	Surrey Street Market	0	500	500	37	100	(400)
0	Pay & Display machine replacement programme	0	2,815	2,815	0	2,865	50
0	South Norwood Public Realm	0	229	229	32	120	(109)
<b>25,384</b>	<b>Place sub-total</b>	<b>7,450</b>	<b>16,534</b>	<b>49,368</b>	<b>12,830</b>	<b>34,525</b>	<b>(14,843)</b>

RESOURCES DEPT							
2,100	Corporate Property Maintenance Programme	1,443	0	3,543	1,394	3,326	(217)
0	Corporate Property Maintenance Programme Re- fit	5,765	(5,164)	601	565	601	0
1,500	ICT	2,087	500	4,087	276	4,087	0
4,719	ICT Refresh - Transformation	0	4,153	8,872	3,885	8,872	0
0	EOW – IT & refurbishment / office moves	0	2,350	2,350	512	2,350	0
120	Ward Based Programmes	0	0	120	99	120	0
<b>8,439</b>	<b>Resources sub-total</b>	<b>9,295</b>	<b>1,839</b>	<b>19,573</b>	<b>6,731</b>	<b>19,356</b>	<b>(217)</b>

<b>142,564</b>	<b>General Fund total</b>	<b>38,552</b>	<b>19,621</b>	<b>200,737</b>	<b>66,912</b>	<b>127,745</b>	<b>(72,992)</b>
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HOUSING REVENUE ACCOUNT							
500	Assisted Private Purchase Scheme	544	0	1,044	(60)	250	(794)
100	Larger Homes	294	0	394	0	0	(394)
6,000	New Build Programme	8,273	0	14,273	368	368	(13,905)
26,771	Repair and Improvement Programme	0	0	26,771	11,592	24,986	(1,785)
250	Special Transfer Payments	228	0	478	67	120	(358)
<b>33,621</b>	<b>Housing Revenue Account</b>	<b>9,339</b>	<b>0</b>	<b>42,960</b>	<b>11,967</b>	<b>25,724</b>	<b>(17,236)</b>

<b>176,185</b>	<b>Capital Programme Total</b>	<b>47,891</b>	<b>19,621</b>	<b>243,697</b>	<b>78,879</b>	<b>153,470</b>	<b>(90,228)</b>
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\*Note: the Section 106 expenditure total represents specific schemes funded from this source. The remainder of the Section 106 funding shown in Table 5 is managed within the Public Realm project heading



**For General Release**

<b>REPORT TO:</b>	<b>CABINET 20 February 2017</b>
<b>AGENDA ITEM:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>Making Events Happen</b>
<b>LEAD OFFICER:</b>	<b>Shifa Mustafa, Executive Director, Place</b>
<b>CABINET MEMBER:</b>	<b>Hamida Ali, Cabinet Member for Communities, Safety and Justice</b> <b>Timothy Godfrey, Cabinet Member for Culture Leisure and Sport</b>
<b>WARDS:</b>	<b>All</b>

**CORPORATE PRIORITY/POLICY CONTEXT:**

The Corporate Plan (2015–2018) sets out how the council will deliver on its key ambitions:

GROWTH – creating growth in our economy

INDEPENDENCE – helping residents be as independent as possible

LIVEABILITY – creating a welcoming, pleasant place in which local people want to live

THE COUNCIL AS AN ENABLER - the Corporate Plan contains the Council's contribution to Croydon's Community Strategy (2016–2021) developed by Croydon's Local Strategic Partnership (LSP). The Recommendation within this report addresses the priorities for developing Croydon as an attractive place in which to live, work and visit. The new Events Policy and process will address the following priorities:

- An Enterprising City – a place renowned for its enterprise and innovation with highly adaptable and skilled workforce and diverse and responsive economy
- A Learning City – a place that unleashes and nurtures local talent, is recognised for its culture of lifelong learning and ambitions for children and young people
- A Creative City – a place noted for culture and creativity – one of the best incubators of new artistic and sporting talent in the country

Making it easier to facilitate events and attracting a more diverse programme will play a significant role in improving the attractiveness of Croydon as a destination, as well as an increased sense of belonging, wellbeing and independence through increased participation in a broad range of cultural, educational, community and artistic activities.

**AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:**

This work will help the Council meet the aspirations in 'Ambitious for Croydon' through a number of ways. Events can help the development of strong communities, they can bring in visitors and create a positive economic impact locally. A good and varied events programme will enhance the reputation of Croydon making it a more attractive place for people to live, visit and invest.

## **FINANCIAL IMPACT**

The creation of a new events policy will enable a fair and consistent charging policy to be adopted and implemented. The minor income stream generated through the introduction of administration fees will contribute to the existing costs to the council for co-ordinating events.

**FORWARD PLAN KEY DECISION REFERENCE NO:** Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

### **1. RECOMMENDATIONS**

The Cabinet is recommended to:

- 1.1 Note that the Events Policy attached as Appendix A is in draft and the final version will be approved by the Executive Director of Place in due course.
- 1.2 Note that the council will commence engagement on the draft policy with various external stakeholders and internal teams including the Food and Safety, Licensing, Highways and Parks teams and external partners including the Metropolitan Police, British Transport Police, London Fire Brigade and London Ambulance Service.

### **2. EXECUTIVE SUMMARY**

- 2.1 There are currently over 100 outdoor events in Croydon at a range of scales. The council has an ambition not only to continue to support these, but to encourage a greater range of events providing a diverse mix of recreational and cultural activities. Events can help the development of strong communities, they can bring in visitors and create a positive economic impact locally. A good and varied events programme will enhance the reputation of Croydon making it a more attractive place for people to live, visit and invest.
- 2.2 For Croydon to realise its ambitions it is necessary to make changes to the way that the council responds to event proposals and provides support to events. This report recommends that the council develop a formal Events Policy and undertake engagement with key stakeholders on the draft policy attached at Appendix 1. The aims of this policy are to:
  - Promote Croydon as a place that is open to events and make it easier and clearer for organisers to engage with the council
  - Ensure events are put on safely and follow best practice guidance

- Make it easier for community events organisers to navigate the process of staging an event
- Provide a consistent and well-co-ordinated approach to how events are supported and facilitated by the council
- Ensure fees are clearly set out and applied consistently and that any income contributes to the council's costs in supporting events

### **3. DETAIL AND ENGAGEMENT**

#### **Making it easier to facilitate events**

- 3.1 Each year in Croydon there are over 100 events ranging from charity runs such as Race for Life and 10k runs, to funfairs and circuses, street parties and Big Lunches. These events primarily take place in our parks and on highways.

Examples of other key events for Croydon have recently included:

- Pearl Izumi Cycle Race
- South End Festival
- PrideFest
- Thornton Heath Festival
- New Addington Festival
- Purley Festival
- Firework displays
- Park Hill festival

- 3.2 Although the borough has a large number of successful events already, there are a number of opportunities for improvements in the ways things happen and are coordinated. For example, there is currently no single point of contact to get information and also there is no corporately agreed process for engaging with the council with a view to putting on events in Croydon. Over time, practice has developed differently in different parts of the Council, which means that it can be confusing for both event organisers and officers; advice can differ, fees are not applied consistently and there can be duplication of effort by council officers. In addition, there is no current calendar of events, meaning that we are missing opportunities to promote events to the community and to co-ordinate them more effectively.

- 3.3 The council has reviewed its practice to ensure that the gaps and issues identified from these inconsistencies are addressed. The proposed draft Event Policy which includes revised processes and procedures simplifies our current system with a single point of contact for all event enquiries, which will allow ease of access for event organisers, within the Council and with partners. The council will be aligning all of its event co-ordination processes behind this principle to improve its customer service, cost control and income maximisation.

- 3.4 The new process will also ensure consistency and allow a better overview of all events happening. The benefits include better internal awareness so that teams can ensure appropriate resources are in place to assist. It will also ensure that the marketing and publicity of events can be much better through the development and regular publication of an events calendar. This will show

where and when events are happening throughout the year meaning that the council can be more proactive in marketing them to the community.

### **A new system and service**

3.5 The council will develop a clear online guide containing:

- A toolkit for organisers of smaller events containing a check list of areas to be covered and blank documents such as risk assessment templates to be completed.
- A clear defined event process flow diagram
- What the event timescales are
- Application form that can be completed on line
- A single email/phone number of how to contact the events team
- Signposting to external help and advice
- A list of all the fees and charges including a ready reckoner so that organisers can understand what the total fees payable will be.
- Links and information to support organisations with fundraising for event costs including opportunities for potential assistance with fees for smaller community organisations – including Community Ward Budgets and Croydon Community Grants.

### **Event spaces in Croydon**

3.6 In order to promote Croydon as a destination to stage events officers are currently developing proposals to license certain outdoor locations, which will make it easier and cheaper for events to take place in them. This would effectively mean that we could promote certain spaces as already being ready for licensable activities. As an example the Croydon Business Improvement District already have a licence to put on events in North End. Subject to engagement, we are aiming to put in similar licences, which should make other locations more attractive to event organisers. This will initially focus on central locations including spaces such as:

- Lloyd Park (review of existing licence already in place)
- Park Hill Recreation Ground
- Queens Gardens
- College Green
- Wandle Park

3.7 Supporting and encouraging events in our parks has been identified in the recent Parks review as something residents would like to see more of and plans for the future development of our parks will take this into account.

### **Safety**

3.8 It is important that there are clear lines of accountability and decision making from responding to event proposals to facilitating and supporting them being staged in Croydon. This includes accountability within the council and its partners in terms of how events are assessed and supported. Allowing events

to proceed in an unsafe manner places the public and staff involved at risk and also places the council at risk of litigation so it is imperative that effective systems are put in place to fully assess them. Historical practice means that co-ordination and awareness of events is inconsistent across various teams, which makes it harder to identify and mitigate potential risks. A Safety Advisory Group (SAG) which consists of the Food and Safety Team, Event Team, Licensing, Highways, Parks, Metropolitan Police, British Transport Police, London Fire Brigade, and London Ambulance Service is set up to do this and is chaired by a senior council officer. The SAG meets regularly to look at events being organised and discusses issues with the police, fire, London Ambulance, event organisers and other partners to ensure that event plans and risk assessments are fit for purpose.

- 3.9 The Events policy sets out a Bronze, Silver and Gold decision making structure whereby Bronze is the officer level input where the technical knowledge lies and practical/technical advice can be shared with organisers, departments and external agencies; Silver is at manager level within the Council and for the vast majority of events would have responsibility for making decisions through the Safety Advisory Group (SAG). Gold would be at Director/Executive level and would take into considerations recommendations from the SAG where there are significant potential risks to safety and/or reputational and legal issues to be considered before approval for an event can be agreed.

## **Engagement**

- 3.10 It is proposed that the council engage with key stakeholders on the draft policy as its implementation will have an impact on how we work with internal and external teams and event organisers in the future. Working in partnership is essential to putting on events successfully and safely so the engagement process will be important in ensuring that stakeholders can contribute to and have ownership of the new process. It is proposed that engagement will take place with various internal teams including the Food and Safety, Licensing, Highways and Parks teams and external partners including the Metropolitan Police, British Transport Police, London Fire Brigade and London Ambulance Service. These partners all sit on the SAG and are directly involved in assessing and working on events.

## **Fees and charges**

- 3.11 An important area for the attention of the Cabinet is the fees and charges that apply for events to take place. There are a variety of fees and charges already payable by event organisers depending on the location and type of event they want to organise. These include:
- Road closure fees
  - Parking suspension fees
  - Licensing fees
  - Park hire fees
- 3.12 Currently, fees and charges are not always applied consistently due to a variety of reasons including the fact that there is no formal fees charging regime and this makes it sometimes unclear for event organisers. Fee structures and

discounts are currently set out differently across council teams so it is proposed that these are reviewed during the engagement process so that there is clear and consistent application in the future. This will ensure that fees are applied consistently and fairly and that the council can budget effectively.

3.13 Current charges are as follows (2016/17 fees/charges are quoted):

### **Parking and Highways**

There are various charges associated with suspending parking bays and closing roads, which may be necessary when staging an event on the Highway. These are currently set out as follows:

- Parking bay suspension £40 admin charge plus either £30 per bay for residential applications and £50 per bay for commercial
- Temporary Traffic Management Orders (Section 14 RTA) £2020.00
- Single road closure for a special events (Sect. 16A RTA) £1010.00
- Multiple road closures for special Events (Sect. 16A RTA) £676.00
- Road closures for special events for registered charities £156.00

### **Licensing**

Premises License – £100.00 - £635.00 based on ratable value if inside a premises. Outdoor events are charged at £100

Temporary Event Notices (TENS) - £21.00

Street Trading Temp License (1-6 days) - £13.00

### **Parks**

Commercial:

Hire ground per day £709.20

Corporate concert/festival over 2000 people (No figure quoted)

Equipment inspection £233.25

Deposit (No figure quoted)

Charity:

Fairground Ground hire per day £262.50

Equipment inspection £233.25

Ground hire for concert for 100-1000 to people £135

Ground hire for concert for more 1000 people (No figure quoted)

Minor events:

Ground hire per day £74.60

Administration fee for highways events: £0

Inspection charge for highways events: £0



3.14 This report also highlights that a new fee structure will be implemented to contribute to the costs the council currently absorbs for administration and support for event organisers. This includes:

- Events application fee
- Street use booking/admin fee – payable in the same way as a parks booking fee
- Damage/reinstatement deposit for highway/parks events

These are payable in addition to the existing fees that are listed at 3.13.

3.15 A new standard application fee is being recommended as follows:

- Commercial = £100
- Charity/community = £25

These are payable for all events and are exclusive of other fees that may be payable.

3.16 Consideration has been given to a higher administration fee being payable by commercial events than for community/charitable events. The reason for the difference in charge would be to make it easier for community and charitable groups to hold events, thus encouraging more to take place.

3.17 Another distinction being considered is that for the highways use fee there will be a difference in fee depending on the size of event that is being applied for. The bandings for the size of events and the costs are as follows:

- Small = below 500 people expected attendance = £100
- Medium – 500 -1500 people expected attendance = £250
- Large – 1500 – 6000 people expected attendance = £500
- Major – Over 6000 people = negotiable

It is proposed that there is a discount of 75% applied to these fees if the event is a charitable or community one

3.18 The fees and charges will vary depending on the type and size of the event but would always be payable with no further discounts or waivers to be applied. It is recognised that this will mean additional costs to event organisers so information will be included on the council's new web pages about potential community grants that may be able to contribute to the costs (including Community Ward Budgets and Croydon Community Grants). The application fee would contribute to the costs of all aspects of the processing of the application including verifying that the necessary information has been provided by the applicant, recording the information on a central database and ensuring that there are no clashes with other events. There will also be various levels of internal co-ordination required with parks, parking, highways, licensing etc. to ensure the event is organised effectively.

3.19 Croydon currently has a number of events based on the highway, meaning that roads have to be closed, parking is affected and significant disruption can be

caused to the local community in trying to go about their business. Parks/open spaces have a booking fee and as with a parks fee there are administrative tasks that must take place within the Council when closing off the highway such as co-ordinating responses from other departments, communicating with external agencies, reviewing safety documents and insurance certificates and carrying out site visits either before or during the event. The street use fee would contribute to these costs.

3.20 Benchmarking has taken place with councils regarding their fees and charges. Some examples of these are as follows:

	<b>Application fee</b>	<b>Highways Fee</b>
Ealing	£50	Starting at £275
Haringey	Commercial: £124 Charity/Community: £25-£106	Discourage Highway Events
Lambeth	Commercial: £100 Charity/Community: £25	Discourage Highway Events
Southwark	Commercial: £150 Charity/Community: £60	Discourage Highway Events
Brighton and Hove	Commercial: £100 Charity/Community: £0 - £75	Madeira Drive - £1560 - £8750

3.21 It is important to note that historically the vast majority of events would be classed as 'small' with only a few medium and large events taking place. It is hoped that in future more medium and large events can take place though and the measures outlined in this policy will help promote that.

3.22 In addition to the desire to put on more events, it is recommended that, as far as possible, the council should be promoting these to take place in our parks and open spaces to prevent the disruption that is caused when closing the highway. The proposal to licence some of our parks and open spaces will help encourage events to take place off the highway and the review of fees will also take this into consideration.

### **Timescales for implementation**

3.23 An important consideration is the timescale for the introduction of these fees. There are already events in the calendar for 2017 that have not been subjected to the new fee structure proposed at 3.15 and 3.17. In order to allow event organisers enough time to adjust to the new fee structure it is proposed that these changes will not take effect until June 1<sup>st</sup> 2017. However, the existing fees highlighted in 3.13 will still apply. Event organisers will need to confirm any event planned before 30 Sept 2017 including relevant documents and plans by end of May 2017. Any applications for events after 30<sup>th</sup> Sept or submitted from June 1<sup>st</sup> 2017 onwards would thereby be eligible for the new fee structure once it is adopted. The effect of this is that during 2017/18 the council will continue to not recover certain costs that are incurred when events are put on. However, it is believed that this is the fairest way to apply the new fee



There could be future savings for the Council's revenue budgets as a result of this proposed policy. This will depend on any increase in the number of events that take place.

**Approved by Zulf Darr, Interim Head of Finance, Place and Resources.**

## **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICE**

**5.1** The Council Solicitor comments that whilst there are no direct legislations considerations arising directly out of the recommendations set out in this report it is noted that the Council should ensure any decisions on charging fees must be reasonable and proportionate. This is the practice in other Council service areas such as licensing where there is legislation covering the fee charging regime. In assessing reasonableness and proportionality the Council is expected to consider the administrative cost for officers to carry out the relevant work and should not be geared towards profit making. The Council can also benchmark the proposed costs with other boroughs in London.

There is no statutory duty to consult on the Events Policy. Whether to consult will therefore depend on the issues, the nature and the impact of the decision and whether interested groups have already been engaged in the policy making process. The Cabinet Office Principles cite as examples of circumstances in which consultation may not be appropriate "for minor or technical amendments

**5.2** The Public Sector Equality Duty (PSED) as set out contained in Chapter 1 of Part 11 of the Equality Act 2010 has three principle requirements which can be summarised as the need to:

- eliminate discrimination (in all its forms, including direct and indirect discrimination);
- advance equality of opportunity; and
- foster good relations between those sharing or not sharing protected characteristics.

**5.3** The PSED is to protect and prevent discrimination against individuals with protected characteristics, it is therefore not primarily applicable to the Events Policy as organisers are mainly corporate entities. However, where an event organiser is an individual with protected characteristics, the Council must observe the PSED. Likewise where the event being organised will impact people with protected characteristics both the Council and the event's organisers must comply with the provisions of the Equalities Act 2010.

**Approved by Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer**

## **6. HUMAN RESOURCES IMPACT**

- 6.1 During the review of existing event fees and functions across the council, which will take place during the policy engagement period, an assessment will be made as to whether any structural changes are required. For example, it may be desirable to have all of the administrative functions relating to events merged into a single team, which may require some restructuring of existing functions. Any changes agreed will be managed within existing HR policies and procedures.

**Approved by Jason Singh, Head of HR Employee Relations**

## **7. EQUALITIES IMPACT**

- 7.1 An initial Equalities Impact Assessment has been carried out that has recommended that a full assessment be completed once feedback from the engagement process has been received.

## **8. ENVIRONMENTAL IMPACT**

- 8.1 The environmental impact of this report relates to how some of the council's highways, parks and open spaces will be used for events. The policy will provide a more consistent process and greater rigour to preparation and cost recovery meaning that the council will be in a better position to manage these spaces in advance, during and after events have happened.

## **9. CRIME AND DISORDER REDUCTION IMPACT**

- 9.1 Safety is one of the driving forces in the drafting of this new Events Policy. One of the major objectives is the improvement of practice in event management in Croydon. This will have a positive impact in terms of crime and disorder reduction in public spaces associated with events. Events will be properly assessed and the role of the Safety Advisory Group built in to the process as a matter of course. Good practice guidelines on event management will be made available to organisers.

## **10. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 10.1 The council has an ambition to increase the range, diversity and number of events in the Borough
- 10.2 The current practice and support service offered to event organisers is inconsistent and unclear

## **11. OPTIONS CONSIDERED AND REJECTED**

- 11.1 Do nothing – this has been rejected as the current management of events is leading to inconsistent practices and exposing the council to financial and reputational risk
- 11.2 Various other fee structures have been considered and rejected. The proposal put forward is believed to offer the best solution to ensure that the council recovers its costs and also provides a clear difference between what commercial organisers and community/charitable event organisers are expected to pay.

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**CONTACT OFFICER: Andy Opie, Director of Safety**

**BACKGROUND DOCUMENTS - None**

**APPENDICES TO THIS REPORT - Draft Events Policy**

# **Croydon Council**

## **Events Policy**

DATE: February 2017

# **Contents**

1. Purpose and Background
2. Benefits
3. Objectives
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8. Events not normally granted
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11. General Conditions
12. Cancellations
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## 1. Purpose and Background

London Borough of Croydon is committed to enabling events and recognises that varied and well managed event contribute to a diverse and vibrant culture.

The number of special events taking place in Croydon has increased steadily over the past years. This demand puts added pressure on the Council, residents and businesses of the borough.

This policy sets out the key principles with which Croydon Council, with its key partners including the Metropolitan Police Service, Transport for London, British Transport Police and other key stakeholders, approach the authorisation and management of events.

The principles are based on a range of requirements which arise from legislation, guidance and other Council policies. By setting out the key principles the Council aims to make the process transparent leading to more successful and efficiently planned events.

The approach is applicable to events that impact on the public realm, whether it be Council managed streets or parks and open spaces, as well as advice and assistance given to event organisers who hold gatherings in buildings throughout the borough.

The key principles outlined in this policy ensure that Council service providers and their partners are consistent in their approach to events in the borough. Furthermore, they are meant to aid understanding of everyone's roles and responsibilities in relation to running events, and of the significant time and effort that can be involved in facilitating them.

## 2. Benefits

A well-managed and appropriate events policy can bring positive benefits to the borough, such as:

- Helping promote the area as a place of business, culture and community
- Playing a key part in Croydon's vision drawing visitors to the borough
- Enhancing the image of the borough
- Assisting in the promotion and increase the use of land for events within the borough
- Provide residents with an interesting, fun and diverse range of things to do
- Enhancing Croydon's cultural offering and reputation as diverse and thriving borough
- Developing a strong community by increasing and improving cross community relations
- Providing business opportunities both at and surrounding events
- Stimulating inward investment and regeneration

### 3. Objectives

The objectives of this policy are to:

- Ensure effective planning and management of events
- Ensure that pre-event consultation and planning takes place with event organisers and stakeholders
- Maximise the safety of event attendees and the event workforce and ensure that safety is placed as a priority in decision making
- Provide a framework for the event application process
- Minimise disruption to residents and businesses
- Ensure that events are accessible to all
- Promote the licensing objectives
- Develop an events programme and encourage local and national groups to organise or participate in new or existing events
- Provide a fair and consistent and well co-ordinated approach to how events are supported and facilitated by the council

### 4. Definition of Events

An event is defined as:

A planned activity in a specific location and for a limited period of time that members of the public can attend. The activity can take place both indoors or outdoors, on public land or in private property but the activity or occasion can reasonably be expected to cause a public gathering that is not part of the normal course of business at that location and time.

The size and type of the event will determine how to apply and the fees that are payable:

Size	Audience Capacity*	How to apply	When to apply
Small	Up to 500	Online application form. Insurance and risk assessments must be submitted.	Minimum of 3 months before the event
Medium	500 - 1500	Online application form. Insurance, risk assessments must be submitted. Type of event will dictate other documents.	Minimum of 5 months before the event
Large	1500 - 6000	Online application form. Full event management plan must be submitted	Minimum of 7 months before the event
Major	Over 6000	Pre- consultation with event team and then online application form.	Minimum of 10 months before the event

		Full event management plan must be submitted.	
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The audience capacity is the maximum expected number of attendees to the event.

#### Timescale

Medium and large applications will need to be placed before the Safety Advisory Group, before a decision is made on the event. The SAG meets every 2 months. A quicker decision is available for events classified as small

Additional information on timescales can be found on the event pages on the Croydon Council website.

### **Further classifications**

#### Commercial:

Commercial are those events that are profit making including product launches, corporate events, other marketing and promotional, circuses, fairgrounds, large private festivals.

#### Community:

These are events organised by not for profit, community or voluntary groups that directly benefit the residents and visitors of Croydon and do not provide significant advertising or other commercial benefit to a profit-making business or organisation.

#### Charity:

Events organised by registered national charities and are predominantly fund raising events for the benefit of the charity.

#### Organised fitness:

These are events organised with or without a charge to those attending the activity. Generally where groups are offering training without a charge there will not be a booking fee. Further information is available on the Council's website.

Other considerations that must be detailed on the application form that will help decide the classification of event include:

#### Location:

Is the event taking place within a park or a highway?

Content:

What is the purpose of the event? For example is it a family fun day, a concert or a political demonstration?

What else is included in the event? For example is there a circus, funfair, large stage, an inflatable or fireworks display?

Audience:

Who is expected to attend the event? For example is this a family event, would the activities attract large groups of teenagers or young adults?

## **5. The application and Consultation process**

The Council is committed to providing the best available advice and guidance to event organisers to assist them in planning an event in Croydon. The following will be available on the Council's website:

- An electronic guide will be maintained that will set out the requirements for event organisers.
- A range of "template" documents is available on the Council website for those smaller events who may be less experienced.
- An events calendar with clear timescales for applications to be processed And assessed
- A ready reckoner so that applicants can see the total fees that will be payable

The stages of the application process are:

- Early Notification (Pre-application discussion) \*Please note this is not expected of all events
- Application and payment of fees
- Processing and Validation
- Approval
- Evaluation and Debrief

The applications process will be managed online and all applications forms must be sent electronically via the Council website. All events in Croydon must complete the online application form.

All applications will be checked by the events team and once verified as complete they will be subject to consultation dependent on the size of event being planned. Small events will not be subject to full consultation and particularly small events will not require any consultation at all. These events will have very low numbers attending and will have virtually no impact on the venue or the surrounding area. If a small event does require consultation this will generally only occur on the first occasion unless there are concerns raised once it has taken place. Consultation on medium and large events will involve Members of Croydon's Safety Advisory Group and may involve stakeholders including Ward Councillors, Cabinet Members, and Friends Groups depending on the impact the event is likely to have.

## 6. Safety Advisory Group

The remit of the Safety Advisory Group (SAG) is to advise on whether an event should proceed on safety and not for any other grounds. The consent of the Council or 'landlord' may be withdrawn upon advice of the SAG on safety grounds only.

The core members of the SAG are Croydon Council (Food and Safety Team, Event Team, Licensing, Highways, Parks), Metropolitan Police, British Transport Police, London Fire Brigade, and London Ambulance Service.

Members of the SAG will expect to review an Event Management Safety Plan (EMSP) before any events. Timescales for the submission of this are found on the website. An EMSP is required for all large and major events and some elements may be requested for medium and small events.

It is suggested that the EMSP will include but not be limited to:

- Access Provision
- Cancellation procedure including adverse weather conditions
- Child and vulnerable adult protection
- Complaints procedure
- Concessions and caterers
- Crowd management
- Emergency control
- Entertainment
- Environmental / Sustainability impact
- Equal opportunity statement
- Event communication plan including named contacts
- Fire safety and evacuation
- First aid / medical
- Food safety
- Infrastructure
- Licensing requirements
- Lost children and property procedures
- Marketing
- Noise management
- Public liability insurance
- Risk assessments
- Sanitary provision
- Security and stewarding provision
- Site plans
- Signage around the site
- Statement of intent
- Production and event timetable
- Traffic management
- Transport management
- Waste management

The SAG will also co-ordinate any safety debrief meetings that take place post event. A debrief is required by Croydon Council for all large and major events. A debrief will also take place for small and medium events if there has been any safety concerns noted by the Council or any of the partners.

The decision making structure for events is based on a Bronze, Silver and Gold model. Bronze is the officer level input where the technical knowledge lies and practical/technical advice can be shared with organisers, departments and external agencies; Silver is at manager level within the Council and for the vast majority of events would have responsibility for making decisions through the Safety Advisory Group (SAG). Gold would be at Director/Executive level and would take into considerations recommendations from the SAG where there are significant potential risks to safety and/or reputational and legal issues to be considered before approval for an event can be agreed.

## **7. Approval and Promotion**

Once consultation has taken place with the necessary agencies, documents have been reviewed and the Council is satisfied that all requirements have been met then an agreement in principle will be issued. This agreement will be subject to compliance with any pre-event conditions, payments (including deposits) and the requirement to obtain any licences etc.

Once the event is approved the events will be promoted through the following means:

- Including the confirmed event on the Council's calendar of events page on the website at least 4 weeks prior to the event taking place
- Notifying by email and social media to those registered for event updates
- Holding a stakeholder meeting with the event organiser in attendance for any large or major event 6 weeks prior to the event taking place

## **8. Events not normally granted approval**

Normally no more than one event will be approved on the same day in any park or open space. (An exemption may be when the events are complementary and with the agreement of both organisers). If multiple applications are received an alternative date or venue will be offered to one or both organiser. Event organisers may be required to move venue or date for other reasons.

Additionally the following will not be approved:

- Events that are deemed inappropriate such as those that will have a detrimental effect on the "normal use" of the area and those that fail to comply with the terms and conditions of hire
- Events that promote controversial issues which may be damaging to community relations, are illegal or offensive

- Any event that does not provide adequate documentation or certifications and cannot demonstrate that it should progress to the next stage of the application process
- Any events that cannot demonstrate to Croydon Safety Advisory Group that it can be delivered in a safe and robust manner
- Any event that discriminates against race, religions, gender, sexual orientation or disability.
- Any event or activity that is prohibited by Council and Parks bylaws

In addition, there are restrictions on the use of animals in events that need to be discussed with the events team before approval can be given.

The Council reserved the right to refuse any application and right to impose additional conditions regarding a booking.

## **9. Fees and Charges**

There are various fees and charges payable by event organisers depending on the location and type of event being organised. These can include:

- Events application fee
- Street use booking/admin fee – payable in the same way as a parks booking fee
- Damage/reinstatement deposit for highway/parks events
- Road closure fees
- Parking suspension fees
- Licensing fees
- Park hire fees
- Waste clearance charges

There are also various distinctions within the Council's fee structure including a higher administration fee being payable by commercial events than for community/charitable events. Another distinction is that for highways use there will be a difference in fee depending on the size of event that is being applied for. The bandings for the size of events are as follows:

- Small = below 500 people expected attendance
- Medium – 500 -1500 people expected attendance
- Large – 1500 – 6000 people expected attendance
- Major – Over 6000 people

Full detail of the Council's fees and charges and potential sources of funding can be found [here](#)

## 10. General Conditions

The following conditions will apply to all events:

### **Safety**

Responsibility for safety rests with the organiser but the Council and its partners have a duty to ensure all relevant health & safety guidance is followed, including the preparation of full risk assessments and method statements. The first priority of all involved in managing events and filming must be human safety. Every event should have a designated safety officer.

### **Role of the Event Organiser and their obligations**

- Provide complete and accurate event documentation within the required timeframes and respond promptly to any queries raised by the Council or member of the Croydon SAG.
- Ensure that any information given on behalf of the organisation they represent is accurate and that they have the legal authority to enter agreements on behalf of that organisation or have the delegated legal authority.
- Ensure appropriate insurance and liability cover is in place.
- Permissions, licences and safety documentation must be sought well in advance, in accordance with the timetables set out in the more detailed guidelines that will be found on the website.
- The event organiser should ensure the event is run according to the submitted plans.

A self-service tool that will allow applicants to verify the deadlines for their event as well as sample documentation is available on the Council website.

Not complying can jeopardise the event and will also effect and future events planned by the organiser. Non-compliance may also result in the event organiser being liable for prosecution.

### **Environment and amenity**

Open spaces intended for people to enjoy should remain open and available for their enjoyment. In some cases it may not be possible to close off public access to the whole part of an open space.

Temporary, reversible decoration may be justified in some circumstances. Additions to the street may require planning permission and advertisement consent and advice should be sought before putting anything in place. Croydon Council must agree any works that affect the highway and associated equipment, including additions to lamp columns, in advance. It reserves the right to carry out any agreed work itself. All branding and advertising must have consent from the Council as this can undermine the character and image of the borough, and obscure essential information. The return to the normal life of the borough following an event is to be achieved as quickly and as safely as possible.



## **Noise**

Noise generated from an event needs to be agreed in advance and kept at a reasonable level. Where the Council have cause for concern about the noise from a planned event the Council reserves the right to require the event organiser to appoint an independent acoustic consultant to be on site to provide continual monitoring of noise levels.

Noise should not create an unreasonable impact on any business or residential premises in the vicinity of the event site. The organiser is expected to reduce sound levels on the day if conditions require it. If the event has a Premises Licence, then it must operate in accordance with any sound level limit or conditions attached to the Licence. A sound level limit may need to be set and/or continuous noise monitoring put in place, to ensure compliance with Licence conditions and ensure that the event does not cause a statutory nuisance.

Events must also comply with The Control of Noise at Work Regulations 2005 for staff and contractors on site.

## **Parking**

Additional parking requirements resulting from events must be planned, such as servicing, dropping off visitors by coaches, and space for taxis.

Suspensions of residential and paid-for visitor bays can be arranged for public events (or privately organised events which are open to the wider community or public), at a cost. This cost must be incurred by the event organiser.

Special bay types (e.g. for disabled people, doctors and ambulances) are only suspended in exceptional circumstances. If such bays are suspended they must be relocated within a reasonable distance. A further charge will be applicable for this relocation.

For large scale suspensions of bays used by residents, alternative parking for residents will need to be provided nearby, by the removal and temporary conversion of paid-for visitor parking bays. The conversion of these bays is chargeable.

Parking will not be suspended to create space for VIP arrivals or departures unless the circumstances are exceptional.

Further details and fees payable are available on the Council's website

## **Traffic and highways management**

Croydon Council is required to consider all traffic and highways management implications of events to fulfil its duty to keep the borough moving. A minimum period is required to implement traffic management measures, such as Temporary Traffic Management Orders to close roads, advance warning signs of events, diversion routes, and traffic controls. Costs for any traffic management order must be incurred by the event organiser.

There are restrictions on the number of times roads can be closed in a calendar year so this will be considered as part of the application process and may mean that permission for the event is refused or that an alternative location is suggested.

Structures in the highways such as cranes and scaffolding require a highways licence which must be sought from the Council in advance, Croydon Council must give permission for any change to the highway, such as removing street furniture to alter the character of a street, and would typically require that it carry out the works itself.

Residents, visitors and those engaged in business must be able to move reasonably freely through the borough, and public services should be able to operate without unreasonable disruption. Occupiers must be able to access their premises with minimum disruption. Access for emergency vehicles must be maintained with minimal impact on response times.

### **Licensable activities**

The event organiser is responsible for ensuring that all required licences are obtained and the required times for these licences are adhered to. The costs for any licence shall be incurred by the event organiser.

Such licences could include, but are not limited to:

- Performing Rights Society (PRS)
- Phonographic performance Limited (PPL)
- Street Trading Licence
- Special Treatment Licence
- Premises Licence
- Temporary Event Notice (TEN)

Events that include 'licensable activities', such as the sale of alcohol and regulated entertainment (such as live music) need to be covered by a Premises Licence. While small events can be covered by a Temporary Event Notice (TEN) larger events will be required to apply for a Premises Licence. The Council can request conditions to be attached to any licence that address the four licensing objectives.

Croydon Council can grant licenses for 'regulated' entertainment' for certain areas of publicly accessible streets and open spaces, which means that these areas are treated as premises, or 'venues' for licensing purposes. Events in these areas will be expected to be run under the conditions of the existing Premises Licence. TEN's will not be issued.

### **Food Safety**

All food businesses (however big or small) at an event must provide evidence of food registration with the relevant local authority and food hygiene ratings for all temporary catering outlets.

Anyone starting a new food business must register with the Council at least 28 days before doing so.

On the basis of the activities carried out, certain food business are required to be approved rather than registered. Please check the Council's [approvals webpage](#) to find out more.

### **Waste and recycling**

The event organiser must provide a waste management plan which is approved by the Council.

The waste management plan should show how the organiser will work with the Council to reduce the amount of additional Council contractor cleansing that is needed.

The waste management plan should show how the organiser will manage, recover and recycle or dispose of waste and street litter safely, and meet all environmental regulations and statutory requirements. Waste should be minimised and recycled as much as possible.

The Council has a strict 'No Drinking Glass' policy at events

### **Public conveniences and welfare facilities**

The event organiser is responsible for the welfare of the public, which includes temporary toilets. An adequate number of toilets must be available for an event and any temporary toilets must not obstruct the highway. All facilities must meet health and safety requirements.

### **Sharing information**

Communications and publicity about events must be coordinated with the Council and its partners.

All events are expected to fully disclose any information relating to or impacting upon any aspect of the event, so the Council and its partners have no surprises that have not been assessed for risk and danger to the public.

### **Planning permissions and advertisement consent**

All temporary uses within a building, and temporary moveable structures placed within the curtilage of a building, will normally require planning permission. Temporary events on land not within the curtilage of a building, and associated moveable structures, are allowed up to 28 days in any calendar year without the need for planning permission. This reduces to 14 days where events involve street trading and some other activities such as motor racing. Advertisements (including sponsorship branding) visible from the highway normally require consent and advice should be sought from the events team before anything is put in place. This includes the display of sponsors' details on banners and directional signage. Any attachment or alteration to a listed building or listed structure will normally require listed building consent.

### **Parks and open spaces**

Some Croydon parks can be hired for events and the council has licensed some parks and open spaces making it easier for events to be put on at these venues.

Events held in Croydon parks include circuses, charity functions, festivals, fetes and fairgrounds. There are particular issues that need to be considered in advance of making an application to hire a park that should be discussed with the events team. They will be able to provide advice on the most suitable venues for the event, availability and the application process.

## **11. Cancellations**

The Council reserves the right, at its sole discretion, to cancel any event booked on Council land due to poor weather, unsuitable ground conditions, non-receipt of the required paperwork or exceptional unforeseen circumstances. In these circumstances, the Council is not responsible for any costs that the organiser may already have incurred in preparing for the event.

In all cases in the situation of an event being cancelled the Application Fee is non-refundable.

If the events' organiser cancels the booking less than 4 weeks before the date of hire there will be no refund on the hire charge.

Where an event is cancelled due to circumstances beyond the event organiser's control, for example adverse weather conditions and natural disasters including force majeure and where the Council is provided with reasonable notice, the Council may offer a refund of the hire fees, additional service costs and any deposit at its sole discretion but this will only be paid if the costs the Council has incurred are covered. The non-operating days would be taken into consideration in these circumstances. The Council will be covering their full costs that they may have to incur to date or things they have had to put in place to assist cancelling the event.

## **12. Legislation**

All events must conform to relevant legislation, including but not limited to:

- Health & Safety at Work Act 1974
- Health & Safety (First Aid) Regulations 1981
- Data Protection Act 1998
- Equality Act 2010
- The Management of Health & Safety at Work Regulations 1999
- RIDDOR 1995
- Food Hygiene (England) Regulations 2006
- Town and Country Planning Act 1947 and 1990
- Licensing Act 2003
- The Children's Act 1989
- Fire Regulatory Reform (Fire Safety) Order 2005
- Firework Regulations 2004
- Safety at Sports Ground Act 1975
- Private Security Industry Act 2001
- Environmental Protection Act 1990
- Noise Act 1996

- Croydon Council Byelaws

### **13. Equality and Diversity**

Croydon aspires to be renowned for its safety, accessibility, inclusion, cohesion and community spirit where everyone who lives and works here has a strong sense of belonging. As a council and in partnership with others we aim to address the needs and aspirations of local people to create a place of opportunity for all. The application of this policy will have due regard to Section 149 of the Equality Act 2010, which places a general duty on public authorities, who must, in the exercise of their functions, have due regard to the need to:

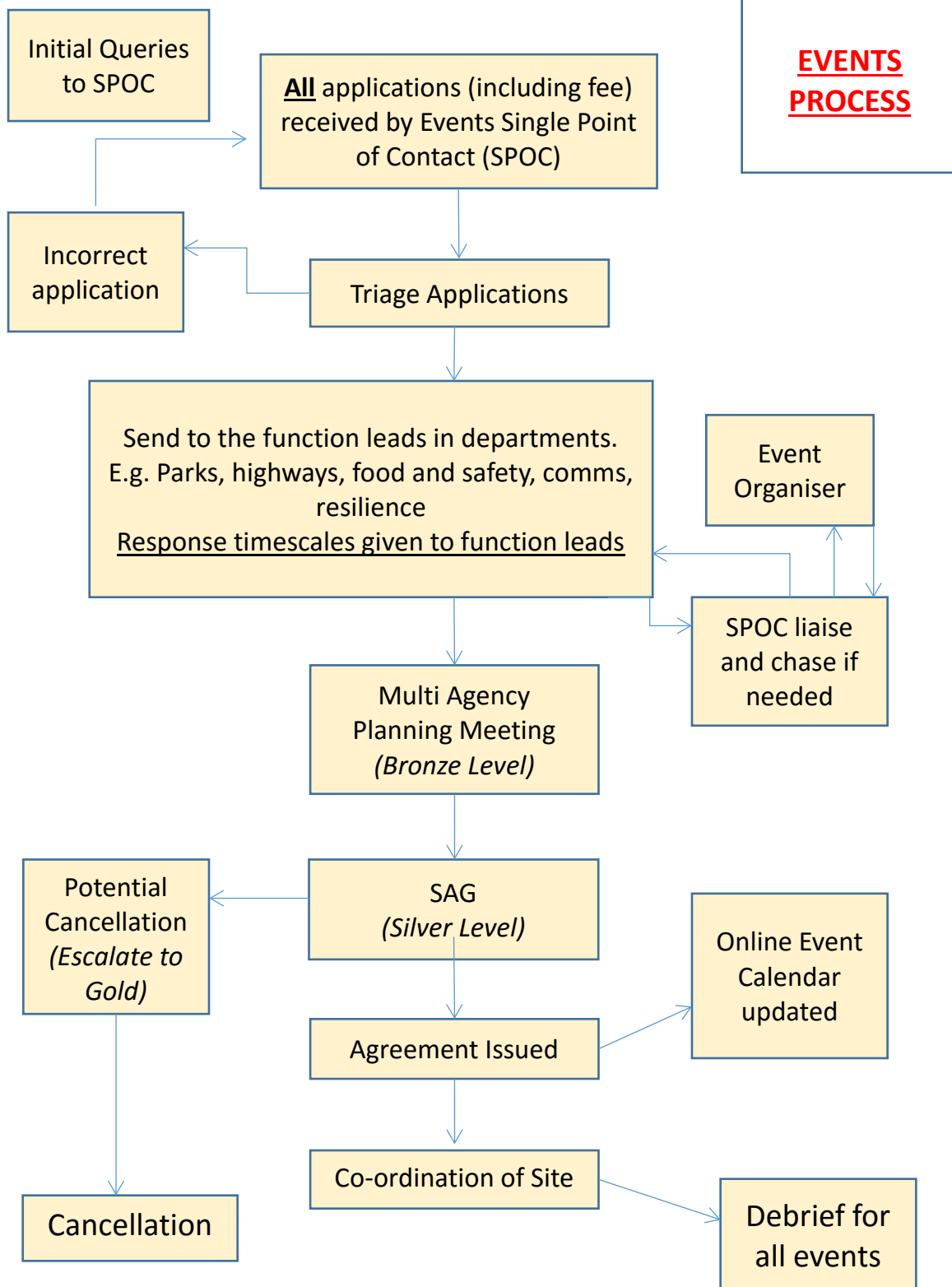
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
- Advance equality of opportunity between people who share a protected characteristic and those who do not;
- Foster good relations between people who share a protected characteristic and those who do not.

### **14. Review**

Events are unique, therefore the challenges posed by each event are different. As events evolve and develop it will be necessary for the Events Policy to evolve and develop accordingly. All the partner agencies recognise the importance of outdoor events to Croydon and work together to provide a programme of safe and well managed events for the benefit of residents and visitors.

Appendix 1

Process map



<b>REPORT TO:</b>	<b>CABINET 20 February 2017</b>
<b>AGENDA ITEM:</b>	<b>8</b>
<b>SUBJECT:</b>	Brick by Brick Development Company - Business Plan
<b>LEAD OFFICER:</b>	Shifa Mustafa, Executive Director Place
<b>CABINET MEMBER:</b>	Cllr Alison Butler, Cabinet Member for Homes, Regeneration and Planning Simon Hall, Cabinet Member for Finance and Treasury
<b>WARDS:</b>	All
<b>CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON</b>	
<ul style="list-style-type: none"> <li>• Maximise the use of the Council's assets to deliver new homes, including affordable housing, private for sale and private rented stock.</li> <li>• Enable an innovative commercial model which will benefit the Council financially and help meet savings targets.</li> <li>• Brings forward the development of key sites across the borough addressing key local, regional and national policies.</li> <li>• Secures improved community facilities.</li> </ul>	
<b>FINANCIAL IMPACT</b>	
Brick by Brick's development activity will have a positive financial impact for the Council as 100% shareholder in the company.	
This income generated from the Council will be from three key elements of activity as detailed in section 5 of this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> this is not a key executive decision	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## 1. RECOMMENDATIONS

- 1.1 That Cabinet, on behalf of the Council as sole shareholder of Brick by Brick Croydon Limited ("**BXB**"), approves the proposed 2017/2018 Business Plan of BXB as set out in Appendix A of this report.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report sets out the draft Business Plan for BXB for 2017/2018 (the "Proposed Business Plan"). In accordance with BXB's Articles of Association, this is required to be approved by the Council (as sole shareholder) before being formally adopted by the BXB Board. The report builds on a number of previous reports which considered the shortage of homes in the borough and recommended the establishment of BXB as a means by which the company could help generate an additional supply of new homes, particularly affordable homes.
- 2.2 As highlighted in previous decision reports, BXB has a number of characteristics that help it to help deliver much-needed new homes in the borough. A typical development model involves the purchase by BXB of Council land with development potential under terms which satisfy the Council's statutory duty to secure best consideration. BXB then undertakes development activity on this land, delivering new residential space (both private and affordable), community space and other uses. Any development profit realised by BXB which remains in BXB after payment of costs and related liabilities (and subject to satisfaction of certain legal requirements) can be distributed back to the Council, in its capacity as sole shareholder, by way of a dividend. The Council is also to provide development finance for specific schemes (at market rates) to BXB and the interest paid by BXB provides a further revenue source to the Council.
- 2.3 At the 20th June 2016 Cabinet meeting, Cabinet approved the disposal of a set of sites to BXB subject to terms being approved by the Executive Director Resources (Section 151 Officer) acting in consultation with the Cabinet Members for Homes, Regeneration and Planning and Finance and Treasury. Cabinet also approved the lending of development finance by the Council to BXB to progress the development of these sites on terms to be agreed by the Executive Director Resources (Section 151 Officer) acting in consultation with the Cabinet Member for Finance and Treasury.
- 2.4 These terms were subsequently agreed and BXB have progressed work on the relevant sites. Approximately 28 planning applications have now been submitted by BXB, comprising c539 units.

## **3. DETAIL**

### **Background**

- 3.1 The borough's population is rising and is set to rise still further in the years ahead. One of the greatest challenges for Croydon, in common with many other London boroughs, is the provision of new homes to suit a variety of incomes. Aside from the quantum of homes needed, the affordability of homes for both purchase and for rent is a key and increasingly challenging issue for many Croydon households.
- 3.2 Clearly, the delivery capacity of the wider development sector will be instrumental if these targets are to be met, and the new Local Plan enables the development of new multi-tenure homes on appropriate sites throughout the borough. However, the Council also needs to take a direct role in delivery if the housing



supply challenge is to be met. The borough is a significant land owner in its own right, and there is huge potential for new homes to be delivered on Council land.

- 3.3 Traditionally, local authorities have delivered housing on their own land via land disposal or joint venture agreements with property developers, a process which sometimes did not allow them to fully benefit from any uplift in land values and/or development returns. This experience has led Croydon and several other forward thinking local authorities to seek a much greater commercial role in development and house building by establishing development companies.
- 3.4 The BXB structure has a number of characteristics that help it deliver the required transformational change in the delivery of new homes in Croydon. The intention is to ensure development activity, whilst remaining robustly commercial, more directly benefits local communities. For example:
- The initiative will create much needed new homes of a variety of tenures and priority will be given to local residents through the sales and/or letting process for both private and affordable homes.
  - The BXB model of delivering a number of sites simultaneously allows for commercial efficiencies which have the effect of increasing the overall quantum of affordable housing in the programme – for example, BXB are delivering 50% affordable housing within their smaller residential site programme, far greater than the amount usually achieved on such sites.
  - Where community facilities exist on sites to be developed, these will be replaced with on-site or very near by with new, purpose built facilities which address local need.
- 3.5 Whilst BXB greatly benefits the Council by contributing to the delivery of housing within the borough (in the same way that all developers who build housing within the area do), it operates commercially and independently from the Council with its business directed by the Board of Directors who make decisions in the best interests of the company.

#### **Work completed to date**

- 3.6 BXB have made very significant progress in the last year and developed schemes for a number of sites across the borough. This follows on from site investigation, appraisal and due diligence analysis completed earlier. In general:
- c28 smaller sites submitted to planning, with the potential to deliver 539 units.
  - c18 sites are currently at pre-planning stage with the potential to deliver 626 units and c45,000sqft of new community facilities.

#### **College Green Development**

- 3.7 The College Green development is one of BXB's largest development sites and has been the subject of several previous Cabinet reports. It is proposed to include a £30m investment into Fairfield Halls, a c200,000sqft new college/university building and approximately 1,400 new residential units alongside new public realm, retail and leisure space on land currently owned by the Council and Croydon College. A hybrid planning application for this development is due to be considered by planning committee in February 2017. The Council has also been successful in securing funding from the Coast to Capital LEP.

- 3.8 BXB are currently delivering enabling works on Phase 1 of this development which includes the refurbishment of Fairfield Halls, residential development on the site of the multistorey car park, the enabling works for the college facility and associated public realm works. Subject to the agreement of legal documentation with the Council and Croydon College, BXB will proceed to deliver Phase 2 of the scheme which includes the new Croydon College facility, the redevelopment of the existing college land for a residential led scheme and associated public realm works.
- 3.9 The current works includes demolition and enabling works, including the strip out of Fairfield Halls. The construction phase for the Halls is expected to commence in May 17 with an expected completion date of Nov 18.

### **Ongoing monitoring by Council**

- 3.10 It is agreed that a detailed business plan shall be reviewed annually between BXB and the Council. The business plan for BXB for 2017/2018 is included at Appendix A of this report. No changes to any agreed business plan will be effective until such time as they are varied and/or updated by the Council, as sole shareholder. BXB will also provide an Annual Report to the Council in each year.
- 3.11 The Board of BXB is made up of three non-executive Directors (one of which is a Council nominee) and a Managing Director (who is a Council nominee). Detailed information regarding the operation and performance of BXB, as well as progress on individual sites is provided on an ongoing basis to the Board via the Managing Director. In respect of information to be relayed to the Council, the Council has its own procedures in place via the two Council nominated members.
- 3.12 A cross-party Member Information Group is also being established, to be chaired by the Cabinet Member for Homes, Regeneration and Planning. BXB will provide a progress update for meetings of this group on an ongoing basis.
- 3.13 The Articles of BXB outline certain shareholder rights and the Council has further controls commensurate with what reasonably minded investors seek through requiring its consent to be obtained before certain actions can be undertaken by BXB (e.g. taking any actions outside of the agreed and adopted business plan, acquiring or disposing of any asset, entering into any joint ventures or partnerships etc.). As a lender, controls exist within the loan agreement and security document which provide a fixed and floating charge over BXB's assets. As a seller of land, the land documentation contains provisions that determine the use of the relevant land. The terms of appointment of the directors of BXB include financial protocols and obligations regarding decision making.

## **4. CONSULTATION**

- 4.1 The structure and operation of BXB has been the subject of a number of previous Cabinet and Scrutiny reports and members have been consulted as part of these processes. In addition, ward and Cabinet members, and local MPs, are consulted by BXB as part of the development of their proposals for individual sites.
- 4.2 BXB also undertake a detailed public consultation and engagement process as part of their design development for individual schemes. This includes public events and drop in sessions on site to explain the proposals and seek feedback, presentations to local representative groups and dialogue with individuals who have an interest in the proposals. The results of these processes are included within the Statement of Community Involvement which are included as part of any subsequent planning application.
- 4.3 In addition, consultation is undertaken as part of the planning process for all BXB schemes which are submitted for planning approval.

## **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 5.1 The Council as 100% shareholder of Brick By Brick will benefit from a financial return once each development site is completed. The benefit consists of three key areas:-
- A capital receipt for the land value for each of the development sites will be received by the Council upon completion of each site. Each land value is calculated using a residual land value appraisal model and agreed by the district valuer.
  - A dividend is expected to be paid to the Council as sole shareholder. This will be revenue income to the Council.
  - The Council is acting as the financial lender to Brick by Brick and the total anticipated loan for 2017/18 is estimated to be £291.7m. This loan will be repaid along with interest and is expected to generate a return to the Council of c4% per annum.

### **5.2 Risks**

There is a risk that the estimated return to the Council as sole shareholder from income generated from the dividend is less than anticipated.

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Council Solicitor comments as follows:
- 6.2 The Council Solicitor comments the governance arrangements relating to BXB are being kept under review to help ensure that the arrangements operate in the manner envisaged by previous reports on the development company proposal and as required by the Council. As mentioned earlier in this report, the Council is required to approve the Business Plan of BXB under the company's Articles of Association.

6.3 Approved by: Sean Murphy, Principal Corporate Solicitor (Regeneration) on behalf of the Acting Council Solicitor and Monitoring Officer).

## **7. HUMAN RESOURCES IMPACT**

7.1 There are no Human Resources impacts arising from this report.

7.2 Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR.

## **8. EQUALITIES IMPACT**

8.1 The impact of the proposals to be delivered through the structures outlined in this report on protected groups are expected to be positive. The provision of new affordable housing, maintaining and improving existing, social housing and tackling poor private housing conditions, meeting housing need and preventing homelessness, providing housing support and high quality housing management services are all expected to benefit groups with protected characteristics. Similarly, the creation of additional revenue streams to the Council allows reinvestment into Council services to benefit of all residents.

## **9. ENVIRONMENTAL IMPACT**

- 9.1 No specific adverse environmental impacts arise from this report. Any environmental issues arising from site development are regulated by the planning and building control processes.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 No specific adverse crime and disorder impacts arise from this report. Any secure by design issues arising from site development are regulated by the planning and building control processes.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

The basis for the recommendation set out in this report are set out in previous Cabinet reports, including the opportunities to deliver real benefits to local people through developing new homes, infrastructure and community facilities, and the jobs, opportunities and stronger vibrant communities that will also flow from that growth.

## **12. OPTIONS CONSIDERED AND REJECTED**

Options considered for the development of land across the borough to address housing need have included the disposal of land on the open market to enable development and the procurement of developers via development agreement to take forward sites. These were rejected as neither option is as commercially efficient as the proposals contained in this paper, and they do not maximise the direct benefit to local residents from development in their borough.

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**CONTACT OFFICER:** Shifa Mustafa, Executive Director Place.

### **BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

The following are available on the Council website: [www.croydon.gov.uk](http://www.croydon.gov.uk)

1. Wholly owned housing company – an option for tackling the shortage of homes in Croydon, Cabinet 29 September 2014
2. Growth for the Prosperity of All: Growth Plan & District Centre Investment and Place Plans, Cabinet 29 September 2015
3. Homes – our 10 priorities, Cabinet 16 March 2015
4. College Green Cultural and Educational Quarter Cabinet Report, 20 Oct 2015
5. Brick by Brick Croydon Limited – Property and Financial, Cabinet 20 June 2016.
6. Brick by Brick Development Company, Streets Environment and Homes Scrutiny Sub-committee, 20<sup>th</sup> Sep 2016

**Appendices: Appendix A attached**

## **Brick by Brick Croydon Limited**

Business Plan 2017/8

Contents:-

1. Foreword
2. Aims of Company
3. Market Analysis
4. Company Structure, Board and Resourcing
5. Land and financing
6. Development Programme

## 1. Foreword

- 1.1 Croydon has the potential to be a model for suburban and city living, with excellent links to Central London, the South London suburbs, the south coast, Gatwick Airport and beyond. The borough is currently undergoing major economic and civic renewal including major retail investment in the metropolitan centre, new commercial occupiers and the continued expansion of the cultural sector.
- 1.2 Allied to this, the Council's new Growth Zone initiative will provide significant new investment in infrastructure including road, rail, tram and public realm improvements, as well as employment and cultural facilities. This creates an unrivalled context for investment and growth.
- 1.3 It's unsurprising therefore that the borough's population is rising and is set to rise still further in the years ahead. One of the greatest challenges for Croydon, in common with many other London boroughs, is the provision of new homes to suit a variety of incomes. Aside from the quantum of homes needed, the affordability of homes for both purchase and for rent is a key issue and increasingly challenging for many Croydon households.
- 1.4 Clearly, the delivery capacity of the wider development sector will continue to be instrumental if these targets are to be met, and LB Croydon's new Local Plan enables the development of new multi-tenure homes on appropriate sites throughout the borough. However, the Council also needs to take a direct role in delivery if the housing supply challenge is to be met.
- 1.5 The borough is a significant land owner in its own right, and there is huge potential for new homes to be delivered on land currently owned by the council. These sites include major regeneration sites which have been considered for development for some time, but there is also significant development capacity on smaller infill sites, in both public and private sector ownership, located throughout the borough.
- 1.6 Traditionally, local authorities have delivered housing on their own land via land disposal or joint venture agreements with private sector property developers, a process which often did not allow them to fully benefit from any uplift in land values and/or development returns. This experience has led Croydon, and many other forward thinking local authorities, to think differently and seek a much greater commercial role in development and house building by establishing a development company: Brick by Brick (Croydon) Limited (BxB).
- 1.7 The BxB structure has a number of characteristics that help it deliver the desired transformational change in the delivery of new homes and maximise the direct benefits to local communities in Croydon. For example:
  - BxB activity creates development profit, all of which is returned to the local authority (as sole shareholder) in the form of dividend, to be reinvested in the borough.
  - BxB creates much needed new homes of a variety of tenures and priority will be given to local residents through the sales and/or letting process for both private and affordable homes.
  - The BxB model of delivering a number of sites simultaneously allows for commercial efficiencies which have the effect of increasing the overall quantum of affordable

housing in the programme – for example, BXB are delivering 50% affordable housing within their smaller residential sites programme, far greater than the amount usually achieved on such sites.

- Where community facilities exist on sites to be developed, these will be replaced with on-site or very nearby with new, purpose built facilities which address local need.

1.8 As such, BXB is a key economic actor in the borough, crucial to providing the wide range of housing typologies and tenures which will be necessary to service borough growth. This Business Plan sets out the vital role Brick by Brick will play in contributing to the borough's success.



## 2. **Aims of Company**

2.1 BXB is a private, independent development company, commercial in character, which focusses on providing housing led development for the benefit of the people of Croydon.

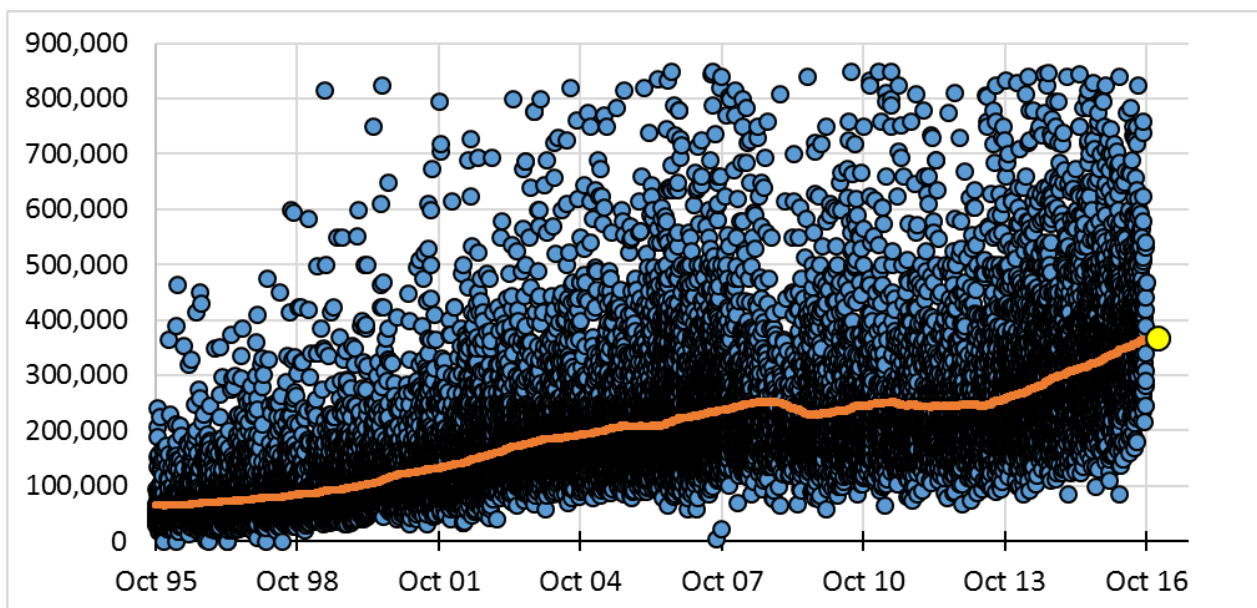
2.2 The key aims of the Company are:

- To deliver multi-tenure housing for sale and rent.
- To ensure a transparent and commercially efficient form of development which maximises the amount of affordable and intermediate housing delivered through the development process.
- To deliver new commercial and/or retail development.
- To deliver new or replacement cultural, community, educational, health, public realm and other development as part of mixed use schemes.
- To maintain an exceptionally high quality of design and delivery to ensure development activity is a positive physical addition to the local environment.
- To dispose of existing property and/or acquire new property in accordance with the terms of this Business Plan.
- To maintain and/or manage property assets.
- To carry out all of the above activities on a commercial basis and in the best interests of the company with a view to maximising dividend to the shareholder.

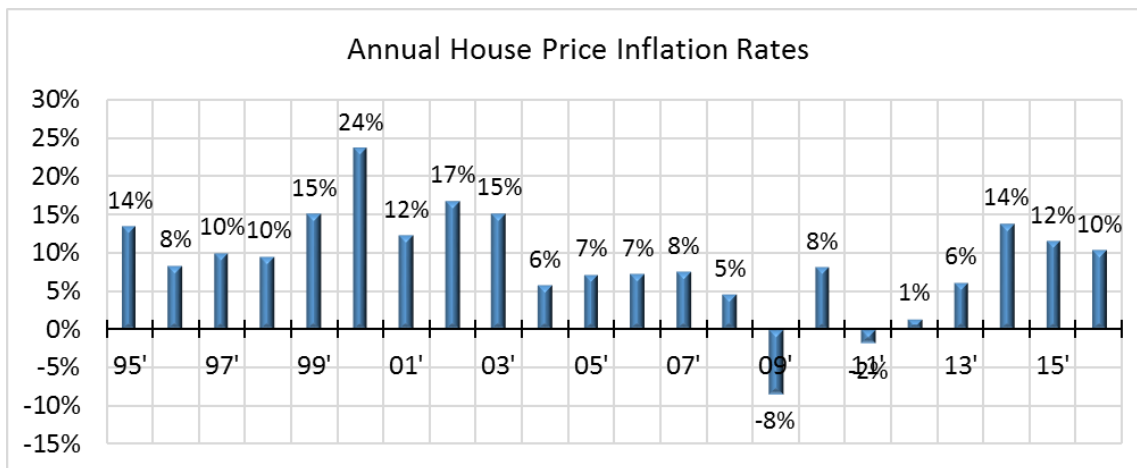
### 3. Market Analysis

#### Housing Market

- 3.1 The dynamism of the land and property markets in London have been well documented over recent years. In particular, a wealth of information and publications exist and continue to be produced providing detailed analysis of the housing market.
- 3.2 This section examines a number of key indicators and draws together evidence regarding the impact market changes have had on the ability of residents to access housing. This is an important area of analysis having implications for overall market demand, the current and future demand for affordable housing and the size of the potential market for BXB housing product.
- 3.3 Evaluating the housing market requires an understanding of the real cost of buying or renting a property and the level of housing need. This is undertaken in detail on a site by site basis for all BXB sites.
- 3.4 The table below looks at the house price movement through a House Price Index trend, based on the transacted values within the borough and a variety of other available sources.



- 3.5 The trend line (orange line in the graph above) of the house price movement equates to a 4.5% HPI and the trend seems both stable and consistent. However, there has been a noticeable recent spike in house price increases in Croydon, as evidenced in the table below.



3.6 For the purpose of business plan analysis, BXB adopts a conservative assumption that the long run HPI trend would eventually revert to this stabilised HPI trend of 4.5% per annum by 2020 as shown in following profile.

Year	2017	2018	2019	2020	2021
HPI	6%	5%	4.5%	4.5%	4.5%

3.7 With regard to rents, based on market analysis the following average open market rents can be expected to be achieved in the Croydon area. Rental levels are seeing a similar upward trend to capital values and provide the investment context for the private rented sector offer going forward.

# Bedrooms	Unit Type	Average Market Rent (£ / Month)	New Build Rent (£ / Month)	Affordable Rent £/month
Studio	Flat	770	808	646
1 Bedroom	Flat	990	1,039	831
2 Bedrooms	Flat	1,233	1,294	1,035
3 Bedrooms	Flat	1,450	1,522	1,218
1 Bedroom	House	959	1,007	806
2 Bedrooms	House	1,234	1,296	1,037
3 Bedrooms	House	1,542	1,619	1,295
4 Bedrooms	House	1,956	2,054	1,643

3.8 It should be noted that the BXB model provides significant numbers of new affordable rented housing supply. The Council are currently exploring a number of options that will enable the provision of affordable rented housing at far lower levels to the averages listed above as required to address particular housing needs.

#### **4. Company Structure, Board and Resourcing**

- 4.1 BXB is a private company limited by shares, with a single shareholder (the London Borough of Croydon). The Company is governed by the Companies Act 2006, with the Articles of Association being adopted by Special Resolution on 4 October 2016.
- 4.2 This structure is flexible and enables a variety of approaches to deliver the aims of the company, for example:
- The ability to set up joint ventures with partner to meet the Company's aims
  - The ability of the Company, whether on its own or in a joint venture, to source funding for development
  - The ability to hold specific asset classes and generate a return to the shareholder
  - The ability to reclaim VAT on VATable services where these are provided
- 4.3 Strategic decision making for the company is undertaken by the Board of Directors (the Board). The Board consists of one Executive Director (Managing Director) and three non-Executive Directors. The Managing Director and one of the non-executive Directors are nominated by the Council. The Managing Director also holds the post of Chief Executive within the company.
- 4.4 The Directors are responsible for the management of the Company's business, for which purpose they may, with the exception of the matters requiring Shareholder consent and expressly reserved pursuant to Article 6 (Shareholder Reserved Matters), exercise all the powers of the Company. The Directors have a legal duty to promote the success of the company and to exercise independent judgement. This applies even if this is in conflict with other interests.
- 4.5 The Board meets approximately every six weeks in order that the Board and executive team can work closely to ensure that the aims of the Company are being met. The role of the Board includes (but is not limited to):
- ensuring effective engagement with the shareholder and any other stakeholder(s) as the Board deems appropriate
  - testing financial appraisals for the various development sites set out
  - subject to satisfactory financial appraisals, acquiring the development sites in a way that maximises value (either unilaterally or in collaboration with development partners)
  - securing funding to deliver development activity
  - subject to funding, procuring and delivering development activity as efficiently as possible
  - identifying further development and commercial opportunities in keeping with the aims of the company.
- 4.6 The Board members are:
- Director 1 (Managing Director) – Colm Lacey (LB Croydon Director of Development)
  - Director 2 – Lisa Taylor (Director of Finance and Deputy 151 Officer)
  - Director 3 – Jayne McGivern: currently runs her own private property investment vehicle (Red Grouse Properties). She has previously been CEO (Europe) of Multiplex plc, Managing Director of Anschutz Entertainment Group, Group Development Director of MWB Group Holdings plc and Divisional Managing Director of Redrow plc.

- Director 4 – Jeremy Titchen: currently runs his own property platform (Rockhopper Real Estate Ltd) providing strategic advice to landowners and investors. He has over 30 years experience in the real estate market and extensive knowledge of development projects in all property sectors.

4.7 Information as to the operation and performance of the company is provided on an ongoing basis by the Board to the shareholder. This takes the form of:

- Monthly highlight reports on all projects
- Annual Business Plan
- Annual Report

4.8 The shareholder representatives, the LB Croydon ‘Executive Director, Place’ and the ‘Executive Director Resources (Section 151 Officer)’, also currently attend Board meetings in an observer capacity and are responsible for updating the council on BXB related issues via the relevant governance structures.

### Resourcing structure

4.9 There are five main areas of resource from which the company draws to deliver work:

- **Chief Executive function:** ultimately responsible for the operation of the company including strategic and commercial direction, organisational culture, financial management, business development and the delivery of all schemes. The Chief Executive service is commissioned directly from the Development Directorate of LB Croydon. The Chief Executive also has a role on the Board as Managing Director.
- **Development and Design Management Services:** this includes a Head of Development function and several Development Managers whose role is to provide a holistic clienting function for all development activity and to oversee the progress of all phases of development activity. It also includes a Head of Design and several in-house architects whose role it is to conduct feasibility on likely sites, specify design activity and provide design review, expertise and guidance through the development process. These services are commissioned directly from the Development Directorate of LB Croydon.
- **Financial Services:** including budgetary management, corporate financial monitoring etc. This service is commissioned from LB Croydon.
- **Architectural Services:** including all design, architecture and landscape architecture services through all RIBA stages as required. These services are commissioned from the wider market and variety of practices are contracted to deliver various sites. For some sites the LB Croydon Design Team will act as an architectural practice in its own right and in such cases, charge a professional fee to the company in keeping with external architecture panel rates.
- **Legal, Technical and Community Engagement services:** these include all legal related work, technical surveying and analysis, and work relating to scheme consultation and community engagement. These are commissioned from the wider market and a variety of specialist practices are currently in place.

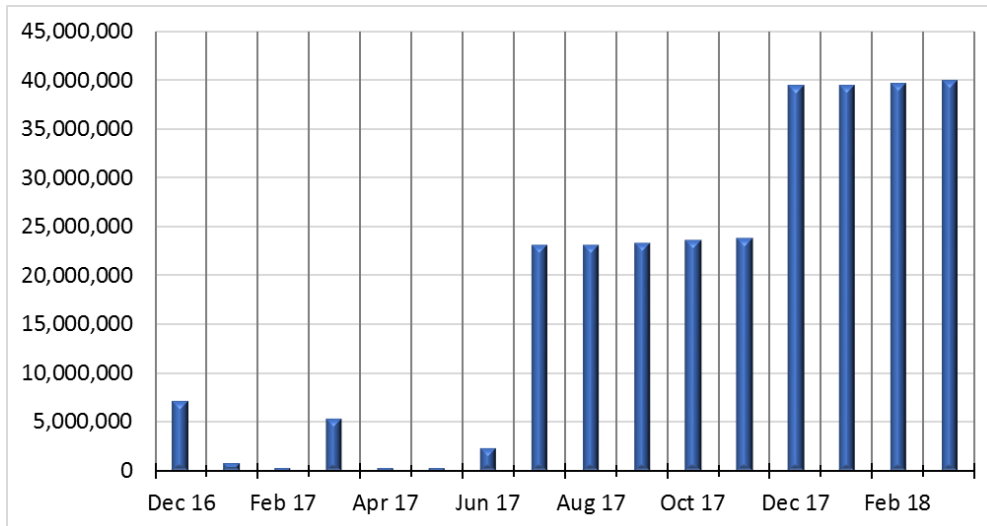
## **5. Land and Financing**

- 5.1 The Company is wholly financially self-sufficient, with all costs relating to the operation of the business funded retrospectively by the proceeds of development. Initial analysis work on potential sites takes the form of a desktop capacity study by the internal design and development team, followed by more detailed site due diligence (title, planning, geotech, utilities, title etc) as necessary. This work informs a financial appraisal and the Board then decides, subject to viability and conformity with the business plan, whether to approve further more formal design and development work through the RIBA stages.
- 5.2 One of the key aims of the company is to bring forward land with the potential for development and a number of suitable sites have been identified in Croydon, the vast majority of which are in Council ownership. These sites are typically urban infill sites such as disused garages or surplus estate land, or existing urban sites with potential for development, such as certain surface level car parks.
- 5.3 Sites which are suitable for development are purchased by the Company at market rates, often via an option agreement which is subject to a number of conditions including planning related clauses and overage arrangements which allows the landowner to capture any unexpected land value uplift.
- 5.4 The full cost for each development site (including land, financing, construction and all associated fees) is appraised against the income generating potential of the site, both of which are valued with the aid of specialist consultants. Each appraisal also includes an amount to cover company overheads and management costs (e.g. company admin etc).
- 5.5 Income for each scheme takes the form of sales values from private, affordable rented and shared ownership units, and rental value from any retained residential units and non-residential uses. Sales and rental values are calculated with reference to achieved sales values for similar units and an analysis of market trends in that location. In general, the margin sought by BXB development is commensurate with that sought by other private developers (approximately 15% profit on cost for private schemes).
- 5.6 Initially, the Council's 'Revolving Investment Fund' is the sole source of development finance. This was set up for the purposes of investing in projects such as BXB and provides both debt and equity financing at market (and therefore State Aid compliant) rates. Repayment of interest on this debt by BXB provides an additional revenue stream to the council as it has the ability to borrow at very competitive rates to service this lending.
- 5.7 All borrowing by BXB is site specific and subject to an individual loan agreement. The borrowing is secured against land and includes numerous pre-conditions on drawdown as well as ongoing performance measurements. These terms are reflected in the cost inputs to each site appraisal.

### **Funding Requirements**

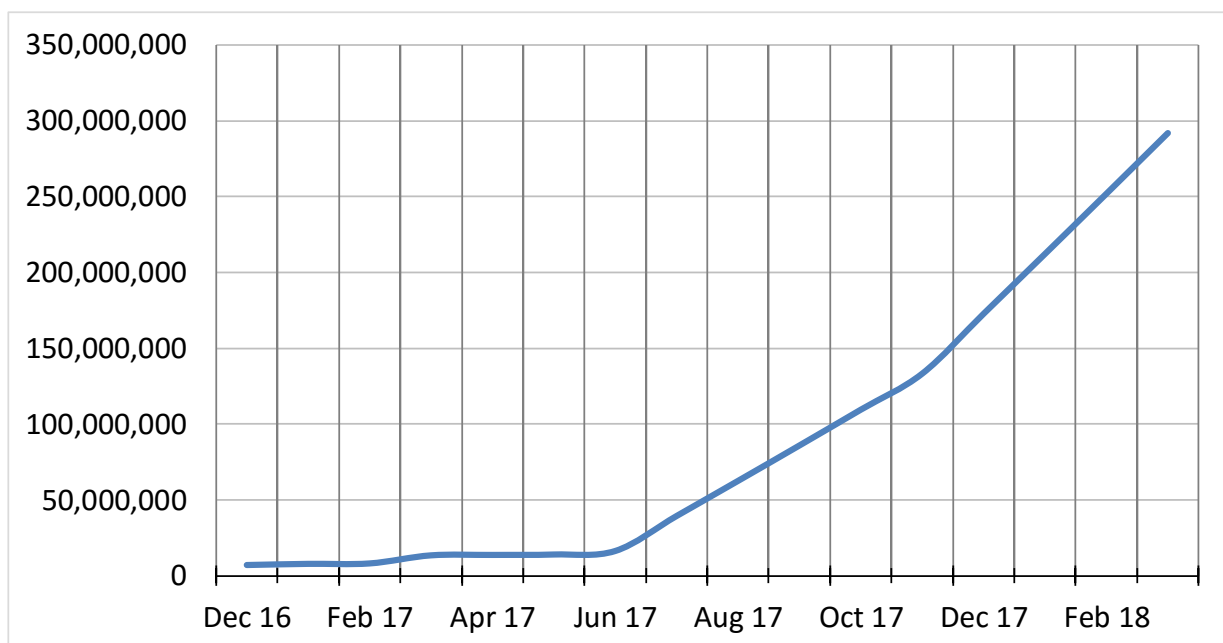
- 5.8 The sites form a programme of development activity for BXB and define the funding requirements to underpin their delivery. The analysis below focusses on the period up until April 2018 as a key milestone for this business plan.
- 5.9 The cumulative borrowing requirement for BXB in the period to April 2018 is £291.7M. Of this amount £74.4m is equity investment from the shareholder, with the remaining funding sourced as senior debt. Figure 8.1 sets out the expected profile of drawdown, on a quarterly basis based on the development activities set out in Section 7.

**Figure 8.1 – Funding Requirement**



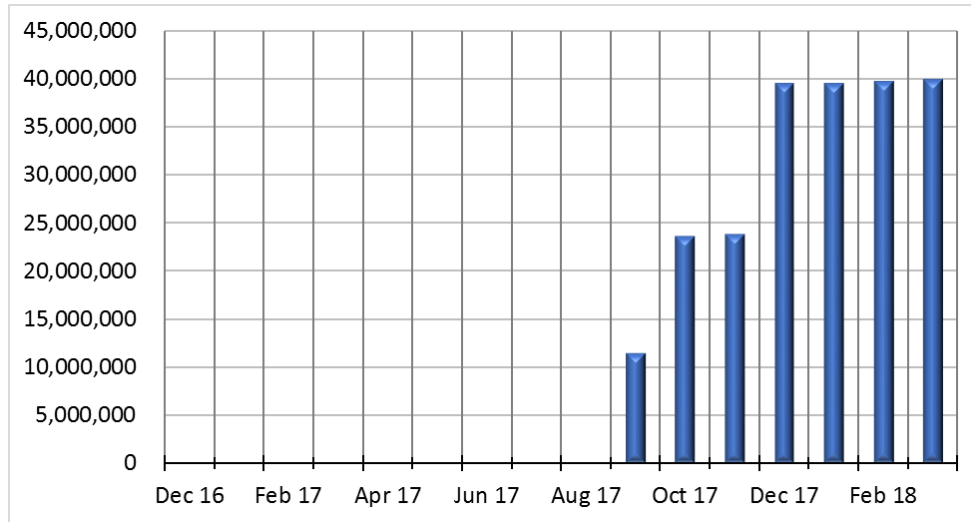
- 5.10 Figure 8.2 sets out the cumulative funding requirement for this period.

**Figure 8.2 – Cumulative Funding Requirement**

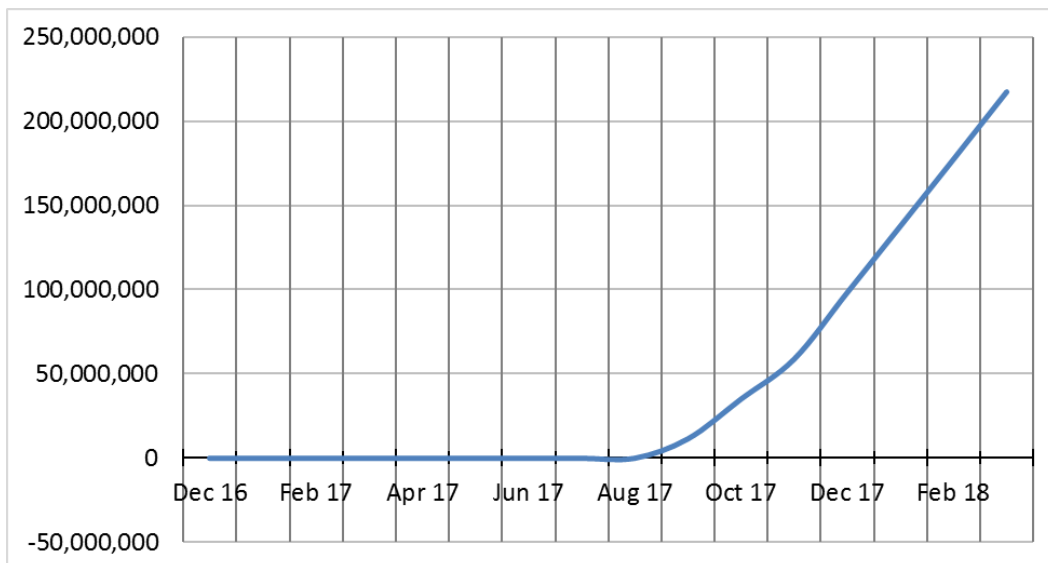


5.11 Based on the profile detailed in Figures 8.1 to 8.2, the monthly funding costs and cumulative debt costs of this drawdown are detailed in Figures 8.3 and Figure 8.4 respectively.

**Figure 8.4 – Monthly debt costs of delivery programme**



**Figure 8.4 – Cumulative Debt Cost**



5.12 In addition, there are some sites listed in the appendix which are at an earlier stage of design development (ie pre-RIBA stage 2). As design work progresses on these sites they will be reported to the Board using the process detailed in paragraph 5 onwards and, subject to viability and the availability of funding, incorporated into the delivery programme for 2017/8.

5.13 It should be noted that in the future, where funding is not available from the Council, or where it better enables the delivery of schemes, BXB has the ability to seek finance from alternative sources. These could include partner finance, institutional funds, the European Investment Bank, financial/bond markets and the wider banking sector. These sources of funding are likely to be necessary to enable delivery some of the larger BXB schemes (e.g. College Green Phase 2).



## 6. Development Programme

- 6.1 The Company has identified a number of sites appropriate for development, the vast majority of which are in council ownership. These sites are detailed in Appendix 1 and are at different stages of development. They can broadly be summarised as follows:
- RIBA Stage 2+ complete, planning application submitted – 29 sites
  - RIBA Stage 2+ underway – 19 sites
  - Initial due diligence/RIBA Stage 1 underway – 11 sites
- 6.2 The sites are divided into delivery tranches. The estimated programme for delivery for those sites which have already been submitted to planning (T1, T2 and T3) is:
- Feb-Apr 2017 - Planning decisions  
Mar -May 2017 - Enabling works commence  
Jun - Aug 2017 - Main works commence  
Jun - Aug 2018 - First completions  
Jan- Mar 2019 - Remaining completions
- 6.3 This is a complex programme, with a significant level of inherent risk. The company operates a risk management strategy that addresses both corporate risk (through its governance processes) and project risk (through the appraisal of sites and design/development management approach).
- 6.4 At scheme level, a detailed risk register is in place for each site and risks are managed on a day-to-day basis within the project teams. A detailed project dashboard is also provided for discussion at each Board meeting which:
- a) identifies each risk the possible consequences thereof;
  - b) assesses the risk and ranks in terms of its estimated impact and immediacy; and
  - c) controls the risk by detailing the appropriate mitigation, assigning owners and defining a monitoring approach.
- 6.5 The estimated costs and revenues associated with each tranche which has completed RIBA Stage 2+ (ie planning application submitted) is shown in the table below. While development profit is one of the key benefits to the shareholder of BXB activity, it should be noted that there are additional benefits to the council which are not captured below. These include:
- Revenue from lending, as the councils lends to BXB at a higher rate than it borrows;
  - Land value for a variety of sites around the borough;
  - Contract value for services commissioned from the Council; and
  - Direct reduction in service cost through delivery of new affordable housing, public realm, landscaping improvements.

Tranche	Total Est Dev Cost	Total Est Scheme Revenue
1.	£33.6m	£37.8m
2.	£62.8M	£70.8M
3.	£59.1M	£66.4M



**For General Release**

<b>REPORT TO:</b>	<b>20 February 2017</b>
<b>AGENDA ITEM:</b>	<b>9</b>
<b>SUBJECT:</b>	Impacts of Welfare Reform
<b>LEAD OFFICER:</b>	Mark Fowler - Director of Gateway and Welfare services
<b>CABINET MEMBER:</b>	Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice
<b>WARDS:</b>	<b>All</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Changes from welfare reform have increased financial and housing pressures for our residents. These challenges have increased the risk of instability for people and have put Council services under stress. We need to plan thoroughly to support people in overcoming these difficulties by providing high quality information, advice and guidance to people so that they can live independently and have healthier lives. We need to support people, young and old, into employment by implementing our new Pathways to Employment programme and building on the success of the Gateway Service by extending the range of households who receive an integrated whole household approach.</p>	
<p><b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b></p> <p>Independence - helping people to be as, independent as possible;          Financial resilience - Provide a more joined up approach to helping households to become financially stable and personally resilient, to access training and employment, reducing homelessness and the number of people living in temporary accommodation:          Fairness – Equalities, Open &amp; Accountable          Include Growth, Independence and live ability.</p>	
<p><b>FINANCIAL IMPACT</b></p> <p>The paper sets out the financial risks and implications for the Council and families.</p>	
<p><b>KEY DECISION REFERENCE NO.:</b> <b>Not a key decision</b></p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p> <p><b>1. RECOMMENDATIONS</b></p> <p>The Cabinet is recommended to:</p> <p>1.1.1 Note the impact and associated risks for people arising from the ongoing and future changes of welfare reform and the expanding roll out of universal credit;</p> <p>1.1.2 Note the support the Council has offered to families as detailed in the report.</p>	

## **2. EXECUTIVE SUMMARY**

2.1 The report is an update on the last cabinet report in July 2016, outlining changes that impact people and the council with a particular focus on universal credit and benefit cap.

2.2 Welfare reform commenced in April 2013 with further measures introduced in April 2016. There are 3 major changes that need to be considered.

- Universal Credit (UC)- Emergency Accommodation
- Benefit Cap
- Freeze in Benefit rates and Local Housing Allowance (LHA) rates

2.3 The above changes affect over 26,000 people in Croydon, losing a total of over £31 million in welfare benefits from April 2013 to April 2017. To assist people the Council has set up a number of different support mechanisms working with partners. This included a multi-disciplined function that assists people with income maximisation, budgeting, housing, finding work and training for work.

2.4 The Council and residents have responded well to the initial phase of reforms. Previously, working even on low income provided a solution, as did assisting people with budgeting to meet the difference they experienced. However, the changes from April 2016 and beyond have increased significant pressure on those already on marginal income and those on low earnings

2.5 This report reflects the numbers of people affected the monetary impact and in turn some of the associated risks along with the action the Council has and will take to assist residents.

## **3. DETAIL**

3.1 The Chancellor of the Exchequer set out in his statement in the July 2015 budget the next phase of changes in relation to welfare reform.

3.2 £12bn savings in welfare spending will be made over four years from 2016/17 to 2019/20 through a number of measures. These present local government with major challenges around both increased demand for services and the discharge of its housing responsibilities.

### **3.3 Main changes and impacts for 2016/2017**

#### **Universal Credit**

Emergency Accommodation (EA): Families placed in emergency accommodation have previously claimed housing benefit from the council for their housing costs. This was paid directly to their rent account two weeks in advance. With the introduction of UC, this ceases and housing costs are claimed from Department for Works and Pension (DWP) with payment being made to the resident, a calendar month in arrears. There are policy and

operational issues with Universal Credit that have an undesirable impact on vulnerable people that require emergency nightly paid accommodation (EA). People claiming UC must have a rental liability on the 5<sup>th</sup> week of their claim. Due to the transient nature of these families, people may have been moved to more suitable accommodation before the 5<sup>th</sup> week. 35% of people in EA do not receive any housing costs from UC as they have no liability at the 5<sup>th</sup> week. The average weekly loss for this cohort of people is £155 per week.

Previously, under housing benefits, single people aged under 35 in temporary accommodation living in shared/or 1 bed accommodation were awarded the 90% of the 1 bedroom local housing allowance (LHA) rate. Under UC this cohort are entitled to share room rate only. This is a difference of £73 per week and the forecasted impact for 2016/17 is a loss of £329k.

Emergency Accommodation arrears: At Croydon we have 1400 EA tenants, of which 695 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 91%. However our collection has dropped to 59%.

Council tenant arrears: At Croydon we have over 14,000 council tenants, of which 1,250 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 98%. However, our collection rate has dropped to 72% for UC claimants, which in total now contributes to 38% of our overall arrears although it is only 8.92% of our tenants.

Decrease in Work allowances: Working households claiming universal credit currently have a work allowance of £222 per month for a couple with children and £263 for a single parent. The allowances have fallen to £192 from April 2016, lowering the threshold at which the benefit is withdrawn.

Housing Benefit overpayments: Any overpayment of Housing Benefit, the council can deduct from on-going entitlement. Currently we recover £3.5m from on-going benefit. Once a resident claims UC, this deduction ceases and the council has to collect the debt directly from the resident. The council is working through the financial and resource requirements as this is additional financial and resource pressure on the Council

There is the opportunity to apply to DWP for deductions to be taken from entitlement to UC although overpayment of HB is not considered a priority debt for deduction

### 3.4 **Benefit Cap**

From November 2016, the Benefit Cap has been reduced from £26,000 to £23,000. This has impacted 1044 people of which 599 are on Housing Benefit and 445 are on Universal Credit. We have no data on UC Benefit Cap people. Out of 599 people claiming Housing Benefit, the average loss is £74.19 per week, maximum loss is £343.88 and the minimum loss is £0.50. 162 people are losing more than £100 per week and are facing a significant risk of eviction. 90 of these will require a move to homes outside London and the South East; the remainder will need other interventions to prevent homelessness. 526 households with 1604 children in Croydon will be affected by the cap.

### 3.5 Freeze in Benefit rates and Local Housing Allowance rates

Working age benefits (including tax credits and local housing allowances) will be frozen for four years from 2016/17 to 2019/20. Statutory payments and disability benefits will continue to increase by the Consumer Price Index (CPI) rate. Support through Child Tax Credit will be limited to two children for children born from April 2017. Equivalent changes will be made to Housing Benefit. Local housing allowance (LHA) is the maximum amount of housing support residents can receive from welfare benefits. This is worked out by area (broad market area) Croydon has 2 BMA's and the number of rooms a family is allowed, which varies on the number and age of the household. As we know there are increasing housing pressures in London which aligns to increasing rents. For example the LHA for a 2 bedroom property in Croydon is £900 pcm although the average rent is £1,200 pcm.

3.6 The table on the next page confirms the predicted impacts of different welfare changes, the average weekly income reductions and the total yearly income reduction. It highlights the overall financial loss.

<b>The main impacts of individual welfare reforms</b>			
	<b>Number of households affected</b>	<b>Average weekly income reduction for those affected</b>	<b>Total yearly income reduction</b>
<b>The impact of previous welfare reforms</b>			
<b>Under-occupation</b>	1,416	<b>-£22.82</b>	<b>-£1,679,937</b>
<b>LHA Cap</b>	7,137	<b>-£58.99</b>	<b>-£21,891,973</b>
<b>Benefit cap (£26k)</b>	333	<b>-£92.58</b>	<b>-£1,603,054</b>
<b>The impact of the summer budget from April 2016</b>			
<b>Benefit cap (£23k)</b>	1044	<b>-£74.18</b>	<b>-2,310,558</b>
<b>Worse off under Universal Credit (after protection ends)</b>	10,177	<b>-£45.41</b>	<b>-£24,032,352</b>
<b>Better off under Universal Credit</b>	9,286	<b>£31.41</b>	<b>£15,166,358</b>

## 4. SUPPORT OFFERED and MAKING THE ARGUMENT FOR CHANGE

4.1 Since April 2016, the Gateway Service has helped people by engaging with them and monitoring their progress to sustain their finances and housing. We have allocated resources to make optimum use of the demand and supply in services. The dynamics of this group has changed and there are conscious decisions made by officers to mitigate risks. We work closely with colleagues in the Job Centre plus who are co-located to provide employment support is provided to people out of work. Owing to the numbers affected by the reforms we segment people in line with possible risk, considering the amount of money lost and

whether they were previously known to us through social care and or already have arrears, monies outstanding. This way we aim to pick up those with more acute issues, supporting others with a lighter touch, sign posting and encouraging on line services.

4.2 Financial Support: Since April 2016 to January 2017, the Gateway service has helped over 5,403 households with range of different financial and housing support.

Income maximisation: We maximised income for 2062 Croydon residents by £7.8 million by ensuring people are claiming welfare support to its maximum.

Discretionary Support: We have prevented homelessness and sustained housing for 1761 households by awarding discretionary payments of £2,132,541.

Benefit cap: 229 households have been supported through budgeting, employment, income maximised and sustainable housing options

We are actively supporting people through our intervention targeting people to receive budgeting support and short term financial help. This is to help them with long term goals in training, employment and move to affordable housing.

We have supported 1,580 people with personal budgeting support (PBS). This is a process Croydon has developed with JCP that identifies people at high risk of eviction and or high levels of debts. (Owing to its success JCP have rolled this approach out nationally)

4.3 The council has commenced work in supporting people by increasing financial resilience and has embarked on plans to increase financial inclusion. The principles agreed are:

<b>Principle</b>	<b>What does this mean</b>
Ensuring people have access to financial products; such as bank accounts and insurance	Allowing people to maximise the most of financial products; receive faster payment, direct debit cost savings (and to assist budget management) and cover for unexpected events
Educate and develop the skills for all people to allow them to budget and manage money, or plan for the unexpected	Through budgeting each resident can understand the reality of their income and expenditure, ways to maximise their income, prioritise debts, make lifestyle choices, understanding ways of saving money – food banks, charity shops, energy suppliers, transport etc.
Enabling people to make the most of their money through digital services	Each resident to recognise and have access to the financial benefits of using digital services (paying rent online, requesting benefits) and opportunities to save money through internet deals; uSwitch, shopping deals, ways to eat healthily for less
Ensuring there is access to affordable credit	People can source the credit that is required for unplanned unexpected events and what impact does this have on their

	budget. Promotion of Credit Unions, or social fund as an alternative to high interest credit (pay day lenders etc.)
Provide skills and opportunity to enter and own their future in employment	People understand their capability and the skills required to realise their ambitions. Having access to employment opportunities that match their skills, and keenly recognise the value of employment to them and society.

Our results so far have seen us:

- Train over 300 Council employees in welfare, housing, resident services and benefits to provide basic budgeting support to people
- Explore key services to provide money saving support and debt guidance, after which the aim is to agree joint approach/sign posting
- Review self-serve options regarding budgeting, consider usage, functionality and promotion
- Worked with the Credit Union (Croydon plus). Over the last 12 months we have seen a 17% increase in the number members, the extension and increase usage of online services, and December the commencement of debit card facilities available to more vulnerable people. With support from Go on Croydon – the credit union has reached out to local community groups to provide support around financial resilience and digital inclusion (both tend to affect vulnerable members of communities on benefits etc.)

4.4 Lobbying Government in relation to the impacts of Universal Credit: A number of the issues especially with regard to universal credit reflect core policy issues which the council has actively changed. Including work with other authorities and London councils

- We received £400,000, after successfully lobbying against the removal of management fee from UC emergency accommodation tenants.
- We witness testimony at the works and pensions Parliamentary Select Committee on impact of Universal Credit
- In light of the committee we have written to them setting out evidence of the impacts, this is to be used when the committee meet with Lord Freud.
- We are continuing to work with the London boroughs of Sutton and Southwark, in co-ordinating the issues, risks and options. This also includes working with London Councils
- We have written to senior officials in the DWP regarding the impact of Universal Credit on emergency accommodation tenants and strongly recommended the housing costs for these people to be moved to Housing Benefit.

## 5. RISKS



- UC policy and operational matters are creating a number of issues. Huge increase in rent arrears in emergency accommodation and council tenants-projected rent arrears are £3.6 million for the year.
- Reduction in Housing benefit administrative grant and universal support grant for 2017/18 will create further pressure on the Council.
- Discretionary Housing Payments (DHP) can be used to mitigate some of the effects while claimants work to attain a sustainable solution. The DHP budget allocated to Croydon for 2016/17 is £1,465,383. There is an unknown additional pressure on Discretionary Housing Support as the DWP indicate that 445 people are affected by Universal Credit Benefit Cap, however we have no data. The complication of the entitlement calculations in Universal Credit means that people will be impacted at the end of each assessment period at different times. Some of these impacts will not be seen for a number of months.
- Adverse impact on collection of Council tax and rent as more people will be unable to afford regular payments.
- While CPI inflation is low and not expected to reach 2% until 2020, housing costs are rising. Between 2011 and 2015 rents of one bedroom flats in Croydon rose by 14% and rents of two, three and four bedroom homes rose by 20%. Thus the 13,781 housing benefit claimants of working age renting privately in Croydon will face difficulties in remaining in their homes.
- Landlords could be less likely to accept housing benefit claimants as new tenants, as the Local Housing Allowance only enables them to afford rents in the bottom 25% of the market, and for one and two bedroom homes even less. The loss of private tenancies is already the fastest rising cause of homelessness. This benefit freeze impedes the Council's ability to procure housing to temporarily house homeless households and it is likely that this will mean that the options for an increasing number of households will be restricted to an out of borough offer in a more affordable area.
- Household sized housing association homes let at 'affordable rents' may no longer be affordable to applicants on benefits. According to a report by the Smith Institute, some housing associations are more reluctant to house poor and vulnerable people. This makes it harder for Councils to discharge their housing duty to homeless households.
- Increased impact on third sector providers with regard to resident demand at a time whilst funding arrangements are reduced.
- Market rent continues to increase in Croydon at around 3.2% per annum whilst the Local Housing Allowance (LHA) is frozen until 2020. There is increasingly a shortfall in supply at the 30<sup>th</sup> percentile and Croydon is increasingly unaffordable for procurement of adequate temporary accommodation.

## 5.1 Mitigations and actions

Lobbying to Central Government regarding Welfare changes including UC:

- The removal of emergency accommodation and therefore administered locally by the council under HB
- For automatic data sharing for all customers in receipt of UC.
- For the automatic referral of vulnerable people group – for example those in arrears, at risk of eviction, known to social services, out of work for more than 2 years
- For automatic payment arrangements APAs for temporary accommodation families.
- For housing overpayment debt to be higher in the hierarchy of priority debts to secure a higher rate of deductions from UC entitlement
- Paper to DWP for indicative 2017/18 funding for HB administrative subsidy and UC support grant.
- Seek further funding for DHP to support people at risk of losing their accommodation.

#### Operational response:

- On-going partnership working with DWP and Job Centre Plus (JCP). Move forward the relocation of JCP to Bernard Weatherill House so that council support officers and work coaches co-locate.
- Continue to monitor impacts, proactively identifying those more affected and case manage
- Reviewing online self-serve options for people, budgeting tools, income maximisation, better off approach,
- Work with third sector partners, ensure outcomes based funding is delivered
- Continue to support people by providing personal budgeting support to those moving onto UC. Review approach to personal budgeting support to ensure all options are maximised
- Negotiate with private sector landlords to either keep people in their current homes or facilitate managed moves to affordable accommodation.
- Utilise bid from DLCCG, £1m over 3 years, to support people's increase community offer and work with credit union
- Continue collaborative approach towards employment/employability support/employability options with an outcomes framework for people.

## **6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

6.1 The table below reflects the risks to revenue due to the expansion of universal credit. If Universal Credit and Welfare issues continue we will experience additional pressure in our bad debt provision for council tenants, tenants in emergency and temporary accommodation and in our housing benefit subsidy return. The projected financial impact to the 31<sup>st</sup> March 2017 is shown in the table below. The council tenant arrears will impact directly on the Housing

## Revenue Account (HRA).

<b>Impact</b>	<b>Est annual loss in revenue</b>
<u>Bad debt</u>	
Increased rent arrears for emergency accommodation	£1.1m
Increase in council tenant arrears	£1m
Loss in housing benefit overpayment income	£700k
<b>Total estimated loss in revenue</b>	<b>£2.8m</b>

\* As the above reflects a pressure on income, this will present a pressure in the council's future provision for bad debt.

### 6.2 Housing benefit subsidy grant for 2017/18:

Housing Benefit Administration grant has significantly reduced from £1,980,335 to £1,666,594. This is not in line with the caseload drop of 7%, increase in contact and manual processes due to universal credit on council tax support.

Universal Credit support has reduced from £234,128 to £147,619. Based on our current figures we anticipate the support grant needs to be in the region of £551,000.

We are writing to the DWP as our funding for 2017/18 will be significantly reduced. If our request for the right level of grant is not approved this will create additional pressure on finances and staffing resources. If funding is not increased this will create a pressure in general fund.

### 6.3 Emergency accommodation

Owing to pressures referenced within the report there is an expected increase in our homelessness numbers and in-turn the costs of emergency accommodation. To assist in meeting these expected pressures the council has increased our budget for the next year, with a further £3.1m allocated.

Approved by Lisa Taylor – Director of Finance, Insurance and Deputy S151 Officer

## 7 THE EFFECT OF THE DECISION

7.1 The report is for information and comment and does not require a decision.

## 8 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

8.1 The Acting Council Solicitor comments that while there are no direct legal comments arising from this report, the actions detailed above will be relevant in mitigating demand on the Council's duties relating to housing and children

Approved by – Jacqueline Harris Baker - Corporate Solicitor on behalf of the Acting Council Solicitor

## **9 HUMAN RESOURCES IMPACT**

- 9.1 There are no direct Human Resources considerations arising from this report as such; however, the content of this report may have an impact on the future development of the new gateway & welfare division, which may have HR implications. Where that is the case, the Council's existing policies and procedures must be observed and HR advice sought.

(Approved by: Debbie Calliste, HR Business Partner, on behalf of the Director of Human Resources)

## **10. EQUALITIES IMPACT**

- 10.1 The Welfare Reform changes are all led by Central Government and the impact of the changes is national. The following links show the various assessments completed by DWP which we have incorporated in our risks and mitigations.

<https://www.gov.uk/government/publications/universal-credit-impact-assessment>

<http://www.parliament.uk/documents/impact-assessments/IA15-006.pdf>

We have completed the first stage of the Equalities Analysis to determine if a full Equality Analysis is needed and/or further monitoring needs to be undertaken.

## **11. ENVIRONMENTAL IMPACT**

- 11.1 There are no environmental impacts

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 12.1 Please refer to 3.12/Risks and 3.13 and 3.14 for comments.

## **13. OPTIONS CONSIDERED AND REJECTED**

- 13.1 There are various options within section 4, that are being reviewed and to be better understood. At this point we are not considering options to reject.

**CONTACT OFFICER: Mark Fowler- Director of Gateway & Welfare**

**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

- Welfare Reform Act 2012 and 2015 <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted/data.htm> and <http://services.parliament.uk/bills/2015-16/welfarereformandwork.html>
- **Debt and food banks:**  
[http://gu.com/p/4km4p?CMP=Share\\_AndroidApp\\_Gmail](http://gu.com/p/4km4p?CMP=Share_AndroidApp_Gmail)
- <http://www.insidehousing.co.uk/policy/welfare-reform/universal-credit/three-in-four-universal-credit-tenants-in-arrears/7015512.article>
- Appendices
- Letter to Frank Field following Parliamentary Select Committee
- Paper to DWP regarding Administration grant for 2017/18

The RT Hon Frank Field MP  
Chair – Work and Pensions Select Committee  
House of Commons  
London  
SW1 0AA

Date: 3<sup>rd</sup> February 2017

Dear Frank

### **EVIDENCE AT THE WORK AND PENSIONS SELECT COMMITTEE**

Thank you for inviting me to give evidence at the select committee hearing on Monday 23 January 2017. I enjoyed and appreciated the opportunity to participate in the process, also allowing us to raise some of the emerging concerns we have found.

During the committee we discussed particular problems with regard to the vulnerability of customers that require emergency nightly paid accommodation (ETA). Whilst we are experiencing considerable arrears among those of the council's own tenants claiming UC, it is customers in this type of accommodation where we are experiencing the biggest impact. Those impacts call into question the future financial sustainability of fulfilment of the Council's statutory duties under current homelessness legislation.

### **Impacts and risks for emergency temporary accommodation (ETA)**

Prior to the roll out of universal credit full service in Croydon, rent collection levels for this type of accommodation had stood at 91% with the great majority of that accounted for by housing benefit. However, since the implementation of UC we have seen levels of rent collection among those customers needing help through benefits to meet the costs of their accommodation, and required to claim UC, drop to just 59%. The majority of those placed in ETA require help through the benefit system to meet their rent and our total arrears for ETA now stands at £791k with a full year affect across all post codes in UC steady state estimated at £2.5m. We believe that it is non-payment of benefit to meet housing costs, under new UC arrangements, that accounts for the vast majority of these losses

For context, UC full service in jobcentres serving Croydon residents went live for all post codes and customer types in April 2016. Since then, approximately ten thousand Croydon residents have claimed UC – including housing costs - of which 672 are, or were, in ETA (as @ 6 January 2017). The deterioration in rent collection levels among those claiming UC, compared with position under legacy benefit arrangements serves, in our view, to highlight the incompatibility of UC policy and design with the needs of those who are homeless and placed in ETA

To better understand the impacts of UC full service for ETA, Croydon has been working closely with its neighbouring London boroughs; Sutton and Southwark. LB Sutton was the first place anywhere in GB to see UC full service roll out, starting from early 2015, while LB Southwark saw UC full service roll out across all jobcentres serving residents of the that borough, in phases, between November 2015 and November 2016. Significantly, we think, all forms of temporary accommodation had been specifically excluded from *UC live* that was gradually rolled out in all part of GB from 2013: so the rollout of UC full service to Sutton, Croydon and then Southwark marked the first time that UC was exposed to temporary accommodation, of any kind, anywhere in the country.

Whilst we appreciate factors can vary somewhat from locality to locality, all three Councils are agreed on the nature of the issues arising from UC for their provision of ETA. As we have sought to evidence these impacts and to ensure a consistent approach, the three Councils agreed to monitor the elements set out below, starting from autumn last year.

1. The % of arrears for those customers in receipt of UC
2. The number and % of customers that are affected by the single room rate for under 35's reducing from £155 per week to £72 per week
3. The number and % of customers that did not receive any housing support as they move in and out of emergency accommodation within 6 weeks. Customers are not able to claim housing support on UC if their rental liability is less than 6 weeks, although council's are expected, under housing legislation, to move customers in shared facilities within this period of time

The table below confirms the results so far:

Measure	Croydon	Sutton	Southwark
Collection levels prior to UC	91%	93%	92%
Collection levels for UC customers	59%	44%	51%
Drop in collection	32%	49%	41%
Number of customers on UC	672	357	757
% of customers moved within 6 weeks, therefore receiving no housing support. Total number in brackets	12% (81)	28% (103)	12% (94)
% of customers under 35 therefore restricted to £72 per week housing support. Total number in brackets.	19% (128)	10% (35)	15% (115)

\*The table above confirms the period from 14 October 2016 to 6 January 2017, although had a starting caseload - Croydon 461, Sutton 298, Southwark 62

Whilst the case load each authority varies the % impact is reflective concluding:

- We have each seen a reduction of over 30% in collection on average this reflects a 40% reduction.
- At least 10% of our customers are not receiving any support as they are in the property for less than 6 weeks, on average this is 17%
- At least 10% of our customers are affected by the restriction of under 35's to a single room rent, on average 15%.

All three Councils continue to gather evidence of impacts of UC for rent income collection for ETA. Nonetheless, the evidence available at this time supports the Councils' shared view that UC policy and design are simply not compatible with the effective discharge of those Councils', or indeed any Council's responsibilities to homeless households. While homelessness is the policy responsibility of DCLG in England, the great majority of the costs to local authorities of housing homeless households have actually been met by Department for Work and Pensions (DWP), through the housing benefit scheme which is now being replaced by UC. As the three boroughs investigate the reasons why income collection in respect of ETA has fallen so sharply among those required to claim UC, the evidence trail leads us again and again to key features of UC policy and design.

Our shared view is that housing cost support through the benefit system for those living in such accommodation should be provided through the housing benefit scheme until at least 2019. We note that the DWP have already excluded supported and exempt accommodation (supported housing) from Universal Credit until 2019 and made interim provision for costs of that accommodation to continue to be met through housing benefit. Supported accommodation includes provision such as women's refuges and hostel type accommodation for those with support needs.

Our ask of the Department, at this time, is for all forms of short term, emergency, temporary accommodation to be excluded from Universal Credit until 2019.

None of the three local authorities believe that the incompatibility we have observed may be remedied or significantly ameliorated by changes within the existing UC policy and design. While safeguards such as APAs, Universal Support or greater information sharing may be appropriate for most UC claimants, we do not expect they will be effective for this relatively small group – likely numbered in tens of thousands annually, and mostly in London – compared with more than eight million UC claimants expected, in steady state, across GB as a whole. Homelessness and use of temporary accommodation are particularly acute issues in London and we would strongly urge Government to rethink its existing plans for UC rollout before UC is introduced more widely across London.

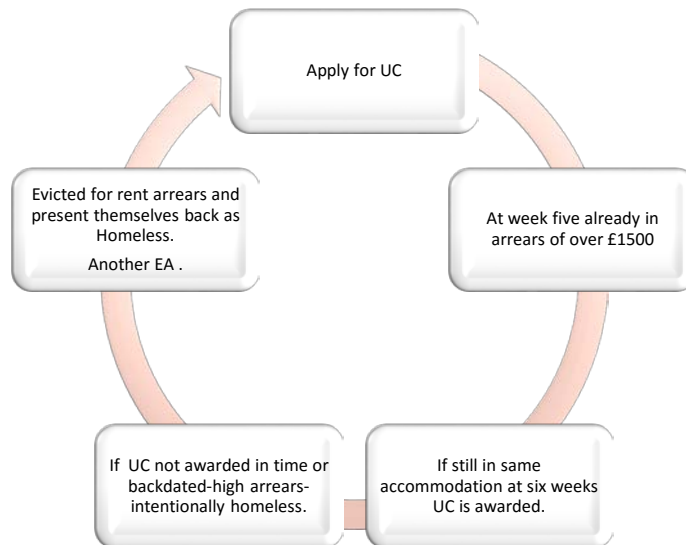
We believe the UC design does not suitably accommodate the particular vulnerability of the customers that require EA. Generally the following are the customer groups in EA/TA are:

- Lone Parents
- Families with Children



- Suffer from mental Health
  - Fleeing domestic violence
  - Physical and Mental Disabilities
- 80% are families with children
  - 60% are lone parents
  - 64% are from BEM communities which has implication with regards to language issues.

These customer groups often approach the council at a point of crisis. Our first point of action is to ensure the safety and wellbeing of these families and customers, which can often lead to delays in claiming and not completing claims for UC, this is in addition to issues such as length liability to claim housing costs and single people under the age of 35. The results of such issues leave customers with considerable arrears creating the revolving front door we set out below:



If councils sought to evict in many cases this would be at the expense of separating families creating increased costs and pressures in particular in children’s service which over the longer term would no doubt affect family relationships. However, if councils do not evict customers we need to carry the clear financial burden jeopardising general collection activity as you would need to develop a varied approach which would be challenged from a point of equity.

Owing to the clear risks we have raised, the impacts that are being consistently felt across 3 high performing authorities we ask that the committee raises these with the department and the UC director general, Neil Couling.

Our recommendation is that EA is removed from UC full service and returns to the administration of housing benefit, a system that has historically proven to better suit the vulnerability of this customer group. Administration of supported exempt accommodation

(SEA) remains within the remit of housing benefit owing to vulnerability and review of this customer group. We would therefore suggest, again for the reasons of vulnerability, that EA customers form part of the wider SEA review affording us more time to review the best approach in this area. We do not feel this recommendation would detract from the core policy deliverables of UC and would reduce the increasing pressures from the scale and pace of the wider roll out.

### **Council tenant arrears**

At Croydon we have over 14,000 council tenants, of which 1,250 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 98%. However, post implementation of full service we have seen levels drop to 72% for UC customers, which in total now contributes to 38% of our overall arrears although it is only 9% of our tenants.

We are experiencing issues with the below:

- It is taking on average 10 weeks for cases to be assessed
- The service centres have refused to speak to landlords directly stating they cannot use implicit consent. The rationale for this is unclear as implicit consent can be used for all other benefits
- Claimants are not informed when deductions are made, how the repayment period has been calculated, or for what reason. Deductions can and are being routinely reclaimed at up to 40% of benefit entitlement.
- The escalation route for landlords being the same as for claimants, even when there is a real risk of eviction. Some of the positive elements of the Live Service are not mirrored for the Full Service, such as the provision of a dedicated landlord line.
- Local jobcentres can only act as an intermediary for landlords. The jobcentre can't resolve most of the issues and are merely escalating these with the service centre.
- APA process has been insufficiently tested/thought through. There are potential significant savings to be made by DWP through reducing the number of enquiries and associated administrative costs

Our recommendations:

1. Slow down the rollout of UC to ensure DWP continue to apply their 'test and learn' approach rather than just pursuing an artificial timetable.
2. Acceleration of the rollout of the landlord portal (currently scheduled for October 2018) in conjunction with a review of the Trusted Partner Status.
3. A simplified electronic payment system from DWP to both claimants and landlords
4. Reduce the maximum overall deduction from claimants from 40% to 20% and ensure reasons for all deductions are notified to claimants.

Thank you again Frank for the opportunity to attend the committee. If you require any further information please do let me know.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mark Fowler', with a stylized, cursive script.

Mark Fowler

Director of Gateway & Welfare

London Borough of Croydon

CC:

Dominic Cain Director of Exchequer - LB Southwark

Racheal Mounsey Head of Service - Property Management, Temporary Accommodation & Finance –  
encompass - LB Sutton

## Housing Benefit Administration Subsidy and Universal Credit Support funding 2017/18

**Introduction:** The paper below sets out Croydon Council's response to the recently published Indicative Housing Benefit Administration (HBA) funding and Universal Credit Support funding (UCSF) letter. Both these funding have been cut disproportionately compared to the fall in the Housing Benefit caseload, the increase in UC caseload, the level of support vulnerable residents are requiring and the ever increasing demand Croydon is experiencing . Our experience since our roll out of full service since June 2015 has been that we have experienced no reduction in workload and in fact have seen the introduction of additional work streams. We have the highest caseload of UC full service customers nationally of 12,929 cases as at December 2016.

**Executive Summary:** HBA funding has reduced from £1,980,335 (2016/17) to £1, 549,148 (2017/18). Based on our current caseload, contact from customers and additional work load we believe our HBA subsidy should at least remain the same.

Our UCS funding has reduced from £234,128 (2016/17) to £147,619 (2017/18). Based on our current caseload, contact from customers and additional work load to support the roll out of full UC we believe our funding should be **£580,141**.

### Main changes and impact

At Croydon we actively sought efficiencies and a number of approaches to improving residents' ability to support themselves in order to manage the demand on the council. Key changes and impact on Croydon Council and its residents is highlighted below.

- UC full service system is not fully automated, leaving lots of manual processes still to be carried out by LA e.g. LCTRS. The
- Customers needing help and support with digital assistance has increased creating additional demand
- Huge rent arrears due to poor UC policy, operational issues (SRS and APA processes), poor data sharing has increased financial and administrative pressures. Rent arrears in the region of £2.5 million by the end of March 2017 if the trend continues.
- Collection of rent was 92% pre UC. This has now reduced to 58%.
- Private landlord's engagement extremely difficult making it almost impossible for Council to retain properties both in private and social sector with UC and LHA freeze for four years.
- Data sharing on Ben Cap for UC customers has added to additional pressures.
- Increased pressure on prevention of homelessness
- Increased pressure on discretionary housing fund and local assistance fund (old social fund)
- Increased pressure on social services to maintain family resilience.

Any further reduction in HBA and UCSF will have a significant impact on the council being able to continue to deliver the required level of service to our customers and will result in some of our most vulnerable residents being unable to retain accommodation or manage their finances sufficiently to support themselves and their families. Ultimately this will result in further significant cost to the authority and government services to them assist them in even more acute circumstances.

## Housing Benefit Administration (HBA)

The release of the HBA funding figures for 2017/18 has seen a 22% reduction on the funding from the previous year and an overall reduction of 52% from 2013/14.

Housing Benefit Administration funding							
Housing Benefit subsidy	2013/14	2014/15	2015/16	2016/17	2017/18	Change (£)	Change (%)
Croydon	3,215,742	2,581,564	2,135,859	1,980,335	1,549,148	1,666,594	52%

However the reduction in caseload has not declined at the same rate with an overall reduction of 7% from April 2013 to April 2016:

Housing Benefit caseload					
Apr-13	Apr-14	Apr-15	Apr-16	Change	Change (%)
36,515	36,594	35,735	34,134	-2,381	-7%

### Effects of the introduction of Universal Credit on Housing Benefit Administration

**Caseload** -Initial estimates provided from the DWP indicated that the introduction of Universal Credit Full Service in to Croydon would see a reduction in our Housing Benefit caseload of 11,000 between April 2016 and March 2017. The period from April 2016 to January 2017 has in fact only seen an overall reduction on Housing Benefit caseload of 5,113. This reduction is not solely as a result of the introduction of Universal Credit but also other factors such Real Time Information work being carried out within the service and the natural reduction that has been a trend over the past few years.

These figures raise concerns regarding the calculations carried out to determine the final reduction in Housing benefit Administration funding to Croydon. Whilst we are aware of the nationwide reduction of 4.89% the additional reduction attributed to the introduction of Universal Credit has not been explained.

Given that the initial estimate in caseload reduction for 2015/16 looks to have been overstated by up to 100%, if the reduction in subsidy has been based on similarly inaccurate estimates the level of the reduction would not represent the actual amount the housing benefit caseload is likely to reduce.

Whilst there have been provisions made for Local Authorities to retrospectively apply for additional funding if there is a delay in the roll out dates for Universal Credit in their area, there is no similar provision covering the scenario where their caseload has not reduced by the level expected.

**Increase in caseload for HB:** A further concern relates to a recent statement made by Damian Green with reference to the policy to limit the child element of tax credits and universal credit to two children. In the statement made on 20 July 2016 he indicated that any new claims for universal credit made by families with more than two children after April 2106 will be directed to claim Tax Credits. The implication is that as these customers will not transition on to Universal credit any existing Housing Benefit claim will remain open. From this it can also be implied that if they require assistance with their housing costs they will be directed to claim Housing Benefit rather than universal credit.

This will impact the reduction in Housing Benefit caseload and it is unclear if this has been considered when calculating the reduction in Housing Benefit Administration funding

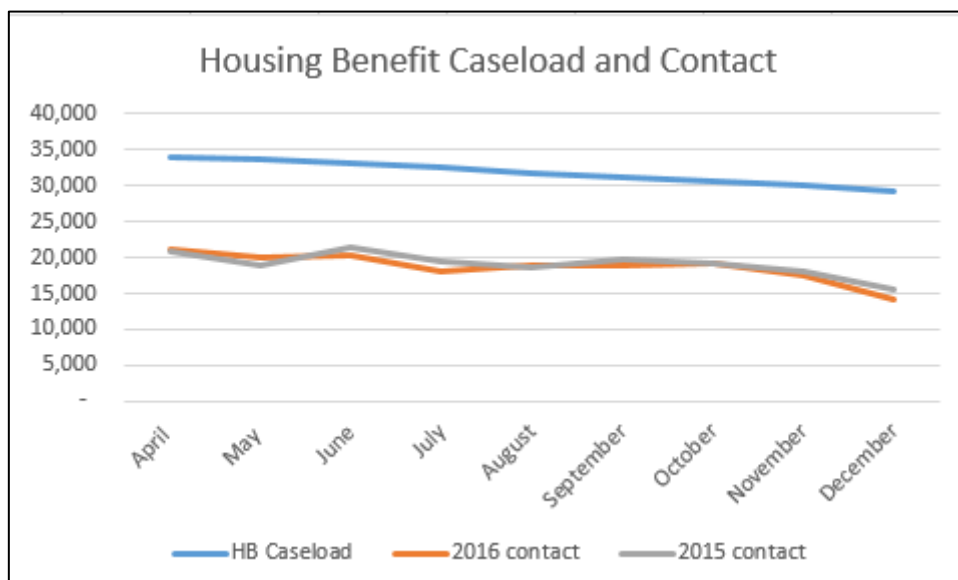
## Contact for Housing Benefit.

Croydon transitioned to Universal Credit Full Service from April 2016 for all but 2 of the boroughs postcodes. We have monitored closely the impact this has had on customer contact and workload in to the service and have seen a negligible reduction in telephone contact and post on the same period last year.

For the period of April 2015 – December 2015 a total of 57,889 pieces of post and emails were received in to the Housing benefit department, for the same period in 2016 a total of 56, 450 were received, this is a reduction of only 2%.

It is a similar picture when looking at telephone contact for the same period, in 2015 a total of 114,092 calls were received and in 2016 that number was 111,575, again a reduction of only 2%.

The chart below demonstrates that year on year there has been no significant reduction in contact in to the Housing benefit service.



In addition to the contact streams referenced above the introduction of Universal credit has seen a new work stream introduced in to the service. For every Universal Credit Claim where the customer has a current Housing Benefit claim at least 3 notices are received by the local authority from the DWP. Additionally we will receive a further notification each time a customer's entitlement to Universal Credit changes.

Since November we have seen a stark increase the volumes of these notifications

	July	Aug	Sep	Oct	Nov	Dec
Stop	255	299	127	116	419	502
LCTR	550	608	812	1010	4230	3848
<b>Total</b>	<b>805</b>	<b>907</b>	<b>939</b>	<b>1126</b>	<b>4649</b>	<b>4350</b>

We have received additional funding of £35,316 for 2017/18 to process these additional notifications however at the current volumes it would require 8.6FTE assigned to this work.

## Universal Credit (UC)

UC full service is available to all Croydon residents except SE19 and SW16 which are on UC Live. Croydon was the first large London authority on full service since 10/06/2015. UC full service has meant that there are no gateway conditions. This has meant that any tenure type and any circumstances of the customer can claim UC in Croydon.

### Volumes

Croydon has the highest volumes of UC customers on full service nationally as we went live in June 2015. Our caseload with Housing Costs increased significantly since April 2016 when majority of our postcodes went live with full service.

	<b>December 2016</b>	<b>Estimated @31<sup>st</sup> March 2017</b>
Current caseload in Croydon (DWP data for Croydon)	12,929	17,238
Cases with Housing Costs (DWP data for Croydon)	7757	10,342
Cases in Private/HA Accommodation (DWP data)	5838	7783
Cases in Emergency Accommodation (Croydon LA data)	643	857
Cases in HRA/Council Accommodation (Croydon LA data)	1276	1701

The current estimates for a full year affect have been based on the trend so far. However, looking at customers in Emergency Accommodation (EA) Croydon's full year affect is around 1400 customers. If UC was claimed by 1400 customers the rent arrears in EA would be £2.5 million.

### Current funding and expected volumes for 2016/17

The table below illustrates Croydon's current funding position for 2016/17 and the indicative funding for next year. The current funding is insufficient and we are already raising this with our local district manager.

The DWP have not given any estimates on the volumes they are anticipating in 2017/18, so unsure how the indicative figures for below have been derived. Whilst we have an increase in demand and the anticipated volumes will increase, the indicative figures do not add up.

<b>Funding</b>	<b>UC Volumes DWP 2016/17</b>	<b>UC est Volumes Croydon 2017/18</b>	<b>£ Funding 2016/17</b>	<b>£ Indicative funding 2017/18</b>	<b>£ Change in funding</b>
On line supported access	655	2000	£37,927	£37,774	£-153
PBS (2 hours from April 2016)	1269	2400	£65,137	£35,316	£-29,821
Support for UC Service Centre	10154	10342	£65,137	0	£-65,137
Support on complex cases	508	1400	£3,257	£10,152	£6,895
Management (0.5)	0.5	1.00**	£17,098	£17,098	0
LCTRS for the year	3552	5000	£45,572	0	0
HB stop notices	New	New	0	£35,316	£35,316
Payment deduction programme	New	New	0	£11,963	£11,963
<b>Total</b>	<b>16,138 cases</b>	<b>21,142 cases</b>	<b>£234,128</b>	<b>£147,619</b>	<b>-£86,509</b>

\*Support for complex cases includes EA customers, vulnerable customers with high complex needs- health, domestic violence, complex family needs, disability, drug and alcohol abuse.

(A further detailed calculation of our estimates for 2017/18 has been captured later in the paper)

### **Increase in Contact**

**DWP-**For Universal Credit cases, we have to contact the DWP for every UC claim due to SRS verification. For APA requests as well that are made after SRS is sent if tenant is in arrears, another contact has to be made to DWP.

So far 1919 UC applications have been made with Croydon Council as the landlord. This includes successful applications only, customers who did not qualify for UC/HB still contact Croydon due to rent liability and no housing costs been paid. To chase claims, APA 's (payment information), duplicate SRS's on an average we are contacting DWP four times per claim i.e. for 1919 claims we made over 7000 which does not include visits to DWP service centre/local JCP with customer.

**Customers-** On an average the customer is contacted six times for their claim with UC. This does not include the assisted digital help that we give customers. This includes contacts from the initial claim submission to evidence gathering to receiving payment. For 1919 claims we have made over **11,000 calls/face to face contacts** to customers.

**JCP-**As we are in a test and learn environment the local JCP and Croydon LA staff support each other. There is lots of cross training and understanding of procedures and operational learning. To support this all three JCP's are supported by LA staff once a week costing the LA 0.6 FTE @ £18,000 p.a.

### **Personal Budgeting Support**

Croydon has the highest number of PBS referrals based on percentage of total claims. Current assumptions for PBS we are supporting on an average 141 customers. 55% of customers who need PBS are customers with very high needs. PBS cases on an average are taking 5 hours and not 2 hours. Part of this is because of data sharing with the DWP/JCP and LA. A PBS referral means the LA has to collate all information about the customer's circumstances again. This frustrates the customer taking twice as long. Customers often have to provide evidence twice. There are administrative issues where for one JCP we still have to collect the PBS referrals manually.

### **(Increase in PBS since May 2016 as most postcodes are full service UC)**

Based on our current estimates we are assuming that approx. 200 customers per month (2400 per year) will be supported in 2017/18.

If we do not have the right level of funding we are unable to support the customers with PBS. This is increase rent arrears, evictions and homelessness.

**Assisted digital-**With the number of cases coming to us for digital support has increased dramatically over the last six months. On an average we are seeing **150 customers per month** requesting our help and support-not only in the first six weeks but also ongoing requesting help with journals, querying payments including income, child care and housing changes in awards. Our estimates currently for 16/17 is 1800 and for 17/18 our estimates are 2000.

**LCTRS-** As mentioned earlier the amount of contacts from customers and DWP have increased three fold for UC cases. Receiving no funding at all for 2017/18 is unacceptable as there is no current fix for any automation for full service sites.

**Temporary accommodation and rent arrears:** Croydon has 643 customers in emergency accommodation (nightly paid). Our current rent arrears for this cohort of customers in £752,927 at the end of December. This cohort of customers need lots of attention due to their vulnerability and circumstances. These are customers with complex needs and situations that is not compatible to UC policy and payments. No payments for six weeks, under 35's, huge rent arrears leaves Croydon chasing customers for debts and helping them through the most difficult.



**LHA caps and Ben cap:** The four year cap on LHA rates and Benefit cap has increased contact from private tenants on UC with Croydon's Housing needs team, Discretionary Support team and our welfare rights team. Negotiations with landlords, helping customers with budgeting, debt and employment are taking their toll on resources and time.

**Funding:**

Key points that DWP we would like need to consider carefully for Croydon:

- 1) We have the highest volume of cases to conduct proper test and learn. We are constantly feeding into this and our contribution and resource to this needs recognition from the programme.
- 2) PBS takes 5 hours on average, however DWP only calculate it at 2 hours. Our estimates are based on 5 hours.
- 3) The calculation includes support to service centre which has been removed from 17/18 for Croydon. There has been no explanation for this. Indeed our belief is on the contrary as we are also aware of Croydon cases moving to new service centre recently.
- 4) Support for complex cases is £6.41. This is unacceptable when you consider the contacts staff have to make with DWP and customers as mentioned above.
- 5) We currently have one FTE for management of UC operational issues.
- 6) LCTRS-had no funding in the indicative amounts in spite on no automated solution and contact from DWP relatively very high as mentioned above.
- 7) The figures do not include any resources we are utilising for contacts and our presence at JCP for 0.6. Based on our current estimates for 18,000 calls/visits we are utilising 10 extra staff for which we have no funding for.

**Below is the table showing the comparatives for 2016/17 and 2017/18**

<b>Funding</b>	<b>2016/17</b>	<b>Indicative 2017/18</b>
On line supported access	37,927	37,774
PBS (2 hours from April 2016)	65,137	35,316
Support for UC Service Centre	65,137	0
Support on complex cases	3,257	10,152
Management (0.5)	17,098	17,098
LCTRS for the year	45,572	0
HB stop notices	0	35,316
Payment deduction programme	0	11,963
<b>Total</b>	<b>234,128</b>	<b>147,619</b>

The calculations for 2017/18 are not acceptable on the basis on reasons mentioned above. How these amounts have been calculated is unclear as no volumes or descriptors are clarified. Based on our current volumes below we estimate:

<b>Funding</b>	<b>Estimated till 31<sup>st</sup> March 18</b>	<b>DWP-Unit cost per category 2016/17</b>	<b>Croydon estimates for 2017/18</b>
On line supported access	2000	£25.69	£51,380
PBS (5 hours from April 2016)	2400	£51.32	£307,920
Support for UC Service Centre	10342	£6.41	£66,292
Support on complex cases	1400	£6.41	£8974
Management (0.5)	1.00	£17098	£34,196
LCTRS for the year	5000	£12.82	£64,100
HB stop notices	new	new	£35,316
Payment deduction programme	new	new	£11,963
<b>Total</b>			<b>£580,141</b>

## **Conclusion**

Our current caseload and contact volumes, the highlighted risks and predictions conclude that Croydon needs the funding requested. If this is not accepted there is a huge risk to the local authority to support the most vulnerable customers at risk of losing their home.

**For General Release**

<b>REPORT TO:</b>	<b>CABINET 20 February 2017</b>
<b>AGENDA ITEM:</b>	<b>10</b>
<b>SUBJECT:</b>	<b>Croydon LSP Congress Economic Summit held on 23 November 2016</b>
<b>LEAD OFFICER:</b>	<b>Jo Negrini, Chief Executive</b>
<b>CABINET MEMBER:</b>	<b>Councillor Hamida Ali Cabinet Member for Communities, Safety and Justice</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>Croydon is undergoing once in a generation transformational change which the Croydon Opportunity and Fairness Commission in its final report highlighted as an opportunity to create a town centre that lifts the whole borough. The Growth board of the Local Strategic Partnership (LSP) is responsible for overseeing effective engagement with strategic partners to enable delivery of Croydon's ambitious regeneration plans including infrastructure developments, jobs and key priorities outlined in the Growth Promise, Corporate Plan and Liveability Strategy.</p>	
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b>	
<p>The Council's ambition is to transform Croydon into a modern 21<sup>st</sup> century European city with first class business, transport, leisure and cultural infrastructure to deliver sustainable growth and well paid jobs for the benefit of the local population.</p>	
<b>FINANCIAL IMPACT</b>	
<p>There is no financial impact arising directly from this report.</p>	
<b>KEY DECISION REFERENCE NO.:</b> This is not a key decision	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.

**1. RECOMMENDATIONS**

The Cabinet is recommended to:

- 1.1 Note the theme of the 11<sup>th</sup> Croydon Congress and work being undertaken to:
- i. Invigorate the borough's evening and night time economy

- ii. Support residents and local businesses derive benefit from Croydon's regeneration and growth
- iii. Note that the theme for the next Croydon Congress scheduled for summer 2017 is youth and to ensure that our young people have a strong voice in the proceedings they will be invited to takeover, shape, plan and deliver the event.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report provides feedback on the 11th meeting of Croydon Congress held on 23 November 2016. The theme of the Congress was Regeneration and Growth in Croydon. The aim was to consider how local strategic partners can work together to ensure that local residents and businesses derive benefit from regeneration and growth in Croydon and to consider practical approaches that can be adopted to support the development of a more vibrant and diverse evening and night time economy in Croydon's metropolitan and district centres.
- 2.2 The purpose of each Congress is to bring together the key stakeholders to discuss particular issues of paramount significance. Importantly, the event offers an opportunity for attendees to influence the future development of policy related to the topic and to implement the recommendations made at Congress.
- 2.3 Recommendations from Congress will be considered by the LSP and Chief Executives' Group, the Growth Board, the Stronger Communities Board and the Council Leadership Team. Other LSP Boards will also be asked to consider the report in relation to their own roles and responsibilities.

## **3. DETAIL**

### **Background**

- 3.1 Croydon Congress is the over-arching consultative stakeholder group for Croydon's LSP and has a key role in informing the future direction of its work, particularly on cross-cutting issues. Croydon Congress brings together key local leaders, representatives from local businesses and the public, voluntary and faith sectors.
- 3.2 These are exciting times for Croydon. With planned investment of over £5bn in the local economy leading to the creation of thousands of new jobs and homes the borough is experiencing major regeneration and transformation. The LSP is keen to ensure that local residents, businesses and the community at large are able to benefit from the new jobs and supply chain opportunities created as recommended in the final report of Croydon's Opportunity and Fairness Commission.
- 3.3 The 11th Croydon Congress held on 23 November 2016 was well attended

with over 200 delegates representing organisations from the public, private, voluntary and community sectors, including a wide range of local businesses and business organisations.

- 3.4 The aims of the summit was to promote Croydon as the major commercial and cultural hub in South London, to explore approaches to developing a more vibrant and diverse night time and evening economy and practical steps to ensure that local residents and businesses benefit from Croydon's growth.
- 3.5 The event was chaired by Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice. The Congress programme is appended to this report for information. The keynote speaker was Sadiq Khan, Mayor of London. Speeches/presentations were also made by Amy Lamé, London's first night czar, the Leader of Croydon Council, the Council's Chief Executive and two panels of experts, including representatives from the business community, Metropolitan Police and the NHS. The full list of speakers and panel members is shown on the Congress agenda appended to this report.
- 3.6 Delivering the keynote speech the Mayor applauded the Council's ambition and vision for the borough, commended our commitment and approach to developing the borough's cultural offer and affirmed how crucial Croydon is to London's economic and cultural success. He expressed confidence in Croydon's ability to become a key hub for tech, culture and development and pledged his support for the borough's bold regeneration plans. Amy Lamé praised Croydon's commitment to supporting local culture and arts and spoke of the borough's significant contribution to the British music scene and the vital role it has in developing skills for London's future music workforce.
- 3.7 Two themed panel sessions were held to explore the issues outlined at (a) and (b) below.
  - a) **Night time and evening economy in Croydon** - How the borough can develop and maintain a vibrant and diverse evening and night time economy that reflects the needs of residents, businesses and visitors alike and also deliver wider social and economic benefits.
  - b) **Reaping the benefits for local people** - How we are working in partnership and the practical steps we can/are taking to deliver the necessary support and infrastructure to meet the needs of local residents, businesses and communities to help them achieve their full potential.
- 3.8 Following short presentations from each speaker, delegates were invited to participate in the discussions. The key outputs from the panel discussions are outlined at paragraphs 3.9 and 3.10 below.

### **Night time and evening economy in Croydon**

- 3.9 A number of issues were highlighted for attention including;

- Potential use of licensing powers to achieve a more diverse family friendly night time offer;
- Improving the physical design and environment of the metropolitan and district centres;
- Introduction of more art installations on the public realm;
- Developing stronger partnership with local residents and business establishments to combat crime and antisocial behavior;
- Provide greater support to help smaller independent establishments thrive.

Examples of ideas under development to help invigorate the borough's night time and evening economy are:

**Good Evening Croydon** - A call for proposals/creative ideas to support the night time and evening economy. These could be anything from cleverly placed special events to lighting proposals to marketing initiatives or night time programming. Ideas should help energise and highlight the potential, the diversity and the success of Croydon's night time economy. Up to 5 of the best ideas will be shortlisted and supported to make them happen.

**CROWD: St George's Walk** - Following the success of the first early evening taster event in St George's walk in autumn last year, CROWD returns in the spring to the same outdoor venue with a series of 3 free Friday evening live music slots in April, May and June to tempt the crowds to remain in the town centre from the end of the working day. CROWD events combine a unique Croydon location with band choices to attract the crowds.

The Council acknowledges the potential to utilise licensing provisions to help shape delivery of a more vibrant and diverse cultural offer and is looking at reviewing its licensing policy with a focus on how it can help support sustainable growth and regeneration across the borough.

### **Reaping the benefits for local people**

3.10 Ideas generated through the panel discussion include;

- Working with local agencies to support local people into work, including ensuring they have the necessary skills to compete for local jobs;
- Working with local businesses to help them take advantage of supply chain opportunities;
- Local businesses engaging with and supporting local communities through volunteering and charitable work;
- Support for the principles of Croydon's Good Employer Charter.

### **Good Employer Charter**

3.11 An important achievement at this Congress was the soft launch of Croydon's Good Employer Charter (the Charter).

- 3.12 The Aim of the Charter is to boost the local economy through support to the local supply chain, creation of job opportunities, help deliver fair pay for employees and ensure that the benefits from growth and regeneration are equally accessible to members of all communities forming Croydon's diverse population. Signatories to the Charter commit to;
- Paying their employees London Living Wage;
  - Support the creation of jobs and training opportunities for Croydon residents by considering them for positions in their organisation and where possible employing locally;
  - Support the local economy by buying local and investing in local businesses;
  - Being an inclusive employer by promoting equality and diversity in the workplace and implementing best practice for employee support.
- 3.13 The vision is for all businesses in the borough to become Charter signatories, to build a network of good employers who will work in partnership to achieve a dynamic, diverse and inclusive Croydon economy which will benefit both employers and employees.
- 3.14 Since the economic summit in November significant work has been undertaken with business partners to further develop and refine the Charter, including the accreditation process and developing and building a website. The Charter was formally launched along with the website on 31 January at a well-attended launch event. We aim to have 100 organisations become accredited members of Croydon's Good Employer network by January 2018. To date 24 companies have pledged commitment to work towards achieving this status.

### **Croydon Works**

- 3.15 Croydon Works, a jobs brokerage service developed in partnership with the Council, Croydon College and Job Centre Plus is helping local people benefit from growth by providing tailored employability support for residents seeking employment. Along with this is a free to use recruitment service for both residents and local businesses.

### **Value Croydon**

- 3.16 Residents and businesses also derive a range of social and economic benefits through Value Croydon whereby the Council uses its purchasing power to support local businesses and generate jobs for local people. The council also works in partnership to maximise the social value for local communities from our contractual relationships with external partners.

### **The next LSP Congress – Youth takeover**

- 3.17 The focus for the next Congress scheduled to take place in the summer is youth. To ensure that our young people have a strong voice in the proceedings they will be invited to takeover, shape, plan and deliver the

event. Work is underway to identify a suitable venue for the event.

#### **4. CONSULTATION**

- 4.1 Croydon Congress is a consultative meeting, comprising leaders and stakeholders from the business, public, voluntary, faith and community sectors.

#### **5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 5.1 There are no financial considerations arising directly from this report.

(Approved by Lisa Taylor, Director of Finance, Investment and Risk (Deputy S151 Officer))

#### **6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER**

- 6.1 On behalf of the Council Solicitor, it is commented that there are no legal considerations arising directly out of the recommendation in this report.

(Approved by Sean Murphy on behalf of the Acting Council Solicitor and Monitoring Officer)

#### **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no immediate HR considerations that arise from the recommendations of this report for HR staff.

(Approved by Colin Chadwick for and on behalf of the Interim Director of Human Resources)

#### **8. EQUALITIES IMPACT**

- 8.1 Croydon Congress is part of a multi-agency approach to understand the impact on local people and communities of the regeneration and growth of Croydon, to raise awareness of emerging issues and promote early identification and intervention by a range of agencies.

- 8.2 Regeneration and growth impacts the lives of local people in a variety of ways, and local agencies working in partnership can effect positive social and economic benefits for local people including helping to reduce income inequality and deprivation. A key objective is to ensure that growth in Croydon is inclusive in that the benefits are accessible to all, particularly to people from disadvantaged communities and are shared equitably.

#### **9. ENVIRONMENTAL IMPACT**

- 9.1 There is no environmental impact arising directly from this report.



## **10. CRIME AND DISORDER REDUCTION IMPACT**

10.1 There is no crime and disorder reduction impact arising directly from this report.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

11.1 To inform Cabinet about work being undertaken to ensure that Croydon residents and businesses derive benefit from the regeneration and growth of Croydon.

## **12. OPTIONS CONSIDERED AND REJECTED**

12.1 Not applicable.

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**CONTACT OFFICER:** Charlotte Rohan, Head of SCC Place, Strategy Commissioning and Communities - extension 64336

### **BACKGROUND PAPERS**

None

### **APPENDICES**

11<sup>th</sup> Croydon Congress agenda

# Croydon's Local Strategic Partnership Croydon Congress: Economic Summit

**Wednesday 23 November 2016, 9:00am – 2:30pm**

**Croydon College Conference Centre, College Road, Croydon CR9 1DX**

Time	Session
09:00 – 09:30	Registration and refreshments
09:30 – 09:40	Welcome address <i>Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice</i>
09:40 – 10:00	Presentation: Regeneration and Growth in Croydon and introduction to short film <i>Jo Negrini, Chief Executive, Croydon Council</i>
10:00 – 10:10	• Leader's Congress speech <i>Councillor Tony Newman, Chair of Croydon's Local Strategic Partnership and Leader of Croydon Council.</i>
10:10 -10:20	Keynote speech <i>Sadiq Khan, Mayor of London</i>
10:20 – 10:30	Night Time & Evening Economy <i>Amy Lane, Night Czar for London</i>
10:30 – 10:50	Break
10:50 – 11:50	Panel session: Night time and evening economy in Croydon <i>Panel Chair: Councillor Mark Watson, Cabinet Member for Economy and Jobs</i> Panel speakers <ul style="list-style-type: none"> <li>• <i>Eshter Sutton, Oval Tavern</i></li> <li>• <i>Kevin Zuchowski-Morrison, Rise Gallery</i></li> <li>• <i>Ian Graham, Central Licensing Unit, Metropolitan Police</i></li> <li>• <i>Jeff Boothe, Croydon Borough Commander</i></li> </ul>
11:50 – 12:00	Croydon's Good Employer Charter <i>Councillor Mark Watson, Cabinet Member for Economy and Jobs</i> <i>Councillor Jamie Audsley, Deputy Cabinet Member for Economy and Jobs</i>
12:00 – 12:20	Break
12:20 – 13:10	Panel session: Reaping the benefit for local people <i>Panel session chaired by Frances Wadsworth, Chief Executive, Croydon College</i> Panel speakers <ul style="list-style-type: none"> <li>• <i>Alison Addy, Head of Community Engagement Gatwick Airport</i></li> <li>• <i>Alex King, Head of Global Communications &amp; Employee Engagement, Body Shop</i></li> <li>• <i>Matthew McMillan, Development Director, Boxpark</i></li> <li>• <i>Michael Bell, Chair, Croydon NHS Trust</i></li> <li>• <i>Councillor Mark Watson, Cabinet Member for Economy and Jobs</i></li> </ul>
13:10 – 13:20	Reflections on panel sessions <i>Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice</i>
13:20 – 13:30	Pledging and close <i>Councillor Mark Watson, Cabinet Member for Economy and Jobs</i>
13:30 – 14:30	Networking Lunch

programme

[Click here](#) for electronic information pack.

# Croydon Council

<b>REPORT TO:</b>	<b>CABINET 20<sup>th</sup> February 2017</b>
<b>AGENDA ITEM:</b>	<b>11</b>
<b>SUBJECT:</b>	<b>Investing in our borough</b>
<b>LEAD OFFICER:</b>	<b>Sarah Ireland, Director of Strategy Communities and Commissioning</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> Effective outcome based commissioning and prudent financial transactions contribute to all corporate priorities.</p> <p>The Council's commissioning strategy sets out the approach to commissioning and procurement and puts delivery of outcomes at the heart of the decision making process. As the Council develops more diverse service delivery models, it is important to ensure that our contractual and partnership relationships are not only aligned to our corporate priorities but also represent value for money for citizens and taxpayers, contributing to the growth agenda for Croydon. The contracts (awarded or recommended for award) and partnership arrangements included in this report will support the Council to achieve the Ambitious for Croydon outcome "to be innovative and enterprising in using available resources to change lives for the better."</p>	
<p><b>FINANCIAL SUMMARY:</b> There are no direct costs arising from this report.</p>	
<p><b>KEY DECISION REFERENCE NO.:</b> There are key decisions mentioned in this report, but approval of the recommendations in Section 1 of the report would not constitute key decisions.</p>	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

1.1 The Cabinet is requested to note:-

1.1.1 The list of delegated award decisions made by the Director of Strategy Communities and Commissioning, between 15/12/2016 – 18/01/2017.

## **2. EXECUTIVE SUMMARY**

- 2.1 This is a standard report which is presented to the Cabinet, for information, at every scheduled Cabinet meeting to update Members on:
- Contracts anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury and with the Leader in certain circumstances, before the next meeting of Cabinet.  
[As at the date of this report there are none]
  - Delegated contract award decisions made by the Director of Strategy Communities and Commissioning 15/12/2016 – 18/01/2017.
  - Property acquisitions and disposals to be agreed by the Cabinet or the Cabinet Member for Finance and Treasury (as appropriate) either as part of this agenda or before the next meeting of Cabinet.  
[As at the date of this report there are none]
  - Contract awards to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item;  
[As at the date of this report there are none]
  - Partnership arrangements to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item;  
[As at the date of this report there are none]

## **3. DETAIL**

- 3.1 Section 4.1 of this report lists the delegated award decisions made by the Director of Strategy, Communities and Commissioning, between 15/12/2016 – 18/01/2017.
- 3.2 Procurement strategies where the value of the proposed contract is above £5,000,000 and approved under the Leaders delegation by, as appropriate, Executive Directors for Place, People and Resources departments in consultation with the Cabinet Member for Finance and Treasury are available on the Croydon Council website found via this link [Procurement Strategies](#)
- 3.3 The Council's Procurement Strategy and Tenders & Contracts Regulations are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme. Information requested under that Act about a specific procurement exercise or contract held internally or supplied by external organisations, will be accessible subject to legal advice as to its commercial confidentiality, or other applicable exemption, and whether or not it is in the public interest to do so.

#### 4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

##### 4.1 Delegated award decisions made by the Director of Strategy Communities and Commissioning

4.1.1 Revenue and Capital consequences of delegated decisions made by the Director of Strategy, Communities and Commissioning for contract awards between £100,000 & £500,000 and contract extension awards (no limit to value) that were previously approved as part of the original contract award recommendation.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept
Contract award for Flood Risk Management Consultancy Support Services for a maximum contract term of 2 years		Total contract term £394,496 Approx. annual value £197,248	Place
Extension to the Housing Advice and Drop in service for a term of 6 months	Total contract term £418,299 Total contract extension term £139,433		People
Extension to the Open Access Counselling Service for a term of 1 year	Total contract term £368,000 Total contract extension term £184,000		People
Support Planning and Brokerage Support & Training for a maximum contract term of 2 years	Total contract term £385,000 Approx. annual value £192,500		People
Contract variation to extend the supply of car club vehicles for hire (i.e. pool cars) contract for a term of 12 months	Total contract term £325,000 Total contract extension term £225,000		Resources

Approved by: Lisa Taylor, Assistant Director of Finance and Deputy Section 151 Officer

## **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 5.1 The Acting Council Solicitor comments that the information contained within this report is required to be reported to Members in accordance with the Council's Tenders and Contracts Regulations and the Council's Financial Regulations in relation to the acquisition or disposal of assets..

Approved for and on behalf of Jacqueline Harris-Baker, Acting Council Solicitor and Acting Monitoring Officer

## **6. HUMAN RESOURCES IMPACT**

- 6.1 There are no immediate HR issues that arise from the strategic recommendations in this report for LBC staff. Any specific contracts that arise as a result of this report should have their HR implications independently assessed by a senior HR professional.

Approved by: Jason Singh, Head of HR Employee Relations on behalf of the Director of HR

## **7. EQUALITY IMPACT**

- 7.1 An Equality Analysis process has been used to assess the actual or likely impact of the decisions related to contracts mentioned in this report and mitigating actions have been defined where appropriate.
- 7.2 The equality analysis for the contracts mentioned in this report will enable the Council to ensure that it meets the statutory obligation in the exercise of its functions to address the Public Sector equality duty (PSED). This requires public bodies to ensure due regard to the need to advance equality of opportunity; foster good relations between people who share a "protected characteristic" and those who do not and take action to eliminate the potential of discrimination in the provision of services.
- 7.3 Any issues identified through the equality analysis will be given full consideration and agreed mitigating actions will be delivered through the standard contract delivery and reporting mechanisms.

## **8. ENVIRONMENTAL IMPACT**

- 8.1 Any issues emerging in reports to the relevant Cabinet member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

## 9. CRIME AND DISORDER REDUCTION IMPACT

- 9.1 Any issues emerging in reports to the relevant Cabinet Member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

### CONTACT OFFICER:

<b>Name:</b>	Genine Whitehorne
<b>Post title:</b>	Head of Strategy, Communities and Commissioning (Resources)
<b>Telephone no:</b>	60584

### BACKGROUND DOCUMENTS:

The following public background reports are not printed with this agenda, but are available as background documents on the Croydon Council website agenda which can be found via this link [Cabinet agendas](#)

- None

### CONFIDENTIAL BACKGROUND DOCUMENTS- EXEMPT FROM PUBLIC DISCLOSURE

*The following Part B background documents are exempt from public disclosure because they contain exempt information as defined in paragraph no. 3 of Schedule 12a to the Local Government Act 1972 (as amended).*

- None