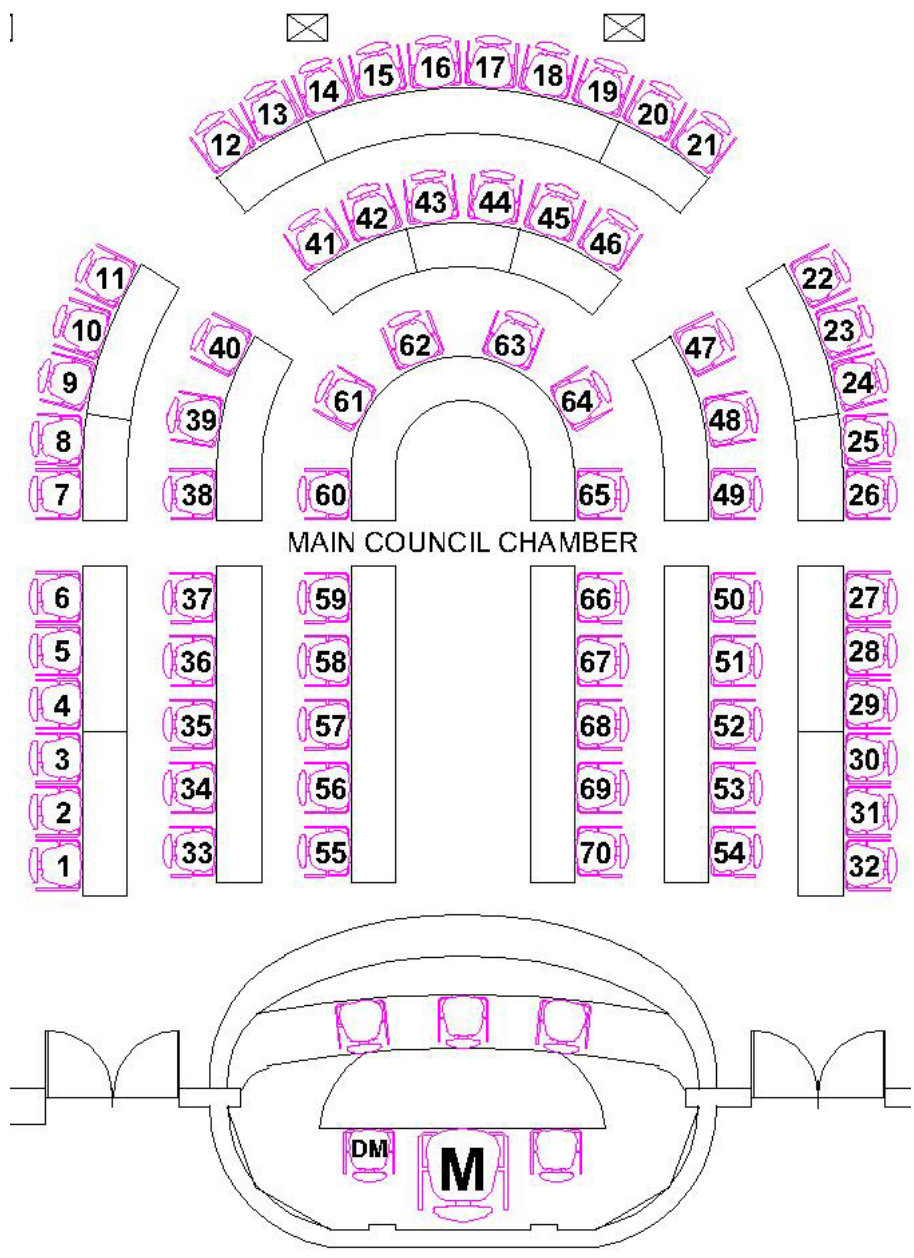


COUNCIL  
AGENDA  
**(Council Tax)**  
for meeting on  
**29 FEBRUARY 2016**  
at  
6.30 p.m.

1. Mike Selva
2. Jamie Audsley
3. Sherwin Choudhury
4. Emily Benn
5. Maddie Henson
6. Maggie Mansell
7. David Wood
8. Jane Avis
9. Pat Clouder
10. Andrew Pelling
11. Karen Jewitt
12. Joy Prince
13. Bernadette Khan
14. Spare
15. Spare
16. Luke Clancy
17. Andrew Stranack
18. Margaret Bird
19. Simon Brew
20. James Thompson
21. Jeet Bains
22. Sue Winborn
23. Michael Neal
24. Richard Chatterjee
25. Vidhi Mohan
26. Helen Pollard
27. Jan Buttinger
28. Steve Hollands
29. Badsha Quadir
30. Donald Speakman
31. Sue Bennett
32. Chris Wright
33. Andrew Rendle
34. Humayun Kabir
35. Stuart King
36. Manju Shahul-Hameed
37. Paul Scott
38. Oliver Lewis
39. Hamida Ali
40. Shafi Khan
41. John Wentworth
42. Pat Ryan
43. Matthew Kyeremeh
44. Stephen Mann
45. Robert Canning
46. Carole Bonner
47. Mike Fisher
48. Mario Creatura
49. Sara Bashford
50. Lynne Hale
51. Steve O'Connell
52. Jason Cummings
53. Yvette Hopley
54. Phil Thomas
55. Louisa Woodley



56. Toni Letts
57. Stuart Collins
58. Alison Butler
59. Tony Newman
60. Simon Hall
61. Alisa Flemming
62. Mark Watson
63. Timothy Godfrey
64. Kathy Bee
65. Sean Fitzsimons
66. Tim Pollard
67. Dudley Mead
68. Maria Gatland
69. Margaret Mead
70. Jason Perry
Notes etc.....
<b>M</b> – Mayor Councillor Patricia Hay-Justice
<b>DM</b> - Deputy Mayor Councillor Wayne Trakas-Lawlor
Please note that the numbers relate to microphone numbers.
January 2016

# **CROYDON COUNCIL**

To: All Members of the Council  
Date: 19 February 2016

You are summoned to attend the Meeting of the **COUNCIL** to be held on  
**MONDAY 29 FEBRUARY 2016 at 6.30pm**  
in the **COUNCIL CHAMBER**, the **Town Hall, Katharine Street, Croydon.**

## **AGENDA - PART A**

**1. APOLOGIES FOR ABSENCE**

**2. MINUTES**

To approve the **attached** Minutes of the Ordinary Council Meeting held on 25 January 2016.

**3. DISCLOSURE OF INTEREST**

**4. URGENT BUSINESS (If Any)**

To receive notice of any business not on the Agenda which should, in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. ANNOUNCEMENTS**

To receive Announcements, if any, from the Mayor, the Leader, Head of Paid Service and/or Returning Officer.

**6. COUNCIL TAX DEBATE**

To debate the Business Report which details the 2016/17 Council Tax and Revenue Budget considered by the Leader and Cabinet at its meeting on 22 February 2016 and to consider the recommendations therein.

**7. BUSINESS REPORT OF THE LEADER INCORPORATING COUNCILLORS' WRITTEN QUESTIONS TO THE LEADER AND CABINET MEMBERS**

To receive the attached Business Report which details the 2016/17 Council Tax and Revenue Budget considered by the Leader and Cabinet at its meeting on 22 February 2016.

A Councillor may ask no more than two questions on a matter related to the Council Tax or draft Budget or the Business Report.

The Leader and Cabinet Members will also provide draft written replies to the written questions submitted by Members of the Council. The questions and draft replies will be circulated at the meeting. Councillors may ask two supplementary questions arising from the reply given to a question they have submitted.

**8. CONFIDENTIAL BUSINESS as per Part 1 of Schedule 12A of the Local Government Act 1972, as amended**

To resolve, if necessary, that the Press and Public be excluded from the remainder of the meeting and Croydon Radio broadcasting be ceased on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

**AGENDA PART B:**

None

**Gabriel MacGregor**  
Acting Director of Legal and  
Democratic Services

**Contact Officer:**  
Kate Norton  
Senior Members Services Manager  
020 8726 6000 Ext 63876  
[kate.norton@croydon.gov.uk](mailto:kate.norton@croydon.gov.uk)  
Bernard Weatherill House, 8 Mint Walk,  
Croydon CR0 1EA

Members of the public are welcome to attend this meeting.  
If you require assistance, please phone or e-mail Kate Norton as detailed above.

The meeting webcast can be viewed here: <http://www.croydon.public-tv/core/portal/home>

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

# **CROYDON COUNCIL**

## **MINUTES**

**of the meeting held on Monday 25<sup>th</sup> January 2016 at 6.45pm.**

### **THE MAYOR COUNCILLOR PATRICIA HAY-JUSTICE PRESIDING**

Councillors Ali, Audsley, Avis, Bains, Bashford, Bee, Benn, Bennett, Bird, Bonner, Brew, Butler, Buttinger, Canning, Chatterjee, Chowdhury, Clancy, Clouder, Collins, Creatura, Cummings, Fisher, Flemming, Gatland, Godfrey, Hale, Hall, Henson, Hollands, Hopley, Jewitt, Kabir, Khan S, King, Kyeremeh, Letts, Lewis, Mann, Mansell, Mohan, Neal, Newman, O'Connell, Pelling, Perry, Pollard H, Pollard T, Prince, Quadir, Rendle, Ryan, Scott, Selva, Shahul-Hameed, Speakman, Stranack, Thomas, Thompson, Trakas-Lawlor, Watson, Wentworth, Winborn, Wood, Woodley, Wright.

Absent: Councillors Fitzsimons, B Khan, D Mead and M Mead.

#### **1. APOLOGIES FOR ABSENCE**

Apologises for absence were received from Councillors Fitzsimons, B Khan, D Mead and M Mead.

#### **2. MINUTES**

**RESOLVED** that the Minutes of the Ordinary Council Meeting held on Monday 7<sup>th</sup> December 2015 be signed as a correct record.

#### **3. DISCLOSURES OF INTEREST**

All Members of the Council confirmed that their interests as listed in their Declaration of Interests Forms were accurate and up-to-date.

#### **4. URGENT BUSINESS (If Any)**

None

## 5. ANNOUNCEMENTS

The Mayor announced that she had attended the recent New Year Day parade with a number of volunteer groups and that the Council had won an award.

The Mayor congratulated Croydon residents who had been honoured in the New Year's Honours List as follows:

- Maureen Martin, Headteacher, Coloma Convent Girls' School, an OBE for services to education.
- Anita McGowen, Lecturer and personal tutor, Croydon College, MBE for services to further education and to the community in Sutton and Croydon.

Councillor Newman, Leader of the Council added his congratulations to those of the Mayor to the two recipients.

Councillor Newman, advised Members that the Council and the Board of Fairfield had met and that significant progress had been made that would enable redevelopment of the Fairfield Halls to progress.

## 6. AMENDMENTS TO THE CONSTITUTION - PUBLIC PETITIONS AND HEALTH AND WELLBEING BOARD.

Councillor Tim Pollard moved that this item be deferred for debate as the contents of the report had not been agreed with his Group.

Councillor Newman advised that the report had been agreed by the cross party constitution working group and that item should not be deferred.

The Chief Executive explained that the paper before Council needed to be agreed as an interim solution, to allow the public petition at agenda item 7 to proceed. He went on to say that the cross party constitution working group still had the opportunity to amend the Constitution. The Chief Executive explained that under paragraph 3.49 only items from Cabinet or Committee could be deferred for debate. This item was from the Acting Monitoring Officer.

Councillor Newman proposed the recommendations contained in the report, Councillor Butler seconded.

### Council **RESOLVED**

1 That in respect of public petitions, the Council Procedure Rules at para.3.21 and 3.52 Part 4A of the Constitution be amended as detailed in para.3.2 and 3.3 of the report;

1.2 That the rules of procedure of the Health and Well-Being Board at para.8.7, Part 4L of the Constitution be amended allow for the appointment of an additional vice-chair who would be a representative from the CCG.

## **7. PUBLIC PETITION DEBATE- DRAFT CROYDON LOCAL PLAN - SHIRLEY**

A petition with in excess of 3,600 signatures had been presented to Council regarding the draft Croydon local Plan – Shirley area. The petition was worded as follows:

“We call on Croydon Council to drop its demands for Shirley. We oppose the intensification associated with the gradual change of the area’s local character, de-designation of Metropolitan Open Land around Shirley, Gypsy Traveller Sites and development on Garden land.”

The Chief Executive explained the process for the debate and that there would be no vote taken at the end of the debate.

The Lead Petitioner, Mr David Greenwood presented the petition and spoke for three minutes.

Councillor Alison Butler said she welcomed the opportunity to give some clarity around the Local plan and address some of the misinformation that has been spread. The Local Plan is a requirement from central government to set out local planning policies and identify how land is to be used, determining what can be built and where and to ensure all land is correctly designated across the borough. The Croydon plan needs to show how we can meet the Mayor of London target of 1435 new homes per year in Croydon, and how we can exceed that to achieve a target of 31765 homes over a 20 year period. She went on to say that many of these homes would be built in the Town Centre, but others would need to be built across the borough. The Council has a legal duty to consider the needs of gypsy and traveller sites and assessments have shown that 39 new sites need to be identified over the 20 years. The willingness of the land owner to make a site available for development is an important factor when concluding whether to allocate land. Should the residents who own the land and freehold in Shirley Oaks not wish to make this land available then that is their decision, the Council has no plans to build on the land or to compulsorily purchase it. In summing up Cllr Butler said that all views received would be fully considered.

Councillor Susan Bennett spoke of the dismay felt by local residents and that the petition was a result of residents speaking with 'one voice' and highlights the pending disaster not just for Shirley but the whole of Croydon. Cllr Bennett went on to say that the Plan was ill-conceived; planning to build 700 homes on MPOL, allow back garden developments and demolition of properties to allow the building of flats against the wishes of local people. She went on to ask if the Council had consulted on who owned the land and if local residents wanted what was being proposed in the Plan. In summing up Cllr Bennett said that the boroughs green and open spaces were under threat by this plan.

Councillor Manju Shahul-Hameed said that what made Croydon was the strong character and local heritage, landmarks and views of the area and that Shirley residents were bound together by strong relationships and common interests. The Local Plan will enable the Council to plan ahead to protect the unique character and attractiveness of the borough, to identify land that could be used for development

across the borough for future generations.

Councillor Jason Perry said that the people of Shirley were feeding back their views as over 7,000 had responded to the consultation and nearly 4000 had signed the online petition. He went on to say that this was a grass root response to the proposed policies including downgrading Shirley Oaks Village MOL, Croham Hurst, Purley Downs, Sanderstead Plantation, Coombe playing fields and placing 3 gypsy travellers sites in green belt in direct opposition to Government policy. He went on to say that Croydon is London's greenest borough and the loss of areas of special character across the borough was wrong. In summing up he said that there were a huge number of brown field sites available and that the administration should listen to the residents across the borough in opposition to the local plan and drop these divisive policies.

Councillor Mike Fisher said it was a privilege and honour to represent Shirley since 2002 and before that Spring Park and that he had never seen an issue make residents as angry as the Local Plan. Shirley residents were opposed to the local plan and felt under threat from the proposal that completely changed the character of the area. He went on to say that the Plan did not respect the character and nature of Shirley or any other part of the borough. In summing up Cllr Fisher said that there were so many things wrong in the proposals that the Council should withdraw the plan and review it.

Councillor Paul Scott said that London's population was growing rapidly and that every borough will need to meet challenging new growth targets. To meet those targets Croydon will need to build 32,000 new homes by 2036, the majority of the homes will be built in the town centre, on previously developed brown field sites, in areas with good public transport. There is not enough space to accommodate all the new homes in those areas, a relatively small proportion will need to be located in the suburbs. This administration is committed to protecting the character of Shirley and other places in Croydon. The government requires justification for all aspects of the local plan, the borough. In summing up Cllr Scott said that allotments, playing fields and the pond will be protected and the other areas offered opportunities to build new homes. The land is owned by residents of the estate and they will decide if they wish to release any of it for development.

At the conclusion of the debate Councillor Fisher moved, under 1.11(8), for a suspension of standing orders to allow for a vote, Councillor Chatterjee seconded the motion. The Chief Executive clarified to the Chamber what the procedure should be as set out in Council procedure rules. He advised that this was a motion moved without notice and can only be moved at the discretion of the Chair. The Mayor explained why she would not accept the procedural motion, there followed much loud protesting from Councillors and interruptions from the public gallery. At 7:45pm the Mayor suspended the meeting due to the level of disruptions.

The meeting reconvened at 8:00pm



## **8. PUBLIC QUESTION TIME – QUESTIONS FROM THE PEOPLE OF CROYDON.**

Under the provisions of the Council Procedure Rules (Croydon Constitution, Part 4A), written questions had been submitted and written replies were given by the relevant Cabinet Member. These were placed in the Chamber and Public Gallery and online. Oral supplementary questions were asked by members of the public.

Oral replies were provided by the relevant Cabinet Members.

[The meeting was webcast, please see link at the end of these minutes]

PQ004-16 Mr P Collier  
PQ005-16 Mr J Cartwright  
PQ006-16 Mrs C Lumb  
PQ011-16 Mr M Hewish  
PQ013-16 Mr R Buckler  
PQ048-16 Ms A Pollard  
PQ049-16 Mr A Arbisman  
PQ055-16 Mr M Samuel

[Note the written Public Questions and written replies can be found at [www.croydon.gov.uk/democracy/dande/council-questions](http://www.croydon.gov.uk/democracy/dande/council-questions) ]

## **9. PETITIONS TO BE PRESENTED BY COUNCILLORS TO COUNCIL ON BEHALF OF THE PEOPLE OF CROYDON**

A Petition was presented formally by Councillor Matthew Kyeremeh on behalf of residents of Mer sham Road in accordance with Council Procedure Rules.

In accordance with procedure the petition will stand referred to the relevant Cabinet Member.

In accordance with the Council's Constitution the reply to this petition will be included in the agenda for the next Ordinary Council meeting.

## **10. RESPONSES TO PETITIONS PRESENTED TO COUNCIL ON BEHALF OF THE PEOPLE OF CROYDON**

In accordance with the Council procedure rules, the printed responses were open to questions from Councillors. There were no questions.

Councillor Collins advised Members that following the presentation of the Public Petition on Green Waste at the previous Council meeting he had written to the Chancellor of the Exchequer seeking fair funding for Croydon. The letter had been added to the meeting papers on the website.

## **11. MOTIONS FOR DEBATE**

Two motions were submitted for debate in accordance with Council Procedure Rules as follows:

## **The first Motion**

### **1. Proposed by Councillor Yvette Hopley Seconded by Councillor Sara Bashford**

*'Whilst accepting that online access to services is significantly cheaper and suits many younger residents' lifestyles, this chamber is concerned that the push to digital-only access is discriminatory against the 14% (or more) of residents who are not digitally enabled and that appropriate non-digital points of access to all services should continue for as long as there is a need.'*

Councillor Hopley speaking for the motion said she was a supporter of technological advancement but that many residents were being left behind as they were unable to access key services and felt isolated. She went on to say that 14% or more of local residents did not have the means or skills to use the internet. The Fairness Commission had highlighted the problems for many elderly residents where the phone is the only means of communications and accessing Council services this way can be confusing. She went on to say that digital zones did not address the problem and that a recent user Panel had proved to be ineffective as the IT did not work correctly. In summing up Cllr Hopley said that the current system of using online services were discriminatory and excluded many residents throughout the borough that did not have the skills or means to access Council services online.

Councillor Bashford seconded the motion and reserved her right to speak until later in the debate.

The Mayor advised that she had been notified of a Notice of Amendment to the Motion, this had been circulated.

Councillor Mark Watson, moved the amended motion, which was seconded by Councillor Oliver Lewis

The amended motion read:

*'Whilst accepting that online access to services is significantly cheaper and is increasingly the only way to access many services, this chamber is concerned that the 14% (or more) of residents who are not digitally enabled will continue to be disadvantaged and therefore welcome this Council's Basic Digital Skills Action Plan, which includes a target of 40 digital zones being established across Croydon, to ensure that appropriate points of access to basic digital skills training should continue for as long as there is a need, while still providing services in cost effective ways which ensure no one is left behind.'*

Councillor Watson speaking in support of the amended motion said that the Council was putting more services online that would save in excess of £5m a year. This would provide a better and more efficient service for residents, but the administration recognised that some residents lacked the digital skills required to access all these services. He went on to say that the Council were developing a basic digital skills action plan to assist those that are not digitally enabled, introducing 40 digital zones across Croydon. The Council GoOn Digital zone was the country's first, and has been shortlisted for the Digital Council of the year and the exemplar model for other London boroughs. He went on to say that anyone without the means to access

through digital means would be assisted, there would be free course for those on benefits, web chat services to support customers online, floor walkers in Access Croydon to assist those who visit to use the Council services. In summing up Cllr Watson said almost everyone can access online with help.

Councillor Lewis seconded the amendment and reserved his right to speak until in the debate.

Councillor Stranack speaking in support of the original motion said that whilst he enjoyed new technology and various social media and websites which will be part of our futures. However Cllr Stranack said he runs a charity in Selsdon & Heathfield for residents with over 250 of those using the services over 75 many of them find using technology confusing and upsetting that they can't get online to renew Freedom Pass, Blue badge or register for the Green Waste service. He went on to say that a more customer focused response needed to help the most vulnerable in the borough. In summing up Cllr Stranack said that many broadband packages were expensive and therefore not always affordable for families on lower incomes.

Councillor Jewitt speaking in support of the amended motion spoke of the challenge of using new technology to many elderly and vulnerable groups. However by working with those groups and showing them the basic skills made it less daunting. Cllr Jewitt went on to describe examples of showing people how to use technology to be able to Skype and contact relatives in different parts of the world. She went on to say that she understood why people feared the use of technology and that the ability to access Council services by other means would always be there.

Councillor Lewis seconded the amended motion and went on to say the GoOn campaign launched in Croydon was aimed at giving people better digital skills and getting more people online. He went on to say that the original motion ignored some of the work already done by the Council to support people with digital channel shift. Learn Direct are available every Monday in Access Croydon to promote digital skills courses and staff offer assistance to residents to complete their forms online. This Council is ambitious for its residents in face of Tory cuts, engaging with residents to improve their digital skills which will enable them to access not just council services but also other services like gas, electricity and bank accounts.

Councillor Bashford seconding the original motion and speaking against the amendments to the motion went on to say that she couldn't support the amended motion but did support a variety of means for residents to access Council services. She went on to say that many residents through either fear of the unknown or lack of money were excluded by the Council. She was pleased that digital enabling is being rolled out but this is a small minority only and those that are unable to use service in this way are made to feel unwanted and part of another era. Cllr Bashford went on to ask how residents that don't have IT facilities or the basic skills to access services, pay their rent, rates etc and that many feel distressed that they cannot use the online services, even with help. Cllr Bashford said that even the Council's telephone services can be confusing as residents are often directed to online services. In summing up Cllr Bashford said that the reducing in hours for the contact centre also made is difficult for residents to get assistance, and that being directed to an online

service rather than being asked if the resident was able to go online would be more helpful.

The amendment to the motion was **put** to the vote and **carried**, with no votes against.

The amended motion then became the substantive motion; this motion was **put** to the vote and **carried** with no votes against.

## **The second Motion**

Note: At 20:50 Councillor Newman advised Members that Councillor Butler and Councillor Scott had left the meeting due to illness and that Councillor Collins would speak on her behalf.

2. Proposed by Councillor Tony Newman.  
Seconded by Councillor Alison Butler.

*'This Council condemns Tory Government plans that will all but end affordable housing to rent and help put home ownership out of the reach of the majority of local people here in Croydon'.*

Councillor Newman opened the debate quoting Lord Kirslake saying central government was attempting to phase out social housing. Home ownership was in decline and insecurity in the private rented sector meant there was a housing crisis that government had few answers. He went on to say that Council's would need to sell 100,000 properties to meet right to buy demand. Cllr Newman spoke of the £450m that would be removed from the HRA over the next 30 years, money that could have been used to pay for new houses and improve existing properties. He said that to purchase starter homes would require a £77,000 minimum income, Croydon residents average income is £25,000. In summing up Cllr Newman said that this administration would continue to lobby against government cuts.

Councillor Collins seconded the motion and reserved his right to speak.

Councillor Neal speaking against the motion said that Labour had first introduced right to buy in 1959 but over the years had changed their policies as number of times. He went on to say that the government wanted to transform a generation of rent to a generation to buy. He went on to speak about the Housing Bill that would give right to buy to housing tenants at discounted rates. This would allow people to achieve their aspiration of home ownership.

Councillor Audsley speaking in support said there was a housing crisis and that London needed to build 40,000 new homes a year for the next 20 years to meet demand. He went on to say that Croydon residents were increasingly unable to get on the housing ladder and many were finding it more difficult to pay rents. He went on to speak about the Housing Development Company that was being set up by the Council and that developers were being asked to provide up to 50% affordable homes in new developments. In summing up Cllr Audsley spoke of the Landlord Licensing Scheme that protected those in the private rented sector.

Councillor Speakman speaking against the motion said that it was devoid of substance. He went on to say that the Council had received £11m in the last 6 years for housing with a further £11m to come over the next 5 years. Cllr Speakman went on to say that more housing was needed but it should not destroy local area character. The Council should be looking at the demand side of the current housing crisis but Labour do not care about the destruction of communities. He spoke of affordable housing targets, homes would have small rooms, no parking and leisure facilities were not being developed. In summing up he spoke about areas where the Council were planning to build 45,000 new homes and the extra spending that would be required to ensure the infrastructure was improved.

Councillor Hale speaking against the motion said the previous labour government had left both a housing and economic crisis. in 2010 house building had reached its lowest level, homes for social rent had decreased by 420,000 with millions on the waiting list. She went on to say that everyone should be able to afford a home but that too many people in Croydon were struggling to do this. Cllr Hale went on to say that more affordable homes in Croydon to rent or buy would be welcome. The Housing and Planning Bill would increase the pace of house building, starter homes programme would see home built for first time buyers and achieve their aspiration of home ownership.

Councillor Collins in seconding the motion said that the governments housing policies were an attack on social housing. He went on to say that since 2010 homelessness had increased by a third amid a crisis in the number of affordable homes. Cllr Collins went on to speak about some of the reasons for the current crisis, home ownership was at its lowest for a generation, Croydon was being forced to sell high value homes, end of fixed term tenancy agreements that broke up communities, pay to stay and attack on aspirations of council tenants and working families, reducing housing benefits, right to buy for housing association properties with no plans to replace the stock. He said that whilst starter homes were welcome but not priced at £450,000 as quoted.

The motion was **put** and **carried**.

## **12. BUSINESS REPORT OF THE LEADER INCORPORATING COUNCILLORS' WRITTEN QUESTIONS TO THE LEADER AND CABINET MEMBERS**

The Leader presented the Business Report summarising the proceedings of the Cabinet since the last meeting of the Council.

In accordance with Council Procedure Rules, written questions had been submitted in advance by Council Members and written replies had been given by the relevant Cabinet Members. The questions and answers had been placed in the Chamber and posted on the Council website. Supplementary questions were asked by Members of the Council and replies were given by the relevant Cabinet Members.

Each Cabinet Member was asked in turn if they had anything to add to their report. Questions were then invited from the Chamber for each Cabinet Member who replied orally to the questions on specific paragraphs or submitted questions.

At 21:25, Councillor Pollard moved a procedure motion 1.11.9 to move to the next item of business. This was seconded by Councillor Newman and agreed by Council.

The following Cabinet Members made announcements:

**Councillor Newman**, as Chair of the Mayoralty and Honorary Freedom Selection Sub-Committee, made an oral recommendation to the Council that Councillor Wayne Trakas-Lawlor be invited to allow his name to be submitted to the Annual Council meeting on 23 May 2016 for election to the office of Mayor for the Council Year 2016/17.

**Councillor Hall** made an announcement with regarding to the letting of part of Bernard Wetherill House, the sale of Jeannette Wallace House and vacating Leon House that would improve revenue by £2m making sure that the Councils assets were used for the benefit of residents.

**Councillor Collins** announced that sufficient residents had signed up for the Green Garden Waste service to continue from April. He advised that residents would still be able to sign up for this service.

**Councillor Woodley** announced that the Council had received two awards, Good Food for London, Croydon recognised as a most improved borough, and Sustainable Food Cities, recognised Croydon Food Flagship. Cllr Woodley thanked officers for their hard work and the good work being done in schools.

**Councillor Flemming** thanked Richard Dickson, one of the boroughs foster carers for his continued work with young people won an award for his work over the last 10 years.

Council **RESOLVED** to

1. Note the business report of the Leader and Cabinet;
2. Approve the Cabinet recommendations as follows:
  - 2.1 Agree the proposed Admission Arrangements for Community Schools for the 2017/18 academic year as contained in Appendix 4 of the Cabinet report.
  - 2.2 Agree to the co-ordinated scheme for the 2017/18 academic year as set out in Appendix 5a (Primary) and Appendix 5b (Secondary) to this report and note the Published Admission Numbers for Community Schools for the 2017/18 academic year as set out in Appendix 6 of the Cabinet report.
  - 2.3 Agree the proposed Admission Arrangements for Community Schools for the 2017/18 academic year as contained in Appendix 4 of the Cabinet report
  - 2.4 Agree to the co-ordinated scheme for the 2017/18 academic year as set out in Appendix 5a (Primary) and Appendix 5b (Secondary) of the Cabinet report; and

2.5 Note the Published Admission Numbers for Community Schools for the 2017/18 academic year as set out in Appendix 6 of the Cabinet report.

## **12. COUNCILLORS' OPEN SESSION ON WARD MATTERS ON BEHALF OF OUR LOCAL COMMUNITIES**

Councillor Henson spoke about the progress that had been made in Ashburton Ward over last two years. She spoke about the improvements in Long Lane Woods, made with the help of Ward community budgets, the local children's centre and their outreach programme at Longheath Gardens Community Centre. These were examples of Labour listening to local residents. Cllr Henson also spoke about the development of Ashburton Park library that was being turned into a community hub that residents had asked for. There were local shopping areas and recently Christmas lights had been installed with the help of Ward budgets and local residents associations.

Councillor Creatura said that Coulsdon West residents were community minded and happy. He spoke of the recent Yule feast that had been helped by the community ward budget and residents associations. He went on to say that local residents were passionate about their area and challenged the council to ensure that proposed scheme were for the benefit of the area. Cllr Creatura asked why the Lion Green scheme was not progressing. In summing up he said that the Coulsdon population will increase by 40%, where will they live, how the infrastructure will evolve, these were questions that his residents were asking.

Councillor Pelling spoke of Waddon's view on issue on housing and economic growth in the borough and the opportunities that will come with that growth. He went on to say that outside the centre of Croydon Waddon, Purley, Broad Green will take the burden of extra homes, extra schools. This will have a mitigating effect on air quality in Waddon; Public Health England talk about 2391 premature deaths in Croydon due to poor air quality and this issues needs serious consideration. He went on to speak about more use of public transport, tram services, encouraging walking and looking at park and ride.

Councillor Chatterjee speaking about Shirley Ward said that it was regrettable that not enough time had been set aside for the statutory consultation of the Local Plan for residents to put their thoughts forward. He went on to speak about the community spirit in Shirley as evidenced by the number that had attended the earlier debate and the uncertainty around planning for the future. Cllr Chatterjee spoke about the threat to green spaces used by local children as many have no gardens to play in.

Councillor Kyeremeh said it was an honour to represent Thornton Heath Ward since 2006 although not much happened in Ward until Labour came to power. He went on to say that now Thornton Heath was moving forward with investment of £3m that would benefit the whole borough. Projects would include road improvements, new pavements and improved shops fronts and provide support to new businesses in the area. Cllr Kyeremeh went on to speak about local residents and businesses were in discussion with the Council to give the High Street a much needed facelift. He went on to speak

about the work of local community groups in raising the profile of local parks, conservation areas and leisure facilities and taking an active role in the regeneration of the high street.

#### **14. BUSINESS REPORT OF THE SCRUTINY & OVERVIEW COMMITTEE**

Councillor Carole Bonner, Deputy Chair of Scrutiny & Strategic Overview Committee, presented a written report to Council summarising the proceedings of that Committee since the last ordinary meeting of the Council, including matters considered by the Scrutiny Sub-Committees.

There being no questions on the report Council **RESOLVED**

- 1.1 To note the Scrutiny work programme for 2015-16 and scrutiny activity since the 25 November 2015.
- 1.2 That all Members are asked to consider the opportunities offered by Local Action Mini Reviews and what contribution they or their constituents can make to these or to the topics selected for Scrutiny as part of the 2015-16 scrutiny work programme.
- 1.3 To note the Lines of Enquiry for each review and consider whether they or their constituents may be able to contribute comments or questions for consideration and to tweet/facebook the topics to their followers.

#### **15. RECOMMENDATIONS OF THE CABINET AND COMMITTEES DEFERRED FOR DEBATE**

There was no business under this item.

The meeting ended at 21:50

The meeting webcast can be viewed here: <http://www.croydon.public-tv/core/portal/home>



# Croydon Council

For General Release

<b>REPORT TO:</b>	<b>COUNCIL</b> <b>29 February 2016</b>
<b>AGENDA ITEM NO:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>BUSINESS REPORT OF THE LEADER INCORPORATING COUNCILLORS' WRITTEN QUESTIONS TO THE LEADER AND CABINET MEMBERS</b>
<b>LEAD OFFICER:</b>	<b>Gabriel MacGregor, Acting Director of Legal and Democratic Services</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> The Business Report of the Leader and Cabinet is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.	

## 1. RECOMMENDATIONS

The Council is asked to:

1. Note the business report of the Leader and Cabinet;
  - Approve the Cabinet recommendations set out in the Leader's Business Report at Appendix 1

## 2. EXECUTIVE SUMMARY

2.1 The Business Report of the Leader and Cabinet comprises a summary of matters of business relating to the Council tax and Budget Setting process, undertaken by the Leader and Cabinet at the Cabinet (Council Tax) meeting held on 22 February 2016. The report includes any recommendations made to Council by Cabinet.

2.2 The Constitution also permits written questions and supplementary oral questions to Cabinet Members during consideration of the Business Report

## 3. BACKGROUND

3.1 Part 4A of the Constitution allows the Leader and the Cabinet to present to Council a report summarising the business it has undertaken since the last ordinary Council meeting. Cabinet is also required to include any recommendations that it has made to Council within that report.

- 3.2 In addition to oral questions on the content of the report, Members are also permitted to submit written questions on any relevant matter during consideration of the report.
- 3.3 No more than 20 minutes shall be allocated to questions to the Leader of the Council (including up to 4 minutes for announcements) and no more than 10 minutes shall be allocated to questions to any other individual Cabinet Member (including up to 2 minutes each for announcements). There is a strict guillotine of 9.35m for the Council (Council Tax) meeting as a whole. At that time the business report and written replies shall be taken as read and moved en bloc with any recommendations not deferred for debate put immediately to the vote.
- 3.4 Oral questions on matters included in the business report are limited to two per Councillor on any item contained within the report. Cabinet Members and the Councillor that seconds the report are not permitted to ask any questions.
- 3.5 Written questions on any other relevant matter are limited to three per Councillor. A Councillor may ask two supplementary questions arising from the reply given to a question they have submitted but shall do so only if called by the Chair.
- 3.6 The order in which the report shall be laid out, and that questions will be taken, is as follows:
- i) The Leader of the Council; and
  - ii) Cabinet Members (order rotated for each meeting).
- 3.7 The order for this meeting and the meeting to be held on 18 April 2016 are as follows:

### **February (Council Tax) 2016**

	<b>Councillor</b>	<b>Cabinet Portfolio</b>
	Tony Newman	Leader of the Council
3	Simon Hall	Cabinet Member for Finance and Treasury
1	Alison Butler	Deputy Leader (Statutory) and Cabinet Member for Homes and Regeneration
7	Toni Letts	Cabinet Member for Economic Development
9	Timothy Godfrey	Cabinet Member for Culture, Leisure and Sport
2	Stuart Collins	Deputy Leader and Cabinet Member for Clean Green Croydon
8	Mark Watson	Cabinet Member for Safety and Justice
4	Louisa Woodley	Cabinet Member for Communities and People
5	Kathy Bee	Cabinet Member for Transport & Environment
6	Alisa Flemming	Cabinet Member for Children, Families and Learning

18 April 2016

	<b>Councillor</b>	<b>Cabinet Portfolio</b>
	Tony Newman	Leader of the Council
6	Alisa Flemming	Cabinet Member for Children, Young People and Learning
9	Timothy Godfrey	Cabinet Member for Culture, Leisure and Sport
5	Kathy Bee	Cabinet Member for Transport and Environment
8	Mark Watson	Cabinet Member for Communities, Safety and Justice
7	Toni Letts	Cabinet Member for Economy & Jobs
2	Stuart Collins	Deputy Leader and Cabinet Member for Clean Green Croydon
3	Simon Hall	Cabinet Member for Finance and Treasury
4	Louisa Woodley	Cabinet Member for Families, Health & Social Care
1	Alison Butler	Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration & Planning

#### **4. BUSINESS REPORT**

4.1 The business report is attached at appendix 1.

#### **5. WRITTEN QUESTIONS**

5.1 Copies of all written questions and their draft replies, which may be subject to oral amendment, shall be circulated to all Councillors at the beginning of the meeting.

5.2 A Councillor may ask two supplementary questions arising from the reply given to a question they have submitted but shall do so only if called by the Chair.

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**CONTACT OFFICER:** Solomon Agutu, Head of Democratic Services and Scrutiny, x62920.

#### **BACKGROUND DOCUMENTS:**

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**COUNCILLOR TONY NEWMAN  
LEADER OF THE COUNCIL**

A full copy of the Cabinet agenda, reports and appendices are available in the Members Library and on the Council website at <https://secure.croydon.gov.uk/akscroydon/users/public/admin/kab14.pl?operation=SUBMIT&meet=45&cmte=CAB&grpId=public&arc=1>

**Cabinet 22 February 2016  
Items relating to the Council Tax and Budget Setting process**

**Financial Strategy & Budget 2016-17**

**1. General Fund & HRA Budget 2016/17**

Cabinet considered a report (**Attached as Council Appendix 2**) that sets out the context and challenges faced by the council in setting a balanced budget for 2016/17. The report also sets out the current savings plans and approach to transformation of the council and over the next 4 years.

The report details the revenue and capital budgets for the General Fund for 2016/17, including the total Council Tax increase of 1.89%, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2016/17.

**Cabinet recommends Council to approve:**

1.

- I. A 1.99% increase in the Council Tax for Croydon Services
- II. A 2% increase in the Council Tax for Adult Social Care.
- III. The calculation of budget requirement and council tax as set out in Appendix E  
  
Alongside the GLA decrease this will result in a total increase of **1.89%** for Croydon.
- IV. The revenue budget assumptions as detailed in this report and the associated appendices :-
  - Appendix A the programme of revenue investment, efficiencies and cuts by department.
  - Appendix B The Council's detailed budget book

- V. The Capital Programme as set out in section 12, table 20 and 21 of this report.
- VI. The continuation of the Council's existing Council Tax Support Scheme in 2016/17 as detailed in section 10.5 of this report.
- VII. To recommend to the Council the adoption of the Pay Policy statement at Appendix L;

1.2 Council notes that Cabinet was requested to agree::

- I. A rent decrease for all Council tenants for 2016/17, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.
- II. Garage rents will increase by 2% and parking space rents will increase to £7 per week for tenants and £10 per week for non tenants.
- III. The un pooled service charge for caretaking, grounds maintenance and bulk refuse collection will not change from 2015/16, as detailed in section 11.14.

1.3 Council note that Cabinet was asked to 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 2015/16 as at Quarter 3 and the current projected outturn forecast of £0.602m as set out in the report at item 8.3 on this agenda.
- III. The response to the draft local government settlement which is attached at Appendix F.
- IV. That Cabinet note the pre-decision scrutiny of the proposed Budget 2016/17 at the Scrutiny and Overview Committee as set out in Appendix J
- V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

**2. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2016/17**

Cabinet considered a report (**Attached as Council Appendix 3**) that sets out the Council's Treasury Management objectives, which are to manage the Council's cash flows, borrowing and investments minimising the level of risk exposure; maximising investment yield returns; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in 2016/17 and the capital borrowing needs of the Council for 2016/17:-

	<u>£m</u>	<u>Total</u> <u>£m</u>
<b>1. In Year Borrowing Requirement (Gross)</b>	203.800	<u>203.800</u>
<b>2. Total Interest Payable on Debt</b>		
- chargeable to Housing Revenue Account (HRA)	12.535	
- chargeable to General Fund (GF)	19.554	
		<u>32.089</u>

In addition the report details the investment activities and the estimated level of income earned.

**Investment Income** net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:-

<u>(0.971)</u>	<u>(0.971)</u>
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**1. Cabinet recommends Council to approve:**

1.1 The Treasury Management Strategy Statement 2016/17 as set out in paragraphs 3.1 to 3.3 of the Cabinet report including the recommendations that:

1.1.1 The Council takes up the balance of its 2015/16's borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.3.

1.1.2 That for the reasons detailed in paragraph 3.7, opportunities for debt rescheduling are reviewed throughout the year by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) and that, he be given delegated authority, in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2015-2019.

1.1.3 That delegated authority be given to the Assistant Chief Executive (Corporate Resources and Section 151 Officer) to make any

necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.

1.2 The Annual Investment Strategy as set out in paragraph 3.5 and as detailed in **Appendix B** of this report.

1.3 That the Affordable Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.6 and as detailed in **Appendix C** be as follows:

<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>£1,132.6m</b>	<b>£1,216.0m</b>	<b>£1,267.1m</b>

1.4 The Prudential Indicators as set out in paragraph 3.8 and in **Appendix D** of this report.

1.5 The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in paragraph 3.9 and as detailed in **Appendix E** of this report.

1.6 The Council's authorised counterparty lending list as at 31<sup>st</sup> December 2015 as set out in **Appendix F** of this report and the rating criteria set for inclusion onto this list.



<b>REPORT TO:</b>	<b>CABINET 22 FEBRUARY 2016</b>
<b>AGENDA ITEM:</b>	<b>8.1</b>
<b>SUBJECT:</b>	<b>GENERAL FUND &amp; HRA BUDGET 2016/17</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON ASSISTANT CHIEF EXECUTIVE (CORPORATE RESOURCES AND 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 2016/17.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The report details the revenue and capital budgets for the General Fund for 2016/17, including the total Council Tax increase of 1.89%, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2016/17.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE</b>	
<p>The recommendations in section 1.1 are not executive key decisions – the final decisions are recommended to the Full Council at the meeting scheduled for 29th February 2016. The recommendation in section 1.2 I, II and III are key executive decisions (reference no. 06/16/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; Strategic Overview Committee by the requisite number of Councillors.</p>	

## **1.0 RECOMMENDATIONS**

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

That with reference to the principles for 2016/17 determined by the Secretary of State under s.s.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;

1.1 The Cabinet recommend to full Council:

- I. A 1.99% increase in the Council Tax for Croydon Services
- II. A 2% increase in the Council Tax for Adult Social Care.
- III. The calculation of budget requirement and council tax as set out in Appendix E

Alongside the GLA decrease this will result in a total increase of **1.89%** for Croydon.

- IV. The revenue budget assumptions as detailed in this report and the associated appendices :-
  - Appendix A the programme of revenue investment, efficiencies and cuts by department.
  - Appendix B The Council's detailed budget book
- V. The Capital Programme as set out in section 12, table 20 and 21 of this report.
- VI. The continuation of the Council's existing Council Tax Support Scheme in 2016/17 as detailed in section 10.5 of this report.
- VII. To recommend to the Council the adoption of the Pay Policy statement at Appendix L;

1.2 That Cabinet agree:

- I. A rent decrease for all Council tenants for 2016/17, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.
- II. Garage rents will increase by 2% and parking space rents will increase to £7 per week for tenants and £10 per week for non tenants.
- III. The un pooled service charge for caretaking, grounds maintenance and bulk refuse collection will not change from 2015/16, as detailed in section 11.14.

1.3 That Cabinet note:-

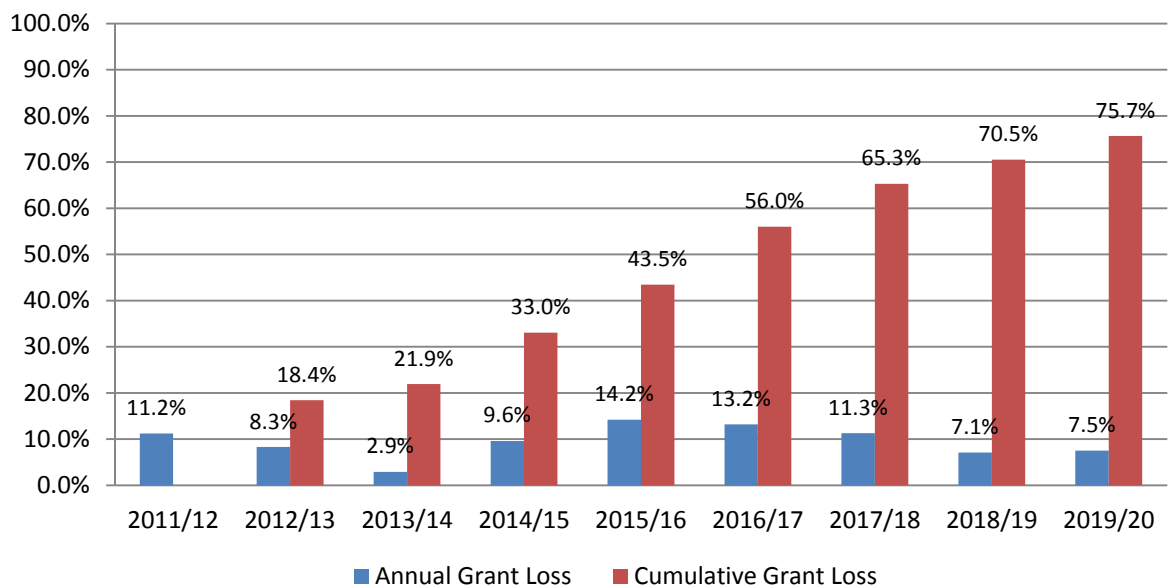
- I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.
- II. The progress being made towards balancing the Council's financial position for 2015/16 as at Quarter 3 and the current projected outturn forecast of £0.602m as set out in the report at item 8.3 on this agenda.
- III. The response to the draft local government settlement which is attached at Appendix F.
- IV. That Cabinet note the pre-decision scrutiny of the proposed Budget 2016/17 at the Scrutiny and Overview Committee as set out in Appendix J
- 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 2016/17. The report also sets out the current savings plans and approach to transformation of the council and over the next 4 years.
- 2.2 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 £80m projected over the period 2016/20 (a quarter of the base budget). To address 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. While the Council 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.
- 2.3 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 17 and 18 which show the investment and savings by department. With the most significant savings within the Resources department for the second successive year.

2.4 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 the 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, particularly in older age groups and children) and the consequences of other government policies such as welfare reform.

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



2.5 The London Borough of Croydon is no different from other council. In order to balance its budget the Council has already delivered over £100m in efficiency savings and cuts so far with a 43.5% cumulative reduction in government funding up to 2015/16 in cash terms. This equates to 54% in real terms.

2.6 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11<sup>th</sup> March 2016. 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 29<sup>th</sup> February 2016.

2.7 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 2% increase based on the Adult Social Care Levy as set by the Chancellor. The GLA are proposing a 6.44% decrease in their element of the charge and that is due to be agreed by the GLA on the 22<sup>nd</sup> February 2016. The overall headline increase is 1.89%. The effect of this decrease on Band D is set out in table 1 below.

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

<b>Band D</b>	<b>2016/17</b>	<b>Increase/ (Decrease)</b>	<b>Annual Increase / (Decrease)</b>	<b>Weekly Increase / (Decrease)</b>
	<b>£</b>	<b>%</b>	<b>£</b>	<b>£</b>
Croydon	1,194.70	1.99	23.31	0.45
Adult Social Care Levy	23.43	2.00	23.43	0.45
Greater London Authority	276.00	(6.44)	(19.00)	(0.37)
<b>Total</b>	<b>1,494.13</b>	<b>1.89</b>	<b>27.74</b>	<b>0.53</b>

- 2.8 On the 15<sup>th</sup> December 2015 Scrutiny and Strategic Overview Committee met and received a report on budget options for 2016/17 from the Assistant Chief Executive (Corporate Resources and S151 Officer). The Committee resolved to recommend to Cabinet that following the pre-decision scrutiny of the proposed Budget 2016/17 at the Scrutiny and Overview Committee meeting on 15<sup>th</sup> December 2015, it (Cabinet) protects community groups looking to use parks and open spaces for community events including festivals from charges relating to access to these spaces and the use of facilities (eg. toilets) for events and that the Leader and Cabinet takes this recommendation into account in drawing up proposals for submission to the Council. The Cabinet member for Culture and Sport intends to bring a report to Cabinet in the spring on our Parks and these issues will be covered in that report.

### **3.0 External Financial Environment**

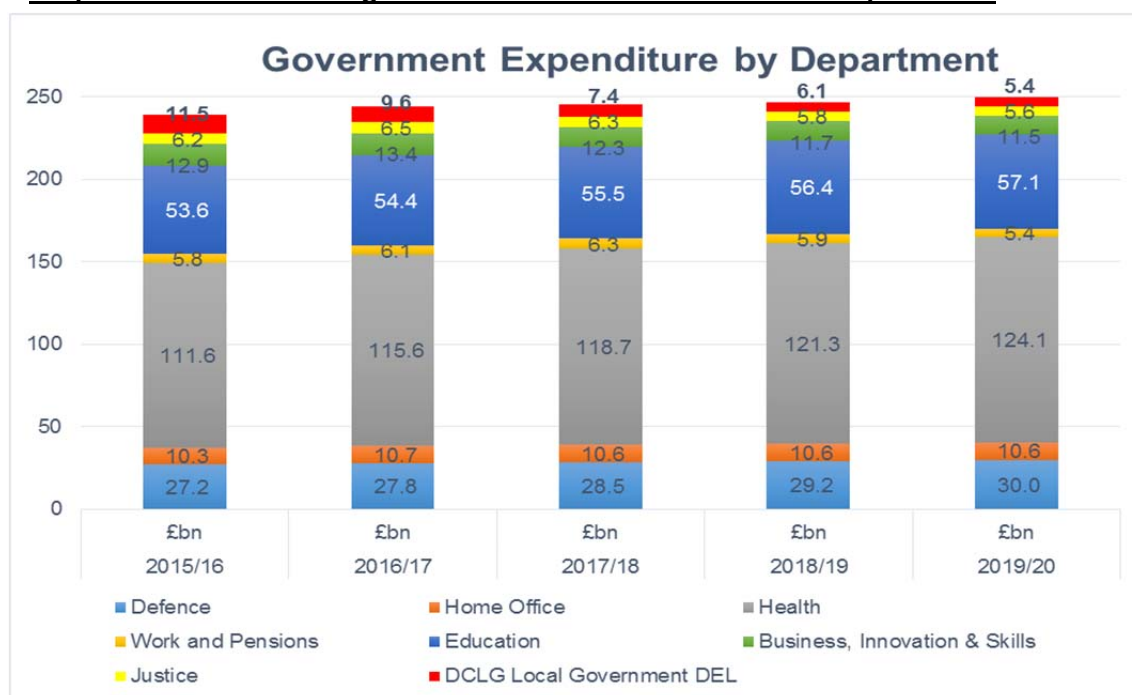
#### **Spending Review 2015**

- 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.
- 3.2 The Chancellor identified £18bn of budgetary consolidation would be needed with the Spending Review period. This was to be achieved through £12 billion of savings to the overall Resource DEL spending, a new apprenticeship levy raising £3 billion and a further £3 billion through reforms such as Making Tax Digital and further measures to tackle tax avoidance.
- 3.3 The resulting funding amounts for the main government departments are shown in Table 2 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 2 Published Funding Amounts for Selected Government Departments**

	2015/16 £'bn	2016/17 £'bn	2017/18 £'bn	2018/19 £'bn	2019/20 £'bn	% Change
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**



### Provisional Local Government Funding Settlement 2016/17 to 2019/20

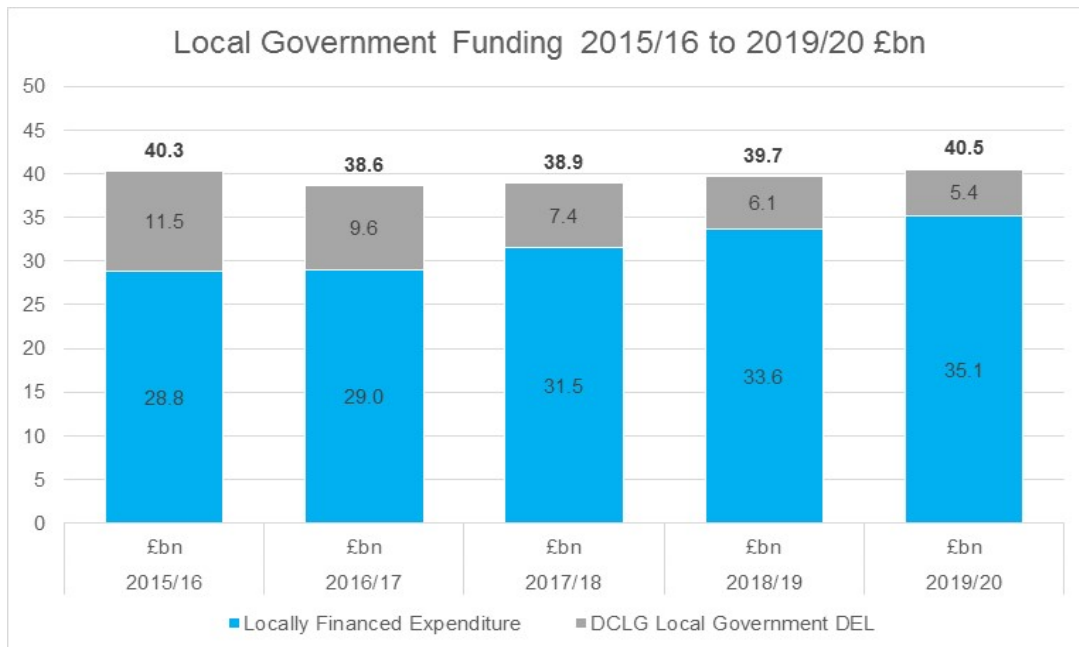
- 3.4 The government has presented local government funding across two funding sources; these being DCLG Local Government DEL and Locally Financed Expenditure.
- 3.5 Table 3 and graph 3 below show the figures provided within the report. It is important to note that:

- The current Business Rates Baseline of £11.3bn is not factored into the figures.
- The figures do not include the move to 100% business rate retention, which is to be consulted upon shortly.
- Changes to grants paid to local authorities from other central government departments are not taken into account.

**Table 3 Local Government Funding amounts as per SR15**

	2015-16 £bn	2016-17 £bn	2017-18 £bn	2018-19 £bn	2019-20 £bn
DCLG Local Government DEL	11.5	9.6	7.4	6.1	5.4
DCLG Local Government DEL % change		-16.5%	-22.90%	-17.60%	-11.50%
Locally Financed Expenditure	28.8	29	31.5	33.6	35.1
Locally Financed Expenditure % change		0.7%	8.60%	6.70%	4.50%

**Graph 3 Local Government Funding amounts as per SR15**



3.6 Table 3 shows:

- A reduction in funding of £6.1bn in local government DEL over the period. This equates to a 53% reduction in funding.
- Total funding increases from £40.3bn to £40.5bn.

3.7 In order to put the 53% funding into perspective, it is necessary to consider this

in the context of current Settlement Funding Assessment levels (i.e. including the business rates element). For 2015/16, total funding from SFA is £22.2bn. Therefore, a reduction of £6.1bn over the Spending Review period would represent a reduction of 27.5%.

3.8 The implications for Croydon of these national funding changes were announced at the 2016/17 Provisional Local Government Finance Settlement (see section 5 of this report).

#### 4.0 Inflation

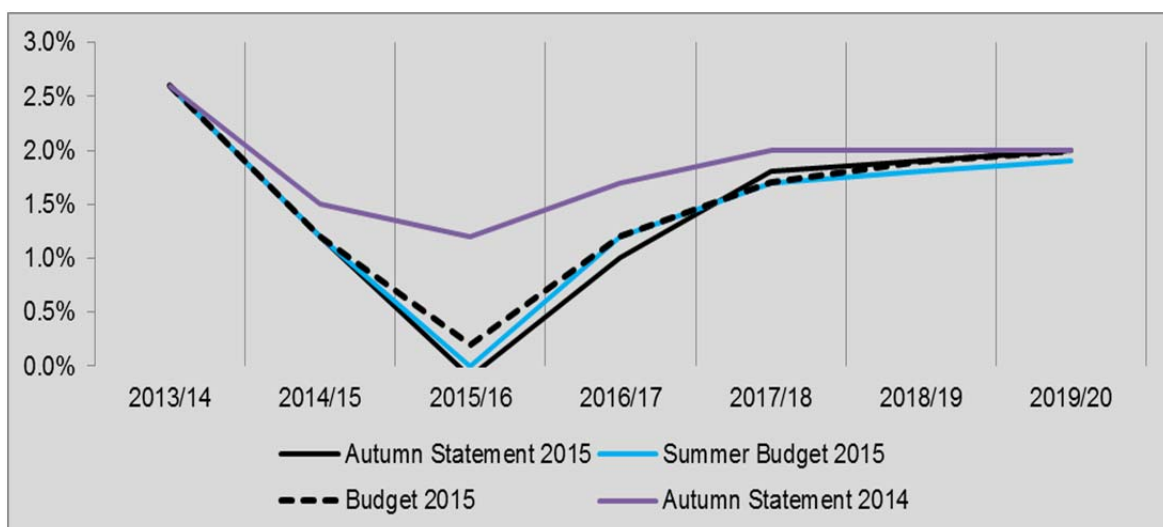
4.1 The Office of Budget Responsibility (OBR) updated its forecast CPI and RPI inflation forecasts for the 2015 Autumn Statement (announced jointly with Spending Review 2015).

4.2 Table 4 and graph 4 below shows the OBR's CPI inflation forecasts against those published in previous announcements. The table shows that forecasts of CPI in 2015/16 and 2016/17 slightly reduced, then slightly increased for the rest of the period compared to July 2015's Summer Budget.

**Table 4 CPI Inflation Forecasts**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Autumn Statement 2015	1.20%	-0.10%	1.00%	1.80%	1.90%	2.00%
Summer Budget 2015	1.20%	0.00%	1.20%	1.70%	1.80%	1.90%
Budget 2015	1.20%	0.20%	1.20%	1.70%	1.90%	2.00%
Autumn Statement 2014	1.50%	1.20%	1.70%	2.00%	2.00%	2.00%

**Graph 4 CPI Inflation Forecasts**





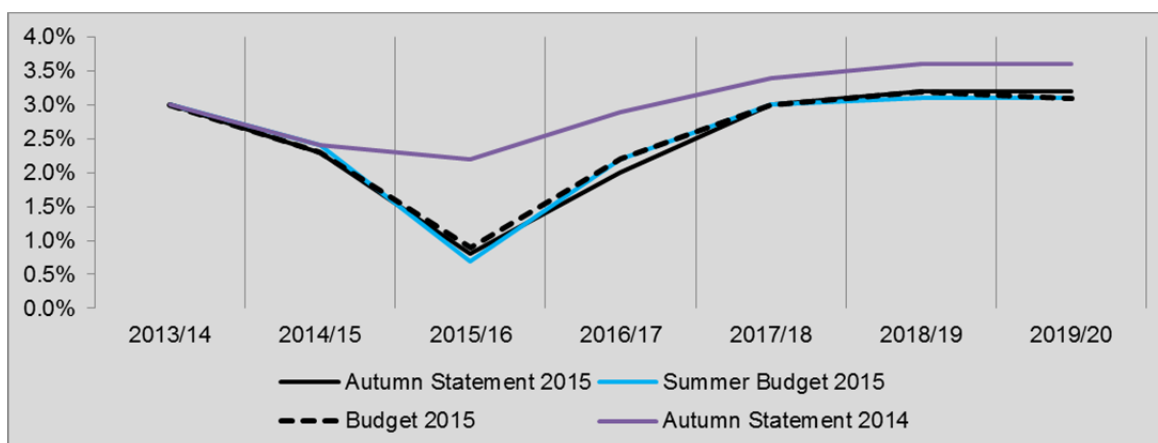
## Inflation - RPI

- 4.3 Table 5 and graph 5 below shows the OBR's RPI inflation forecasts against those published in previous announcements. The table shows forecasts of RPI have been varied for most years by between 0.1% or 0.2% compared to July 2015's Summer Budget.

**Table 5 RPI Inflation Forecasts**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Autumn Statement 2015	2.30%	0.80%	2.00%	3.00%	3.20%	3.20%
Summer Budget 2015	2.40%	0.70%	2.20%	3.00%	3.10%	3.10%
Budget 2015	2.30%	0.90%	2.20%	3.00%	3.20%	3.10%
Autumn Statement 2014	2.40%	2.20%	2.90%	3.40%	3.60%	3.60%

**Graph 5 RPI Inflation Forecasts**



## 5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 On 17 December 2015, the provisional local government finance settlement 2016/17 was published. This settlement provided provisional figures for 2016/17 and indicative figures to 2019/20. The Council's response to the consultation on the local government settlement is contained in appendix F. The final settlement was announced on the 8<sup>th</sup> February 2016. No changes were made to the Settlement Funding Assessment (SFA), New Homes Bonus (NHB) and Improved Better Care Fund (BCF). The key issues emerging from the settlement and the implications for Croydon, are as follows:

### Settlement Funding Assessment

- 5.2 Rather than all local authorities receiving the same percentage reduction in Revenue Support Grant (RSG) funding, the government propose to take into account the amount that can be raised locally from Council Tax, thereby increasing the reduction in RSG funding for higher taxbase authorities (in terms

of the ratio of taxbase income to SFA) and lowering the reduction for lower than average taxbase authorities.

- 5.3 For the period 2015/16 to 2019/20, there is a reduction to the England Settlement Funding Assessment (SFA) of 31.8% (based on the adjusted 2015/16 figure), as per table 6 below. The Settlement Funding Allocation is composed of Business Rates income and Revenue Support Grant.

**Table 6 Settlement Funding Assessment allocations 2005/16 to 2019/20**

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
SFA	21,250	18,601	16,622	15,536	14,500
Change %		-12.5%	-10.6%	-6.5%	-6.7%
Cumulative change %		-12.5%	-21.8%	-26.9%	-31.8%

- 5.4 The equivalent figures for Croydon, including a breakdown of funding from business rates and Revenue Support Grant, are shown in Table 7 below. The table shows a 13.2% reduction in SFA funding for 2016/17 and an overall reduction of 33.9% up to 2019/20.

**Table 7 Croydon's Settlement Funding Assessment allocations 2005/16 to 2019/20**

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Revenue Support Grant	64.8	46.8	32.6	23.3	13.9
Business Rates	67.2	67.8	69.1	71.1	73.4
<b>SFA</b>	<b>132.0</b>	<b>114.6</b>	<b>101.7</b>	<b>94.4</b>	<b>87.3</b>
Change %		-13.2%	-11.3%	-7.1%	-7.5%
Cumulative change %		-13.2%	-23.0%	-28.5%	-33.9%

- 5.5 It is important to note that the Business Rates baseline funding income figure above assumes Croydon is able to collect at its business rates target (set by government). For 2016/17, Croydon's local share is assumed to be £34.5m, with the remainder of the £67.2m total being NNDR top up grant. In the short to medium term, Croydon is expected to be below this target, due to the cumulative effect of business rate appeals and the proposed redevelopment in the town centre. This initially will cause a reduction in business rates income (through sites being demolished) before an increase in the medium to longer

term as new sites are built and operational. The projected local share of business rates for 2016/17 is £32.7m, which is a gap of £1.8m compared to the government's assumed target. This gap is being met by gains in council tax income growth.

- 5.6 Croydon, however, should also benefit from other aspects of the business rates scheme due to the following locally led initiatives:
- 5.7 We continue to work with Treasury, CLG and the GLA on a growth zone for Croydon as reported previously to Cabinet. This would see future business rate growth in the Croydon Opportunity Area ring-fenced to pay for the infrastructure needed to make this growth sustainable.
- 5.8 Croydon has joined with six Surrey authorities to form a business rates pool in 2016/17. This arrangement should see the authorities from the pool gain from being able to retain a higher proportion of business rates growth locally than they would if they were not within a pool. The pooling gains for Croydon for 2016/17 are forecast at between £0.5m and £0.7m depending on the growth across the pool.

### **Council Tax**

- 5.9 The Council Tax referendum limit remains at 2%. However, local authorities with social care responsibilities will be able to increase council tax by up to 4% per annum to 2019/20, providing that 2% is for social care. There is no Council Tax Freeze Grant offering for the period 2016/17 to 2019/20.
- 5.10 The government produced national and local indicative council tax income levels for the period 2016/17 to 2019/20; with income increasing from £22.0bn in 2015/16 to £25.5bn in 2019/20. These figures assume:
  - 5.11 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 1.75% per annum for the period (excluding the additional 2% for social care);
  - 5.12 An assumption of growth in the tax base which is based on the average levels of growth between 2013/14 and 2015/16. However, the increases used by the government are higher than those forecast by the Office of Budget Responsibility (by £1.2bn over the four year period).
- 5.13 The equivalent government figures for Croydon are Council Tax income increasing from £133.4m in 2015/16 to £160.2m in 2019/20. However, as indicated above, these figures are only based on national assumptions regarding council tax increases (3.75% a year) and taxbase growth.

### **Improved Better Care Fund**

- 5.14 From 2017/18, there will be an additional funding through the “Improved Better Care Fund”. By 2019/20, this will be worth £1.5bn per annum. Initial allocations for Croydon begin in 2018/19 at £3.1m, increasing to £6.3m in 2019/20. However, it is important to note that government is consulting on how the resources are to be allocated, therefore, these allocations may alter.

### **New Homes Bonus**

- 5.15 There are no changes to the New Homes Bonus scheme planned before 2017/18, with in-year national allocations increasing from £1,167m in 2015/16 to £1,485m in 2016/17, £1,493m in 2017/18 and then a reduction to £938m in 2018/19 and to £900m by 2019/20.
- 5.16 For Croydon, an allocation of £11.9m has been made for 2016/17.
- 5.17 For future years, indicative allocations for Croydon of £12.0m (2017/18), £7.5m (2018/19) and £7.2m (2019/20) were published. However, these could alter significantly, due to the current consultation paper on the future of the scheme, where the government propose to make changes to how individual authority allocations are calculated. The figures also do not take into account future new homes growth locally (they are based on previous years’ growth).

### **Core Spending Power**

- 5.18 The Rt Hon Greg Clark Secretary of State for Communities and Local Government announced that the Spending Power calculation that has been published in previous years has been amended to exclude funding that is not directly controlled by local government and is now known as Core Spending Power. The calculation therefore only includes the Settlement Funding Assessment, Council Tax, the Improved Better Care Fund, New Homes Bonus, the Rural Services Delivery Grant and the Transition grant which was included in the final settlement.
- 5.19 In the final settlement a transitions grant of £150m in both 2016/17 and 2017/18 was announced for authorities with the “sharpest reductions in RSG”.
- 5.20 Table 8 below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows a reduction of 2.3% for 2016/17 and an overall reduction for the period 2015/16 to 2019/20 of 0.3%.

**Table 8 Core Spending Power figures for England 2015/16 to 2019/20**

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	21,250	18,601	16,624	15,559	14,500
Council Tax	22,036	23,163	24,459	25,853	27,353
Improved Better Care Fund	0		105	825	1,500
New Homes Bonus and returned funding	1,200	1,485	1,493	938	900
Rural Services Delivery Grant	16	80	65	50	65
Transition Grant	0	150	150	0	0
<b>Core Spending Power</b>	<b>44,502</b>	<b>43,479</b>	<b>42,896</b>	<b>43,225</b>	<b>44,318</b>
<b>Change %</b>		<b>-2.3%</b>	<b>-1.3%</b>	<b>0.8%</b>	<b>2.5%</b>
<b>Cumulative change %</b>		<b>-2.3%</b>	<b>-3.6%</b>	<b>-2.9%</b>	<b>-0.3%</b>

5.21 The equivalent figures for Croydon are shown in table 9 below. They show a 2.4% reduction in 2016/17 and an overall reduction of 0.5% over the period to 2019/20. However, as noted previously, these figures below do not take into account the actual business rates income collected (within the SFA allocation), potential changes to New Homes Bonus and Better Care fund allocation methodologies or local assumptions regarding taxbase and tax rate growth.

**Table 9 Core Spending Power figures for Croydon 2015/16 to 2019/20**

	2015-16 adjusted £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Settlement Funding Assessment	132	114.6	101.7	94.4	87.3
Council Tax	133.4	141.8	151.4	161.8	173.1
Improved Better Care Fund	0	0	0	3.1	6.3
New Homes Bonus and returned funding	9.9	11.9	12	7.5	7.2
Transition Grant	0	0.4	0.4	0	0
<b>Core Spending Power</b>	<b>275.3</b>	<b>268.7</b>	<b>265.5</b>	<b>266.9</b>	<b>274</b>
<b>Change %</b>		<b>-2.4%</b>	<b>-1.2%</b>	<b>0.5%</b>	<b>2.6%</b>
<b>Cumulative change %</b>		<b>-2.4%</b>	<b>-3.6%</b>	<b>-3.0%</b>	<b>-0.5%</b>

5.22 The above table only covers the funding to the Council. The council also faces pressures on its expenditure as has previously been reported to the Cabinet. Demand pressures resulting from demographic and population changes and inflationary pressures are not factored into the government's calculation of

spending power. Section 6.12 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.

5.23 There has been no update of the allocation of grant to reflect needs. Table 10 below compares funding per head in London. Croydon rank 21<sup>st</sup> out of London borough's in SFA per head, which does not reflect our position on a number of the indices that reflect deprivation. The Council has written to the Minister for Local Government, Marcus Jones and the Chancellor of the Exchequer, George Osborne to raise the issues about funding of Croydon and a copy of these letters and the response from Marcus Jones is contained in appendix G and H and I of this report.

5.24 For example, if the funding were at the level of the lowest inner London borough, Croydon would receive an additional £23m in 2016/17.

**Table 10 – Settlement Funding Assessment per Head**

Authority	Population 2015 '000's	Settlement Funding assessment- per head					Rank 2015/20 Average
		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	
City of London	8.3	3363.97	3120.17	2938.93	2838.59	2735.78	1
Hackney	262.8	712.77	649.77	603.2	577.09	551.28	2
Westminster	232.6	662.56	604.33	561.09	537.1	512.65	3
Tower Hamlets	282.7	664.59	603.92	559	533.91	508.83	4
Southwark	306.5	645.73	585.71	541.33	516.48	491.81	5
Camden	234.5	660.16	590.79	539.4	510.73	481.96	6
Islington	223.6	649.49	585.6	538.35	511.9	485.64	7
Lambeth	321.3	591.52	533.5	490.61	466.57	442.77	8
Newham	330.3	573.12	522.79	485.61	464.74	444.17	9
Hammersmith and Fulham	180	586.89	528.12	484.57	460.29	435.87	10
Kensington and Chelsea	155.6	584.5	512.89	459.62	430.17	399.89	11
Lewisham	293.9	553.22	499.12	459.18	436.73	414.71	12
Greenwich	269	533.02	481.51	443.51	422.12	401.19	13
Haringey	269.6	522.29	467.45	426.93	404.19	381.77	14
Barking and Dagenham	202.4	488.32	442.17	408.12	388.95	370.23	15
Brent	322.4	473.55	424.41	388.09	367.72	347.6	16
Waltham Forest	272	448.16	399.59	363.72	343.58	323.74	17
Wandsworth	317	398.15	361.51	334.34	319.22	303.95	18
Enfield	331.5	390.81	345.18	311.49	292.56	273.96	19
Ealing	351.1	384.91	338.75	304.64	285.51	266.62	20
Croydon	380.8	346.68	300.85	267.00	247.99	229.28	21

Sutton	201.5	337.01	288.23	252.18	231.96	211.98	22
Hounslow	272	322.06	280.15	249.17	231.81	214.62	23
Redbridge	300.5	312.65	272.73	243.24	226.69	210.37	24
Merton	210.3	308.75	263.91	230.72	212.17	193.67	25
Hillingdon	295.7	287.19	245.68	215.01	197.8	180.83	26
Barnet	381.8	281.13	237.29	204.87	186.72	168.7	27
harrow	250.8	276.47	232.24	199.54	181.22	163.06	28
Bexley	240.7	272.64	230.42	199.23	181.71	164.47	29
Havering	247	256.39	212.62	180.29	162.13	144.28	30
Kingston upon Thames	172.5	233.65	186.39	151.38	131.85	112.25	31
Bromley	323.9	215.11	174.44	144.36	127.53	110.78	32
Richmond upon Thames	196.5	225.2	167.9	124.78	101.56	75.88	33

## 6 2016/17 GENERAL FUND REVENUE BUDGET

6.1 The next section sets out the key areas of change in the London Borough of Croydon budget for 2016/17.

Table 11 below gives a summary of the high level budget movements

**Table 11 – Budget Gap**

Issues	2016/17 £m
Grant loss	14.6
Inflation	2.6
Growth	9.0
Council Tax base increase	-4.5
<b>Budget Gap</b>	<b>21.7</b>
<b>Gap Closed by</b>	
Council Tax	5.5
Income options	5.7
Efficiencies - Digital and Enabling, corporate resources	5.2
Adults transformation programme	3.0
Efficiencies in service delivery	2.3
	<b>21.7</b>

### Local Taxation / Collection Fund

6.2 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.

- 6.3 **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 3.4% compared to the 2015-16 base, which will enable a further £4.571m of expenditure to be supported in the 2016-17 general fund budget. The Council tax base is adjusted for collection rates, which are proposed to remain at 96.7% for 2016-17.

**Table 12 - Increase in Council Tax Base**

Year	Council Tax base (units)	Band D equivalent * £	Council Tax funding £m
2015-16	113,893	1,171.39	133.413
2016-17	117,795	1,171.39	137,984
<b>Change</b>	<b>3,902</b>	<b>0</b>	<b>4,571</b>

\*for the purpose of demonstrating the tax base increase, the Band D Council tax rate remains unchanged.

- 6.4 **Projected Collection Fund Surplus:** it is anticipated that a surplus of £3.7m will be available for release into the 2016/17 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:
- 6.5 Council Tax - Croydon's share of the anticipated council tax surplus for 2016-17 is £9.2m. There has been a council tax surplus in the last 3 years as the tax base has grown and collection rates have improved.
- 6.6 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 2016-17, of which Croydon's share is £5.5m.
- 6.7 Any difference between the projected surplus and final surplus for 2016/17 will be carried forward within the collection fund, for consideration in 2017/18's general fund budget.



### Local Taxation Change for 2016/17

- 6.8 The council tax change for the Croydon element of the charge for 2016/17 is recommended to be **3.99%** in accordance with Appendix D of the report.
- 6.9 This decision includes a 2% increase for the adult social care levy that was approved as part of the Local Government Finance Settlement. This is contained in Appendix E, with the Band D effect shown in Table 13 below.

**Table 13 – Local Taxation for 2016/17**

	2016/17 £	Increase £
Croydon Band D per year	1,194.70	23.31
Croydon Adult Social Care Levy	23.43	23.43
<b>Band D per year</b>	<b>1,218.13</b>	<b>46.74</b>

**Table 14 – Croydon Council Tax Bandings for 2016/17**

Band	2016/17 Croydon Council Tax	2016/17 Croydon Adult Social Care Levy	2016/17 Croydon Annual Amount	Annual Increase	Weekly Increase
	£	£	£	£	£
A	796.47	15.62	812.09	31.16	0.60
B	929.21	18.22	947.43	36.35	0.70
C	1,061.96	20.83	1,082.79	41.55	0.80
<b>D</b>	<b>1,194.70</b>	<b>23.43</b>	<b>1,218.13</b>	<b>46.74</b>	<b>0.90</b>
E	1,460.19	28.64	1,488.83	57.13	1.10
F	1,725.68	33.84	1,759.52	67.51	1.30
G	1,991.17	39.05	2,030.22	77.90	1.50
H	2,389.40	46.86	2,436.26	93.48	1.80

### Greater London Authority Precept 2016/17

- 6.10 On 27<sup>th</sup> January 2016 the Mayor published his final draft budget and announced his intention to reduce the Band D council tax by £19.00 to £276.00. This results in a decrease of **6.44%** in the precept. The Mayor will present his final budget to the London Assembly on 22nd February 2016.
- 6.11 This overall resultant council tax increase is set out in Tables 15 and 16 below.

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

Band D	2012/13 %	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Croydon – Council Tax	0.00%	1.85%	0.00%	0.00%	1.99%
Adult Social Care Levy	0.00%	0.00%	0.00%	0.00%	2.00%
Greater London Authority	-1.00%	-1.21%	-1.32%	-1.34%	-6.44%
<b>Total</b>	<b>-0.21%</b>	<b>1.21%</b>	<b>-0.27%</b>	<b>-0.27%</b>	<b>1.89%</b>

**Table 16 – Local Taxation increase and the GLA Tax increase £**

Band D	2016/17 £	Increase / (Decrease) £	Increase per week £
Croydon – Council Tax	1,194.70	23.31	0.45
Croydon – Adult Social Care Levy	23.43	23.43	0.45
Greater London Authority	276.00	-19.00	-0.37
<b>Total</b>	<b>1,494.13</b>	<b>27.74</b>	<b>0.53</b>

6.12 The overall increase for the residents of Croydon is **1.89%**.

#### **Growth areas in the 2016/17 budget**

6.13 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;

6.14 **Inflation assumptions for Pay**—: in November 2014 the government agreed a 2 year pay award for local government covering the period April 2014 to March 2016. At the time of setting the budget the pay award for 2016/17 has not been agreed and we have assumed a 1% increase for 2016/17. **This has a cost of £1.156m**

6.15 **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 £1.601m**

6.16 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2016/17 by RPI. **This will generate additional income of £0.119m**

- 6.17 The current figures for Inflation for December were 0.2% for CPI and 0.5% for RPI, but are expected to increase to 2% and 1% respectively. 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.
- 6.18 **Pensions** – following the tri-annual actuarial review completed for April 2014 the employer's contribution rate was agreed as increasing by 1% per annum from April 2015 which will see it increase from 14.1% to 15.1% of pensionable pay. **This has a cost of £1.028m**
- 6.19 **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 2016/17 the interest budget will decrease by £0.839m. A separate credit facility has also been set up 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 over the next few years. To date, a maturity loan of £25.745m has been 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%. The Council is therefore expected to make substantial savings of interest on this and future loans taken from the EIB
- 6.20 **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 2016/17 is estimated to be £16.151m. **This has an expected increase of £0.738m.**

### **Departmental Growth**

- 6.21 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 2016/17 budget assumptions. The approach has been to ensure that the significant recurring departmental pressures identified in the 2015/16 Financial Performance reports to Cabinet are included as growth in 2016/17 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration. **The total funding for 2016/17 department growth is £8.910m.** Table 17 below gives details at a summary level of the growth identified for each department:-

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

Department	2016/17 £m	2017/18 £m	2018/19 £m	2016/19 Total £m
People	8.910	1.050	0.800	10.760
Place	0.000	0.000	0.000	0.000
Resources	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>8.910</b>	<b>1.050</b>	<b>0.800</b>	<b>10.760</b>

- 6.22 The 2016/17 budget will also see the continued prioritisation of the reserve set aside to support the new administration's priorities.
- 6.23 To date, £1.4m of this reserve has been allocated to specific initiatives. In 2016/17 the reserve will continue to support key administration priorities, this may include a package of funding being negotiated with Fairfield (Croydon) Limited on any transitional support they require over the next financial year. Updates will be reported to Cabinet on a regular basis.

## 7. Savings and the Croydon Challenge

- 7.1 In order to present a balanced budget for 2016/17 significant savings are required as has been set out in the earlier elements of this report. The approach is underpinned by the transformational programme Croydon Challenge.
- 7.2 The Croydon Challenge is the council's transformation programme comprising of a number of projects which looks at every aspect of the council that focus on three key strategic objectives
1. Independence
  2. Growth
  3. Liveability
- 7.3 The programme 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, as well as how that service contributed to the three objectives. By building the council from the bottom up the Croydon Challenge will contribute significantly to the savings required to deliver a balanced budget over the next 3 financial years. To date significant progress has been made on the Croydon Challenge, and examples of these projects are;-

- a) **Digital by Design and Enabling Core** – This project intends to develop and apply digital solutions that help reduce the cost and

streamline the way in which the Council does business, to both the customer experience and to internal services and processes. The council will further simplify, standardise and share enabling spend in order to provide a more agile and effective support function. The programme has already delivered over £2m in savings and is expected to deliver over £5m by 2018.

- b) **Asset Management** - The Cabinet on 17 November 2014 agreed the Asset Strategy to support the delivery of the Growth Promise and to support the delivery of the Financial Strategy (Min.A104/14). The programme is estimated to deliver over £3m in revenue savings by 2018. The letting of space in BWH and the sale of JWH which are items elsewhere of this agenda will make a significant contribution to these savings.

7.4 Alongside the council wide approach from the Croydon Challenge there has been scrutiny of both the budget and net spend for each department. Table 18 below gives details at a summary level of the savings identified for each department including Croydon Challenge projects. Appendix A provides the detail of the 2016/17 savings and growth items by service and also narrative on each. The decisions on savings reflect the policy priorities of the administration. The savings were set out in the Scrutiny and overview paper in December.

**Table 18 – Summary of Savings Options by Department**

Department	2016/17 £m	2017/18 £m	2018/19 £m	2016/19 Total £m
People	(5.191)	(8.269)	(0.906)	(14.366)
Place	(4.657)	(0.149)	(0.000)	(4.806)
Resources	(6.428)	(3.959)	(0.050)	(10.437)
<b>TOTAL</b>	<b>(16.276)</b>	<b>(12.377)</b>	<b>(0.956)</b>	<b>(29.609)</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 is being 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.

8.2 On 4 June 2015 the Chancellor of the Exchequer announced a package of

savings to be made across government in 2015/16 to reduce public debt. These included £200 million to be saved nationally from the public health grant. For Croydon this meant an in year saving of £1.335 million or 6.2% of the grant allocation for 2015/16. The Chancellor's autumn statement announced further savings from the public health grant would be made in 2016/17.

- 8.3 The public health allocation for 2016/17 and 2017/18 has been announced and results in a reduction in funding of 2.2% and 2.5% respectively. This equates to a reduction of £0.519 million for 2016/17. The 2016/17 Public Health grant for Croydon will be £22.466m.
- 8.4 The savings for 2016/17 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.
- 9.2 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. The DSG allocation for Croydon for 2016/17 is **£312.58m** (£309.2m 2015/16). The DSG allocation will be reduced by recoupment for academy funding. This is currently estimated to be £123m but will be subject to change throughout the financial year if schools convert to academies. The increase in allocation for 2016/17 is mainly due to an increase in pupil numbers.
- 9.3 Details of the grant's planned spend in 2016/17 are contained in Appendix K
- 9.4 The Spending Review and Autumn Statement reaffirms the Government's intention to ending local authorities' role in running schools and all schools becoming academies. It confirms the introduction of a national funding formula for schools, high needs and early years. A detailed consultation will be launched in 2016 and the new formulae will be implemented from 2017-18.

## **10.0 Specific External Financial Influences**

### **BETTER CARE FUNDING AND THE CARE ACT**

- 10.1 The Better Care Fund (BCF) 2016-17 policy framework was published on the 8th January. Key changes from the 2015-16 framework are the removal of the pay for performance condition linked to non-elective admissions, and the

removal of the non-elective admissions metric. In general terms, it can be considered that for Croydon the level of change between the 2015/16 and 2016/17 plans will be minor.

- 10.2 The total BCF budget for 2016/17 is estimated at £24m. The budget is managed by the Health and Wellbeing Board where joint priorities are agreed. It is anticipated that Council will control around £10m of the total budget in 2016/17.

### **WELFARE REFORM**

- 10.3 In 2015/16, funding for Local Welfare Support was transferred into the Council's Spending Funding Assessment (SFA), with £455k notionally available to provide crisis loans and emergency support to residents. Whilst this sum was not ring-fenced for this purpose, the amount was committed for this purpose in last year's budget, and will continue to be committed at the same level for the 2016/17 financial year.
- 10.4 The Gateway programme was developed in response to Welfare reforms, and brought together services designed to holistically address customer issues with housing, welfare, and debt management. Since its formation, the Gateway service has been ensuring that these funds are used prudently, and it is anticipated that monies available in 2016/17 will be a combination of the continued allocation of £455k alongside an estimated surplus of £300k to be carried forward into 2016/17 from the current financial year.
- 10.5 The Council's welfare support arrangements will continue to be reviewed in light of national welfare reforms, and further options regarding the Councils support to vulnerable residents are due to be considered in the Summer of 2016.

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

- 10.6 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 2016/17.
- 10.7 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 discount provided to residents remains broadly unchanged between years, with the value of CTS as a percentage of the total value of council tax collectable increasing from 4.0% to 4.1% between December 2014 to December 2015.

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

- 11.1 The 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, for example responsive repairs, management services and caretaking, are resourced from this account.
- 11.2 Long term financial planning is based on the HRA 30 year business plan which is updated annually to reflect actual expenditure, changes in allowances and financial projections.
- 11.3 Croydon's Housing Revenue Account (HRA) took on an additional debt of £223.126m which will be scheduled to be repaid over 30 years by the HRA.
- 11.4 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 to be financed and repaid from the HRA. This was based on the presumption on rent increases.
- 11.5 The Welfare Reform and Work Bill have legislated that council's must reduce rents by 1% per annum from 2016/17 for the next 4 years. The reduction in rents means that the HRA will need to make saving in expenditure of at least £13m over the next three years. The budget for 2016/17 has been balanced without making any changes to service provision, however engagement with tenants is about to commence to begin planning the real cuts that will be necessary over the next 3 years.
- 11.6 A draft budget for the HRA for 2016/17 can be found in the Budget Book in Appendix B.
- 11.7 The future position of the HRA remains subject to further uncertainty in light of a second round of policy proposals issued by the government. These proposals had their second reading in the House of Lords on the 26<sup>th</sup> January as part of the Housing and Planning Bill. The Council is awaiting the outcome of the legislative process and guidance to be issued from Central Government. Beyond the 1% reduction in rental income the two main proposals that will affect the council's finances are explained below:

### **Disposal of "high value" properties**

- 11.8 Prior to the General Election in May 2015, the Government announced that it proposed to extend the right to buy to housing association tenants, funded from the proceeds of selling "high value" council houses as they become available. The initial indications were that "high value" homes would be those that are in the top third of values for their size and area. As the payments will be based on assumptions about receipts from void sales, it may be the case that actual



receipts will fall short of the payments due. In this case local authorities will need to fund the payments from other resources. Croydon currently has an average of 700 void properties per annum. Therefore if the Government's assumption that a third of these would be classed as "high value", the impact could be the loss of 180 homes each year

### **Pay to Stay:**

- 11.9 The Summer Budget Statement included a policy announcement regarding high income social tenants (HIST). It stated that registered providers would be required to charge market or near market rents to tenants where the household income is in excess of £40,000 in London and £30,000 outside London, referred to as "pay to stay". The accompanying policy costings report indicated that implementation of pay to stay proposals would commence in 2017/18 and in that year are expected to generate £365m of payments (from Councils) to the Treasury. Household income takes into account the two highest incomes earned by the household, and it is expected that rents would be reviewed if the household experiences a sudden and ongoing reduction in income.
- 11.10 In addition to the impact of these changes on the Housing Revenue Account, they are likely to put significant pressure on other (General Fund) services, such as Gateway and homelessness.

### **Changes in Rent**

- 11.11 The Welfare Reform and Work Bill requires all registered providers of social housing in England to reduce rents by 1% a year for four years. 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.
- 11.12 Social rents in Croydon are currently approximately 40-50% 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. Average market rents for Croydon have increased by an average of over 5% in the past year and therefore council rents remain an affordable option as shown in table 19 below;-

**Table 19 – Comparison of rents in Croydon**

Property Type	Average weekly Council rent 2015/16	Average weekly Council rent 2016/17	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£88	£87	£200	44%
2 bed	£105	£104	£285	37%
3 bed	£127	£126	£356	35%

11.13 If trends in historic private sector rent increases were to continue, the average private sector rents would be between per £210 week for a 1 bed and £374 per week for a 3 bed property for 2016/17.

### **Service Charges**

11.14 The unpooled service charge for caretaking, grounds maintenance and bulk refuse collection will not change from 2015/16. The charges for 2016/17 will therefore be:

- Caretaking £9.98 pw
- Grounds maintenance and refuse collection £2.05 pw

### **Heating Charges**

11.15 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 sheltered schemes for elderly people. The way in which Croydon purchases energy changed in 2009 and as a result heating charges will not be changed from the 2012/13 level.

### **Garages and Parking Spaces**

11.16 It is proposed that the rents for garages will increase at 2% (the projected CPI rate for 2016/17) and parking spaces will increase to £7 per week for tenants and £10 per week for non tenants.

## **12.0 CAPITAL BUDGET 2016/19**

12.1 The Capital Programme for 2016/19 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 20 and 21 show the draft Capital budget by programme and funding streams, this includes the maximum potential slippage from 2015/16 which will be reviewed at the end of the financial year.

**Table 20 – Capital Programme**

Description	Expected Slippage	Budget 2016/17	Budget 2017/18	Budget 2018/19	Total
	from 2015/16				
	£'000	£'000	£'000	£'000	£'000
Corporate Property Maintenance Programme	7,189	2,100	2,000	2,000	13,289
Disabled Facilities Grant	209	1,600	1,600	1,600	5,009
Education - Academies Programme	0	317	0	0	317
Education - Feasibility, Support & DDA	857	1,180	400	0	2,437
Education - Fixed Term Expansions	439	2,491	25	0	2,955
Education - Primary Estate	9,855	74,060	28,064	1,732	113,711
Education - Major Maintenance	186	2,119	2,000	2,000	6,305
Education - Secondary Estate	0	8,500	139	0	8,639
Education - SEN	129	16,444	10,787	200	27,560
Onside Youth Zone	0	2,000	1,000	0	3,000
Burial Land	0	30	1,300	0	1,330
Empty Homes Grants	0	500	500	500	1,500
ICT	0	1,500	1,500	1,500	4,500
ICT Refresh	0	4,719	1,173	8,582	14,474
Waste and Recycling	1,350	2,160	160	160	3,830
Fairfield Halls	0	4,000	5,000		9,000
Highways	0	5,000	5,000	5,000	15,000
New Addington Regeneration	243	7,830	8,500	0	16,573
TFL - LIP	0	3,336	3,336	3,336	10,008
Thornton Heath Public Realm	164	2,158	0	0	2,322
Old Ashburton Library	25	800	100	0	925
Ward Based Programmes	0	120	0	0	120
Public Realm programme	1,275	0	0	0	1,275
Measures to mitigate travellers in parks and open spaces	158	0	0	0	158
<b>General Fund</b>	<b>22,079</b>	<b>142,964</b>	<b>72,584</b>	<b>26,610</b>	<b>264,237</b>

Description	Expected Slippage	Budget	Budget	Budget	Total
	from 2015/16	2016/17	2017/18	2018/19	
	£'000	£'000	£'000	£'000	£'000
Assisted Private Purchase Scheme (APPS)	0	500	500	500	1,500
Special Transfer Payments	0	250	250	250	750
Larger Homes	0	100	100	100	300
New Build Council Housing	5,523	8,336	6,000	6,000	25,859
<b>Sub-Total</b>	<b>5,523</b>	<b>9,186</b>	<b>6,850</b>	<b>6,850</b>	<b>28,409</b>
Repair and Improvements	0	26,771	26,771	26,771	80,313
<b>HRA</b>	<b>5,523</b>	<b>35,957</b>	<b>33,621</b>	<b>33,621</b>	<b>108,722</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>27,602</b>	<b>178,921</b>	<b>106,205</b>	<b>60,231</b>	<b>372,959</b>

**Table 21 - Funding for the capital programme**

Funding	Expected Slippage	Budget	Budget	Budget	Total
	from 2015/16	2016/17	2017/18	2018/19	
	£'000	£'000	£'000	£'000	£'000
Capital Receipts	0	13,900	2,538	12,500	28,938
Targeted Basic Needs	0	1,623	0	0	1,623
Basic Need Funding	11,347	32,983	0	0	44,330
School Condition Funding	0	4,487	4,487	0	8,974
TFL	0	3,336	3,336	3,336	10,008
NHB	0	500	500	500	1,500
NHB - Top slice	164	2,158	0	0	2,322
Earmarked reserve contribution	0	400	100	0	500
Better Care Fund	0	900	900	900	2,700
GLA	0	0	0	0	0
Borrowing	10,568	82,676	60,723	9,374	163,341
<b>GENERAL FUND</b>	<b>22,079</b>	<b>142,963</b>	<b>72,584</b>	<b>26,610</b>	<b>264,237</b>
<b>HRA</b>					
Major Repairs Allowance	0	17,301	17,342	17,342	51,985
HRA - Revenue Contribution	0	8,523	7,186	7,186	22,895
HRA - Use Of Reserves	0	3,943	9,093	9,093	22,129
HRA - Unsupported Borrowing	5,523	6,191	0	0	11,714
<b>HRA FUNDING</b>	<b>5,523</b>	<b>35,958</b>	<b>33,621</b>	<b>33,621</b>	<b>108,723</b>
<b>TOTAL FUNDING</b>	<b>27,602</b>	<b>178,921</b>	<b>106,205</b>	<b>60,231</b>	<b>372,959</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 2016/19 programme are:

- Continued investment in the primary school estate to provide additional places to meet the growing demand. Including **£103.9m** on schools expansions.
- Investment in the Special Education Needs provision to provide additional places for pupils, reducing the need for attendance at schools outside of the Borough.
- 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.
- Significant investment in a new leisure centre in New Addington.
- Improvements to the councils ICT infrastructure to provide a fit for purpose service to staff and residents.
- Investment in Fairfield Halls estimated at £30m. This is expected to be offset from land values and sales on the rest of the site and therefore the council net contribution is shown within the proposed capital programme as set out in Table 20.

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

12.5 Cabinet has agreed to set up a RIF to support the delivery of our Growth Promise. The RIF will be an internal fund within the council where funding is provided to schemes that support the Growth promise and also deliver a financial return.

12.6 The focus will initially be principally on the delivery of a programme of development and regeneration on our land. These will be funded outside the capital programme and be based on the projects delivering a return and therefore there should be no negative impact on the revenue budget. In fact there may be some positive impact from income streams such as rent.

12.7 The Council has also formed a wholly owned Development company which will also be focused on regeneration in the borough, primarily relating to providing homes. The Development Company will be operated commercially and will also deliver a financial return to the Council over time.

### **Croydon Housing Investment Programme – 2016/17**

12.8 The Council is able to invest capital resources from the following sources in 2016/17:-

- receipts from the sale of council houses sold through the Right to Buy

- provisions and/or Social Home Buy schemes
- revenue contributions from within the HRA
- unsupported borrowing within the Council's capital programme in line with the overall debt cap allowed for the HRA.

12.9 The proposed housing investment programme summarised below, reflects the priorities detailed in the Housing Strategy and aims to tackle two key housing investment needs for Croydon - generating new housing supply, and improving the condition of the existing housing stock.

### **Housing supply**

12.10 In 2016/17 the housing supply programme will have four components: the new-build programme, the larger homes scheme (extensions and de-conversions), the Assisted Private Purchase Scheme and the Special Transfer Payments Scheme. Table 22 sets out the proposed allocations under each of these headings (subject to council approval). This programme will be funded through the housing revenue account.

**Table 22 – Funding for the Capital Programme**

<b>Housing supply programme</b>	<b>£'000</b>
New council homes	8,336
Assisted private purchase scheme	500
Special transfer payments scheme	250
Larger homes	100
<b>Total</b>	<b>9,186</b>

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

12.11 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 wish 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.

12.12 The proposed repair and improvement programme for 2016/17 will remain at circa £27m in 2016/17. 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)**

- 12.13 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.
- 12.14 The Capital Allowance for 2015/16 was set at £10m. It is recommended that the Capital Allowance for 2016/17 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.

### **Five Year Housing Capital Programme**

- 12.15 The current housing business plan allows for the following capital expenditure over the next 5 years:-
- Major repairs £153m
  - Estate New build £23m

### **Treasury Management**

- 12.16 The Assistant Chief Executive (Corporate Resources and 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 Financial Projection 2017/20**

- 13.1 All Members should note that the Council's budget setting will remain challenging over the medium term given the financial climate. Continuing grant loss and potential risk to local taxation streams following the introduction of both the localisation of Council Tax Support and the NNDR Retention funding regime will put additional pressures on the budget along with the proposed changes to social care responsibilities, which will need to come from efficiencies and transformation initiatives.
- 13.2 The estimated effect of this constraint can be seen in Table 23, which shows investment and efficiency proposals. The draft budget forecast for 2017/20 is summarised in Appendix C.

**Table 23 – Draft Budget Projected Gaps**

	2017/18	2018/19	2019/20	2017/20
	£m	£m	£m	£m
Cut in Grant	14.4	8.7	7.1	30.2
Inflation	2.6	2.6	2.6	7.8
Debt Charges	-	1.5	1.5	3.0
Demand/Demographic Pressure	5.0	5.0	5.0	15.0
<b>Gross Budget Gap</b>	<b>22.0</b>	<b>17.8</b>	<b>16.2</b>	<b>56.0</b>
Council tax (assumed 2% increase in 2017-20)	-2.7	-2.7	-2.7	-8.1
CT Base expected increases	-2.5	-2.5	-2.5	-7.5
Savings Options proposed	-12.4	-1.9	0.3	-14.0
<b>Net Budget Gap</b>	<b>4.4</b>	<b>10.7</b>	<b>11.3</b>	<b>26.4</b>

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

14.1 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 2015/16. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Assistant Chief Executive (Corporate Resources and Section 151 Officer). This is his statement which meets the Section 25 requirement of the Act.

14.2 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.

14.3 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.

14.4 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.

14.5 With regard to the Housing Revenue Account, It is important for Members to understand that a 1% reduction for the next 4 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 2016/17 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**

14.6 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**

14.7 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 2% 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**

- 14.8 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.
- 14.9 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.
- 14.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. Table 24 below sets out the projected position on earmarked reserves at the 31<sup>st</sup> March 2016. 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 24 -Earmarked Reserves Projected at 31<sup>st</sup> March 2016**

Description	£'000's
<b>Corporate Items:</b>	
Croydon Challenge transformation	1,881
New Administration Priorities	1,801
Revolving Investment Fund	1,956
Corporate Transition Funding	139
<b>Total Corporate Items</b>	<b>5,777</b>
<b>People</b>	<b>2,824</b>
<b>Place</b>	<b>10,437</b>
<b>Resources</b>	<b>2,759</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>21,797</b>

- 14.11 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 £16.276m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2016/17 financial period.
- 14.12 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 2016/17. 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.
- 14.13 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.
- 14.14 The level of General Fund balances currently represent 4.11% 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.

**Table 25– General Fund and HRA Balances**

	<b>Balance as at 31/03/15  £m</b>	<b>Forecast balance as at 31/03/16  £m</b>	<b>Forecast at 31/03/16  %</b>
GF balances	10.677	10.677	4.11%
HRA balances	2.397	2.397	3%

14.15 Table 26 shows the schools reserves position.

**Table 26 Reserves (Schools)**

<b>Reserves</b>	<b>Balances as at 31/03/15  £m</b>	<b>Estimated 31/3/16  £m</b>
Local Maintained School balances	9.700	7.044
<b>Total</b>	<b>9.700</b>	<b>7.044</b>

14.16 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.

14.17 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.

## **15.0 SUMMARY AND CONCLUSIONS**

15.1 As all Members are aware, setting a budget for 2016/17 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.

15.2 This budget report is based on the current financial outturn projections for 2015/16. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

15.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2016/17.**

## **16.0 FINANCIAL CONSIDERATIONS**

16.1 The report contains the financial implications of the options to deliver a balanced budget for 2016/17, the current position for the following financial years 2016/20 and the draft capital programme for 2016/17.

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

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

17.1 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 2016 but it may not be set before the GLA has issued the precept on 1<sup>st</sup> March.

17.2 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.

17.3 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.

17.4 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.

17.5 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.

- 17.6 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.
- 17.7 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 by: Gabriel MacGregor, Head of Corporate Law on behalf of the Borough Solicitor & Director of Legal & Democratic Services)

## 18.0 HUMAN RESOURCES IMPACT

- 18.1 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.
- 18.2 Table 27 below indicates the indicative net level of reduction in full time equivalent posts by departments in the period 01 April 2016 to 31 March 2017 (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 (b) some staff will be redeployed to newly created posts during the same time period to mitigate the risk of compulsory (c) some staff will leave the organisation during the same time period as a consequence of the Council's voluntary severance scheme (2015).

**Table 27 – Indicative net reduction on posts per department**

<b>INDICATIVE NET REDUCTION IN POSTS PER DEPARTMENT</b>	<b>FTE</b>
People	1
Place	25
Resources	19
<b>TOTAL</b>	<b>45</b>

- 18.3 The following staff (not full time equivalent) have been offered voluntary severance as a consequence of the Council applying a voluntary severance scheme in 2015 where applications were considered in January/February 2016 to take effect between 29 February 2016 and 31 March 2017. The actual number that accept the offers of voluntary severance has still to be confirmed and therefore the figures below may change accordingly.

**Table 28 – numbers of staff offered voluntary severance per division and department**

Count of Employee Number	2016-17	2015-16	Grand Total
<b>People</b>	<b>13</b>	<b>17</b>	<b>30</b>
Children's Services	5	1	6
Universal Services	1	7	8
Housing Services	6	7	13
Adult Social Care	1	2	3
<b>Place</b>	<b>10</b>	<b>12</b>	<b>22</b>
Safety	5	2	7
Development	1	3	4
Planning & St. Transport		2	2
District Centres	2	3	5
Streets	2	2	4
<b>Resources</b>	<b>20</b>	<b>14</b>	<b>34</b>
Customer & Trans.	4	0	4
Human Resources	3	1	4
Legal and Democratic	1	1	2
Corporate Resources	7	4	11
SCC	5	8	13
<b>Grand Total</b>	<b>43</b>	<b>43</b>	<b>86</b>

- 18.4 In addition, the Council has had a recruitment pause in place since November 2015 and has been reviewing the engagement of all long term agency/interim resource within the Council. Action taken has included the non-filling of vacant posts and the identification of future potential restructures which could result in additional redundancies if staff are not redeployed as an alternative.
- 18.5 Where restructures or transfers are proposed the Council's existing policies and procedures must be observed.

### **Pay Policy Statement**

- 18.6 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.

- 18.7 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 2016/17 on:
- The remuneration of its senior staff including chief officers
  - The remuneration of its lowest paid employees
  - The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers

- 18.8 The pay policy statement is at **Appendix L**. 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 29<sup>th</sup> February 2016.

Approved by:- Heather Daly – Director of Human Resources.

## **19 EQUALITIES CONSIDERATIONS**

- 19.1 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.

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.

- 19.2 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.
- 19.3 In developing its detailed budget proposals for 2016/17 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”.

- 19.4 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.
- 19.5 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.
- 19.6 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.
- 19.7 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.

**20.0 ENVIRONMENTAL IMPACT**

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

**21.0 CRIME AND DISORDER REDUCTION IMPACT**

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

**22.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

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

**23.0 OPTIONS CONSIDERED AND REJECTED**

23.1 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, ASSISTANT  
CHIEF EXECUTIVE (CORPORATE  
RESOURCES AND S151  
OFFICER)**

**Background documents: none**

Cabinet Member	Director	Division	Service	Type of Saving	SAVINGS OPTIONS	FTE's	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Cllr WATSON	Andy Opie	Safety	Community & Safety	Savings	Review of licencing and FPN's income generation to assist the achievement of the Council's community safety policies.	0.0	(0.025)	0.000	0.000	(0.025)
Cllr WATSON	Andy Opie	Safety	Community & Safety	Savings	Eyes & Ears Phase 1	-6.0	(0.245)	0.000	0.000	(0.245)
Cllr WATSON	Andy Opie	Safety	Community & Safety	Savings	Eyes & Ears Phase 2	-8.0	(0.490)	0.000	0.000	(0.490)
Cllr GODFREY/Cllr BEE/Cllr BUTLER	Steve Iles/Stephen Tate/ Colm Lacey	Streets/District Centres & Regeneration	Leisure Services/Highways /Capital Delivery	Savings	Other - Operational costs savings at Monks Hill Sport Centre. - Coring Programme regarding work undertaken by utility companies - Maximising Capital recharges	0.0	(0.150)	(0.040)	0.000	(0.190)
Cllr BEE	Steve Iles	Streets	Highways	Savings	Streets Restructure	-3.0	(0.150)	0.000	0.000	(0.150)
Cllr BUTLER	Pete Smith	Planning	Development Management	Savings	Increased income via applications (volume and fee increase expected over time) and pre-applications (moves towards full cost recovery)	0.0	0.000	(0.100)	0.000	(0.100)
Cllr BUTLER	Colm Lacey	Development	Development	Savings	Review Charging to HRA for Council new build Programme	0.0	(0.300)	0.000	0.000	(0.300)
Cllr BUTLER	Pete Smith	Planning	Development Management	Savings	Restructure in Planning Division brought about by improving the efficiencies of the services	-8.0	(0.204)	(0.009)	0.000	(0.213)
Cllr COLLINS	Steve Iles	Streets	Waste and Recycling/Street Cleaning	Savings	Green Garden Waste: Two Options: 1. Green Garden Waste Income if we introduce a chargeable service, depending on uptake decision being made first week of January following expressions of interest, intention is for the service to be cost neutral 2. Ending the current free green garden waste service and no chargeable service.	0.0	(1.600)	0.000	0.000	(1.600)
Cllr BEE	Andy Opie	Safety	Parking	Savings	Parking Income changes	0.0	(1.000)	0.000	0.000	(1.000)
Cllr COLLINS	Steve Iles	Streets	Waste and Recycling/Street Cleaning	Savings	Street Lighting Policy – consideration for prices fluctuation on energy, we are waiting for confirmation from the Lazer consortium.	0.0	(0.143)	0.000	0.000	(0.143)
Cllr BUTLER	Pete Smith	Planning	Planning	Savings	To reflect increased development and planning activity	0.0	(0.250)	0.000	0.000	(0.250)
Cllr GODFREY	Stephen Tate	Streets/District Centres & Regeneration	Green Spaces	Savings	Review of opportunities to bring in more income to support activities in parks	0.0	(0.100)	0.000	0.000	(0.100)
<b>PLACE - TOTAL OPTIONS</b>						<b>(25.0)</b>	<b>(4.657)</b>	<b>(0.149)</b>	<b>0.000</b>	<b>(4.806)</b>

Cabinet Member	Director	Division	Service	Type of Saving	Options	FTE	16/17 £m	17/18 £m	18/19 £m	TOTAL £m
Cllr HALL	Graham Cadle	CT &CS	Revenue and Benefits	Savings	Revenues Services - Creation of in-house bailiff service	0.0	(0.300)	(0.200)	0.000	(0.500)
Cllr HALL	Graham Cadle	CT &CS	Revenue and Benefits	Savings	Revenues Services - Improved collection processes for corporate debt	0.0	(0.125)	(0.020)	0.000	(0.145)
Cllr HALL	Graham Cadle	CT &CS	Business Support	Savings	Business Support - Deployment of new technology and expansion of scanning - Transformation of Departmental Support	0.0	(0.123)	(0.063)	0.000	(0.186)
Cllr HALL	Graham Cadle	CT &CS	Revenue and Benefits	Savings	Revenues & Benefits - Process review and introduction of automation technology	-2.0	(0.170)	(0.060)	0.000	(0.230)
Cllr HALL	Graham Cadle	CT &CS	Information Communication Technology	Savings	ICT Services - Effective Contract Management	0.0	(0.836)	(0.250)	0.000	(1.086)
Cllr HALL	Graham Cadle	CT &CS	Information Communication Technology	Savings	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 licensing	0.0	(0.096)	(0.273)	0.000	(0.369)
Cllr HALL	Graham Cadle	CT &CS	Business Support	Savings	Digital by Design and Enabling - Croydon Challenge Programme	0.0	(0.580)	0.000	0.000	(0.580)
Cllr HALL	Graham Cadle	CT &CS	Strategy & Development Division	Savings	Strategy & Development - Implementing of Digital Advertising scheme across the borough	0.0	(0.250)	(0.500)	0.000	(0.750)
Cllr HALL	Graham Cadle	CT &CS	Development Division	Savings	Review of the Communications Team	0.0	(0.100)	0.000	0.000	(0.100)
Cllr WATSON	Graham Cadle	CT &CS/HR	Contact Centre Division/Strategy & Development Division/Corporate Learning and Organisational	Savings	Contact Centre - Online service delivery and systems integration - Customer contact service system improvements -Strategy & Development - Cloud Hosting of Web based services	0.0	(0.090)	(0.083)	0.000	(0.173)
Cllr HALL	Julie Belvir	Democratic & Legal	Legal Services	Savings	Legal Services - Introduction of Gateway to more effective management council-wide legal expenditure	0.0	(0.200)	(0.050)	(0.050)	(0.300)
Cllr HALL	Julie Belvir	Democratic & Legal	Scrutiny and Civic Services	Savings	Democratic Services - Review of the Scrutiny structure, and Relocation of the Coroners Services	-2.0	(0.130)	0.000	0.000	(0.130)
Cllr HALL	Richard Simpson	Finance & Assets	Risk Insurance & Business Continuity/Asset Management & Estate/	Savings	Finance and Assets Other -Insurance - Review of the claims handling -Asset Management - Community Asset Transfer (Stanley Halls and Selsdon Halls) -Corporate Governance - Deletion of Manager post in the Governance team -Internal Audit - Reduction in Internal Audit Days	-1.0	(0.245)	0.000	0.000	(0.245)
Cllr HALL	Richard Simpson	Finance & Assets	Asset Management & Estate	Savings	Asset Management - Increased income for improved space utilisation in BWH and other office space	0.0	(1.500)	(1.500)	0.000	(3.000)
Cllr HALL	Richard Simpson	Finance & Assets	Facilities Management	Savings	Facilities Management - Reprourement of the Contract	0.0	(0.500)	(0.200)	0.000	(0.700)
Cllr HALL	Richard Simpson	Finance & Assets	Finance	Savings	Finance Services - EIB Loan to fund future debt for capital programme	0.0	(0.500)	0.000	0.000	(0.500)
Cllr HALL	Richard Simpson	Finance & Assets	ALL	Savings	Finance & Assets - One Oracle review of shared transactional services	-6.0	0.000	(0.250)	0.000	(0.250)
Cllr HALL	Richard Simpson	Finance & Assets	HR and Finance Service Centre	Savings	HR & Finance Service Centre - One Oracle	-3.0	(0.100)	0.000	0.000	(0.100)
Cllr HALL	Heather Daley	HR	HR Partners and Consultants	Savings	HR - Review of staffing structure and Trade Union Facility time	-3.0	(0.133)	(0.010)	0.000	(0.143)
Cllr HALL	Heather Daley	HR	Corporate Learning and Organisational Development	Savings	Learning & Development - Review of council-wide resources	0.0	(0.050)	0.000	0.000	(0.050)
Cllr HALL	Sarah Ireland	SCC	SCC Division	Savings	SCC - Reshaping of services to meet the organisations future needs - Consolidation and Restructure of Commissioning Services - Procurement Taskforce - Review of key corporate contract arrangements - Introduction of an alternative service delivery model for SCC	-2.0	(0.200)	(0.300)	0.000	(0.500)
Cllr HALL	Sarah Ireland	Voluntary Sector Funding	Voluntary Sector Funding	Savings	SCC - Review of Voluntary Sector Funding to achieve Outcomes	0.0	(0.200)	(0.200)	0.000	(0.400)
<b>RESOURCES - TOTAL OPTIONS</b>						<b>(19.0)</b>	<b>(6.428)</b>	<b>(3.959)</b>	<b>(0.050)</b>	<b>(10.437)</b>

Division	Service	Type of Saving	Options	FTE	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Adult Care Services	Assessment & Case Management	Dept. Growth	Non specific vulnerable adults packages increase in demand. We are anticipating a growth in this area due to the 'wellbeing duty' in the Care Act which would need to include this client cohort.	0.0	0.400	0.000	0.000	0.400
Adult Care Services	Assessment & Case Management	Dept. Growth	To realign the budget as a result of rising demand and the complexity of cases.	0.0	1.950	0.000	0.000	1.950
Integrated Commissioning / Adult Care Services	Assessment & Case Management	Dept. Growth	Changes in regulations on Ordinary Residence has increased Croydon Council's liability for clients	0.0	0.460	0.000	0.000	0.460
Adult Care	Assessment & Case Management	Savings	Resilience & Transition to Adults - reduction in transition costs for 18 - 25 yr olds Learning Disability & Physical Disability - We have 2 FTEs social workers who are working through a transitions cohort of 300 plus services users to review and reduce their cost packages as we begin to use the Care Funding Calculator to determine a fair price for care.	0.0	(0.173)	(0.150)	0.000	(0.323)
Adult Care	Assessment & Case Management	Savings	Learning Disability Day Services - service review - Some service users will be empowered to utilise other universal and community services rather than attend traditional day care	0.0	(0.250)	(0.250)	0.000	(0.500)
Integrated Commissioning / Adult Care Services	Assessment & Case Management	Savings	Review of commissioning arrangements to include strengthened arrangements for using the IFA	0.0	0.000	(0.128)	0.000	(0.128)
Adult Care	Assessment & Case Management	Savings	Learning Disability - Commissioners to review Learning Disability respite care provision and re tender. - Commissioners to work with Learning Disability care home and supported living providers to ensure that providers fund the day care for these residents as the fees we pay them includes this element.	0.0	(0.100)	(0.194)	0.000	(0.294)
Adult Care	Assessment & Case Management	Savings	Transitions (Learning Disability and Physical Disability Service users) - reduction in costs of packages. This applies to the PD transitions group who currently are being reviewed under the Croydon Challenge project - it is related to promoting independence via supported living options	0.0	0.000	(0.100)	(0.150)	(0.250)
Adult Care	Assessment & Case Management	Savings	Learning Disability Supported Living. Systematic review of all clients supported in 24hr placements - 1.7 FTE social workers employed who are systematically reviewing and moving when necessary, high cost placements	0.0	(0.317)	(0.327)	0.000	(0.644)
			<b>Total Learning Disability</b>	<b>0.0</b>	<b>1.970</b>	<b>(1.149)</b>	<b>(0.150)</b>	<b>0.671</b>
Adult Care	Assessment & Case Management	Savings	Needs and Asset Assessment redesign to meet Care Act requirements - This is a project to manage demand through a restructure of Adult Social Care operations plus to change the culture of our practice; provide asset based assessments and to increase more choice and control through personal budgets and direct payments	0.0	0.000	(0.380)	0.000	(0.380)
Integrated Commissioning / Adult Care Services	Director of Commissioning	Savings	Managing the Care Market - accounting differently for VAT thereby enabling providers to reclaim VAT on welfare services leading to reduced individual placement costs.	0.0	(0.200)	0.000	0.000	(0.200)
Integrated Commissioning / Adult Care Services	Assessment & Case Management	Savings	Introduction of Preferred Partner Dynamic Purchasing System - Residential and Nursing Care. To tender for unit rates for residential and nursing care, that aim to provide a saving on current rates as well as being part of a wider market management strategy.	0.0	0.000	(0.250)	0.000	(0.250)
Adult Care Services	Assessment & Case Management	Dept. Growth	Readjustment of Domiciliary Care Budget for Older People. The current budget of £4.5m is unrealistic compared against benchmarked authorities - authorities of a similar (but lesser) size of population and need, have budgets which are set 40 - 50% higher than Croydon's. The complexity of cases has increased over time without linked increases in budget, this growth is in place to re-address this imbalance.	0.0	3.000	0.000	0.000	3.000
Adult Care	Assessment & Case Management	Savings	Review of partnership funding responsibilities through the review of client pathways.	0.0	(0.750)	(0.750)	(0.500)	(2.000)
Adult Care	Early Intervention & Reablement	Savings	Early Intervention and Reablement Other - Early Intervention and Reablement (In-house provider service efficiencies) - This efficiency will be found through more efficient use of the Addington Heights reablement centre - Careline Plus contract and service review. Re procurement of contract.	0.0	(0.114)	0.000	0.000	(0.114)
Adult Care	Adult Care	Savings	Meals on Wheels - Increase in charges	0.0	(0.125)	0.000	0.000	(0.125)
Adult Care	Adult Care	Savings	Redesign of catering services to special sheltered blocks	0.0	(0.240)	0.000	0.000	(0.240)
			<b>Total Older People</b>	<b>0.0</b>	<b>1.571</b>	<b>(1.380)</b>	<b>(0.500)</b>	<b>(0.309)</b>
Adult Care Services	Assessment & Case Management	Dept. Growth	Transitional Growth - increased numbers of Children with disabilities moving to Adult services	0.0	0.800	0.800	0.800	2.400
Adult Care Services	Assessment & Case Management	Dept. Growth	DOLS - increase in burden due to High Court Judgement - this is over and above any funding we may receive from the DH (this year it was £140K).	0.0	0.250	0.250	0.000	0.500
Adult Care Services	Integrated Commissioning / Adult Care Services	Savings	Review of commissioning arrangements to include strengthened arrangements for using the IFA	0.0	(0.100)	0.000	0.000	(0.100)
			<b>Total Physical Disabilities</b>	<b>0.0</b>	<b>0.950</b>	<b>1.050</b>	<b>0.800</b>	<b>2.800</b>
Integrated Commissioning / Adult Care Services	Commissioning Older People & Long Term Conditions	Savings	Community Resources - Using resources in the community efficiently for self help and support and reducing the use of statutory services.  Facilitate culture change to encourage wider use of community resources, expand the use of Community Navigators to increase participation & promote the use of information and advice	0.0	0	(0.475)	0.000	(0.475)
Integrated Commissioning / Adult Care Services	Commissioning Older People & Long Term Conditions	Savings	Older People Commissioning - Care UK concierge at 6 special sheltered homes to be charged to Housing Benefit	0.0	(0.200)	0.000	0.000	(0.200)
Integrated Commissioning / Adult Care Services	Director of Commissioning	Savings	Joint QIPP/Council efficiency programme: a more coordinated approach to delivery of agreed efficiencies / cost improvement projects involving health and social care.	0.0	(0.210)	(0.150)	0.000	(0.360)
Integrated Commissioning / Adult Care Services	Integrated Commissioning / Working Age Adults	Savings	<b>Integrated Commissioning and Adult Care Services</b> : Supported Housing Efficiencies - retendering of contracts. Retendering of a range of existing supported housing contracts at a lower unit cost. - Review of functions in ICU which are CCG/NHS (staff saving) - Obtain more income from NHS	0.0	(0.145)	(0.075)	0.000	(0.220)
Integrated Commissioning / Adult Care Services	Integrated Commissioning / Working Age Adults	Savings	<b>Shared Lives</b> : - review scheme as an alternative to more expensive options. - Expansion of the current scheme within resources to increase the availability of less expensive placements for a wider client group. Develop additional supported living schemes which will enable Case Management to implement more flexible support packages. - Expansion of in house service to other groups eg vulnerable young people. - Expansion of the current scheme within existing resources to provide increased low cost placements. Expansion of "Croydon Lodging for Families" scheme to single adults who are formally looked after children with no recourse to public funds and where the council is paying in excess of the current placement cost for the current target group.	0.0	(0.125)	(0.050)	0.000	(0.175)

Integrated Commissioning / Adult Care Services	Adult Social Care - Mental Health	Savings	<b>Mental Health :</b> Review of Mental Health Younger Adults high cost placements which are out of borough. - Seek more cost effective placements which meet identified need closer to Croydon through review of needs and development of innovative support plans. - Younger Adults s117 - less costly way of enabling people to access housing benefit. - Diversion of costs from B and B budget to Housing Benefit. - Outcome Based Commissioning 5% saving. -Population based capitation method of contracting for health and social care services for adults experiencing mental ill-health .	0.0	(0.062)	(0.384)	0.000	(0.446)
			<b>Total Integrated Commissioning</b>		<b>(0.742)</b>	<b>(1.134)</b>	<b>0.000</b>	<b>(1.876)</b>
Housing Need	Housing Needs and Assessments	Dept. Growth	Increased demand in emergency accommodation and homelessness	0.0	0.500	0.000	0.000	0.500
Housing Need	Housing Needs and Assessments	Savings	Review of Service :- - Streamline the structure of the Housing Need Division - Income collection from tenants car park permits - Expansion of Empty Properties Programme - Fraud detection for Temporary Accommodation	0.0	(0.260)	(0.006)	0.000	(0.266)
			<b>Total Housing</b>	<b>0.0</b>	<b>0.240</b>	<b>(0.006)</b>	<b>0.000</b>	<b>0.234</b>
Children & Family Early intervention and Children's Social Care	Looked After Children	Savings	<b>Looked After Children - LAC</b> - Implement a review of whether we are looking after the right children and reduce the number of LAC. - Further increase the number of in house foster carers for example by strengthening the model of recruitment and assessment of foster carers. - Continue to drive down costs and rates of placements with Independent Fostering Agencies. - Legal Costs associated with LAC - generate savings through efficiencies	0.0	0.000	(0.382)	0.000	(0.382)
Children & Family Early intervention and Children's Social Care	Looked After Children inclusion	Dept. Growth	Special Guardianship Order / Residence Order / Adoption allowance - rate increases	0.0	0.250	0.000	0.000	0.250
Children & Family Early intervention and Children's Social Care	Looked After Children	Savings	Re-commission of contact assessments to one provider.	0.0	(0.050)	(0.150)	0.000	(0.200)
Children & Family Early intervention and Children's Social Care	Looked After Children	Savings	Human Rights Assessments introduced for children under no recourse to public funds.	0.0	0.000	(0.250)	0.000	(0.250)
			<b>Total LAC</b>	<b>0.0</b>	<b>0.200</b>	<b>(0.782)</b>	<b>0.000</b>	<b>(0.582)</b>
Children & Family Early intervention and Children's Social Care	EISS	Savings	<b>Family Based Intervention Savings:</b> - Review of all commissioned services to reduce contract rates and create service efficiencies. - Delete traded service - Forestry Project (discretionary) - Additional childcare places previously commissioned from nursery schools to be part of an integrated education offer funded by the DSG.	0.0	(0.098)	0.000	0.000	(0.098)
Children & Family Early intervention and Children's Social Care	Safeguarding	Dept. Growth	Sexual exploitation Co coordinator - additional post	1.0	0.050	0.000	0.000	0.050
Children & Family Early intervention and Children's Social Care	EISS	Savings	Youth Service and Early Help Service restructure	TBC	(0.152)	(0.450)	0.000	(0.602)
Children & Family Early intervention and Children's Social Care	Children In Need Service	Savings	<b>Children In Need Service CIN</b> - Demand management reduction - - Re procurement of Young Carers Framework - Review of residential placements for children with special needs thus reducing the care element of these costs.	0.0	(0.164)	(0.595)	0.000	(0.759)
			<b>Total Other CSC</b>	<b>1.0</b>	<b>(0.364)</b>	<b>(1.045)</b>	<b>0.000</b>	<b>(1.409)</b>
Children & Family Early intervention and Children's Social Care	Inclusion Learning Access & SEN	Savings	SEN Transport - Contract Renegotiations	0.0	0.000	(1.583)	(0.256)	(1.839)
Children & Family Early intervention and Children's Social Care	Inclusion Learning Access & SEN	Dept. Growth	Increased demand in SEN transport - to be reduced once ELT agree on Wednesday	0.0	1.000	0.000	0.000	1.000
			<b>Total SEN</b>	<b>0.0</b>	<b>1.000</b>	<b>(1.583)</b>	<b>(0.256)</b>	<b>(0.839)</b>
Gateway and Welfare Services	Welfare and Benefits Services	Savings	Reducing the cost of homelessness through increased prevention and intervention.	0.0	0.000	(0.300)	0.000	(0.300)
Gateway and Welfare Services	Bereavement Services	Savings	Bereavement - Bring services together, staff savings, review fees and charges, introduction of non-service cremations	0.0	(0.181)	(0.145)	0.000	(0.326)
Gateway and Welfare Services	Registrars	Savings	Registrars - service restructure and increased charges, introduction of non-refundable deposits	0.0	(0.171)	(0.100)	0.000	(0.271)
Gateway and Welfare Services	Bereavement Services	Savings	Income from Pet Cremations/ Bereavement / Registrars restructure	0.0	0.000	(0.050)	0.000	(0.050)
			<b>Total Gateway &amp; Welfare</b>	<b>0.0</b>	<b>(0.352)</b>	<b>(0.595)</b>	<b>0.000</b>	<b>(0.947)</b>
Universal People Services	All	Savings	Universal People Services -Children and Family Partnership - end officer support for engagement strategy -Improve Library services through partnership development/community management Octavo contract savings of 5% in 2016/17 & 10% in 2017/18 Delete Finance Manager Post in School Standards and Commissioning -Admissions and place planning - coordinated admissions training to academies and traded service school appeal presenting officer Removal of contingency funding provided in 2015/16 as part of the Mutual restructure Permanent removal of the apprentice that was not recruited to as part of the 2015/16 in year savings	-2.0	(0.217)	(0.595)	0.000	(0.812)
Universal People Services	Culture	Savings	Cease Grant to Fairfield Halls	0.0	(0.787)	0.000	0.000	(0.787)
Universal People Services	Culture	Dept. Growth	Creation of Culture Budget	0.0	0.250	0.000	0.000	0.250
			<b>Total Universal Services</b>	<b>(2.0)</b>	<b>(0.754)</b>	<b>(0.595)</b>	<b>0.000</b>	<b>(1.349)</b>
			<b>TOTAL PEOPLE OPTIONS</b>	<b>(1.0)</b>	<b>3.719</b>	<b>(7.219)</b>	<b>(0.106)</b>	<b>(3.606)</b>

<b>GROWTH</b>	8.910	1.050	0.800	10.760
<b>SAVINGS</b>	(5.191)	(8.269)	(0.906)	(14.366)

## Agenda Item 8.1 Cabinet Report 22nd February 2016

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

SERVICE DEPARTMENT	2016/17 Budget £'m	Estimated 2017/18 Budget £'m	Estimated 2018/19 Budget £'m	Estimated 2019/20 Budget £'m
People	196.208	189.108	189.502	188.702
Place	51.752	51.603	51.853	51.353
Resources	22.338	18.304	18.404	18.192
Corporate Items	11.430	11.430	11.430	11.430
<b>NET EXPENDITURE</b>	<b>281.728</b>	<b>270.445</b>	<b>271.189</b>	<b>269.677</b>
Contribution to provisions for Doubtful Debts	0.180	0.180	0.180	0.180
Interest (Net)	15.583	15.583	17.083	18.583
Deferred Charges	(3.697)	(3.697)	(3.697)	(3.697)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(2.100)	(2.100)	(2.100)	(2.100)
Capital Asset Charges Adjustment	(17.981)	(17.981)	(17.981)	(17.981)
Risk Contingency	1.000	1.000	1.000	1.000
Contributions to (from) Earmarked Reserves	0.000	0.000	0.000	0.000
Core Grants	(16.238)	(14.738)	(14.738)	(14.738)
Levies	1.524	1.524	1.524	1.524
Demand Led Service Growth	0.000	5.000	10.000	15.000
Budget Gap Carried Forward	0.000	0.000	(4.417)	(10.744)
Budget Gap	0.000	(4.417)	(10.744)	(11.305)
<b>TOTAL ADJUSTED BUDGET REQUIREMENT</b>	<b>259.999</b>	<b>250.799</b>	<b>247.299</b>	<b>245.399</b>
<b>Financed by:</b>				
Revenue Support Grant	46.800	32.400	23.700	16.600
Business Rates Top Up Grant	33.230	33.230	33.230	33.230
Business Rates Income	32.732	32.732	32.732	32.732
Collection Fund Surplus/Deficit	3.748	3.748	3.748	3.748
<b>Croydon Tax Element</b>	<b>143.489</b>	<b>148.689</b>	<b>153.889</b>	<b>159.089</b>
Greater London Authority Precept Element	32.511	32.511	32.511	32.511
<b>TOTAL COUNCIL TAX REQUIREMENT</b>	<b>176.000</b>	<b>181.200</b>	<b>186.400</b>	<b>191.600</b>

Appendix D  
Agenda Item 8.1 Cabinet Report 22nd  
February 2016

**COUNCIL TAX 2016/17 ANALYSED OVER ALL COUNCIL TAX BANDS**

Band	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17	2016/17
	Croydon	GLA	Total	Croydon	Croydon	GLA	Total
	Council Tax	Precept	Tax	Council Tax	Adult Social Care Levy	Precept	Council Tax
	£	£	£	£	£	£	£
A	780.93	196.67	977.60	796.47	15.62	184.00	996.09
B	911.08	229.44	1,140.52	929.21	18.22	214.67	1,162.10
C	1,041.24	262.22	1,303.46	1,061.96	20.83	245.33	1,328.12
<b>D</b>	<b>1,171.39</b>	<b>295.00</b>	<b>1,466.39</b>	<b>1,194.70</b>	<b>23.43</b>	<b>276.00</b>	<b>1,494.13</b>
E	1,431.70	360.56	1,792.26	1,460.19	28.64	337.33	1,826.16
F	1,692.01	426.11	2,118.12	1,725.68	33.84	398.67	2,158.19
G	1,952.32	491.67	2,443.99	1,991.17	39.05	460.00	2,490.22
H	2,342.78	590.00	2,932.78	2,389.40	46.86	552.00	2,988.26

Band D % Change			
Croydon Council Tax	Croydon Adult Social Care Levy	GLA Precept	Overall Increase
1.99%	2.00%	-6.44%	1.89%
£23.31	£23.43	<b>-£19.00</b>	£27.74

2016/17	Annual increase	Weekly Increase
BAND	£	£
A	18.49	0.36
B	21.58	0.42
C	24.66	0.47
<b>D</b>	<b>27.74</b>	<b>0.53</b>
E	33.90	0.65
F	40.07	0.77
G	46.23	0.89
H	55.48	1.07

OVERALL CHANGE
<b>1.89%</b>



**RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2016/17**

The Cabinet has considered a report in respect of the level of Council Tax for 2016/17 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 2016/17.

In summary, the Cabinet recommends to the Council a 2016/17 Council Tax at Band D for Croydon purposes of £1,194.70, in addition a 2% increase for the Adult Social Care Levy £23.43, GLA Precept of £276.00, giving an overall Band D charge, £1,494.13, a 1.99% increase for Croydon Council, a 2% increase for the adult social care levy and a £19.00 reduction for the GLA.

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

- (1) Approve the 2016/17 Revenue Budget of £259.999m, a decrease in budget requirement of 3.07%
- (2) Approve the 2016/17 Council Tax Requirement of £143.489m.

**Appendix E**

**Agenda Item 8.1 Cabinet Report 22nd February 2016**

Calculation of Council Tax Requirement		£'000	£'000	£'000
(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		934,382	
(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	
				935,382
	<i>Less</i>			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		659,145	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,		3,748	
(iii)	Income from Government			
	Core Grants	16,238		
	Business Rates Top Up Grant	33,230		
	Business Rates Income	32,732		
	Revenue Support Grant	46,800	129,000	791,893
	<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)			143,489
<b>Calculation of basic amount of council tax</b>				
(C)	Council Tax Requirement			143,489
	<i>Divided by</i>			
(D)	The Council's Tax base			117,795
	<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)			£1,218.13
	* The exact figure is £143,489,623			

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

<b>Council Tax for Croydon for 2016/17</b>	
Band A	6/9 x £1,218.13 = £812.09
Band B	7/9 x £1,218.13 = £947.43
Band C	8/9 x £1,218.13 = £1,082.79
<b>Band D</b>	<b>9/9 x £1,218.13 = £1,218.13</b>
Band E	11/9 x £1,218.13 = £1,488.83
Band F	13/9 x £1,218.13 = £1,759.52
Band G	15/9 x £1,218.13 = £2,030.22
Band H	18/9 x £1,218.13 = £2,436.26

(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 2016/17</b>	
Band A	184.00
Band B	214.67
Band C	245.33
<b>Band D</b>	<b>276.00</b>
Band E	337.33
Band F	398.67
Band G	460.00
Band H	552.00

(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 2016/17 for each of the categories of dwellings shown below:-

<b>Total Council Tax For 2016/17</b>	
Band A	996.09
Band B	1,162.10
Band C	1,328.12
<b>Band D</b>	<b>1,494.13</b>
Band E	1826.16
Band F	2,158.19
Band G	2,490.22
Band H	2,988.26

Shafi Khan  
Department for Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF

[LGFConsultation@communities.gsi.gov.uk](mailto:LGFConsultation@communities.gsi.gov.uk)

Dear Sir,

## **Local Government Provisional Finance Settlement 2016/17 - Consultation Response**

### **General**

The London Borough of Croydon welcomes the opportunity to comment on the Government's technical consultation in respect of the Local Government Finance Settlement 2016/17.

The consultation focuses on technical matters associated with the local government finance settlement rather than the more significant issue of the scale of reduction in local government funding. We remain concerned at the significant level of cuts that are planned within local government which will witness SFA falling by 28% by 2018/19 for London boroughs. Since 2010, local authorities have experienced major cuts to grant funding and by 2019 the change in the level of grant that funds our controllable budgets will be reduced on a like for like basis by approximately £74 million (52%). It is clear that local government continues to bear a disproportionate share of the reductions in public spending without any real assessment of the impact that reductions are having on the provision of Council services, particularly those provided to some of the most vulnerable people in our communities. As a consequence, this is placing extreme pressure on our ability to deliver the range of services and standard of service that our local residents both expect and should statutorily receive.

### **Disproportionate population growth and demographic changes**

Quite apart from the overall pressures faced by local government, Croydon in particular experiences disproportionate population growth. Census information and demographic change projections show that Croydon is experiencing larger increases in need than most of the rest of England and Wales. It is currently anticipated that

Croydon's population is expected to grow by 8% over the period 2013 to 2020 more than twice the national average. This produces large increases in demand for the Council's services and its budgets.

Croydon along with a number of other outer London authorities has provided representations over the past 12 months on the impact of population and demographic change within London since the system was frozen in 2013. The system of damping which was locked in, in 2013 penalises Croydon relative to other authorities, as the system does not capture population increase or need change. The argument put forward by the government was that the system was frozen for 8 years, however the draft settlement now proposes a change to how revenue support grant reductions work which the impact of further protecting the grant of those authorities who are already protected by damping.

### **Impact of protection for grant dependent Authorities**

The Provisional Local Government Finance Settlement for 2016/17 is intended to offer authorities that are heavily dependent on central funding relative protection on the impact of cuts in funding over the next four years. It allocates central funding in a way that ensures that councils receive the same percentage change in what is defined as 'settlement core funding', i.e. Council Tax and central funding. This therefore benefits Councils which obtain a relatively small proportion of their income from Council Tax, whether because Council Tax levels have historically been low, or because property in those areas had a relatively low value in the Council Tax valuation year of 1991.

Outer London boroughs such as Croydon are seeing greater than average population growth, and therefore increasing needs, as compared with inner London boroughs. However, they have traditionally had relatively high Council Tax income, so are treated in the 2016/17 Finance Settlement as not requiring 'protection'. Meanwhile, inner London boroughs, with historically low levels of Council Tax income, benefit from protection.. This appears completely irrational.

Croydon loses £2.8 million in 2016/17 through this new methodology.

### **Damping**

'Protection' fails to deal with an underlying problem with local government funding arrangements. It uses the same starting point for all Councils when allocating the percentage change, so it fails to address the discrepancy in the respective starting point for different Councils. This 'starting point' is based on the Government's assessment of local needs when the current local government funding mechanism

was introduced in 2013/14. But this assessment of local needs was itself distorted because the 2013/14 funding assessment embedded a 'damping' factor included in the assessment for that year.

Damping was intended as a transitory measure to minimise year-on-year fluctuations in funding; however, the 'freeze' in funding shares in 2013/14 effectively locked this damping into settlements potentially until 2020.

In 2013/14 Croydon lost £10.8 million in damping. As grant levels have been reduced overall, the impact of damping reduces, but in 2015/16 the Council still lost an estimated £7.5m million in funding as a result of damping.

The use of damping within the Formula Grant element of funding continues to be an area of concern for Croydon. If the damping factor is not removed, the grant distribution methodology fails to recognise demand pressures and increased need, and the Council is faced with an historic challenge in the delivery of balanced and sustainable spending plans over the foreseeable future.

#### **Four year settlements**

Croydon welcomes the fact that Government has listened to local government and set out four year allocations to give funding certainty over the whole Spending Review period. Funding certainty is a key principle we believe should underpin any local government finance system, and a multi-year settlement is something we asked for in our Spending Review submission.

However, we are concerned that the Government's "offer" to local government is particularly vague, and that we are being asked to sign up to a deal based on limited information. We are surprised by the lack of detail about the process for agreeing funding allocations, in particular about what the efficiency plans to be submitted in return for a four year settlement should contain, and when councils will have to submit them. The consultation document refers to strengthening financial management and efficiency, maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents. Clarity over the requirements of efficiency plans in each of these areas is needed before councils can agree any offer.

In addition, we ask that the Government clarifies, as soon as is possible, exactly what is fixed for 4 years in the offer to councils. The recent shift in policy position by the Government on social rent reductions, which made the 30-year "deal" for HRA self-financing settlements obsolete, has eroded trust between local and central government.

More significantly, the alternative for councils that do not take up the offer is also unclear. Given the precedent of additional departmental funding reductions in the last parliament, which particularly impacted local government, this could mean exposure to the risk of further funding reductions in future years for those councils that do not sign up immediately. There is no information about whether this is a one-time offer or whether it will be on offer in future years of the SR period, for example whether authorities that do not agree four year allocations this year be able to agree three year allocations next year.

### **Funding for adult social care (council tax precept and BCF)**

London local government is facing a funding gap of up to £3 billion by 2020: in adult social care alone this will be at least £700 million by 2020. While the concessions made (through the social care council tax precept and new Better Care Fund money from 2017-18) are welcome, the additional funding this raises will not be enough to close this gap. London Councils estimates that, assuming all boroughs raised it, the social care precept would raise around £230 million a year by 2019-20. Added to the Government's estimate of London's share of the new BCF funding (£247 million), the total possible additional funding of just under £500 million would still fall well short of the additional funding needed. We are also concerned that this money doesn't come with any new responsibilities.

In addition, Croydon is wary of these policy changes representing a shift in Government policy back towards ringfencing of resources. While around half of the new BCF funding will be funded from NHB savings, there is no evidence the remainder is new money. With no breakdown of the local government DEL and explanation of how the total BCF funding was arrived at, it must be assumed that it is topsliced from the total of local government funding that would otherwise have come back as RSG.

More importantly, the social care precept is the first time central government has moved to ringfence an element of locally determined council tax to pay for a particular service. The way the new BCF allocations from 2017-18 are being calculated assumes all eligible authorities will raise the precept, thus the pressure on councils to increase council tax for residents is considerable.

We welcome the indication by the Government that the reporting mechanisms will not be burdensome or bureaucratic and look forward to confirmation of this in the final settlement. While we welcome the recognition of spending need, we would prefer that the referendum limit be lifted completely, thus allowing councils to address the spending pressures in the ways that most affect them locally. For many London Boroughs, for example, children's social care is as great – or even greater – a budget problem as adult social care.

## **The use of ‘Core Spending Power’**

Croydon are concerned that the new definition of “Core Spending Power” continues to mask the impact of the overall funding reductions to local government. We welcome the removal of the Department of Health Better Care Fund allocations that had the effect of double counting funding in the 2015-16 settlement, thereby underplaying the size of the funding cuts. However, we believe the assumptions around council tax in particular are unrealistic.

The assumption that the tax base will continue to grow at the same rate as between 2013-14 to 2015-16 for the next four years, has a significant impact at the individual borough level – especially for those who have seen anomalous changes between those two years (which may have been impacted by the localisation of council tax support). A more realistic approach would be to use a longer trend period (for example the change since 2010) to smooth out those anomalies.

Equally questionable are the assumptions that all authorities will raise council tax by 1.75 per cent (Consumer Price Inflation) on average each year, and that all eligible authorities will raise the social care precept by a further 2 per cent. This will almost certainly not be the case, and therefore overestimates the eventual tax rise. The Government’s figures within Core Spending Power show that London boroughs’ projected council tax requirement will increase by 20 per cent in real terms over the four years, compared with just 15 per cent for England overall. These assumptions are, therefore, distorting the effect on how London borough’s funding reductions are presented in a significant way.

Croydon believes the Core Spending Power measure is again being used to present the actual funding reductions to local government as being lower than they are. We estimate that more realistic assumptions would indicate a cut in CSP closer to 16 per cent rather than 9 per cent.

Now that a new measure – “Settlement Core Funding” – has been created to better reflect the wider level of resources available to local government in the calculation of RSG, it is not clear what purpose the Core Spending Power measure serves, other than to present the funding reductions as lower than they ultimately will be. It was disappointing that this definition was not shared with local government in advance of the settlement for review and discussion.

## **Lack of information about specific grants**

While Croydon welcomes the removal of certain grants (notably the DH BCF money) from the Core Spending Power measure, we are concerned that local



authorities are still awaiting allocations of a number of significant specific grants for 2016-17, for example the Council Tax benefit administration grant, Public Health grant, and Better Care Fund allocations. There has also been no official confirmation as to whether the NHB funding will not be topsliced in London (as it was by £70 million in 2015-16 to fund the LEP), which has caused confusion for our members. We welcome informal indication from DCLG officials that this is unlikely to continue and look forward to official confirmation as soon as is possible. Budget setters need certainty over the whole spectrum of funding to local government – specific grants are a considerable part and should be published alongside the settlement, or as soon as possible thereafter.

For Croydon our grant in relation to UASC's is also a major issue. We still have no confirmation of our final grant for 15/16 or our expected grant for 16/17. We have the second highest UASC population in the country and this makes it impossible to plan effectively.

### **Negative impact on the income base of rolling in grants**

The provisional settlement rolled the 2015/16 Council Tax Freeze Grant into the calculation of the 2016/17 SFA in 2015/16. It also emerged in the documentation that the funding earmarked for preparation and implementation of Care Act 2014 is now included in the baseline for calculating Revenue Support Grant and hence SFA in 2016/17. Where funding has been baselined into RSG in effect the value reduces year-on-year in line with overall reductions in RSG.

### **Timing of the announcement**

We would like to reiterate the point made in previous responses on the importance that the local government finance settlement announcement should be released earlier than the week before Christmas. A suitable time frame to release the information would be no later than the end of November. The late timing of the Settlement in recent years has created genuine difficulties for all authorities in giving enough time to assimilate the technical information and also consult meaningfully and fully with all our stakeholders in drawing up robust budget and business plans.

### **Business Rates Reform**

We welcome however the government's intention to reform the business rates retention scheme and move to a position where 100% of business rates can be retained by 2020. With the move to 100% business rates retention we would like

to see a system that finds a better way to deal with the financial uncertainty caused by business rates appeals. It is also essential that the system of top-ups and tariffs which redistributes revenues between local authorities is retained in some form and reflects a true up to date position on need and population.

## **Summary**

The Council's financial strategy focusses on protecting frontline services wherever possible and this is becoming increasingly difficult in the current financial climate. We welcome the increased flexibility that allows social care authorities to put up council tax by an additional 2 % and this will go some way to addressing the funding gap facing social care.

We also welcome the potential introduction of multiyear settlements as a tool to give us more medium term stability on funding, as long as this flexible enough to take into account changes in population and need, funding to help stimulate economic growth for our under pressure local businesses and enable us to invest in the priorities of our community.

We ask that our comments as outlined above will be given full and fair consideration and ensure that they are addressed as part of the final announcement for 2016/17. Our detailed response to the specific questions raised in the consultation are outlined **at Annex A.**

Yours faithfully,

Richard Simpson

Assistant Chief Executive and Section 151 Officer

## **ANNEX A: RESPONSES TO SPECIFIC QUESTIONS**

### **Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?**

No we do not agree with the methodology, as it fails to address the wider issue of the inequity of damping being locked into funding allocations. At the least there should be a commitment to continue to unwind damping as part of the funding system. Further details are outlined in our accompanying letter to this consultation.

### **Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?**

As above.

### **Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?**

As above.

### **Question 4: Do you wish to propose any transitional measures to be used?**

As above.

### **Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?**

Croydon is pleased to see the Government's commitment to the continuation of funding for the New Homes Bonus. The Council is of the opinion however that the New Homes Bonus should be funded by Government and not top-sliced from the settlement. We also believe that any surplus NHB should be returned to local authorities in proportion to baseline funding as the most equitable method of redistribution.

We are still concerned about the principle of the top-slice from London authorities by which it is passed to the GLA and then recycled back via the LEP programme.

### **Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?**

We do not agree with the proposal to hold back £50 million from central funding to fund the business rates safety net for 2016/17. Firstly, this results in a reduced amount to be distributed from central funding and secondly the levy rate should be increased so that the funding for the safety net is funded without the need to call on central resources.

### **Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas**

8

**in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?**

As the Government is minded in this way to 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 affecting London.

We therefore note the proposed increases in funding that is to be provided to rural areas as a result of perceived additional costs in rural areas at a time when the funding system does not reflect fully the cost pressures on London authorities from rising demographic pressures and increased needs for local services, in particular with regard to schools and care for vulnerable residents.

**Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?**

The Council notes the comment in the consultation document regarding local welfare provision, which itself was rolled into core SFA funding as part of the 2015/16 settlement. The Council does not see what value adding this notional amount in to the calculation of core spending power would add to the funding settlement.

**Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?**

We are concerned that this approach will mask any reduction in funding. Where funding is baselined into RSG, the value reduces year-on-year in line with overall reductions in RSG.

**Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?**

As in question 9 above the approach taken of rolling this into RSG, when RSG is declining, does not serve the purpose of protecting funding that the Government wishes to provide for those authorities who have frozen council tax in 2015/16.

**Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?**

The Efficiency Support Grant is similar in nature to the 'damping' applied in the 2013/14. Any such measures to mitigate the worst impacts of changes in funding ought to be unwound over a period of time to avoid penalising authorities that do not benefit directly from these measures.

**Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?**

Agreed.

**Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?**

We would agree with this proposal so long as the Section 31 grant is not top-sliced from amounts payable to local authorities in general.

**Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?**

As question 13.

**Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?**

We agree in principle with this measure, but we again reiterate the broader point that the system should take account of increases in population and deprivation which will differ across Councils delivering the same set of services.

**Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?**

Local government is arguably the most efficient part of the public sector as demonstrated by the savings it has delivered, bearing disproportionate cuts relative to other Government departments. As such attention should be focussed on driving out efficiencies in other departments.

**Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?**

The Equality Statement acknowledges our concerns that the scale of spending cuts puts at risk our ability to deliver service to protected groups. Croydon continues to take steps to manage the impact of spending pressures by delivering savings through efficiencies, alternative ways in which to deliver services, better management of assets and smarter working. All savings considered by the Council undergo a thorough equalities assessment process before being taken forward. These efforts taken by the Authority have attempted to mitigate the impact of spending reductions on persons who share a protected characteristic. However, given the scale of predicted reductions in funding and increasing demand on our services due to changes in demography and increases in population the risk of not being able to offer the existing level of service to those persons who share a protected characteristic becomes increasingly difficult.



Marcus Jones  
Parliamentary Under Secretary of  
State (Minister for Local Government)  
Department for Communities  
& Local Government  
2 Marsham Street  
London SW1P 4DF

4 November 2015

Dear Minister

### **LOCAL GOVERNMENT FINANCE SETTLEMENT**

Thank you for taking the time to meet representatives of north east London Boroughs most affected by the current local government funding settlement, on 15 September. As promised, this letter provides more detail in support of the points made during our meeting, and it is our intention that this should form part of the deliberations to finalise funding settlements in the forthcoming spending review, and subsequent distribution of funding from DCLG.

The current local government funding settlement is inequitable in its distribution methodology. Whilst the retention of business rates provides a good incentive for many Councils to grow their economic base, and is welcomed, the underlying need in each borough also needs to be recognised. Put simply, much as we might want and intend to have booming local economies, there will still be needs in our local populations that cannot be ignored. By funding those needs equitably, it gives every borough the chance to improve the quality of life for its citizens.

The previous funding distribution mechanism included the grant damping mechanism, which had the effect of moving funding away from Councils assessed as in need, to give all Councils, whether they were as assessed as in need or not, a minimum percentage funding increase. The impact on the funding settlement in 2012/13 is shown on the map in Appendix 1, and the per

**Doug Taylor**  
Leader of the Council  
Enfield Council  
Civic Centre, Silver Street  
Enfield EN1 3XA



Phone: 0208 379 4116  
Email: [cllr.doug.taylor@enfield.gov.uk](mailto:cllr.doug.taylor@enfield.gov.uk)  
Website: [www.enfield.gov.uk](http://www.enfield.gov.uk)



capita impact is shown (very markedly) in Appendix 2. Damping in itself is inequitable, but when the grant damping mechanism, which was originally intended to be unwound over a number of years, was frozen into the baselines that are now the foundation of the current funding settlement, the funding shortfalls became even more significant. Circumstances in London are unique across the country.

The rapid population growth in our boroughs is well above the National average. This growth has not been reflected in our funding settlements, and, on current plans, nor will they be until the baselines are reviewed and in place by 2020/21. Interestingly, in the consultation paper issued by the DOH in April 2015 on the public health funding formula, the need to reflect up to date population figures is very clearly recognised. Just like public health, the costs of services in our boroughs is driven by population size and deprivation (of which public health is a component), and we would like to see a consistent approach to the use of population data in the way financial settlements are calculated for local authorities.

Similarly, our boroughs are experiencing worsening deprivation, which is driven by a number of factors explained later and which culminates in increasing demand for a range of services. As explained at the meeting, all boroughs represented are feeling the impact of this growing pressure on our demand led budgets, which is producing significant overspends across a range of service areas. The attachment to this letter explains these pressures in more detail.

Our case made to you on 15 September is twofold, and based on the evidence in the attached document. Our first request is that we are provided with an equitable share of funding to ensure that, within London, the growing needs in our borough are funded on the same basis as other authorities. That will enable us to deliver the services required to help grow our economic and housing base, and, at the same time, give all of our citizens a better chance of benefitting from that. Although the precise mechanism should be left to your officials to determine, this transitional funding should be made available to cover the gap between now and a longer term solution to this aspect of local government funding. The amount of the transitional relief should at least cover the cost/loss arising from grant damping in each borough, plus the ongoing impact of increasing deprivation and high population growth (the latter two points are not reflected in the current settlement because of the freezing of baselines in 2013/14), as well as significant additional costs not currently funded –cases with No Recourse to Public Funds and Unaccompanied Asylum Seekers.



Our second request is that our boroughs are actively involved in developing the longer term solution for local government, so that the good parts of the existing system are maintained, whilst the inequitable parts - resulting from damping and its hard wiring into current baselines – are addressed and replaced by a more balanced approach to resource allocation. Indeed, the recent announcement by the Chancellor provides many opportunities to improve the equity of funding for local authorities, as well as significant risks if not carefully managed, and officers in each of our boroughs would be pleased to be involved in developing the detail behind the new proposals.

We look forward to hearing from you and, should you require any further information, please do let us know.

Yours sincerely



**Doug Taylor**  
**Leader of Enfield Council**

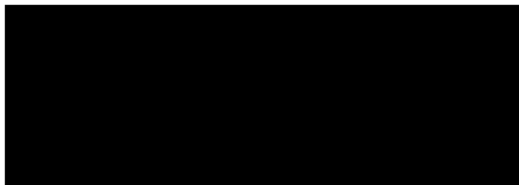


**Darren Rodwell**  
**Leader of Barking and Dagenham**

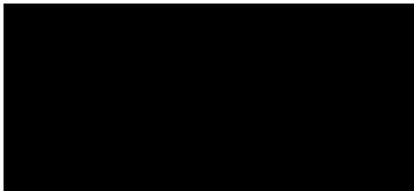




**Tony Newman**  
**Leader of Croydon Council**



**Robin Wales**  
**Mayor of Newham Council**



**Jas Athwal**  
**Leader of Redbridge Council**



**Chris Robbins**  
**Leader of Waltham Forest Council**

Copy to:

Greg Clark, Secretary of State for Communities and Local Government  
Cabinet Members for Finance: Barking & Dagenham, Croydon, Enfield,  
Newham, Redbridge, Waltham Forest

Chief Executives: Barking & Dagenham, Croydon, Enfield, Newham,  
Redbridge, Waltham Forest

Finance Directors: Barking & Dagenham, Croydon, Enfield, Newham,  
Redbridge, Waltham Forest



Department for  
Communities and  
Local Government

Councillor Tony Newman  
Leader – Croydon Council,  
Bernard Weatherill House,  
8 Mint Walk,  
Croydon,  
CR0 1EA

**Marcus Jones MP**  
*Minister for Local Government*

**Department for Communities and Local  
Government**

Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Tel: 0303 444 3460  
Fax: 020 7035 0018  
E-Mail: [marcus.jones@communities.gsi.gov.uk](mailto:marcus.jones@communities.gsi.gov.uk)

[www.gov.uk/dclg](http://www.gov.uk/dclg)

Our Ref: 1624068

*Dear Councillor Newman*

16 DEC 2015

You submitted a request in March 2015 for additional funding in order to meet rising service pressures in your Boroughs and to mitigate your estimate of the shortfall in your Revenue Support Grant due to the continued impact of the damping methodology in the 2013-14 local government finance settlement. We considered those requests carefully but declined to give your authorities additional funding for the reasons set out in our letter of 31 March 2015.

You will remember that I then met with a number of you on 15 September to consider the evidence that you had put forward on additional pressures faced by your boroughs.

At this meeting, you had two requests; firstly a repeat of the request for additional funding to meet the cost of what you felt were unique pressures faced by your boroughs, and secondly, that we involve your boroughs in future development of the local government finance system.

After careful consideration of the evidence that you presented, I have decided that no additional funding will be granted. This is again in light of the overall funding position of your authorities, including reserves (which are of course not considered in the spending power calculations for the settlement). This overall funding position places them in a relatively strong position to manage increased demand for services in the context of severe overall financial constraints, and to take advantage of the incentives for growing the business rates tax base and New Homes Bonus.

You have also asked us to consider the evidence you provided in your letter of 4 November in deliberations to finalise funding settlements in the forthcoming spending review, and the subsequent distribution of funding from DCLG. In terms of the overall envelope, which was set out in the Spending Review, local government spending will be remaining flat in cash terms at £44.3 billion in 2019-20 compared to the £44.5 billion the sector received this year (2015-16). This includes an extra £3.5 billion for adult social care, in recognition of the pressures faced by authorities delivering these services.

We will shortly be consulting on the provisional local government finance settlement for 2016-17, where we will continue to consider the additional evidence you provided us with alongside any representations you make in response to that consultation. We would very much welcome your views.

Regarding your second request, I welcome the opportunity for your involvement in the future development of the local government finance system. Following the Chancellor's announcement of 05 October on the move to 100% retention of business rates by the end of this Parliament, we have made clear that we will be consulting with the local government sector on the design of the reforms and we would very much welcome your involvement with this.

*Yours sincerely,*



**MARCUS JONES MP**

Date: 05 January 2016

Rt Hon George Osborne MP  
Chancellor of the Exchequer and First Secretary of State  
HM Treasury,  
1 Horse Guards Road,  
SW1A 2HQ

Dear Mr Osborne,

I am writing on behalf of Croydon Council, calling on you to give Croydon a fair deal with respect to our grant funding settlement, a grant settlement that has been cut by 41% since 2010 by your Government.

Croydon residents receive only £300.95 per capita of funding compared to other London Boroughs such as Lambeth, who receive £533.46 per capita, or Westminster who receive twice the level of our funding per capita of £604.47.

To make matters worse, we have also seen significant in-year cuts to our funding that have forced us to close valuable public services like our adult education services in Coulsdon and have given us little choice but to consider charging for popular services like the garden waste collection. This decision, forced upon us by your Government's settlement for Croydon, resulted in a petition of over 10,000 residents unhappy with the consequences of your austerity policies.

You will undoubtedly be familiar with the challenges of a London Borough and Croydon is no exception facing significant financial pressures from population growth, deprivation, homelessness and temporary accommodation, welfare reform, unaccompanied asylum seeking children, people with no recourse to public funds, school place demand and supply, looked after children and inadequate public health funding.

In order to manage these unfunded pressures, the Council has had to implement the following measures:-

- Voluntary Severance Scheme for all Staff;
- Freeze on all recruitment;
- Dismissal of all agency staff over 12 months;
- Maximisation of all fees and charges;
- Stop to all non-essential spend.

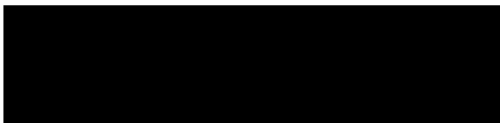


These funding cuts that force changes in quality, frequency and provision of services are short-sighted and lead to greater spending in the long run. I would therefore welcome the opportunity, with the Chief Executive of Croydon Council, to meet with you to discuss in particular Croydon's funding but also local Government funding in general.

I believe it would be a good opportunity for you to gain a better understanding of the importance of local government by hearing from professional officers and politicians that work at this level.

I hope you are willing to take up my challenge.

Yours sincerely



Councillor Stuart Collins

Deputy Leader, London Borough of Croydon

<b>REPORT TO:</b>	<b>CABINET 22 FEBRUARY 2016</b>
<b>AGENDA ITEM NO:</b>	
<b>SUBJECT:</b>	<b>PRE-DECISION SCRUTINY RECOMMENDATIONS RELATING TO THE PROPOSED COUNCIL BUDGET 2016/17</b>
<b>LEAD OFFICERS:</b>	<b>SECTION 151 OFFICER</b>
<b>CABINET MEMBERS:</b>	<b>Councillor Tony Newman, Leader of the Council  Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> The budget is part of the Council's <b>Policy Framework</b> . And it is open to scrutiny to comment on policy proposals.	
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b> Croydon a Place to Live and Work; Fairness – Equalities, Open & Accountable; Croydon Safe & Secure; Sustainable Transport.	
<b>FINANCIAL IMPACT:</b> The recommendations in this report may have a financial implication and as each recommendation is developed the financial implication will be explored and approved.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> not a key decision	

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

**1. RECOMMENDATIONS**

The Cabinet is recommended to consider the recommendation made to it (Cabinet) by the Scrutiny and Overview Committee at its meeting of 15 December 2015 as part of its consideration of the 2016/17 Budget Proposals and that feedback be provided to the Scrutiny and Overview Committee at its meeting on 22 March 2016.



## 2. EXECUTIVE SUMMARY

- 2.1 This report asks the Cabinet to consider the recommendation made to it (Cabinet) by the Scrutiny and Overview Committee at its meeting of 15 December 2015 as part of its consideration of the 2016/17 Budget Proposals and that feedback be provided to the Scrutiny and Overview Committee at its meeting on 22 March 2016.

## 3. SCRUTINY RECOMMENDATIONS

- 3.1 The Scrutiny and Overview Committee, at its meeting on 15 December 2015, **RESOLVED** to recommend to Cabinet that following the pre-decision scrutiny of the proposed Budget 2016/17 at the Scrutiny and Overview Committee meeting on 15<sup>th</sup> December 2015, it (Cabinet) protects community groups looking to use parks and open spaces for community events including festivals from charges relating to access to these spaces and the use of facilities (eg. toilets) for events and that the Leader and Cabinet takes this recommendation into account in drawing up proposals for submission to the Council.
- 3.2 For information, the Committee also **RESOLVED** to welcome the offer from the Chief Executive of a Members briefing on the future funding of the council and to ask officers to make the necessary arrangements.

## 4. CONSULTATION

- 4.1 No consultation is required for these responses.

## 5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 The recommendations in this report may have a financial implication and as the recommendation is developed the financial implication will be explored and approved.

## 6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that there are no direct legal implications arising from this report but that advice will be provided as needed in respect of implementation of the individual recommendations.

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

## 7. HUMAN RESOURCES IMPACT

There are no Human Resources considerations arising from this report.

**8. EQUALITIES IMPACT**

The Council is required to take account of the needs of disabled people and other protected characteristics as defined by the Equalities Act.

**9. ENVIRONMENTAL IMPACT**

There are no direct implications arising from this report.

**10. CRIME AND DISORDER REDUCTION IMPACT**

There are no direct implications arising from this report.

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

11.1 These are provided in the minutes set out in Appendix A attached.

**12. OPTIONS CONSIDERED AND REJECTED**

12.1 Information about options considered and rejected are given in Appendix A where relevant.

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**CONTACT OFFICERS:**

**BACKGROUND** None

**Appendix A**

**Draft minutes of the Scrutiny and Overview committee meeting on 15 December 2015**

## SCRUTINY AND OVERVIEW COMMITTEE

Minutes of the meeting held on Tuesday 15 December 2015 at 6:32pm in the Council Chamber, the Town Hall, Croydon

This meeting was filmed for broadcast on the council's internet site at:  
<http://www.croydon.public-i.tv/core/portal/home>

### MINUTES – PART A

**Present:** Councillor Sean Fitzsimons  
Councillors Sara Bashford (Vice Chairman), Emily Benn,  
Carole Bonner (Deputy Chair), Mario Creatura and David Wood

Also in attendance for part or all of the meeting:

Councillor Hamida Ali  
Councillor Alison Butler  
Councillor Jason Cummings  
Councillor Simon Hall  
Councillor Tony Newman  
Councillor Joy Prince

#### **A34/15 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Sherwan Chowdhury during the meeting. Councillor David Wood was present as his reserve.

#### **A35/15 MINUTES**

The Part A minutes of the meetings held on 3 November 2015 and 9 November were agreed by the Committee and signed by the Chair.

The Part B minutes of the meeting held on 9 November were agreed by the Committee and signed by the Chair without the need to exclude the press and public from the meeting.

#### **A36/15 DISCLOSURES OF INTERESTS**

None.

#### **A37/15 URGENT BUSINESS**

None.

**A38/15 EXEMPT ITEMS**

**RESOLVED** – that the allocation of business on Part A of the Agenda be confirmed.

**A39/15 PRE-DECISION SCRUTINY – PERFORMANCE AND THE PROPOSED COUNCIL BUDGET 2016/17 (Agenda item 6)**

Present for this item:

Councillor Tony Newman, Leader of the Council  
Councillor Simon Hall, Cabinet Member for Finance and Treasury  
Councillor Hamida Ali, Deputy Cabinet Member for Finance & Treasury  
Nathan Elvery, Chief Executive of the Council  
Richard Simpson, Assistant Chief Assistant (Resources and Corporate Services) and Section 151 officer

The Leader of the Council gave a short introduction to the item and included the following in his comments:

- These are unprecedented times for local government with cuts to the grant of over 55% over the past five years and that further cuts are expected
- The council will need to look at working to a new model of funding as it is expected that funding through grants will become a thing of the past and the council will need to do more with less
- In addition, in year pressures applied after Croydon had set its budget had hit services such as CALAT<sup>1</sup> and UASC<sup>2</sup>
- The announcement by the Chancellor of the Exchequer to impose a 2% precept on the Council Tax, ring-fenced for adult social care, was another issue
- In order to address these challenges by working differently, by working with partners and sharing services and by looking to reduce staff through a voluntary severance scheme and accelerate the digital agenda alongside other initiatives
- Nonetheless the council was continuing to focus on its green clean initiative, its ambitious growth agenda and deliver services against a tough backdrop to the budget.

The Assistant Chief Executive made a presentation on the impact of austerity and an update on the settlement and the outcomes of the comprehensive spending review. The Chief Executive added to the presentation by giving his vision for the council of the future. The presentation has been uploaded to the council website and can be found [here](#).

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<sup>1</sup> Croydon Adult Learning and Training service

<sup>2</sup> Unaccompanied Asylum-seeking children

The Cabinet Member for Finance and Treasury added the following:

- Funding for the council currently is split 50:50 between the local government grant and income from council tax, business rates etc.
- The population in the borough was increasing and although this resulted in an increase in council tax receipts, there was also a corresponding increase in service needs
- In responding to the pressures on the budget, the council was:
  - Rationalising back office functions
  - Reviewing non-statutory services
  - Reviewing how it delivers statutory services
  - Focusing its investment where it makes the biggest impact
  - Working differently eg. digital and enabling; top 50 families support; Gateway phases 1 and 2

Councillor Jason Cummings, Shadow Cabinet Member for Finance and Treasury, had made a formal request to ask questions.

Before opening the floor to Members questions, the Chair asked if there were any hidden or mis-described cuts in the budget. The Leader assured the Committee that there were not. He added that as the local government settlement had not yet been announced by government and that there was resulting uncertainty this may lead to some changes as more information becomes available.

The Leader stated that the council was looking to do more for less, was working differently and was not looking at 'salami slicing' services to make the savings necessary.

### **Council staff reductions**

The Chief Executive stated that:

- He was as confident as he could be that the transformation programme enable the council to make choices about how services are delivered with a reduced level of staff
- In relation to the proposed cut of 2 FTE scrutiny staff, these posts had been vacant for much of 2015/16. There had, he said been a lot of good scrutiny work during the year, notably the Young People takeover meeting, and that he did not expect to see any diminution of scrutiny in the next year. He added that the digital and enabling programme was expected to help deliver improvements to productivity.
- As some staff apply for the voluntary severance scheme and start to leave the council, options to transform some services will need to be considered and some reduction in some services could be expected
- Staff have been taken through these options already and well-being support was in place for those leaving the council
- Voluntary severance was the preferred route but the council could not guarantee any job in the current climate and that any staff affected about potential job losses will be consulted

The Leader added that frontline services will be protected, partnership working and 'joined up working' continues to be important and that the council needs to evolve so that it delivers services with reduced funding and staff

The Cabinet Member stated that the proposals in relation to release time for Trade Union representatives had been developed with the three Unions and that they were in agreement with the proposals.

### **Shared services**

The Assistant Chief Executive informed the Committee that Oracle covers HR, finance and payroll and that Croydon shares these services with 5 other boroughs. He added that the council was now working on wider collaboration with Lambeth on a number of services including some transactional work and professional services and that a business case for this was being developed.

### **Pensions**

The Assistant Chief Executive stated that:

- The next actuarial review will be based on March 2016 figures and will therefore impact on the 2017/18 council budget
- Asset performance has been strong over the past few years and assets are diversified
- Actuaries are now more flexible about 'smoothing' valuations to avoid sharp peaks and troughs
- The council was working to reduce management feeds and overhead costs over the next few years
- The deficit recovery period is 22 year and that as the council has staff and contributes to the scheme this is realistic

The Cabinet Member added that the council will continue to align assets over the medium term to optimise its position.

### **Sale of fixed assets**

The Assistant Chief Executive informed the Committee that notwithstanding the recent government announcement that would allow the blurring between capital and revenue receipts for the purpose of transformation projects. He stated that as Section 151 officer he would look for business case to be made to enable receipts from the sale of fixed assets to be used for this purpose and added, that a significant saving to the council by reducing borrowing could be a reason for allowing this use.

### **Borrowing**

The Assistant Chief Executive stated that:

- Borrowing had increased by £4.5m over the previous year to enable the council to buy out the John Laing equity in Bernard Weatherill House adding that this would provide a saving in the long term

- In 2015/16 the council had borrowed at a better rate than originally forecast resulting in a saving on the education building programme which equated to 1% of £100m
- The council had therefore underspent on borrowing against budget in 2015/16 and was not expecting an increase in 2016/17
- The council will arrange borrowing for regeneration projects such as the College Green and Fairfield redevelopment where it can capitalise interest payments and generate returns
- In the future the council was looking to take shorter term loans to 'match' the time period of these regeneration projects rather than the considerably longer, traditional loan periods

### **Grant funding**

In response to questions from the Shadow Cabinet Member, the Assistant Chief Executive confirmed that:

- The information provided in the presentation on the cumulative grant loss to Croydon was the change from one year to the next and that it was a 'like for like' equivalent of the grant in 2010
- The individual grant losses compared to the previous year and cannot therefore be added together although he would re-work the figures and circulate these to Members

The Chief Executive stated that traditionally there had been focus on the grant as it was based on assumptions of need including the ability for councils to raise money locally. Now local authorities are seeing significant reductions to the grant and as their two other major income streams (Council Tax and Business Rates) are controlled by government income overall is therefore down.

The Leader added that it is legitimate to separate government funding from funding raised locally such as through Council Tax and Business Rates.

### **Council Tax**

- The Leader stated that the 2% precept for adult social care on council tax announced by the government had been imposed and that if the council didn't pass on this charge to residents it would have less to spend on adult social care
- The Assistant Chief Executive informed the Committee that 2% of the council tax equated to £2.7m and that arrangements for ring-fencing the money generated would be announced by government on 17 December 2015. He added that modelling indicated that if the council did nothing increased demand would cost an additional £3-4m per year. Regardless of where the funding came from, the council was facing a massive problem with a predicted 60% increase in the adult population and increased demand for service. Outcome-based commissioning and redesigning services were therefore crucial to help build in resilience

- The Chief Executive added that Croydon's bill for adult social care was considerably larger than £2.7m

### **Business Rates**

The Assistant Chief Executive stated that:

- The government will be consulting on the proposed changes to Business Rates in 2016
- The council will respond to the consultation and was aware that additional responsibility would come with the changes
- The council will stress the importance of reflecting the needs and demographics of the population in future funding arrangements
- Under the new arrangements local authorities will be able to reduce business rate costs and businesses are likely to apply pressure for this outcome

### **Public Health**

The Chief Executive stated that:

- Cuts to the public health budget by government was short-sighted as prevention work could generate long term cost savings
- The public health team was already considering the potential impact of the proposed cuts and the removal of ring-fencing
- A new director of Public Health Croydon had been appointed recently and will lead the response to the changes

### **Provision of services**

The Leader stated that the values and principals which are driving the cuts are a manifesto commitment to protect frontline services while fulfilling growth ambitions for Croydon. There are hard choices to be made such as the proposal to charge for garden waste services.

### **Contracts**

The Cabinet Member stated that the contract management process has been reviewed and contracts are being managed differently. Where contracts need to be renegotiated to meet the changing needs of the council it is seeking flexibility from contractors. The council is also redesigning its contracts to meet its needs including looking at challenging the length of some contracts and break points.

### **Voluntary sector funding**

- The Assistant Chief Executive stated that a 10% saving was coming from a range of current budgets including the Stronger Communities Fund and budgets held by the People department
- The Cabinet Member added that the council was moving to refocus on outcomes so that the same organisation is not funded twice for the same work or that two different organisations were not funded for the same work



### **Children and young people**

- The Leader stated that although the 5% cut to schools funding in Croydon was less than for some other authorities, the council was unfairly funded in the first place given the demand for additional school places in the borough
- The Cabinet Member added that Croydon had a fast-growing young population and this presented a significant pressure on the council
- The Assistant Chief Executive informed the Committee that a review of Residential Care would not change the council's approach to this service, though there would be less places and the review would consider how it could link to the 50 families work

Councillor Carole Bonner stated that she had visited the Gateway service, was very impressed with what was happening and had noted that small changes can improve outcomes and save money. The Chief Executive said that he would convey these comments to the team.

### **Agency fees**

- The Leader stated that the council would like to reduce its reliance on agency staff and achieve a better long term retention of staff in roles including social work.

### **Cultural services**

- The Assistant Chief Executive confirmed that there would be no changes to the number of libraries in 2016/17 but there was a target to move towards community libraries in 2017/18.

The Leader added that:

- The Cabinet Member for Culture, Leisure and Sport was clear that library services will need to be delivered differently and that the council will need to work in partnership with the community to deliver these in the future
- The council did not view culture as a 'nice to have' and believed that it was an important part of the growth agenda, ensuring that people wanted to live here and businesses wanted to be based here

### **Parks**

- The Leader confirmed that community groups would not be charged for services (such as obtaining the keys to toilets) when holding festivals within parks. He added that some work was being done to establish if support for events in parks could be done more efficiently.

### **Green Waste**

- The Leader confirmed that green waste collections would only be undertaken in the future as a paid for service and that sufficient residents needed to sign up before the January deadline for this to be put in place.

- The Cabinet Member added that the deadline had been set for January in order to allow for arrangements to be made in time for spring collections to start
- The Chief Executive confirmed that as of 15 December 2015, 6100 residents had signed up for the new paid for service

Following comments from Members, the Leader undertook to revisit the letter to residents which was reported to be confusing. He confirmed that 30 residents had visited Access Croydon to sign up online and that residents having difficulty with online or telephone sign-up would be supported.

### **Regulatory services**

The Assistant Chief Executive stated that the phase 1 of the Eyes and Ears project has been delivered and that savings have been achieved eg. by bringing all enforcement services together. He added that technology allows for increased productivity and help reduce costs eg. in planning.

The Chief Executive stated that there a seismic shift in how the council was funded, that the risks and relationships between the sources of income was complex and would become more so. He offered to hold a briefing session for all Members on this matter.

The Committee **RESOLVED** – to:

- 1) Recommend to Cabinet that following the pre-decision scrutiny of the proposed Budget 2016/17 at the Scrutiny and Overview Committee meeting on 15<sup>th</sup> December 2015, it (Cabinet) protects community groups looking to use parks and open spaces for community events including festivals from charges relating to access to these spaces and the use of facilities (eg. toilets) for events
- 2) Welcome the offer from the Chief Executive of a Members briefing on the future funding of the council and to ask officers to make the necessary arrangements

Councillor Sean Fitzsimons thanked Members and officers for attending the meeting and for their answers to questions from the Committee.

## **A40/15 SCRUTINY WORK PROGRAMME 2015-16 (Agenda item 7)**

Present for this item:

Solomon Agutu, Head of Democratic Services and Scrutiny

Councillor Sean Fitzsimons informed the Committee that since publication of the papers for this meeting, it had been proposed to move the Scrutiny and Overview Committee meeting scheduled for 19<sup>th</sup>

January 2016 to **Tuesday 16<sup>th</sup> February 2016**. It was suggested that the meeting on 19<sup>th</sup> January 2016 be cancelled.

Members **RESOLVED** - to:

- 1) Agree to change the date of the next meeting of the Committee from 19<sup>th</sup> January 2016 to 16<sup>th</sup> February 2016 and to cancel the meeting scheduled for 19<sup>th</sup> January 2016;
- 2) Agree the scrutiny work programme overview for 2015-16 as set out in Appendix 1 of the report;
- 3) Agree the scrutiny work programme for the Scrutiny and Overview Committee 2015-16 – Appendix 2 of the report.

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PART B

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None

The meeting closed at 9:22pm.

**Agenda item 8.1 Cabinet Report 22nd February 2016**

**DEDICATED SCHOOLS GRANTS**

**Table 1 – Analysis of DSG**

<b>DSG funded services</b>	<b>£m</b>
Individual Schools budget (before recoupment)	241.94
High Needs Budget	49.05
Early Years Budget	21.59
<b>Total DSG funded Services</b>	<b>312.58</b>

**DSG allocation for Croydon 2016/17**

The DSG for 2016/17 for Croydon including Academies is £312.58m. Academy recoupment is estimated at £125m in 2016/17, reducing the DSG total to £189.58m.

Academy recoupment currently stands at £123m in 2015/16.

The per pupil amount of funding for the schools block in 2016/17 is £4,855.90, and £4,564.33 for the early years block. The latest schools block and early years block pupil numbers used to calculate DSG are 49,810 and 4,023 respectively. These numbers are based on the October 2015 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2015 will be used to update Croydon's DSG allocation with more accurate early years pupil numbers during 2016/17.

The early years block received £0.494m for indicative early years pupil premium funding, included in the £21.59m detailed above

**Croydon Council**

**Pay Policy Statement 2016-17**

**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 2016-17 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. In accordance with the Secretary of State’s Guidance “Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011” issued in February 2012 and the Supplementary Guidance issued in February 2013 Full Council has delegated to the Appointments Committee the function of deciding, in respect of severance packages, whether the Council wishes to vote on a severance package above such specified threshold as may, from time to time, be updated by statutory guidance. In addition the Council has delegated to the Appointments Committee the functions of voting respectively on salary packages upon appointment of staff and, where the Appointments has determined that it wishes to exercise its power to vote, in respect of severance packages of staff where the packages are above such specified threshold as may, from time to time, be updated by statutory guidance. For these purposes the specified threshold is currently £100,000.
- 1.5. Once approved, all remuneration paid to officers will comply with this policy for the 2016-17 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 and grading structures, including basic pay, for the Chief Executive and Head of Paid Service, Executive Directors, Directors and posts graded CSR A and CSR B 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) 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.<sup>1</sup>

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 (including posts titled “Assistant Chief Executive”); and
- b) Tier 2: Heads of service and certain senior staff reporting to Directors on grades CSRA and CSRB.

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<sup>1</sup> A small in-house bailiff service is to be established during 2016-17. This may require local pay arrangements including performance pay, applicable to this group of employees only to reflect market and occupational-specific factors.

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 £180,000 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 2014 and therefore is due for review in July 2016.
- b) Executive Directors are currently paid a spot salary of £150,000; there is no incremental progression for these posts.
- c) Directors are paid a spot salary of one of four pay reference points; there is no incremental progression for these posts.
- d) Head of service and senior staff reporting to Directors are currently placed on a salary determined by an evaluation of their post using the Hay job evaluation scheme (for posts graded, CSR A, and CSR B) 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 at the time of appointment and reviewed every two years thereafter, the next review date being July 2016. 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. The pay of the Chief Executive and Head of Paid Service is due for review during the lifecycle of this pay policy.
- 3.4. The spot salaries for Executive Directors and Directors are subject to review every two years, with the next review due effective from April 2017. Salaries may be reviewed earlier when recruiting to the post or to maintain parity with the salary of a related post being recruited to. Salaries on appointment that exceed the £100,000 threshold set by the Secretary of State will be approved by the Appointments Committee.
- 3.5. It is proposed, subject to consultation with staff, to introduce revised pay arrangements during 2016/17 for staff on Croydon Special Range grades, mirroring the principles that apply to pay for Tier 1 including: spot pay with five 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 the basic pay set out in 3.1 above, elements of

“additional pay”, other than those that constitute re-imbusement 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. Any market supplement for the Chief Executive will be determined by the Appointments Committee. 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, or in the case of the Chief Executive, will not exceed the 1:11 ratio.
- 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 his 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 rare circumstances and subject to approval of the Director of Human Resources where it is necessary for a newly appointed employee to relocate to take up appointment a contribution towards relocation expenses may be made. The same policy applies to the Chief Executive and Head of Paid Service, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. A copy of the scheme is attached as Appendix B.
- 3.9. In accordance with the delegations agreed by Full Council the Appointments Committee is responsible for agreeing the salary for new appointments that exceed the specified threshold set, from time to time, by statutory guidance. The threshold, set by the Government, is currently £100,000.

#### 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 £100,000.

#### 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 which is expected to become effective by 01 April 2016.
- 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 2016 the full-time equivalent annual pay of the lowest paid employee will £17,646 which equates to an hourly rate of pay of £9.40 (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 2016-17 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:11.
  - The multiple between the lowest paid employee and the median chief officer is a ratio of 1:4.

- The multiple between the median pay and the chief executive and head of paid service's pay is a ratio of 1:6.
  - The multiple between the median pay and the average chief officers' pay is a ratio of 1:3.
- 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 him) including the total amount paid to each individual by way of: salary, including fees and allowances; performance related pay; expense allowances; compensation for loss of office; benefits in kind and

employers pension contributions. The Annual Statement of Accounts is published on the Council's website.

- 7.2. The Annual Statement of Accounts will also report on termination payments for all employees in keeping with international financial reporting standards. This will show the number of termination payments, within specific financial bands, made to employees during the year.

End

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**Pay structure for Chief Officers (excluding the Chief Executive and Head of Paid Service)**

**Tier 1**

<b>Post</b>	<b>Reference Point</b>	<b>Spot Salary</b>
Chief Executive	Single	£180,000*
Executive Director	Single	£150,000
Director (including "Assistant Chief Executive")	D4	£125,000
	D3	£115,000
	D2	£105,000
	D1	£95,000

\*this is for a fixed period July 2014 to July 2016

**Tier 2 (current)**

<b>Grade</b>	<b>Scp</b>	<b>Salary</b>
Croydon Special Range A	1	£58,173
	2	£60,150
	3	£62,127
	4	£64,095
	5	£66,078
Croydon Special Range B	6	£73,431
	7	£75,846
	8	£78,261
	9	£80,673

**Tier 2 (proposal, subject to consultation)**

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

**Car allowances and mileage payments**

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

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

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

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

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

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

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

**Eligibility**

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

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

**Conditions**

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

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

The employee is responsible for:

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

The manager is responsible for:

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



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

## Tax

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

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

\*subject to tax and NI contributions

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

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

*Council approved 1981.*

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

*Amended 010410: legislative changes*

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

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

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

### **2. GENERAL**

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

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

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

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

#### **4. REDUNDANCY**

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

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

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

more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

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

## **6. COMPLYING WITH LEGISLATION**

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

End

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

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

Continuous Service (Years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
18 <sup>2</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>2</sup> It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore the table starts from age 18.

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

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

**Notes:**

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

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

For General Release

<b>REPORT TO:</b>	<b>Cabinet 22 February 2016</b>	
<b>AGENDA ITEM NO:</b>	<b>8.2</b>	
<b>SUBJECT:</b>	<b>Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement &amp; Annual Investment Strategy 2016/17</b>	
<b>LEAD OFFICER:</b>	<b>Assistant Chief Executive (Corporate Resources and Section 151 Officer)</b>	
<b>CABINET MEMBER:</b>	<b>Cllr Simon Hall , Cabinet Minister for Finance and Treasury</b>	
<b>WARDS:</b>	<b>All</b>	
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>		
<p>Improving corporate capacity ensures that the Council delivers effective services contributing to the achievement of the Council's visions and corporate priorities. An effective and efficient Treasury Management Strategy linked to a Minimum Revenue Provision Policy Statement and an Annual Investment Strategy ensures that the Council's capital and investment plans are affordable, prudent and sustainable.</p>		
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b>		
<p>An effective and efficient Treasury Management Strategy linked to a Minimum Revenue Provision Policy Statement and an Annual Investment Strategy ensures that the Council's capital and investment plans are affordable, prudent and sustainable.</p>		
<b>FINANCIAL IMPACT:</b>		
<p>This report sets out the Council's Treasury Management objectives, which are to manage the Council's cash flows, borrowing and investments minimising the level of risk exposure; maximising investment yield returns; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in 2016/17 and the capital borrowing needs of the Council for 2016/17:-</p>		
	<u>£m</u>	<u>Total £m</u>
<b>1. In Year Borrowing Requirement (Gross)</b>	203.800	<u>203.800</u>
<b>2. Total Interest Payable on Debt</b>		
- chargeable to Housing Revenue Account (HRA)	12.535	
- chargeable to General Fund (GF)	19.554	
		<u>32.089</u>
In addition the report details the investment activities and the estimated level of income earned. <b>Investment Income</b> net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:-	<u>(0.971)</u>	<u>(0.971)</u>

## KEY DECISION REFERENCE NO.:

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

### 1. RECOMMENDATIONS

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

The Cabinet is asked to recommend to Full Council that it approve:

- 1.1. The Treasury Management Strategy Statement 2016/17 as set out in paragraphs 3.1 to 3.3 of this report including the recommendations that:

1.1.1. The Council takes up the balance of its 2015/16's borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.3.

1.1.2. That for the reasons detailed in paragraph 3.7, opportunities for debt rescheduling are reviewed throughout the year by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) and that, he be given delegated authority, in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2015-2019.

1.1.3. That delegated authority be given to the Assistant Chief Executive (Corporate Resources and Section 151 Officer) to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.

- 1.2. The Annual Investment Strategy as set out in paragraph 3.5 and as detailed in **Appendix B** of this report.

- 1.3. That the Affordable Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.6 and as detailed in **Appendix C** be as follows:

2016/17	2017/18	2018/19
£1,132.6m	£1,216.0m	£1,267.1m

- 1.4. The Prudential Indicators as set out in paragraph 3.8 and in **Appendix D** of this report.
- 1.5. The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in paragraph 3.9 and as detailed in **Appendix E** of this report.
- 1.6. The Council's authorised counterparty lending list as at 31<sup>st</sup> December 2015 as set out in **Appendix F** of this report and the rating criteria set for inclusion onto this list.

### 2. EXECUTIVE SUMMARY

- 2.1. The Council defines its treasury management activities as:



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

- 2.2. The CIPFA Code of Practice on Treasury Management in the Public Services (updated 2011) was approved and adopted by the Council on 10 February 2013 (Minute A31/13).
- 2.3. The Code recommends that the Council approve before the commencement of each financial year:
  1. A Treasury Management Strategy for borrowing;
  2. An Annual Investment Strategy setting out the Council’s policies for managing its investments;
  3. A statement on the Council’s policy for its annual Minimum Revenue Provision (MRP) (repayment of debt).
- 2.4. The Local Government Act 2003 requires the Council to have regard to CIPFA’s Prudential Code for Capital Finance in Local Authorities 2011, to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which incorporates these indicators, also details the expected treasury activities for the year 2016/17, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.
- 2.5. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its expenditure requirement for each financial year to include the revenue costs that flow from capital financing decisions.

### **3. DETAIL OF THE REPORT**

These strategy policies and statements cover:-

- The Current Treasury Position;
- The Borrowing Strategy and Borrowing Requirement;
- Prospects for Interest Rates and the Economic Outlook;
- The Annual Investment Strategy;
- Treasury Limits (as specified by the Local Government Act 2003);
- Debt Rescheduling and Repayment;
- Prudential Indicators;
- The Minimum Revenue Provision Policy Statement.

#### **3.1. The Current Treasury Position**

The Council’s Treasury Management Strategy Statement for 2016/17, which is set out in paragraphs 3.1 to 3.3, incorporates the current treasury position and the overall borrowing strategy that is being recommended.

The Council’s treasury position as at 31st December 2015 comprised:

**Table 1: Borrowing by the Council**

		<b>Principal £m</b>	<b>Average Rate %</b>
<b>Fixed Rate Funding</b>	- PWLB <sup>1</sup>	574.926	3.95
	- Other <sup>2</sup>	0.315	3.50
	- LOBO <sup>3</sup>	79.500	3.91
	- Local Authorities <sup>4</sup>	42.500	1.50
	- Amber Green LEEF 2LLP <sup>5</sup>	3.575	1.80
	- European Investment Bank	25.745	2.292
<b>Variable Rate Funding</b>	- LOBO <sup>3</sup>	60.000	4.23
Internal Loans – Trust Funds		0.023	0.25
<b>Total External Debt as 31/12/15</b>		<b><u>786.584</u></b>	<b><u>3.70</u></b>
<b><u>Additional</u></b>			
GF borrowing requirement outstanding for 2015/16		103.270	
HRA borrowing requirement outstanding for 2015/16		5.217	
<b>Estimated Debt as at 31/03/16<sup>6</sup></b>		<b><u>895.071</u></b>	<b><u>3.70</u></b>

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/12.

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

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

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

5. Amber Green LEEF (London Energy Efficiency Fund) 2LLP acts as an intermediary for the advancement of funding from the European Investment Bank (EIB).

6. Note that this amount represents the maximum and the actual figure is likely to be lower as internal balances and maturing investments may be used for funding purposes.

**Table 2: Temporary Investments**

	<b>Principal £m</b>	<b>Average Rate %</b>
<b>Temporary investments outstanding as at 31/12/15</b>	<b>125.435</b>	<b>0.71</b>
<b>Estimated temporary investments outstanding as at 31/03/16</b>	<b><u>100.000</u></b>	<b><u>0.71</u></b>

## 3.2. The Borrowing Strategy

- 3.2.1. The cost of taking up borrowing is reflected in the budgets set for the year and is therefore affordable. There will be no Housing Revenue Account (HRA) supported borrowing allocations for 2016/17 or for future years. The HRA operates within a limit on the amount of borrowing that can be accessed; this limit is set by the government. As at 1 April 2015, the HRA had headroom against this limit for an additional £11.409m of further borrowing. All of this additional borrowing would be unsupported. Of this amount, **£5.217m** will be taken up in 2015/16 with the balance being borrowed in future years as set out in Table 3 below. The cost of additional debt has been factored into the Authority's Financial Strategy planning assumptions and forecasts. With the Bank of England continuing to keep the base rate at historically low levels the Authority will seek to access the best opportunities to secure financing for the Capital Strategy at an affordable cost. The capital programme recommends the borrowing amounts detailed in 3.3 should be taken over the future three financial years; this recognises the strategic nature of the Council's infrastructure requirements. This, in turn, is partly in response to the current economic climate, which has seen a reduction in the ability of the private sector to invest in the Borough and partly as a result of the financial position the Council finds itself in which allows it to make this change in the capital programme.
- 3.2.2. Cabinet has agreed to set up a Revolving Investment Fund (RIF) to support the delivery of the Council's Growth Promise. The RIF will be an internal fund within the Council where funding is provided to schemes that support the Growth promise and also deliver a financial return. The focus will initially be principally on the delivery of a programme of development and regeneration on Council land. These will be funded outside the capital programme and be based on the projects delivering a return and therefore there should be no negative impact on the revenue budget. In fact there may be some positive impact from income streams such as rent. A sum of £100m has been included within the Council's overall borrowing headroom in 2016/17 to allow for the capacity to borrow for this purpose.
- 3.2.3. The Council has also formed a wholly owned Development company which will also be focused on regeneration in the borough, primarily relating to providing homes. The Council, as the main founder of the company, will provide loan facilities to the company which will count as capital investment in the project. There will also be a provision made for making equity investments in the company in the future. The appropriate changes have been made to the schedule of permitted investments to allow for this to take place – see 3.5.5. The company will be operated commercially and over time it is intended to deliver a financial return to the Council.
- 3.2.4. The Council has been working with the Greater London Authority (GLA) and Department for Communities and Local Government (DCLG) on a Growth Zone for the Croydon Opportunity Area (COA). The proposal has received support from the government and the Council is in the final stages of getting sign off for the business plan from CLG. The concept of the Growth Zone is that the Council invests in priority infrastructure to help deliver sustainable economic growth in Croydon, including increased homes and jobs. The debt taken out by the Council will be repaid from future business rates uplift in the COA. The GLA element of business rates uplift is also ring-fenced for debt repayment alongside the Council's. An allowance has been made in the borrowing assumptions for the expected investment over the next 3 years based on the business case being approved.

### 3.3. Borrowing Requirement

**Table 3: Borrowing Requirement**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total
		Estimate	Estimate	Estimate	£m
1. GF Prudential borrowing – funded through council tax.	51.4	82.6	60.7	9.3	204.0
2. HRA additional borrowing – unsupported by any grant funding.	5.2	6.2	0.0	0.0	11.4
3. Revolving Investment Fund (RIF)	0.0	100.0	0.0	0.0	100.0
4. Growth Zone	0.0	15.0	30.0	50.0	95.0
<b>In Year Borrowing Requirement (Gross)</b>	<b>56.6</b>	<b>203.8</b>	<b>90.7</b>	<b>59.3</b>	<b>410.4</b>
5. Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(5.5)	(6.2)	(7.3)	(8.2)	(27.2)
<b>In Year Borrowing Requirement (Net)</b>	<b>51.1</b>	<b>197.6</b>	<b>83.4</b>	<b>51.1</b>	<b>383.2</b>
6. Add previous years' outstanding borrowing requirement (not taken in that year)	83.1	0.0	0.0	0.0	83.1
7. Borrowing – to replace maturing debt	5.0	12.5	26.0	11.0	54.5
8. Less loans taken up in-year	(25.7)	0.0	0.0	0.0	(25.7)
<b>In Year Borrowing Requirement outstanding</b>	<b>113.5</b>	<b>210.1</b>	<b>109.4</b>	<b>62.1</b>	<b>495.1</b>

3.3.1. The gross in year borrowing requirement for 2016/17 has been estimated to be £203.8m. Of this, £82.6m relates to borrowing to fund the GF capital programme, £6.2m relates to borrowing for HRA projects, £100.0m is for RIF and £15.0m will be for the Growth Zone. The Council will continue to use cash balances where this can be done prudently to reduce the amount of borrowing that it undertakes.

3.3.2. The Council's budget report elsewhere on the Cabinet agenda provides details of the full Capital Programme requirements including RIF and the Growth Zone. In order to take advantage of any low long term interest rates, part of the following two years' borrowing requirement may also be taken in advance in 2016/17. Under CIPFA's Treasury Management Code of Practice 2011, local authorities are permitted to borrow in advance of their capital requirement where there is a clear business case for doing so and where

this will only be for the current capital programme or to finance future debt maturities. The Assistant Chief Executive (Corporate Resources and Section 151 Officer) will be responsible for managing the borrowing requirement and for ensuring that borrowing decisions are taken as part of the Council's Capital Strategy.

- 3.3.3. The borrowing requirement takes account of two of the main objectives of the Prudential Code which are:
- a. That capital expenditure plans are affordable; and
  - b. That all external borrowing and other long term liabilities are within prudent and sustainable limits.
- 3.3.4. The total interest payable on the Council's long term GF and HRA debt in 2016/17 is estimated to be £32.089m of which £12.535m relates to borrowing undertaken for HRA schemes and for the HRA self financing settlement and is charged to the HRA with the balance of £19.554m being charged to the General Fund (GF).
- 3.3.5. The alternatives available to finance the balance of 2016/17's borrowing requirement and future borrowing requirements are:

### **The Public Works Loan Board (PWLB)**

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

### **The Money Markets**

Loans obtained through the Money Markets are generally at rates higher than the PWLB because commercial debt providers factor in risk and the government does not need to as local authorities are treated effectively as government backed and so much less likely to default on any debt. In recent years a form of borrowing known as Lenders Option Borrowers Option (LOBO) loans have become a more popular option for local authorities. These loans are at a fixed rate of interest for an initial fixed period of time after which the lender has the option to vary the interest rate at pre-determined intervals. If the lender decides to exercise this option, then the borrower can decide whether to accept the new terms or to repay the loan with no penalties. Generally this form of borrowing is cheaper in the initial fixed period of the loan as interest rates are held lower in this period to attract borrowers. Advice will be sought from Capita Asset Services, the Council's independent treasury advisers before any new LOBO loans are taken up for future funding.

### **UK Local Authorities**

As UK local authorities struggle to identify approved counterparties to invest with and with low rates of returns being achieved as a result of this risk-adverse approach, the market has recently become more active in local authority to local authority lending for

periods in excess of one year. The interest rates quoted would always need to be below the PWLB's certainty rate to attract bids. Loans offered are up to the 5 year period as local authorities generally are reluctant to tie up funds any further than this period.

### **European Investment Bank (EIB) Funding**

In September 2013, the Council was successful in bidding for £20m of funding for energy efficiency and carbon reduction schemes within its capital programme. The funding will be advanced from the EIB through Amber Green LEEF 2LLP in two tranches. The first tranche was for up to £6m to be drawn down before 31 December 2014 at a rate of 1.80% over 9 years. Of this tranche, £3.575m was taken on 31 December 2014. The second tranche is for up to £14m to be taken up between 1 August 2015 and 31 July 2016 at an agreed rate of 2.50%. The comparable PWLB maturity certainty rate at the time that the agreement was signed was 3.39%

A separate credit facility has been set up with the 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 over the next few years. To date, a maturity loan of £25.745m has been 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%. The Council is therefore expected to make substantial savings of interest on this and future loans taken from the EIB.

### **Local Authority Bonds**

The increased divergence between PWLB and gilt rates coupled with inflexible market borrowing opportunities have created the conditions necessary to make the issue of local authority bonds, at a rate higher than the gilt rate but lower than the cost of PWLB borrowing, an attractive proposition. The Council has already undertaken extensive initial exploratory work on this subject and will continue to explore this option and to take advice from Capita Asset Services on all aspects of this type of funding.

### **Municipal Bond Agency**

The UK Municipal Bond Agency has been established to provide an alternate source of financing for local authorities. Authorities will be required to agree to a joint and several guarantee and be subject to the Agency's credit checks. Currently 58 local authorities are shareholders of the Agency.

### **Temporary Borrowing**

Temporary borrowing (up to 1 year) can be used as short-term finance in order to manage the capital cash flow requirement pending a more advantageous time to borrow long term.

### **Temporary Investments**

The next financial year is expected to be a time of continuing historically low bank rates. Currently, long-term borrowing rates are higher than rates achievable on investments and this situation is likely to continue throughout 2016/17. Therefore, as an alternative to taking up new external loans, consideration will be given to the use of temporary investments, as they mature, to fund the borrowing requirement. Council Officers, in conjunction with Treasury advisers, will continually monitor both the prevailing interest

rates and the market forecasts, adopting the most suitable strategies to likely movements.

- 3.3.6. Any borrowing undertaken will need to fit into the Council's existing debt maturity profile to ensure an even distribution of maturities in future years. A prudent target for debt maturing in any single year in line with best practice is considered to be a maximum of 15% of total outstanding debt. In terms of cost, the Council's overall external debt interest rate has remained consistently below the average of all London boroughs. This has been verified by CIPFA and the data is detailed below.

Average Interest Rate payable on long term external debt

	Financial Year ending 31 March								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
	%	%	%	%	%	%	%	%	%
Croydon	4.64	4.77	4.60	4.42	4.32	4.36	4.06	3.97	3.84
London Boroughs (Average)	5.66	5.90	5.82	5.65	5.11	4.39	4.55	4.49	4.51

The above data is attached as a chart in **Appendix G**.

- 3.3.7. The Authority's long-term debt profile as at 31<sup>st</sup> December 2015 is set out in **Appendix A**. The level of additional debt proposed within this report positions the Authority comparable to other boroughs of a similar profile facing similar challenges. As set out by this report and illustrated by the Prudential Indicators shown in full in **Appendix D**, the proposed level of debt meets the affordability criteria.

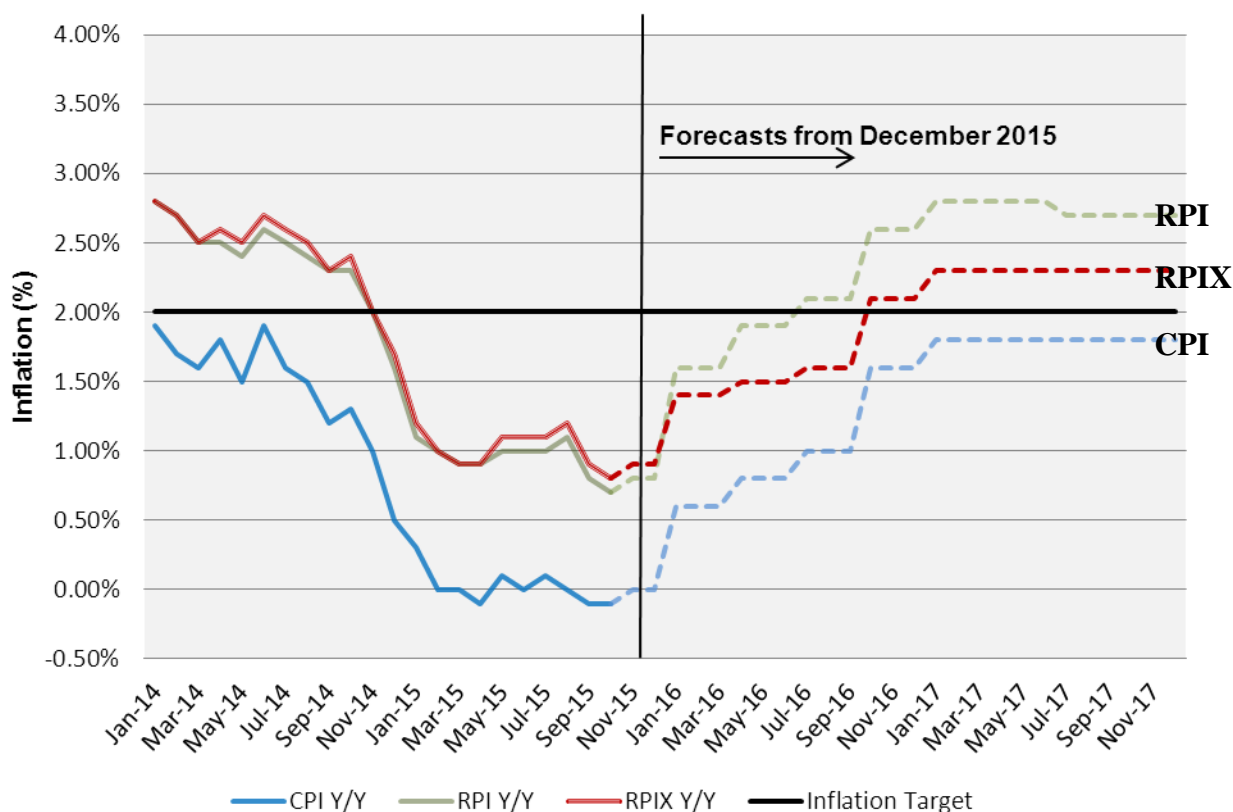
**3.4. Prospects for Interest Rates and the Economic Outlook**

- 3.4.1. To effectively manage the risks inherent in treasury management the team needs a clear understanding of the macro-economic factors that influence returns, the security of sums invested and the outlook for the markets. The Council has appointed Capita Asset Services as its external treasury management advisers. Part of the service provided by Capita is to advise the Council on economic matters and in formulating a view on interest rates as detailed below.

- 3.4.2. Inflation is an important factor that determines movements in interest rates in the UK. The Consumer Price Index (CPI), which is a key measure of inflation, hovered around the zero mark throughout the year 2015. It is forecast to increase to 1% in 2016 but not to get near the Government's target of 2% till 2017. The Bank of England's Monetary Policy Committee's (MPC) primary remit is to control inflation and this it achieves in the main by controlling interest rate movements. The MPC appears to show a consolidation of support for holding off on increasing the Bank Rate from 0.50% due to persistent low inflation. The MPC face the task of balancing the pros and cons of when to start on increasing Bank Rates, especially as many consumers are still heavily indebted and very vulnerable to increases in borrowing rates. The current Bank Rate of 0.50% has been in force since 5<sup>th</sup> March 2009 and is the lowest that it has been since the creation of the Bank of England. The UK's quantitative easing (asset purchase) target remains unchanged at £375bn.

Historical data together with forecasts on future UK inflation are detailed in **Chart 1** below.

**Chart 1: UK Inflation Forecasts (Year on Year) January 2014 to December 2017**



**Notes to Chart 1:**

- Retail Price Index (RPI) is a measure of inflation and represents the change in the prices of goods and services bought for the purpose of consumption in the UK.
- Underlying Rate of Inflation (RPIX) is the RPI excluding mortgage interest payments.
- Consumer Price Index (CPI) is a measure of the general level of price changes for consumer goods and services but excludes most owner/occupier housing costs such as council tax, dwelling insurance, rents, depreciation and the like. The Government has set a target for the twelve month increase in the CPI of 2% with a tolerance of  $\pm 1\%$  either way.

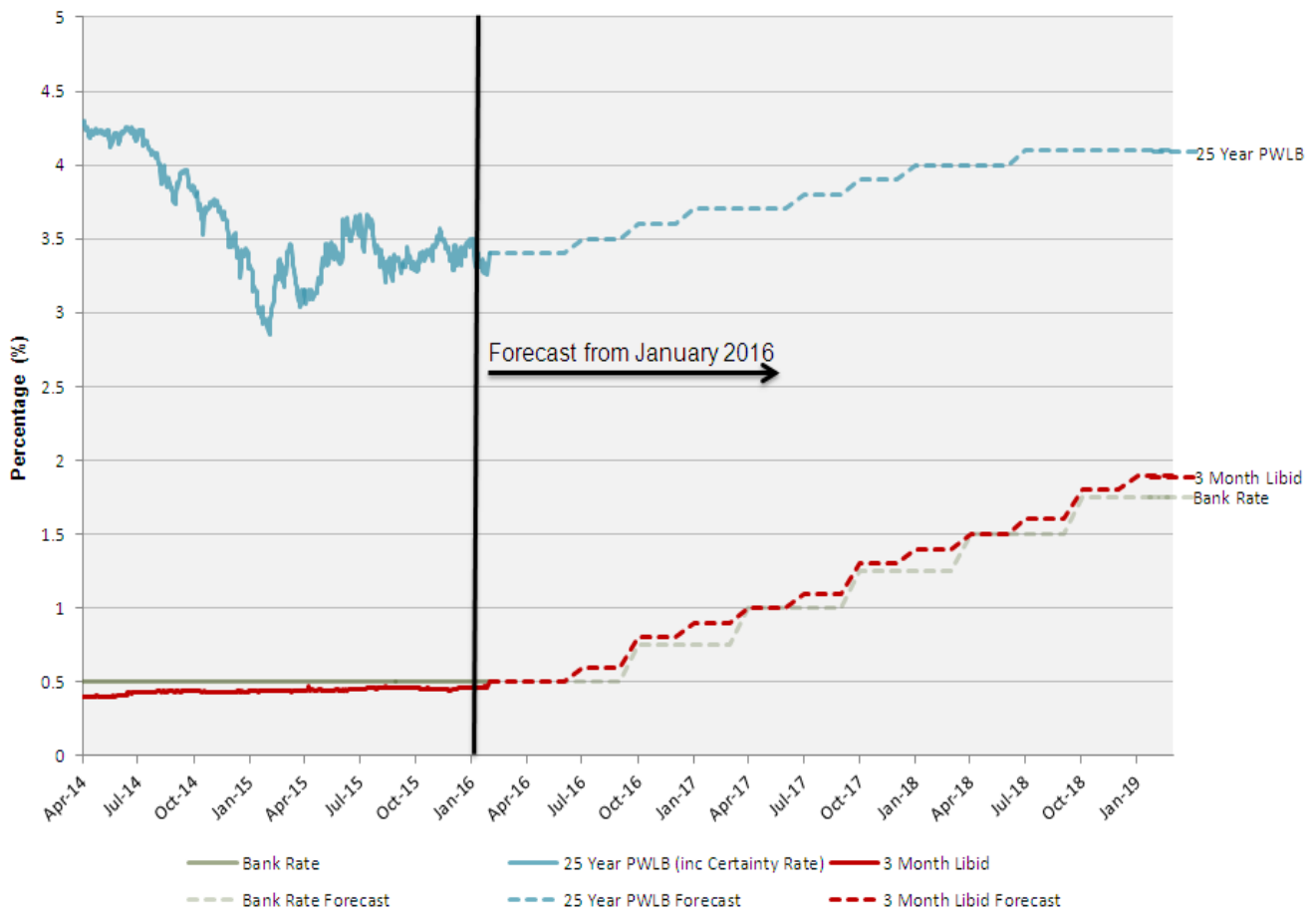
3.4.3. The market’s view on interest rates for the UK as assessed by Capita Asset Services, the Council’s independent treasury advisers is as follows:

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%
<b>5yr PWLB rate</b>	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
<b>10yr PWLB rate</b>	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%
<b>25yr PWLB rate</b>	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%	4.10%
<b>50yr PWLB rate</b>	3.20%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%	4.00%



- a. On **shorter-term interest rates**, the general opinion is that the current bank rate of 0.50% is expected to increase to 0.75% by December 2016 and to remain at this level for the rest of the financial year.
- b. On **longer-term interest rates**, the Public Works Loan Board (PWLB) rates for 25-year loans, currently at 3.29% are expected to increase to around 3.50% in the first half of 2016/17 and to be 3.70% at the end of 2016/17. The 50-year PWLB rate, which is currently at 3.11%, is expected to increase to 3.30% in the first half of 2016/17 and to be 3.50% by the end of the financial year. **Chart 2** below graphically illustrates Capita's view on interest rates.

**Chart 2: UK Interest Rates April 2014 to January 2019**



**Notes to Chart 2:**

- London Interbank Bid Rate (LIBID) is the average rate of interest at which a bank is willing to borrow from other banks in the wholesale money markets in London. The 3 Month LIBID rate reflects the interest rate that is bid by banks to borrow cash for 3 months
- Bank Rate is the official rate as set periodically by the Bank of England Monetary Policy Committee.
- Public Works Loan Board (PWLB) rate for 25 years is the interest rate at which local authorities can borrow from the PWLB over a term of 25 years

3.4.4. There remain huge uncertainties in economic forecasts for the 2016/17 financial year due to:

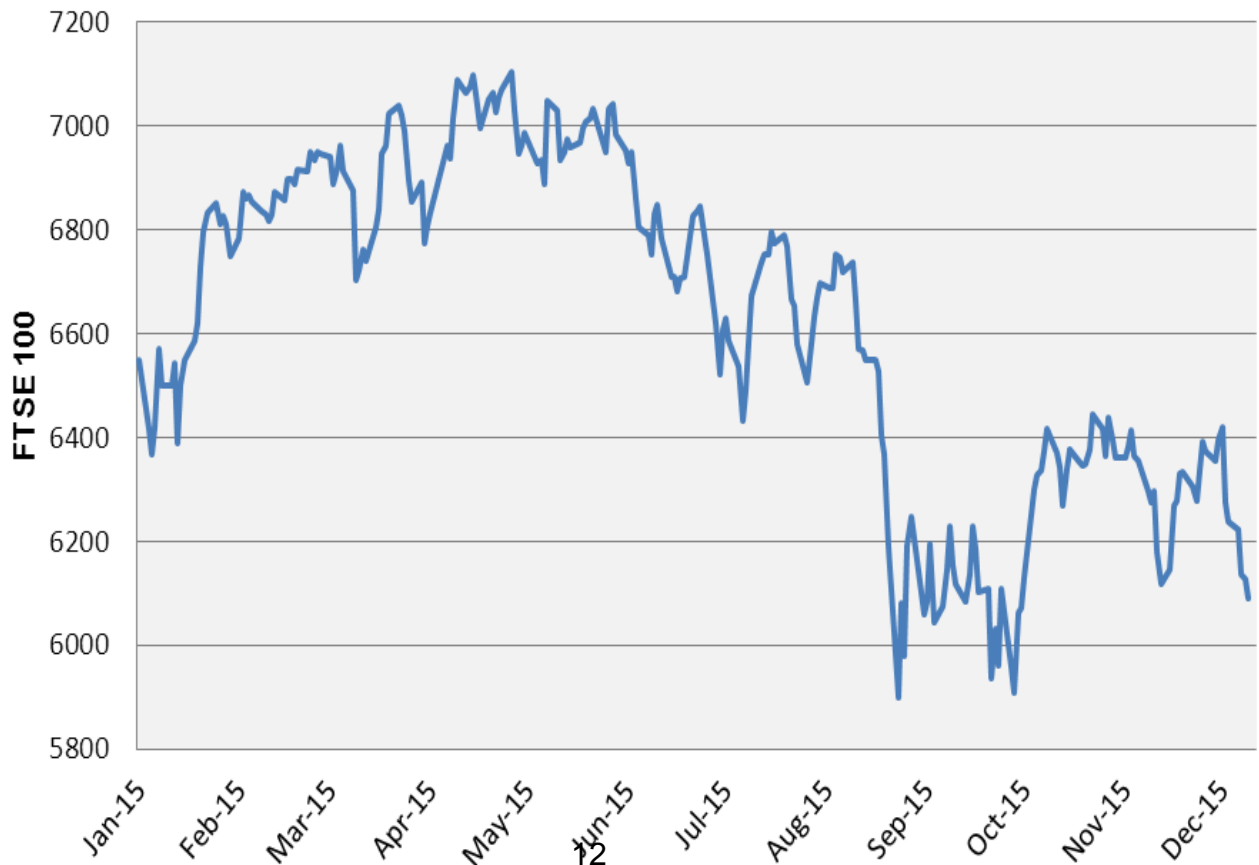
- The rise in geopolitical concerns principally in Eastern Europe, the Middle East and Asia.

- Uncertainty around the risk of a UK exit from the European Union following the referendum.
- The risk of deflation in the Eurozone and the potential for a significant increase in negative reaction to austerity measures in Eurozone countries, especially in those countries with high levels of unemployment.
- A resurgence of the Eurozone’s sovereign debt crisis.
- Weak growth or recession in the UK’s main trading partners – the EU, US and China.

3.4.5. At the start of 2015, the FTSE 100 opened over the 6,000 level and rose strongly in the first half of 2015, with market activity appearing strong and consumer confidence in stocks high. The index peaked at 7,103 on 27 April 2015 as markets reacted to a rise in banking and mining shares along with positive developments in Greece on that particular day. The FTSE 100 rallied on UK’s General Election result of May 2015 which saw the Conservatives securing an overall majority. However, the index had a major setback in July and August as volatility in the Chinese stock market emerged. The crash of the Chinese stock market on 24 August 2015 triggered a £74bn sell off in the FTSE 100, as markets experienced the biggest fall in China’s stock market in eight years. Towards the end of 2015, the strength of the pound combined with falling oil prices in the UK saw a further sell off in the FTSE 100 with oil and commodity companies suffering most as the price of Brent crude dipped below \$40 a barrel. The index hit a low of 5,874 on 14 December 2015 which was the lowest level it has reached since December 2012. The US Federal Reserve Bank’s decision of 16 December 2015 to raise their interest rate for the first time in nine years saw all the world’s major indices, including the FTSE 100, reacting positively. The FTSE 100 closed at 6,242 at the end of December 2015.

**Chart 3** below tracks the FTSE 100 on a monthly basis over the course of 2015.

**Chart 3: FTSE100 January 2015 to December 2015**



### 3.5. Annual Investment Strategy

- 3.5.1. When deciding on its investment strategy, the Council will have regard to the Department for Communities and Local Government's (the DCLG) Guidance on Local Government Investments issued in March 2004 and CIPFA's updated Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes 2011 in formulating the Council's investment strategy for 2016/17. This will broadly follow the same lines adopted for 2015/16 as detailed in the paragraphs below and in **Appendix B**.
- 3.5.2. All investments will be in sterling. The overriding policy objective for the Council is the prudent investment of its treasury balances. The Council's investment priorities are:
- a. The security of capital; and
  - b. The liquidity of its investments.
- 3.5.3. The Council will aim to achieve the optimum return on its investments commensurate with the proper level of security and liquidity.
- 3.5.4. The Council will not engage in the borrowing of monies purely to invest or to lend in order to make a return as this is unlawful.
- 3.5.5. The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B**.
- a. **Specified Investments** - All investments shall consist of investments under one year as follows:
    - Debt Management Agency Deposits Facility (DMADF).
    - Term deposits with UK Government or with UK local authorities.
    - Term deposits with credit - rated deposit takers (banks and building societies).
    - Certificate of Deposits.
    - AAA rated Money Market Funds.
    - Bonds issued by multinational development banks.
    - Enhanced AAA rated Money Market Funds.
    - UK Government Gilts.
    - UK Government Treasury Bills.
  - b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:
    - Term deposits with credit - rated deposit takers (banks and building societies).
    - Term deposits with UK local authorities.
    - Certificate of Deposits (CD).
    - Callable deposits with credit rated deposit takers (banks and building societies).
    - Forward deposits with credit rated banks and building societies.
    - Bonds issued by multinational development banks.
    - Enhanced AAA rated Money Market Funds.
    - UK Government Gilts.
    - Property Funds.
    - Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.

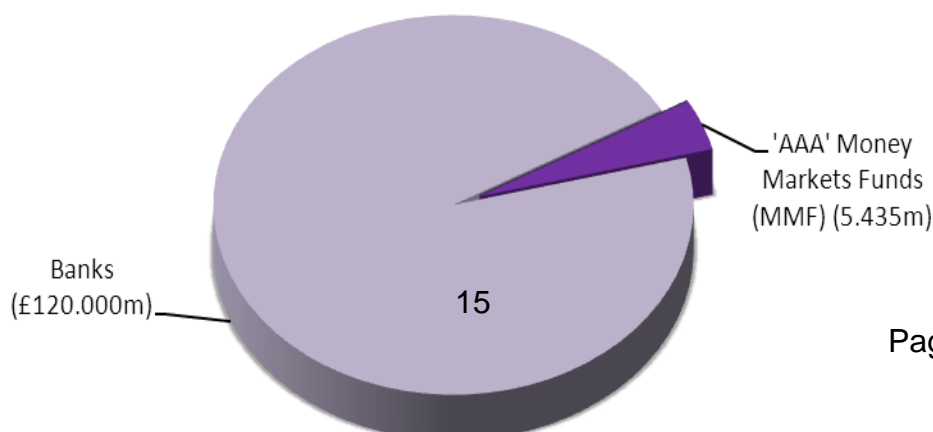
- Investment grade Corporate Bonds issued by Corporate Institutions.
- AAA rated Covered Bonds.
- Investment in the equity of any company wholly owned by Croydon Council.

- 3.5.6. Investment Income Gross - Based on cash flow forecasts for 2016/17, the Council anticipates its average cash balances for the year to be £180.0m, which includes the £210.1m of new borrowing to be undertaken in 2016/17. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.971m for 2016/17.
- 3.5.7. All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.
- 3.5.8. The Assistant Chief Executive (Corporate Resources & Section 151 Officer) will be responsible for managing all investments within the limits as set out in **Appendix F** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2011 Edition.
- 3.5.9. Capita Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2015. This is attached at **Appendix F** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Capita Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to invest with any counterparty. These include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Capita Asset Services summarise these different views in forming an overall picture of the credit-worthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.
- 3.5.10. The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counterparties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in

**Appendix B.** In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.

- 3.5.11. Of the two part-nationalised UK banks, the UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 72.9% makes it the majority shareholder in that bank. As such, whilst the government announced plans to sell off its stake in that bank, the size of the current equity stake makes it unlikely that the sale process will materially dilute the government's holding in RBS in the near future. The RBS Group will therefore be retained as an approved investment counterparty till such time as the situation changes. Further, as the Council banks with the National Westminster Bank PLC which is part of the RBS PLC Group, the investment limit for this counterparty will remain at £25m. The UK government's stake in the other part-nationalised bank, Lloyds Banking Group PLC, currently stands below 11% with plans to sell this stake within the coming months to bring the bank back into private ownership. For investment purposes, the Council's treasury advisers have recommended that Lloyds Banking Group should now be evaluated on a stand-alone basis and should only be included onto an approved counterparty list if the bank meets the minimum rating criteria set. At present, the bank's ratings exclude it from the Council's approved lending list but like other entities this can change over time.
- 3.5.12. With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.
- 3.5.13. In 2014/15, the Council had invested £20m in the Real Lettings Property Fund Limited Partnership. The property fund, which has a 7-year life, offers investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum based on the letting of the properties on 5-year lease terms. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. An additional £10m was advanced to the Fund on 9 September 2015. Returns generated by the investment will serve to boost the Council's overall income in the future.
- 3.5.14. In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moody's and Standard & Poor's.
- 3.5.15. In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government. The Council's investments outstanding as at 31st December 2015 are detailed graphically as follows:

**Temporary Investments as at 31st December 2015 (£125.435m)**



3.5.16. As at 31<sup>st</sup> December 2015, short-term investment interest rates (1-3 months) were between 0.40% and 0.60% with longer term rates (up to 1 year) between 0.54% and 1.0%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in the AAA rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Capita Asset Services' recommended maximum investment durations for the counterparty concerned.

### 3.6. Treasury Limits

3.6.1. Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2016/17 to 2018/19 and are termed:

1. The '**Operational Boundary for External Debt**'. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
2. The '**Affordable Borrowing Limit**'. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Assistant Chief Executive (Corporate Resources and Section 151 Officer).

3.6.2. The Assistant Chief Executive (Corporate Resources and Section 151 Officer) will be responsible for setting the Council's Affordable Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.

3.6.3. The Council's affordable borrowing limit has been estimated to be **£1,132.6m** for **2016/17**, **£1,216.0m** in **2017/18** and **£1,267.1m** in **2018/19** as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £40m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

### 3.7. Debt Repayment and Rescheduling

3.7.1. The Public Works Loan Board will allow authorities to reschedule debt and award a discount or charge a premium as appropriate.

- 3.7.2. The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before. In particular, consideration will be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified if replacement PWLB refinancing is taken.
- 3.7.3. Financially, the optimum time to repay debt is when discounts on early repayment have reached a maximum or premiums a minimum and this will depend on the prevailing long-term interest rates. Officers will monitor interest rates throughout the year to identify rescheduling opportunities.
- 3.7.4. This report proposes that the Assistant Chief Executive (Corporate Resources and Section 151 Officer) be given delegated authority to undertake necessary debt rescheduling following advice from the Council's independent treasury advisers and after taking into account the organisational considerations with regard to the HRA as set out in the Council's Finance Strategy 2015-2019.

### 3.8. Prudential Indicators

- 3.8.1. The Prudential Indicators for 2015/16 to 2018/19 are attached in **Appendix D** in accordance with the Prudential Code for Capital Finance in Local Authorities 2011 Edition.
- 3.8.2. The Assistant Chief Executive (Corporate Resources and Section 151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.
- 3.8.3. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The updated 2011 Code was adopted on 26 February 2013 by Full Council (Minute A31/13).
- 3.8.4. The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.
- 3.8.5. The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:
1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. Hence for 2016/17, £176.185m of GF and HRA capital investment is planned, £88.867m of which is to be financed from borrowing. Further borrowing of £100.0m for RIF and £15.0m for the Growth Zone will be undertaken in 2016/17 resulting in a total level of debt of £1,092.666m that supports past investment in the infrastructure of the Borough (**see Appendix D**).
  2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £14.00 per Band D council taxpayer in 2016/17. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.
  3. The external debt indicators illustrate the calculation of the affordable borrowing limit.

4. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year, for reasons of limiting exposure to risk and guaranteeing adequate liquidity. The final indicator sets a profile for the maturing of new debt.

These main indicators are featured below as follows:

**Chart 4: Prudential Indicators for 2015/16 to 2018/19**



### 3.9. Minimum Revenue Provision

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

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

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

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



3.9.3. Along with the above duty, the Government issued guidance in February 2008 which requires that a statement on the Council's policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate. The Guidance offers four options under which MRP could be made although it makes clear that these options are by no means prescriptive. The options are:

**Option 1: Regulatory Method.**

MRP was set at a uniform rate of 4% on the General Fund's (GF) Capital Financing Requirement's (CFR) historic debt (incurred up to 31 March 2008) and for Government supported capital expenditure incurred since, adjusted for Adjustment 'A' – see Glossary of Terms at **Appendix H**.

**Option 2: Capital Financing Requirement Method.**

This is a variation on Option 1 and is based on 4% of the aggregate GF's CFR without any adjustment for 'Adjustment A'.

**Option 3: Asset Life Method.**

Under this option, for unsupported borrowing, MRP is spread over the estimated useful life of the asset created with two methods of calculating charges being available namely through the equal instalments method or on an annuity basis.

**Option 4: Depreciation Method.**

Under this option, MRP charges are linked to the useful life of each type of asset using the standard accounting rules for depreciation.

3.9.4 Given that the Guidance states that the four MRP options (as listed above in 3.9.3) are by no means prescriptive provided that an authority complies with the statutory duty to make prudent provision for the repayment of debt, there is freedom for authorities to consider an annual profiling of MRP that best fits the prudent management of their own financial circumstances.

3.9.5 The Assistant Chief Executive (Corporate Resources and Section 151 Office) is responsible for ensuring that accounting policies and the MRP policy complies with the statutory Guidance in determining a prudent level of MRP.

3.9.6 As part of the mid-year review of the 2015/16 Minimum Revenue Provision Statement, the Council's General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Council's MRP Policy Statement for 2016/17 also adopts these revisions and is attached at **Appendix E**.

### 3.10 **Conclusion**

3.10.1 The Council's treasury advisers forecast that the bank rate, currently at 0.50%, will increase to 0.75% in December 2016 and to remain at this level for the rest of the financial year. The longer term (25 years) PWLB interest rates, which currently are 3.29%, are expected to increase to around 3.50% in the first half of 2016 and to be 3.70% at the end of 2016/17.

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

3.10.3 As indicated above, UK growth remains strong although continuing debt worries in the

Eurozone, who are the UK's biggest trading partner, may serve to dampen future economic growth. Another factor which could affect financial markets and the confidence of UK producers may be the result of the forthcoming UK referendum on whether to stay in the European Union, the outcome of which appears difficult to predict. Inflation, the Eurozone debt issues and the UK Government's plans to maintain the economic recovery momentum will continue to have a significant impact on the future direction of the Council's policies and finances. The Assistant Chief Executive (Corporate Resources and Section 151 Officer) will continue to monitor interest rates with the aim of taking advantage of any opportunities to borrow and invest after taking advice from the Council's independent treasury advisers in order to achieve the Council's long term Financial Strategy.

3.10.4 A glossary of terms associated with this report is attached in **Appendix H**.

## **4 CONSULTATION**

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

## **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

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

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

### **5.2 The effect of the decision**

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

### **5.3 Risks**

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

### **5.4 Options**

These are fully dealt with in this report.

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

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

Approved by: Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 Officer).

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

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

Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer.

## 7 HUMAN RESOURCES IMPACT

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

Approved by: Michael Pichamuthu, HRBP, on behalf of Heather Daley, Director of HR.

## 8 EQUALITIES IMPACT

- 8.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.
- 8.2 The Council's Capital and Revenue Budget 2016/17 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

## 9 ENVIRONMENTAL IMPACT

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

## 10 CRIME AND DISORDER REDUCTION IMPACT

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

## 11 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

## 12 OPTIONS CONSIDERED AND REJECTED

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

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**CONTACT OFFICER:** Derick Fernandes, Treasury Manager Ext 62526

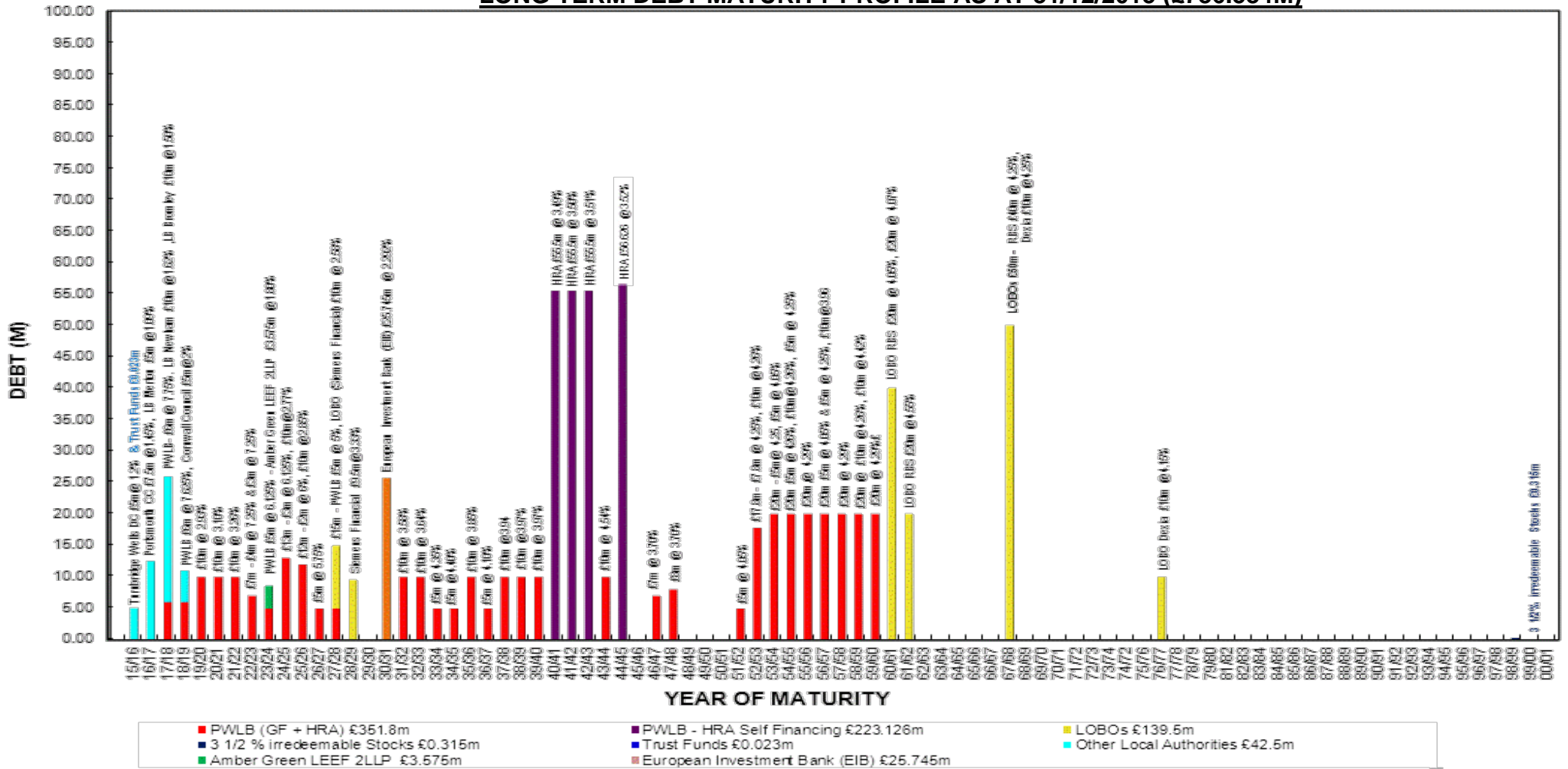
### **BACKGROUND DOCUMENTS:**

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

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

DCLG's Guidance on Local Government Investments March 2004.

**LONDON BOROUGH OF CROYDON**  
**LONG TERM DEBT MATURITY PROFILE AS AT 31/12/2015 (£786.584M)**



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

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

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

traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

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

## **APPENDIX B**

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



## APPENDIX C

AFFORDABLE BORROWING LIMITS 2016/17 TO 2018/19

	£m	£m	Limit £m
<b><u>2016/17</u></b>			
Estimated borrowing as at 31 <sup>st</sup> March 2016 (see Note 1 below)		895.0	
Allowance for temporary revenue borrowing (see Note 2 below)		40.0	
Revolving Investment Fund (RIF) borrowing		100.0	
Growth Zone borrowing		15.0	
Additional Borrowing 2016/17			
Maturities 2016/17	82.6		
Maturities refinance 2016/17	(12.5)		
	12.5		
Additional borrowing	<u>82.6</u>	82.6	
Affordable borrowing limit 2016/17		<u>1,132.6</u>	1,132.6
<b><u>2017/18</u></b>			
Additional Borrowing 2017/18	53.4		
Maturities 2017/18	(26.0)		
Maturities refinance 2017/18	<u>26.0</u>		
Additional borrowing	<u>53.4</u>	53.4	
Growth Zone borrowing		30.0	
Affordable borrowing limit 2017/18		<u>1,216.0</u>	1,216.0
<b><u>2018/19</u></b>			
Additional Borrowing 2018/19	1.1		
Maturities 2018/19	(11.0)		
Maturities refinance 2018/19	<u>11.0</u>		
Additional borrowing	<u>1.1</u>	1.1	
Growth Zone borrowing		50.0	
Affordable borrowing limit 2018/19		<u>1,267.1</u>	1,267.1

**Note**

- 1. The external debt outstanding as at 31/3/2016 includes the £223.126m that was borrowed from the PWLB for the HRA Self Financing settlement on 28/3/12 and the balance of 2015/16's borrowing requirement which was outstanding as at 31/12/15 (see 3.1).**
- 2. This is the upper limit which assumes a worst case scenario for example in the event of the unexpected late receipt of major income such as Council Tax, NNDR, Housing Benefit subsidy or other government grants. The £40m represents the maximum in short term borrowing that is affordable and which could be undertaken to ease cash flow difficulties in such instances.**

## PRUDENTIAL INDICATORS FOR 2015/16 – 2018/19

PRUDENTIAL INDICATORS	2015/16 Probable Outturn £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m
<b>1. Prudential Indicators for Capital Expenditure</b>				
1.1. Capital Expenditure (includes £10m advanced to Real Property Lettings Fund – see 3.5.13)				
- General Fund estimate as at 31/12/15	111.388	142.564	72.584	26.610
- HRA as at 31/12/15	37.552	33.621	33.621	33.621
<b>Total as at 31/12/15</b>	<b>148.940</b>	<b>176.185</b>	<b>106.205</b>	<b>60.231</b>
1.2. In year Capital Financing Requirement (see Table 3)				
- General Fund - gross of MRP costs (includes £10m advanced to Real Property Lettings Fund)	51.431	82.676	60.723	9.374
- HRA	5.217	6.191	0.000	0.000
<b>Total in year Capital Financing Requirement</b>	<b>56.648</b>	<b>88.867</b>	<b>60.723</b>	<b>9.374</b>
1.3. Capital Financing Requirement as at 31 <sup>st</sup> March – <b>balance sheet figures</b>				
- General Fund (net of MRP costs)	570.000	650.000	710.000	710.000
- HRA- <sup>1</sup> limit of HRA debt imposed by CLG	333.905 <sup>1</sup>	333.905 <sup>1</sup>	333.905 <sup>1</sup>	333.905 <sup>1</sup>
<b>Total</b>	<b>903.905</b>	<b>983.905</b>	<b>1,043.905</b>	<b>1,043.905</b>
<b>2. Prudential Indicators for Affordability</b>				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	10.0%	13.0%	14.00%	14.0%
- HRA	16.00% <sup>2</sup>	16.00% <sup>2</sup>	16.00% <sup>2</sup>	16.00% <sup>2</sup>
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£4.00	£14.00	£11.00	£3.00
- Cumulative increase (includes MRP costs).		£33.00	£64.00	£82.00
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
<sup>2</sup> The HRA's additional £223.1m debt costs are reflected in these ratios.				
<b>3. Prudential Indicators for Long External Debt</b>				
3.1. Debt brought forward 1 <sup>st</sup> April	760.839	895.071	1092.666	1,176.036
Debt carried forward 31 <sup>st</sup> March (includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	895.071	1092.666	1,176.036	1,227.173
<b>Additional Borrowing</b>	<b>134.232</b>	<b>197.595</b>	<b>83.370</b>	<b>51.137</b>

**APPENDIX D**

PRUDENTIAL INDICATORS	2015/16 Probable Outturn £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m
3.2. Operational boundary for external debt (excludes revenue borrowing) Borrowing	895.071	1,092.666	1,176.036	1,227.173
Other long term liabilities	0	0	0	0
3.3. Total operational debt (excludes revenue borrowing)	895.071	1,092.666	1,176.036	1,227.173
Add margin for cashflow contingency	40.000	40.000	40.000	40.000
Affordable Borrowing Limit (includes revenue borrowing)	935.071	1,132.666	1,216.036	1,267.173
Authorised limit for external debt (includes revenue borrowing) Borrowing	935.071	1,132.666	1,216.036	1,267.173
Other long term liabilities	0	0	0	0
<b>Authorised Borrowing Limit</b>	<b>935.071</b>	<b>1,132.666</b>	<b>1,216.036</b>	<b>1,267.173</b>
<b>4. Prudential Indicators for Treasury Management</b>				
4.1. Borrowing limits - upper limit for fixed interest rate exposure expressed as:- Net principal re fixed rate borrowing / investments	935.071	1,132.666	1,216.036	1,267.173
4.2. Borrowing limits - upper limit for variable rate exposure expressed as :- Net principal re variable rate borrowing / investments	20%	20%	20%	20%
4.3. Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	30%	30%	30%
4.4. Maturity structure of new fixed rate borrowing, if taken, during 2016/17		Lower limit		Upper limit
- Under 12 months		0		20%
- 12 months to 24 months		0		20%
- 24 months to 5 years		0		30%
- 5 years to 10 years		0		30%
- 10 years and above		0		100%

**MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2016/17**

The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/09, and will continue to assess their MRP for 2016/17 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.

The Council's MRP Policy Statement for 2016/17 is to be as follows:

1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adapt **Option 1 - the Regulatory Method** by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.
2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31<sup>st</sup> March 2016, the MRP policy will be to adopt **Option 3 – Asset Life Method – Annuity method from the Guidance**. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.
3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.
5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.
6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).
7. The Council's cash investment in the Real Lettings Property Fund LP under a 7 year life arrangement is due to be returned in full at maturity with interest paid annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in

## **APPENDIX E**

full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

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

**LONDON BOROUGH OF CROYDON**  
**Authorised Lending List as at 31/12/15 (Ratings as per FITCH)**

**LIST A**

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

**LIST B**

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

**LENDING LIST CRITERIA****LIST A****LIMITS TO INDIVIDUAL ORGANISATIONS**

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

**CREDIT RATINGS**

FITCH Rating in each of the following categories:

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

**APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

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

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

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

**LIST B****LIMITS TO INDIVIDUAL ORGANISATIONS**

Maximum Investment Limit - £10m

**CREDIT RATINGS**

FITCH Rating in each of the following categories:

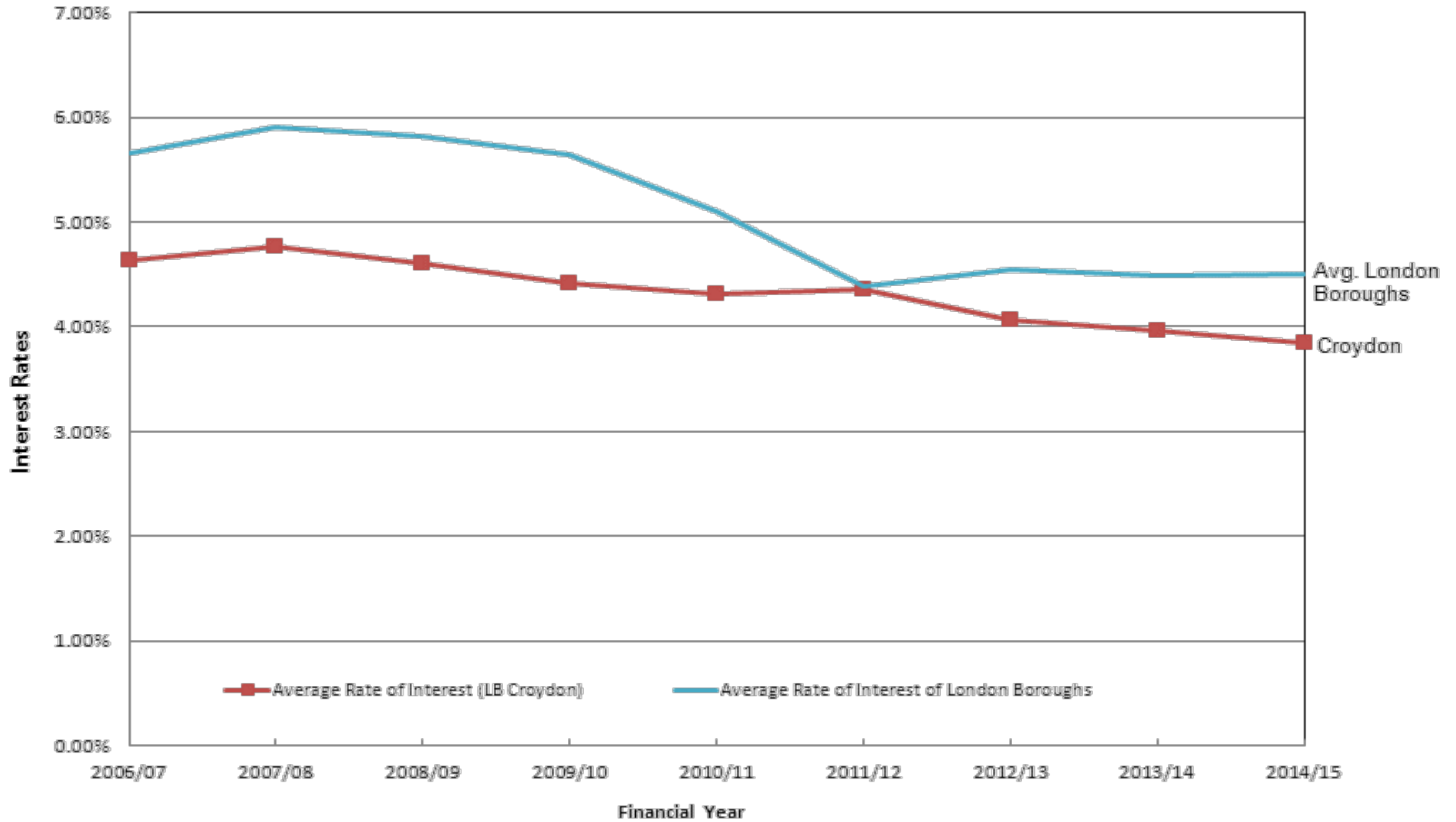
- F1+ on Short Term Rating
- AA- or above on Long Term Rating
- a+ or above Viability Rating
- 5 or above for Support Rating
- AA+ or above Sovereign Rating

**APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

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



**Average Rate of Interest on External Debt**  
**Comparison between LB Croydon and London Boroughs' Average**



**GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2016/17**

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes <ul style="list-style-type: none"> <li>- Supported</li>   <li>- Unsupported</li> </ul>	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants.  Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

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

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