

<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.

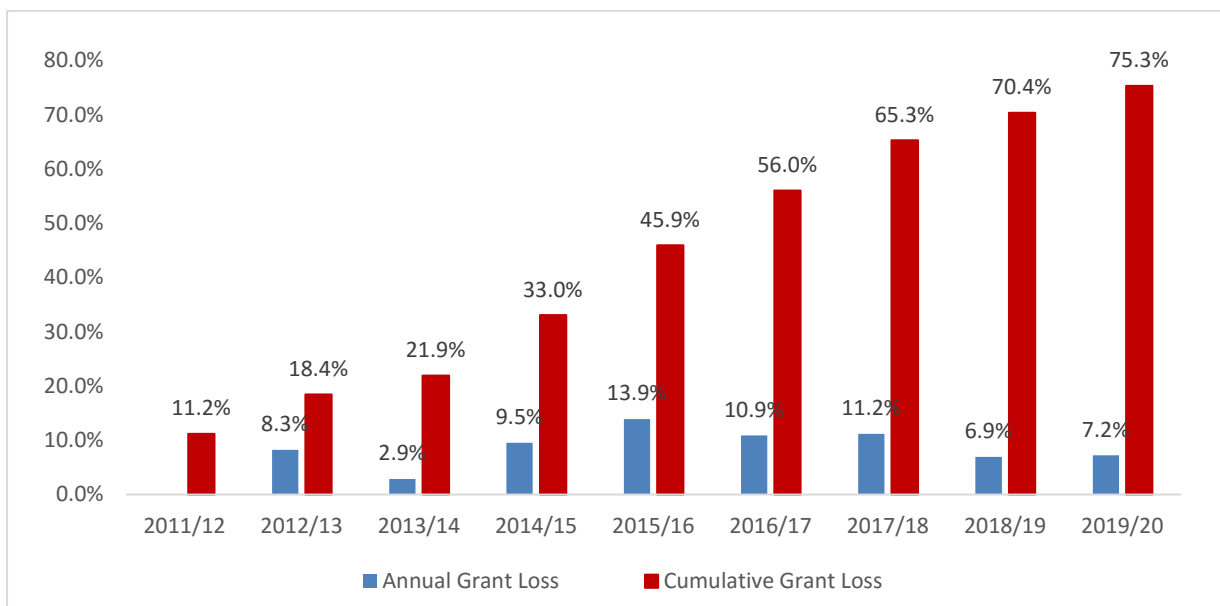
**2.0 EXECUTIVE SUMMARY**

- 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

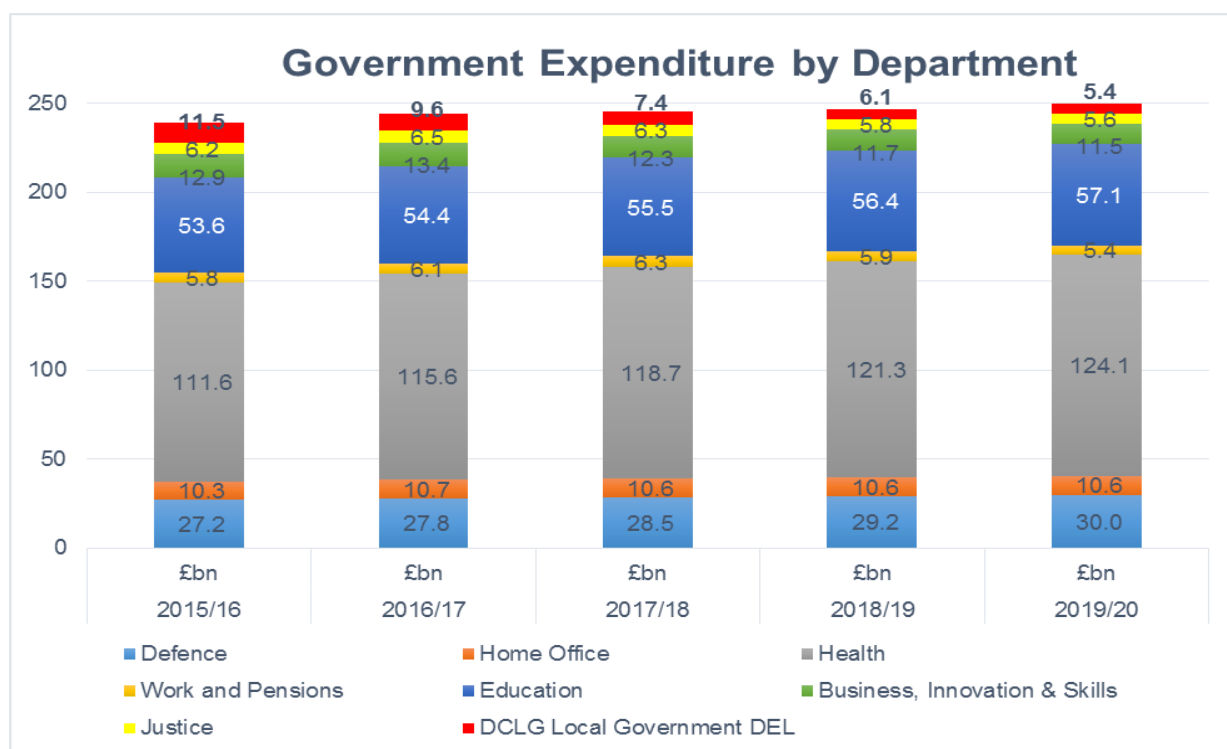
#### Spending Review 2015 and settlement 2017/18

- 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

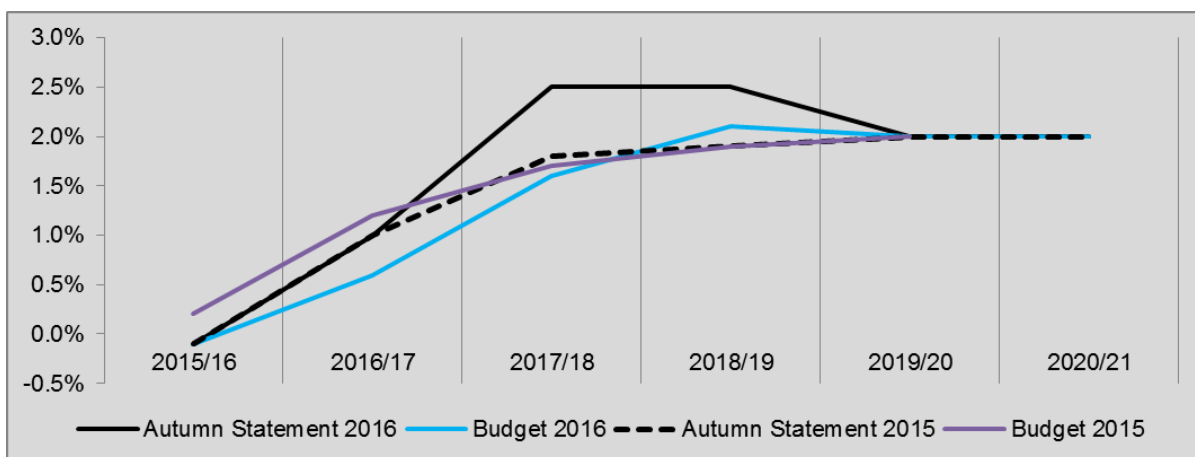
- 4.1 The Office of Budget Responsibility (OBR) updated its forecast CPI and RPI inflation forecasts for the 2016 Autumn Statement.
- 4.2 Table 4 and graph 3 shows the CPI inflation forecasts published against those published in previous announcements. The table shows increases to the level of CPI projected 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**



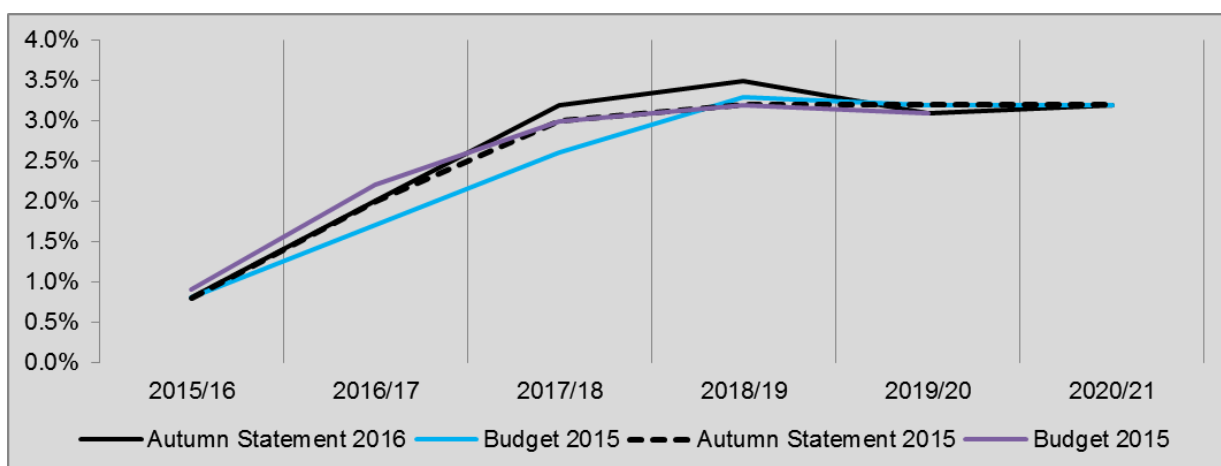
### **Inflation - RPI**

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

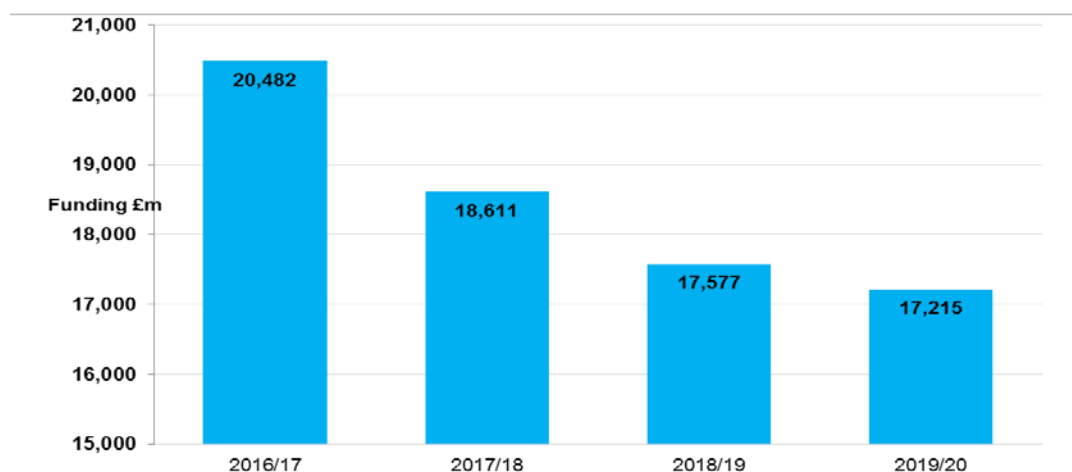
### **Adult Social Care Support Grant: +£241m in 2017/18**

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.

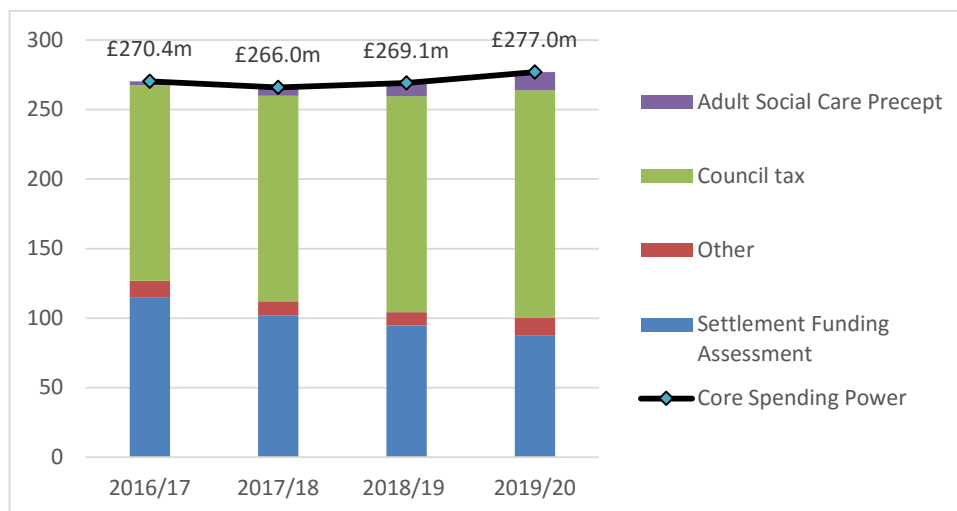
## **5 Provisional Local Government Finance Settlement 2017/20 – Croydon**

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 increase 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 - Reprourement 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	<b>0.0</b>	Savings	(0.050)	(0.100)	0.000	(0.150)
Lisa Taylor	Finance, Investment and Risk	Reduction in historic pension payments	<b>0.0</b>	Savings	(0.091)	0.000	0.000	(0.091)
Lisa Taylor	Finance, Investment and Risk	Deletion of Vacant post	<b>-1.0</b>	Savings	(0.045)	0.000	0.000	(0.045)
Lisa Taylor	Finance, Investment and Risk	Further transformation of team and processes	<b>-6.0</b>	Savings	0.000	(0.250)	0.000	(0.250)
Lisa Taylor	Finance, Investment and Risk	Delete Vacant Risk Officer post	<b>-1.0</b>	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	<b>0.0</b>	Savings	(1.000)	0.000	0.000	(1.000)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Building costs	<b>0.0</b>	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Managing Demand - Service Asset Strategy	<b>0.0</b>	Savings	0.000	(0.500)	(0.500)	(1.000)
Lisa Taylor	Finance, Investment and Risk	Staff Savings	<b>-2.5</b>	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	<b>0.0</b>	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	<b>0.0</b>	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	<b>0.0</b>	Savings	(0.500)	0.000	0.000	(0.500)
Lisa Taylor	Finance, Investment and Risk	Increase in Coroners contribution	<b>0.0</b>	Growth	0.160	0.000	0.000	0.160
Richard Simpson	HR	Council wide learning and development	<b>0.0</b>	Growth	0.041	0.000	0.000	0.041
Richard Simpson	HR	Review of staffing structure and Trade Union Facility time	<b>-3.0</b>	Savings	(0.010)	0.000	0.000	(0.010)
Richard Simpson	HR	Redesigned Occupational Health Service	<b>-1.0</b>	Savings	(0.050)	(0.050)	0.000	(0.100)
Sarah Ireland	C & I	Growth in transport service for Adults	<b>0.0</b>	Growth	0.500	0.150	0.000	0.650
Sarah Ireland	C & I	Review of all tier 1 contracts to identify options for savings.	<b>0.0</b>	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		

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

(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.

<b>Grade of post</b>	<b>Day rate range £ (payable to the individual)</b>
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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## Appendix A

**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





**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.

